NORTH AMERICAN PALLADIUM LTD
Form F-10/A
June 23, 2006

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 23, 2006
REGISTRATION NO. 333-134764

==

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

Amendment No. 1 to

FORM F-10

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

NORTH AMERICAN PALLADIUM LTD.
(Exact name of Registrant as specified in its charter)

CANADA	1099	NOT APPLICABLE
(Province or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

130 ADELAIDE STREET WEST, SUITE 2116
TORONTO, ONTARIO, CANADA M5H 3P5
(416) 360-7590
(Address and telephone number of Registrant's principal executive offices)

CT CORPORATION SYSTEM
111 8TH AVENUE, 13TH FLOOR
NEW YORK, NEW YORK 10011
(212) 894-8940
(Name, address and telephone number of agent for service in the United States)

Copies to:

MARY D. BATOFF, ESQ.
NORTH AMERICAN PALLADIUM LTD.
130 ADELAIDE STREET WEST, SUITE 2116
TORONTO, ONTARIO, CANADA M5H 3P5
(416) 360-7590

RICCARDO A. LEOFANTI, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
222 BAY STREET, SUITE 1750, P.O. BOX 258
TORONTO, ONTARIO, CANADA M5K 1J5
(416) 777-4700

LESLIE
GOWLING LAFL
1 FIRST CANADIA
100 KING
TORONTO, ONTAR
(416)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC:
From time to time after the effective date of this Registration Statement.

PROVINCE OF ONTARIO, CANADA
(Principal jurisdiction regulating this offering)

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

A. [ ] Upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).

B. [X] At some future date (check the appropriate box below):

1. [ ] pursuant to Rule 467(b) on (___) at (___).

2. [ ] pursuant to Rule 467(b) on ( ) at ( ) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ( ).

3. [X] pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.

4. [ ] after the filing of the next amendment to this Form.

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE AS PROVIDED IN RULE 467 UNDER THE SECURITIES ACT OF 1933 OR ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A) OF THE ACT, MAY DETERMINE.

==

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

SHORT FORM BASE SHELF PROSPECTUS DATED JUNE 21, 2006

[LOGO] NORTH AMERICAN PALLADIUM LTD.

43,772 COMMON SHARES

On March 29, 2006, North American Palladium Ltd. (the "Corporation") issued US$35,000,000 aggregate principal amount of Series I convertible notes due August 1, 2008 (the "Notes") to Kaiser-Francis Oil Company ("KFOC") and IP Synergy Finance Inc. ("IPSF" and, collectively with KFOC, the "Holders") on a private placement basis. KFOC currently owns or controls approximately 50% of the Corporation's outstanding common shares (the "Common Shares").

The Notes bear interest at a rate of 6.5% per annum, payable bi-monthly commencing on June 1, 2006. At the option of the Holders, all or any portion of the interest that may become due at any date under the terms of the Notes (an "Interest Payment Date") may be satisfied through the issuance of Common Shares at a price per Common Share which reflects a 10% discount from the volume weighted average trading price per Common Share on the American Stock Exchange ("AMEX") for the five consecutive trading days immediately prior to the applicable Interest Payment Date (as such number of Common Shares may be adjusted pursuant to the terms of the Notes.) (See "Recent Developments - March 2006 Convertible Note and Common Share Purchase Warrant Financing").

This short form prospectus (the "Prospectus") may be used by the Holders, as selling securityholders (see "Selling Securityholders"), in connection with resales, from time to time, during the period that this Prospectus, including any amendments thereto, remains valid, of 43,772 Common Shares issued to the Holders in satisfaction of US$359,014 aggregate amount of accrued and unpaid interest due on the Notes as of June 1, 2006. The balance of the interest payable, US$39,890, will be remitted to the Canada Revenue Agency for income tax.

The foregoing Common Shares are referred to in this Prospectus as the "Interest Shares".

This Prospectus has not been filed in respect of, and will not qualify, any distribution of Interest Shares in Ontario or in any other Province or Territory of Canada at any time.

The Interest Shares may be offered by the Holders in negotiated transactions or otherwise, to or though underwriters or dealers purchasing as principals or directly to purchasers at varying prices determined at the time of the sale or at negotiated prices. In addition, the Interest Shares may be offered from time to time through ordinary brokerage transactions on the AMEX. See "Plan of Distribution". This Prospectus is filed in the Province of Ontario, Canada and as part of a registration statement in the United States pursuant to a multijurisdictional disclosure system adopted by the United States and Canada. The Holders may be deemed to be "underwriters" as defined in the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Any profits realized by the Holders may be deemed to be underwriting compensation. If the Holders use any broker-dealers, any commissions paid to underwriters or dealers and, if underwriters or dealers purchase any Interest Shares as principals, any profits received by such underwriters or dealers on the resale of the Interest Shares may be deemed to be underwriting compensation under the U.S. Securities Act.

The Corporation will not receive any proceeds from the sale of any Interest Shares by the Holders.

The Common Shares are listed under the symbol "PAL" on the AMEX and on the Toronto Stock Exchange ("TSX") under the symbol "PDL". The last reported sale price of the Common Shares on the AMEX on June 20, 2006 was US$7.60 per share, and on the TSX on June 20, 2006 was Cdn$8.40 per share.

INVESTING IN THE INTEREST SHARES INVOLVES RISK. PLEASE CAREFULLY CONSIDER THE "RISK FACTORS" SECTION BEGINNING ON PAGE 10 OF THIS PROSPECTUS.

(cover page continued on next page)

UNDER THE MULTIJURISDICTIONAL DISCLOSURE SYSTEM ADOPTED BY THE UNITED STATES AND CANADA, THE CORPORATION IS PERMITTED TO PREPARE THIS PROSPECTUS IN ACCORDANCE WITH CANADIAN DISCLOSURE REQUIREMENTS. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT SUCH DISCLOSURE REQUIREMENTS ARE DIFFERENT FROM THOSE OF THE UNITED STATES. CERTAIN 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.

OWNING INTEREST SHARES MAY SUBJECT YOU TO TAX CONSEQUENCES BOTH IN THE UNITED STATES AND CANADA. THIS PROSPECTUS MAY NOT DESCRIBE THESE TAX CONSEQUENCES FULLY. YOU SHOULD READ THE TAX DISCUSSION UNDER "UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS" AND "CANADIAN FEDERAL INCOME TAX CONSIDERATIONS". THESE DISCUSSIONS ARE OF A GENERAL NATURE ONLY AND ARE NOT INTENDED TO BE EXHAUSTIVE OF ALL POSSIBLE TAX CONSEQUENCES.

THE ENFORCEMENT BY INVESTORS OF CIVIL LIABILITIES UNDER UNITED STATES FEDERAL SECURITIES LAWS MAY BE ADVERSELY AFFECTED BY THE FACT THAT THE CORPORATION IS ORGANIZED UNDER THE LAWS OF CANADA, THAT MOST OF ITS OFFICERS AND DIRECTORS AND MOST OF THE EXPERTS NAMED IN THIS PROSPECTUS ARE RESIDENTS OF CANADA, AND THAT A SUBSTANTIAL PORTION OF THE CORPORATION'S ASSETS AND THE ASSETS OF A MAJORITY OF THE CORPORATION'S DIRECTORS AND OFFICERS AND THE EXPERTS NAMED IN THIS PROSPECTUS 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 NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE INTEREST SHARES, OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

You should rely only upon the information included in, or incorporated by reference into, this Prospectus. The Corporation and the Holders have not authorized any other person to provide you with different or inconsistent information, and you should not rely upon any such information. You should assume that the information appearing in this Prospectus is accurate as of the date on the front cover of this Prospectus. The Corporation's business,

financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Prospectus nor the registration of the Interest Shares hereunder shall, under any circumstances, create any implication that there has been no change in the Corporation's business or affairs since the respective dates as of which information is given herein.

This Prospectus summarizes certain documents and other information and you are referred to this documentation and other information for a more complete understanding of what is discussed in this Prospectus. In making an investment decision, you must rely on your own examination of the Corporation and the terms of the Interest Shares, including the merits and risks involved.

The Corporation and the Holders are not making any representation to any person acquiring the Interest Shares regarding the legality of an investment in the Interest Shares by such purchaser under any laws or regulations. You should not consider any information in this Prospectus to be legal, business or tax advice. You should consult your own attorney, accountant, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Interest Shares.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Interest Shares under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and the Corporation and the Holders will not have any responsibility therefor.

-1-

TABLE OF CONTENTS

	PAGE
DOCUMENTS INCORPORATED BY REFERENCE	3
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	4
THE CORPORATION	5
RECENT DEVELOPMENTS	6
RISK FACTORS	10
EXCHANGE RATE INFORMATION	17
SUMMARY CONSOLIDATED FINANCIAL DATA	17
USE OF PROCEEDS	18
CONSOLIDATED CAPITALIZATION	19
PRICE RANGE AND TRADING VOLUME	19
DIVIDEND POLICY	19
DESCRIPTION OF COMMON SHARES	19
SELLING SECURITYHOLDERS	20
PLAN OF DISTRIBUTION	21
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	22
UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	23
AUDITORS	26
TRANSFER AGENT	26
LEGAL MATTERS	26
AVAILABLE INFORMATION	26
DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT	27

Unless otherwise indicated, all references in this Prospectus to the

"Corporation" refer to North American Palladium Ltd., together with its wholly-owned subsidiary, Lac des Iles Mines Ltd.

Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus has been prepared in accordance with Canadian GAAP, which may differ from generally accepted accounting principles in the United States ("U.S. GAAP"). Please see the notes to the Corporation's audited consolidated financial statements for a summary of the significant differences between Canadian GAAP and U.S. GAAP.

In this Prospectus, unless otherwise specified or the context otherwise requires, all monetary amounts are expressed in Canadian dollars. References to "$" or "Cdn$" are to Canadian dollars and references to "US$" are to U.S. dollars.

Unless otherwise indicated, the mineral reserves ("reserves") and mineral resources ("resources") estimates contained or incorporated by reference in this Prospectus were prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"), including the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council on August 20, 2000, by employees and consultants of the Corporation who are "qualified persons" as such term is defined in NI 43-101. Descriptions of reserves and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to reporting and disclosure requirements of the United States Securities and Exchange Commission (the "SEC").

-2-

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 in the United States. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation 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, which is the Canadian equivalent of the SEC's Electronic Document Gathering and Retrieval System (EDGAR). Disclosure documents filed with, or furnished to, the SEC are available through EDGAR at www.sec.gov.

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

(a) unaudited comparative financial statements of the Corporation and the notes thereto for the three months ended March 31, 2006;

(b) management's discussion and analysis for the interim financial statements referred to in paragraph (a) above;

(c) audited comparative financial statements of the Corporation and the notes thereto for the financial year ended December 31, 2005, together with the report of the auditors thereon, which have been reconciled to U.S. GAAP in accordance with Item 18 of Form 20-F;

(d) management's discussion and analysis for the annual comparative financial statements referred to in paragraph (c) above;

(e) annual information form of the Corporation dated March 29, 2006 for the fiscal year ended December 31, 2005 (the "AIF");

(f) management information circular of the Corporation dated May 10, 2006, prepared in connection with the Corporation's annual and special meeting of shareholders to be held on June 21, 2006;

(g) material change report dated January 6, 2006 regarding the unscheduled temporary shutdown of the Corporation's primary crusher at the Lac des Iles mine;

(h) material change report dated March 28, 2006 regarding the issuance of the Notes and Warrants;

(i) material change report dated April 24, 2006 regarding the Corporation's first quarter operating performance; and

(j) material change report dated June 20, 2006 regarding the exercise by the Corporation of its right to require KFOC to purchase US$13.5 million of convertible notes and related common share purchase warrants.

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements of the Corporation (including the management's discussion and analysis in the interim reports for such periods), annual audited consolidated financial statements of the Corporation, including the auditors' report thereon and including the management's discussion and analysis in respect of such annual financial statements, business acquisition reports, information circulars, and any other disclosure documents required to be incorporated by reference under National Instrument 44-101 - Short Form Prospectus Distributions which are required to be filed by the Corporation 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 Corporation with, or furnished by the Corporation to, the SEC pursuant to the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") after the date of this Prospectus shall be deemed to be incorporated by reference in this Prospectus, if and to the extent provided in such document.

ANY STATEMENT CONTAINED IN THIS PROSPECTUS OR IN A DOCUMENT INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE IN THIS PROSPECTUS SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED FOR THE PURPOSES OF THIS PROSPECTUS

TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS PROSPECTUS OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT WHICH ALSO IS OR IS DEEMED TO BE INCORPORATED BY REFERENCE IN THIS PROSPECTUS MODIFIES OR SUPERSEDES THAT STATEMENT. THE MODIFYING OR SUPERSEDING STATEMENT NEED NOT STATE THAT IT HAS MODIFIED OR SUPERSEDED A PRIOR STATEMENT OR INCLUDE ANY OTHER INFORMATION SET FORTH IN THE DOCUMENT THAT IT MODIFIES OR SUPERSEDES. THE MAKING OF A MODIFYING OR

SUPERSEDING STATEMENT IS NOT AN ADMISSION FOR ANY PURPOSES THAT THE MODIFIED OR SUPERSEDED STATEMENT, WHEN MADE, CONSTITUTED A MISREPRESENTATION, AN UNTRUE STATEMENT OF MATERIAL FACT OR AN OMISSION TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR IS NECESSARY TO MAKE A STATEMENT NOT MISLEADING IN LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT CONSTITUTE A PART OF THIS PROSPECTUS, EXCEPT AS SO MODIFIED OR SUPERSEDED.

UPON A NEW ANNUAL INFORMATION FORM FOR THE PERIOD ENDED DECEMBER 31, 2006 AND THE RELATED ANNUAL FINANCIAL STATEMENTS BEING FILED WITH AND, WHERE REQUIRED, ACCEPTED BY, THE OSC DURING THE CURRENCY OF THIS PROSPECTUS, THE PREVIOUS ANNUAL INFORMATION FORM, THE PREVIOUS ANNUAL FINANCIAL STATEMENTS AND ALL INTERIM FINANCIAL STATEMENTS, MATERIAL CHANGE REPORTS AND INFORMATION CIRCULARS 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 OFFERINGS OF INTEREST SHARES HEREUNDER.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are necessarily made based on estimates and assumptions made by the Corporation 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 and competitive uncertainties, 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 Corporation, or on its behalf.

In making the forward-looking statements in this Prospectus and the documents incorporated by reference herein, the Corporation has applied numerous material factors and assumptions, including, but not limited to:

- the assumption that the plans for the development of the Corporation's underground mine (including the designs, budgets and schedules relating thereto) and its expectations for the operation of, and production and processing from, the underground mine in conjunction with the open pit mine are viable operationally and economically;

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

- the assumption that the Corporation will be able to negotiate the renewal of its mining leases, and the renewal or entering into of new smelting and refining agreements; and

- the assumption that the Corporation's plans for sustainable recoveries from the Lac des Iles mine, for further exploration at the Lac des Iles mine and for exploration in Finland can proceed as expected.

The words "expect," "anticipate," "estimate," "may," "will," "should," "intend," "believe," "target," "budget," "plan," "projection" and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking

statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion or incorporation by reference of forward-looking statements in this Prospectus should not be considered as a

representation by the Corporation or any other person that its objectives or plans will be achieved. Numerous factors could cause the Corporation's actual results to differ materially from those in the forward-looking statements, including the following, which are discussed in greater detail under the heading "Risk Factors":

- inability to meet production or operating cost goals;
- inaccurate resource and reserve estimates;
- inherent risks associated with mining and processing operations;
- failure to successfully develop the underground mining operations or to achieve projected production levels;
- inability to obtain additional funding for operations, if required;
- failure of the Corporation's exploration program to increase reserves;
- interruption of operations at the Lac des Iles mine;
- defaults under the Corporation's credit facilities;
- termination or failure to renew smelting agreements;
- volatility in metal prices;
- costs of complying with current and future environmental regulation;
- costs of complying with other current and future governmental regulation;
- competition from other suppliers of platinum group metals;
- development of new technology leading to reduced demand for palladium;
- loss of key personnel;
- failure to renew mining leases;
- hedging activities; and
- changes in the United States/Canadian dollar exchange rate.

These factors should be considered carefully, and readers should not place undue reliance on the Corporation's forward-looking statements. The Corporation undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events, except as required by law.

THE CORPORATION

The Corporation is the successor to Madeleine Mines Ltd., a company incorporated under the Quebec Mining Companies Act by letters patent dated February 2, 1968. In January 1992: (i) Madeleine Mines Ltd. was amalgamated with a wholly owned Quebec subsidiary of 2750538 Canada Inc., a company incorporated under the Canada Business Corporations Act by articles of incorporation dated September 12, 1991; (ii) the amalgamated company was wound up into 2750538 Canada Inc.; and (iii) 2750538 Canada Inc. changed its name to "Madeleine Mines Ltd.". By articles of amendment dated July 24, 1993, Madeleine Mines Ltd. changed its name to "North American Palladium Ltd.". The Corporation has one operating subsidiary, Lac des Iles Mines Ltd., incorporated under the Canada Business Corporations Act, and wholly owned by the Corporation. The Corporation has one additional subsidiary, North American Palladium Finland Oy, a Finnish corporation, which is wholly-owned.

The Corporation's registered and executive office is at Suite 2116, 130 Adelaide Street West, Toronto, Ontario M5H 3P5, telephone: (416) 360-7590, fax: (416) 360-7709. The Corporation's mining operations are situated approximately 85 kilometres northwest of Thunder Bay at Lac des Iles, in northern Ontario. The postal address is P.O. Box 10547, Station P, Thunder Bay, Ontario P7B 6T9, telephone: (807) 448-2000, fax: (807) 448-2001.

The Corporation owns and operates an open pit mine known as the Lac des Iles mine and processing plant with a design capacity of 15,000 tonnes per day. The mining and processing operation produces by flotation a palladium rich concentrate that also contains platinum, gold, copper and nickel. The concentrate is delivered to the Sudbury operations of Falconbridge Limited ("Falconbridge") for smelting, and is further processed at Falconbridge's European refining operations.

-5-

RECENT DEVELOPMENTS

MARCH 2006 CONVERTIBLE NOTE AND COMMON SHARE PURCHASE WARRANT FINANCING

On March 28, 2006, the Corporation announced the execution of formal agreements relating to the private placement (the "Offering") of up to US$58.5 million principal amount of convertible notes together with common share purchase warrants to purchase, for four years from the date of their issuance, 50% of the number of Common Shares underlying the convertible notes.

The Offering is governed by a securities purchase agreement dated March 24, 2006 (the "Securities Purchase Agreement") among the Corporation and the Holders. Under the terms of the Securities Purchase Agreement, on March 29, 2006 the Corporation issued US$17.5 million principal amount of the Notes to each of the Holders.

The Notes are convertible into 2,873,563 Common Shares representing an effective price of US$12.18 per share (the "Conversion Price"). The Conversion Price is equal to 113% of the Initial Market Price. For the purposes of the Notes, the Initial Market Price is US$10.78, being the five day weighted average trading price of the Common Shares on the AMEX immediately preceding March 24, 2006. In addition, Warrants exercisable to purchase 1,436,782 Common Shares were issued with the Notes, with each Warrant being exercisable to purchase one Common Share at an exercise price of US$13.48. The exercise price of the Warrants is equal to 125% of the Initial Market Price.

The Notes bear interest at a rate of 6.5% per annum payable bi-monthly,

commencing on June 1, 2006. Each Note will be repaid in nine equal instalments commencing on April 1, 2007. The interest payments and/or principal repayment amounts may be paid to each Holder, at such Holder's option, in any combination of cash and/or Common Shares. Common Shares issued for interest payments or in repayment of Notes will be issued at a 10% discount from the weighted average trading price of the Common Shares on the AMEX for the five consecutive trading days immediately prior to the applicable payment date. A separate prospectus and registration statement will be filed in connection with the Common Shares issuable in satisfaction of any interest payments. This Prospectus covers the Interest Shares which were issued to the Holders at their option in satisfaction of the US$359,014 aggregate amount of accrued and unpaid interest due on the Notes as of June 1, 2006. The balance of the interest payable, US$39,890, will be remitted to the Canada Revenue Agency for income tax.

Commencing July 1, 2007, if the weighted average trading price of the Common Shares on the AMEX for each of any 25 consecutive trading days is 150% of the Conversion Price, the Corporation will, subject to certain conditions, have the right to force the Holders to convert all or any of the outstanding principal amount of the Notes at the then Conversion Price.

The Notes contain customary covenants, including restrictions on the Corporation incurring debt or obligations for or involving the payment of money in excess of certain restricted amounts. The Notes also contain customary anti-dilution protection (including full protection for dividends) as well as adjustments in the event that the Corporation issues Common Shares or securities convertible into Common Shares at a purchase price (the "Effective Price") per Common Share less than the Conversion Price. In such event, the Conversion Price will be reduced to the Effective Price, provided that the adjusted Conversion Price cannot be less than US$9.12 (as adjusted as prescribed in the Notes).

The Warrants contain anti-dilution protection similar to that of the Notes. In the event that the Corporation issues Common Shares or securities convertible into Common Shares at an Effective Price per Common Share less than the exercise price of the Warrants, the exercise price of the Warrants will be reduced to the Effective Price provided that the adjusted exercise price cannot be less than US$10.73 (as adjusted as prescribed in the Warrants).

Under the Securities Purchase Agreement, the Corporation, at its option, has the right to sell to KFOC up to US$13.5 million principal amount of Series II convertible notes (the "Second Tranche") on or before June 30, 2006, the proceeds of which will be used to repay the loan under the existing KFOC standby loan facility. KFOC has granted IPSF an option to acquire up to 50% of the Second Tranche. Common share purchase warrants will be issued in connection with the Second Tranche. On June 12, 2006, the Corporation exercised its option to complete the Second Tranche. IPSF did not elect to exercise its option to acquire up to 50% of the Second Tranche. The closing of the Second Tranche is expected to occur on or about June 23, 2006.

The Securities Purchase Agreement also provides that the Holders will have the option to acquire an additional US$10 million principal amount of Series III convertible notes (the "Third Tranche") on or before December 31, 2006, with each Holder entitled to acquire one-half. If either Purchaser does not acquire its entire allotment of the Third Tranche, the other Holder may purchase the balance. Common share purchase warrants will be issued in connection with the Third Tranche.

The Second Tranche and Third Tranche of convertible notes (collectively the "Additional Notes"), if issued, will be convertible into Common Shares at the Conversion Price, provided that the Conversion Price for the Additional Notes cannot be less than the maximum applicable discount permitted by the TSX, from the weighted average trading price of the Common Shares on the TSX for the five consecutive trading days immediately prior to the date of issuance of each tranche (converted into US dollars). The exercise price of the common share purchase warrants issued in connection with the Additional Notes (the "Additional Warrants") cannot be less than the weighted average trading price of the Common Shares on the TSX for the five consecutive trading days immediately prior to the date of issuance of such Additional Warrants (converted into US dollars). Separate prospectuses and registration statements will be filed in connection with the Common Shares issuable pursuant to the terms of the Additional Notes and Additional Warrants.

A maximum of 10,391,137 Common Shares can be issued pursuant to any feature of the Notes, the Additional Notes, or upon exercise of the Warrants and the Additional Warrants, without the prior consent by majority vote of the shareholders of the Corporation ("Shareholder Approval"). Further, a maximum of 5,221,677 Common Shares can be issued pursuant to any feature of the Notes or the Additional Notes, together with the Common Shares underlying the Warrants and the Additional Warrants, to KFOC without the prior consent by majority vote of the shareholders of the Company, excluding the votes attached to the Common Shares beneficially held directly or indirectly by KFOC, and its associates, affiliates and insiders (as applicable) (as such terms are defined in the Securities Act (Ontario)) ("Disinterested Shareholder Approval").

Under the Securities Purchase Agreement, the Corporation is required to seek Shareholder Approval to issue in excess of 10,391,137 Common Shares in connection with the features of the Notes, Additional Notes, Warrants and Additional Warrants and to seek Disinterested Shareholder Approval to issue in excess of 5,221,677 Common Shares in connection with the features of the Notes, Additional Notes, Warrants and Additional Warrants to be issued to KFOC. The Corporation is seeking shareholder approval for the issuance of Common Shares in excess of the foregoing limits at the Corporation's 2006 annual shareholder's meeting to be held on June 21, 2006. In the management information circular dated May 10, 2006 mailed to shareholders in connection with the annual shareholder's meeting, the Corporation's board of directors has recommended that shareholders vote in favour of the issuance of the Common Shares in excess of the limits set out above.

If a Holder elects to receive interest payments or principal repayments on the Notes or Additional Notes in Common Shares and the Corporation is unable to issue such Common Shares, the interest payment or principal repayment will be made in cash. If a Holder is restricted in its ability to receive Common Shares upon conversion of the Notes or Additional Notes, the Holder may require the Corporation to pay cash to such Holder in an amount equal to the number of Common Shares which such Holder was not permitted to receive (the "Excess Shares") multiplied by the average of the weighted average trading price of the Common Shares on the AMEX for each of the five trading days immediately prior to the date of the payment, upon which the Corporation will have no further obligation to issue such Excess Shares. If a Holder is restricted in its ability to receive Common Shares upon exercise of a Warrant, the Corporation will be required to pay cash to such Holder in an amount equal to the binomial option pricing model of the Warrant with respect to the portion of the Warrant which is unexercisable.

REGISTRATION RIGHTS AGREEMENT

In connection with the issuance of the Notes and Warrants, the Corporation entered into a registration rights agreement dated as of March 24, 2006 (the

"Registration Rights Agreement") with the Holders. The following summary of selected provisions of the Registration Rights Agreement is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Registration Rights Agreement. Copies of the Registration Rights Agreement are available from the Corporation upon request.

The Holders are entitled to the benefits of the Registration Rights Agreement, pursuant to which the Corporation has filed this Prospectus with the OSC under National Instrument 44-102 and a registration statement, of which this Prospectus forms a part, with the SEC under the U.S. Securities Act. The Corporation is registering the number of Interest Shares covered by this Prospectus pursuant to the terms of the Registration Rights Agreement and under the U.S. Securities Act to permit the Holders to resell the Interest Shares from time to time after the effective date of the registration statement of which this Prospectus forms a part. Subject to the Corporation's right to suspend use of the registration statement, as described below, the Corporation will use its reasonable best efforts to keep the registration statement effective at all times until the earlier of the (i) fourth anniversary of the date such registration statement became effective and (ii) the date on which the Holders have sold all the Interest Shares covered by the registration statement provided that, for so long as any Holder is an "affiliate" of the Corporation as defined in Rule 144 under the U.S. Securities Act, the four year period shall be extended for such Holder until such time as such Holder is no longer an affiliate under Rule 144 and provided further that, in the case of KFOC, such period shall be extended until the earlier of (A) March 24, 2016 or (B) one year after the death of George B. Kaiser. Notwithstanding the foregoing, the Corporation is not required to keep a registration statement effective for a particular Holder that is not an affiliate under Rule 144 if all the Interest Shares held by or issuable to such Holder may immediately be sold under Rule 144 during a 90 day period.

When a Holder elects to sell the Interest Shares pursuant to the registration statement, such Holder will be required to:

- provide the Corporation with any additional information requested by the OSC and the SEC, if any;

- deliver a copy of this Prospectus to purchasers; and

- be subject to the provisions of the Registration Rights Agreement, including the indemnification provisions.

Under the Registration Rights Agreement, the Corporation will:

- pay all expenses of the registration statement;

- provide the Holders with copies of this Prospectus;

- notify the Holders when the registration statement has become effective; and

- take other reasonable actions as are required to permit unrestricted resales of the registrable securities in accordance with the terms and conditions of the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the Corporation may suspend the use of the Prospectus under certain circumstances relating to pending corporate

developments, public filings with the SEC and similar events. Any suspension period shall not exceed one 90 day period during any period of 365 consecutive days.

The Corporation will pay predetermined additional interest on the Notes or, in certain instances, liquidated damages in the following circumstances, among others:

- subject to an allowable suspension described above, if Holders are not permitted to sell Common Shares issued pursuant to the terms of the Notes for any reason for three or more consecutive trading days, or five or more trading days in aggregate in any 12 month period;

- if the Common Shares are not listed or quoted, or are suspended from trading on the AMEX for three or more consecutive trading days or five or more trading days in aggregate in any 12 month period;

- if the Corporation fails to deliver a certificate representing the Common Shares issued pursuant to the terms of the Notes within three trading days after delivery of such certificate is required under the Notes;

- subject to certain exceptions, if the conversion or exercise rights under either the Notes or Warrants are suspended for any reason;

-8-

- if the Corporation fails to have available a sufficient number of Common Shares to issue to the Holders pursuant to the terms of the Notes; and

- subject to certain exceptions, if the Common Shares issued pursuant to the terms of the Notes are not freely tradeable on the TSX after July 29, 2006.

-9-

RISK FACTORS

The acquisition of the Interest Shares involves risk. Any prospective investor should carefully consider the following risk factors and all of the other information contained in this Prospectus (including the documents incorporated by reference) before purchasing any of the Interest Shares. If any event arising from these risks occurs, the Corporation's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of the Common Shares could decline and all or part of any investment may be lost. Additional risks and uncertainties not currently known to the Corporation, or that are currently deemed immaterial, may also materially and adversely affect the Corporation's business operations.

FUTURE SALES OR ISSUANCES OF COMMON SHARES COULD LOWER THE CORPORATION'S SHARE PRICE, DILUTE INVESTORS' VOTING POWER AND MAY REDUCE THE CORPORATION'S EARNINGS PER SHARE.

The Corporation may sell additional Common Shares in subsequent offerings. It may also issue additional Common Shares to finance future acquisitions. The

Corporation cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances and sales of Common Shares will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation 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 CORPORATION'S SHARE PRICE VOLATILE.

The market price of the Common Shares could fluctuate significantly based on a number of factors in addition to those listed in this Prospectus, including:

- the Corporation's operating performance and the performance of competitors and other similar companies;
- the public's reaction to the Corporation's press releases, other public announcements and the Corporation'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 resource sector;
- changes in general economic conditions;
- the number of the Common Shares to be publicly traded after this offering;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving the Corporation or its competitors; and
- the factors listed under the heading "Special Note Regarding Forward-Looking Statements".

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

BECAUSE THE CORPORATION IS A CANADIAN CORPORATION AND THE MAJORITY OF ITS DIRECTORS AND OFFICERS ARE RESIDENT IN CANADA, IT MAY BE DIFFICULT FOR INVESTORS IN THE UNITED STATES TO ENFORCE CIVIL LIABILITIES AGAINST THE CORPORATION BASED SOLELY UPON THE FEDERAL SECURITIES LAWS OF THE UNITED STATES.

The Corporation is a Canadian corporation, with its principal place of business in Canada. A majority of the Corporation's directors and officers and the experts named in this Prospectus are residents of Canada and a significant portion of the Corporation's assets and the assets of a majority of the

Corporation's directors and officers and the experts named in this Prospectus are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon the Corporation or its directors or officers or such experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the U.S. Securities Act. Investors should not assume that Canadian courts (1) would enforce judgments of U.S. courts obtained in actions against the Corporation or such directors, officers or experts predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or (2) would enforce, in original actions, liabilities against the Corporation or such directors, officers or experts predicated upon the U.S. federal securities laws or any such state securities or "blue sky" laws.

THE CORPORATION IS CURRENTLY RESTRICTED FROM PAYING DIVIDENDS ON THE COMMON SHARES AND THE CORPORATION DOES NOT PLAN TO PAY DIVIDENDS ON THE COMMON SHARES IN THE NEAR FUTURE.

The Corporation has never declared or paid any dividends on the Common Shares and does not anticipate paying dividends in the near future. Moreover, the Corporation's ability to pay dividends on the Common Shares is restricted by the terms of its credit facilities and the Securities Purchase Agreement and may in the future be restricted by the terms of special shares that the Corporation has the ability to issue under its articles of incorporation. The actual timing, payment and amount of any dividends will be determined by the board of directors from time to time based upon, among other things, cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the board of directors may consider relevant.

THE BOARD OF DIRECTORS MAY ISSUE, WITHOUT SHAREHOLDERS' APPROVAL, AN UNLIMITED NUMBER OF SPECIAL SHARES THAT HAVE RIGHTS AND PREFERENCES SUPERIOR TO THOSE OF THE COMMON SHARES. SUCH AN ISSUANCE MAY DELAY OR PREVENT A CHANGE OF CONTROL.

While there are no special shares currently outstanding, the Corporation's articles of incorporation allow the issuance of an unlimited number of special shares in one or more series. The board of directors may set the rights and preferences of any series of special shares in its sole discretion without shareholders' approval. The rights and preferences of those special shares may be superior to those of the Common Shares. Accordingly, the issuance of special shares may adversely affect the rights of holders of Common Shares and could have the effect of delaying or preventing a change of control, which may deprive the Corporation's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Corporation.

THE CORPORATION CANNOT ASSURE THAT IT WILL MEET ITS GOALS FOR PRODUCTION AND OPERATING COSTS AND IF IT DOES NOT, ITS OPERATING RESULTS WILL BE ADVERSELY AFFECTED.

Planned production levels and operating costs are estimated based on the Corporation's experience in operating its mine. These estimates are subject to numerous uncertainties, many of which are beyond the Corporation's control. The Corporation cannot make assurances that its actual production levels will not be substantially lower than its estimates or that its operating costs will not be materially higher than anticipated.

IF RESERVE ESTIMATES ARE NOT ACCURATE, PRODUCTION MAY BE LESS THAN ESTIMATED WHICH WOULD ADVERSELY AFFECT THE CORPORATION'S FINANCIAL CONDITION AND RESULT OF OPERATIONS.

Reserve estimates are imprecise and depend on geological analysis based partly

on statistical inferences drawn from drilling, which may prove unreliable, and assumptions about operating costs and metal prices. The Corporation cannot be certain that the reserve estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates for the following reasons:

- mineralization or formations at the mine could be different from those predicted by drilling, sampling and similar examinations;

- declines in the market price of palladium may render the mining of some or all of the reserves uneconomic; and

- the grade of ore may vary significantly from time to time and the Corporation cannot give any assurances that any particular quantity of metal will be recovered from the reserves.

The occurrence of any of these events may cause the Corporation to adjust the reserve estimates or change its mining plans, which could negatively affect the Corporation's financial condition and results of operation. Moreover, short-term factors, such as the need for additional development of the ore body or the processing of new or different grades, may impair its profitability in any particular accounting period.

THE RISKS AND HAZARDS ASSOCIATED WITH MINING AND PROCESSING MAY INCREASE COSTS AND REDUCE PROFITABILITY IN THE FUTURE.

Mining and processing operations involve many risks and hazards, including among others:

- environmental hazards;

- mining and industrial accidents;

- metallurgical and other processing problems;

- unusual and unexpected rock formations;

- pit slope failures;

- flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature;

- mechanical equipment and facility performance problems; and

- unavailability of materials, equipment and personnel.

These risks could result in, among other things:

- damage to, or destruction of, the Corporation's properties or production facilities;

- personal injury or death;

- environmental damage;

- delays in mining;

- increased product costs;
- asset write downs;
- monetary losses; and
- possible legal liability.

The Corporation cannot be certain that its insurance will cover the risks associated with mining or that it will be able to maintain insurance to cover these risks at affordable premiums. The Corporation might also become subject to liability for pollution or other hazards against which it cannot insure or against which the Corporation may elect not to insure because of premium costs or other reasons. Losses from such events may increase costs and decrease profitability.

IF THE CORPORATION FAILS TO DEVELOP ITS UNDERGROUND MINING OPERATIONS AT A REASONABLE COST, OR TO ACHIEVE PROJECTED PRODUCTION LEVELS FOR ITS UNDERGROUND MINING OPERATIONS, ITS ABILITY TO GENERATE REVENUE AND PROFITS WILL BE ADVERSELY AFFECTED.

The Corporation's future prospects will be negatively affected if the underground mine fails to achieve and maintain projected production levels. Unforeseen conditions or developments could arise during the operation of the underground mine which would increase operating costs and adversely affect the Corporation's ability to generate revenue and profits. These events may include, among others:

- shortages of equipment, materials or labour;

- delays in delivery of equipment or materials;
- labour disruptions;
- adverse weather conditions or natural disasters;
- unanticipated increases in costs of labour, supplies and equipment;
- accidents; and
- unforeseen engineering, design, environmental or geological problems.

FUTURE EXPLORATION AT LAC DES ILES MINE OR ELSEWHERE MAY NOT RESULT IN INCREASED RESERVES, WHICH WOULD PREVENT THE CORPORATION FROM SUSTAINING ITS TARGETED PRODUCTION LEVELS.

The Corporation conducts exploration programs at and surrounding the Lac des Iles mine with the objective of increasing reserves. Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Corporation discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals. There is no assurance that current or future exploration programs will result in any new economically viable mining operations or yield new reserves to replace and expand current reserves at the Lac des Iles mine. In the event that new reserves are not discovered, the Corporation may not be able to sustain production beyond 2010 or

earlier.

THE CORPORATION FACES STRONG COMPETITION FROM OTHER MINING COMPANIES FOR THE ACQUISITION OF NEW PROPERTIES.

Mines have limited lives and, as a result, the Corporation continually seeks to replace and expand its reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where the Corporation would consider conducting exploration and/or production activities. Because the Corporation faces strong competition for new properties from other mining companies, many of which have greater financial resources than it, the Corporation may be unable to acquire attractive new mining properties on terms acceptable to it.

THE CORPORATION DEPENDS ON A SINGLE MINE TO GENERATE REVENUES AND, IF MINING OPERATIONS ARE INTERRUPTED, THE CORPORATION'S BUSINESS WILL SUFFER.

All of the Corporation's revenues are derived from its mining operations at the Lac des Iles mine, which is the Corporation's only mine and the only place it has reserves. If there is an interruption in operations at the Lac des Iles mine, or if the Corporation can no longer extract ore from this mine for any reason, the Corporation's business will suffer significantly. In addition, any adverse condition affecting mining conditions at the Lac des Iles mine could have a material adverse effect on the Corporation's financial performance and results of operations until such time as the condition is remedied.

THE CORPORATION IS DEPENDENT ON A THIRD PARTY FOR SMELTING AND REFINING ITS PALLADIUM AND IF THE THIRD PARTY IS UNABLE TO ACCOMMODATE THE CORPORATION'S SMELTING AND REFINING REQUIREMENTS OR THE EXISTING CONTRACT IS TERMINATED OR NOT RENEWED THE CORPORATION'S ABILITY TO GENERATE REVENUES COULD BE HARMED.

The Corporation has a smelter agreement with Falconbridge which provides for the smelting and refining of the principal metals contained in the concentrates produced at Lac des Iles mine. The existing agreement with Falconbridge expires on September 30, 2006. The agreement with Falconbridge can be terminated in certain circumstances, such as default of performance. The inability to renew this agreement under similar terms or the termination of the agreement could have a material adverse affect on the Corporation's financial performance and results of operations until such time as alternative smelting and refining arrangements can be made or alternative purchasers of the Corporation's concentrates can be found.

THE CORPORATION'S VULNERABILITY TO CHANGES IN METAL PRICES MAY CAUSE THE COMMON SHARE PRICE TO BE VOLATILE AND MAY AFFECT THE CORPORATION'S OPERATIONS AND FINANCIAL RESULTS.

The Corporation's primary source of revenue is the sale of palladium. In fiscal 2005, sales of palladium accounted for approximately 47% of the Corporation's revenues. Historically, changes in the market price of palladium have

significantly impacted the Corporation's profitability and Common Share price. The Corporation's financial results are very sensitive to external economic criteria related to the palladium price. A major risk will arise if there is a significant weakening of the U.S. dollar combined with a prolonged period of lower palladium prices. Many factors beyond the Corporation's control influence the market price of palladium. These factors include:

- global supply and demand;
- availability and costs of metal substitutes;
- speculative activities;
- international political and economic conditions; and
- production levels and costs in other platinum group metal-producing countries, particularly Russia and South Africa.

Economic and political events in Russia could result in declining market prices. If Russia disposes of substantial amounts of palladium, platinum, rhodium, ruthenium, osmium and iridium, which are referred to as platinum group metals, from stockpiles or otherwise, the increased supply could reduce the market prices of palladium and platinum and adversely affect the Corporation's profitability and Common Share price. Russia's economic problems make Russian stockpiles difficult to predict and the risk of sales from stockpiles more significant.

SINCE THE CORPORATION'S REVENUES ARE IN UNITED STATES DOLLARS AND EXPENDITURES ARE IN CANADIAN DOLLARS, THE CORPORATION IS SUBJECT TO FLUCTUATIONS IN EXCHANGE RATES BETWEEN THE UNITED STATES AND CANADIAN DOLLARS.

Currency fluctuations may affect cash flow since the Corporation's production currently is sold in United States dollars, whereas the Corporation's administration, operating and exploration costs are incurred in Canadian dollars. Exploration costs and other property costs will also be incurred in Euros. Significant long term fluctuations in relative currency values could adversely affect the Corporation's results of operations. In particular, the Corporation may be adversely affected by a significant strengthening of the Canadian dollar against the United States dollar. In addition, the Corporation's financial results are sensitive to fluctuations in the exchange rate. A major risk will arise if there is a significant weakening of the U.S. dollar combined with a prolonged period of lower palladium spot prices.

THE CORPORATION ENTERED INTO A MEMORANDUM OF AGREEMENT WITH THE UNITED STEEL WORKERS OF AMERICA, WHICH WAS RATIFIED BY EMPLOYEES ON APRIL 13, 2006, PROVIDING FOR A NEW COLLECTIVE AGREEMENT WITH A THREE YEAR TERM. THE INABILITY TO RENEW THE COLLECTIVE AGREEMENT ON SIMILAR TERMS ON ITS EXPIRY IN FEBRUARY 2009 COULD HAVE A MATERIAL ADVERSE AFFECT ON THE CORPORATION.

The Corporation's collective agreement with the United Steel Workers of America, the union representing the employees at the Lac des Iles mine (other than employees at or above the rank of foreman, safety coordinator, surveyors, dispatchers, technical staff and office, clerical and security personnel), will expire in February 2009. The inability to renew the agreement on similar terms could have a material adverse affect on the Corporation, including the affect of work stoppages or strikes on the results of operations and financial performance of the Corporation.

THE CORPORATION IS SUBJECT TO EXTENSIVE ENVIRONMENTAL LEGISLATION AND THE COSTS OF COMPLYING WITH THESE REGULATIONS MAY BE SIGNIFICANT.

Environmental legislation relating to land, air and water affects nearly all aspects of the Corporation's operations. This legislation requires the Corporation to obtain various operating licenses and also imposes standards and controls on activities relating to the exploration, development and production of palladium and associated metals. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Corporation fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be

able to continue its operations in its usual manner, or at all, or the Corporation may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results.

The Corporation will be responsible for all costs of closure and reclamation at the Lac des Iles mine. Under applicable environmental legislation, the Corporation had to establish a trust fund to prepare for closure and

-14-

reclamation. The current amended mine closure plan requires $7.8 million for clean-up and restoration of the mine site. The trust fund, maintained by the Ontario Ministry of Northern Development and Mines, is designed to collect $7.8 million through instalments of $100,000 per month. The money in the trust fund will become available to the Corporation when the mine closure is completed. At March 31, 2006, approximately $7.5 million was on deposit in the trust fund. Development of the underground mine as planned required an amendment to the existing closure plan and may result in an increase in the amount of financial assurance required by the Ontario Ministry of Northern Development and Mines. The actual amount needed for the closure of the Lac des Iles mine may be materially more than the original estimate. Changes in the Province of Ontario mining regulations may require the Corporation to provide a letter of credit or other financial instrument as security for the closure of the Lac des Iles mine.

CHANGES IN ENVIRONMENTAL LEGISLATION COULD INCREASE THE COSTS OF COMPLYING WITH APPLICABLE REGULATIONS AND REDUCE LEVELS OF PRODUCTION.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Corporation's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Corporation to predict their impact. The Corporation anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. The Corporation cannot give assurances that it will at all future times be in compliance with all federal and provincial environmental regulations or that steps to bring the Corporation into compliance would not have a negative effect on its financial condition and results of operations.

COMPLIANCE WITH CURRENT AND FUTURE GOVERNMENT REGULATIONS MAY CAUSE THE CORPORATION TO INCUR SIGNIFICANT COSTS AND SLOW ITS GROWTH.

The Corporation's activities are subject to extensive Canadian federal and provincial laws and regulations governing matters relating to mine safety, occupational health, labour standards, prospecting, exploration, production, exports and taxes. Compliance with these and other laws and regulations could require the Corporation to make significant capital outlays which may slow its growth by diverting its financial resources. The enactment of new adverse regulations or regulatory requirements or more stringent enforcement of current regulations or regulatory requirements may increase costs, which could have a

harmful effect on the Corporation. The Corporation cannot make assurances that it will be able to adapt to these regulatory developments on a timely or cost effective basis. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions.

THE CORPORATION IS REQUIRED TO OBTAIN AND RENEW GOVERNMENTAL PERMITS IN ORDER TO CONDUCT MINING OPERATIONS, WHICH IS OFTEN A COSTLY AND TIME-CONSUMING PROCESS.

In the ordinary course of business, the Corporation is required to obtain and renew governmental permits for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Corporation's efforts to obtain and renew permits are contingent upon many variables not within the Corporation's control including the interpretation of applicable requirements implemented by the permitting authority. The Corporation may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Corporation expects. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely affect the Corporation's revenues and future growth.

THE CORPORATION FACES COMPETITION WITH OTHER LARGER SUPPLIERS OF PLATINUM GROUP METALS AND FROM POTENTIAL NEW SOURCES OF PLATINUM GROUP METALS.

The Corporation competes with other suppliers of platinum group metals, many of which are significantly larger than it is and have access to greater mineral reserves and financial resources than it does. In addition, new mines may open which would increase supply of palladium and platinum. Furthermore, in certain industrialized countries an industry has developed for the recovery of platinum group metals from scrap sources, mostly from spent automobile and industrial catalysts. The Corporation may not be successful in competing with these existing and emerging platinum group metal producers.

THE DEVELOPMENT OF NEW TECHNOLOGY OR NEW ALLOYS COULD REDUCE THE DEMAND FOR PALLADIUM AND PLATINUM.

The development of a substitute alloy or synthetic material which has catalytic characteristics similar to platinum group metals would result in a decrease in demand for palladium and platinum. Furthermore, the development by the automobile industry of automobiles that do not use catalytic converters could reduce the demand for palladium and platinum. Demand might also be reduced by manufacturers in such industries as automobiles, electronics and dentistry finding substitutes for palladium. The dentistry and electronics industries have already experienced advances in new technology which use base metals as a substitute for palladium in certain component parts. High prices for palladium would create an incentive for the development of substitutes. Any such developments could have a material adverse effect on the Corporation's financial condition and results of operations.

IF THE CORPORATION LOSES KEY PERSONNEL OR IS UNABLE TO ATTRACT AND RETAIN ADDITIONAL PERSONNEL, THE CORPORATION'S MINING OPERATIONS AND PROSPECTS COULD BE HARMED.

The Corporation is dependent upon the services of a small number of members of senior management including James D. Excell, the President and Chief Executive Officer, and Ian M. MacNeily, the Chief Financial Officer. The Corporation's

current mining operations, its successful development of the underground mine and its future prospects depends on the experience and knowledge of these individuals. The Corporation does not maintain any "key man" insurance. The loss of one or more of these individuals could have a material adverse affect on the Corporation's mining operations.

THE MINING LEASES CONSTITUTING THE LAC DES ILES MINE EXPIRE IN 2006 AND MAY NOT BE RENEWED.

The Lac des Iles mine consists of four mining leases issued by the Government of Ontario. The mining leases are dated August 16, 1985 and have a 21 year term, which is the term of all mining leases granted by the Government of Ontario. These leases expire on August 31, 2006 and are renewable for a further term of 21 years if the terms and conditions of the leases have been complied with. If the leases expire and are not renewed, the Corporation will not be able to continue its mining operations.

THE CORPORATION'S CREDIT FACILITIES HAVE EVENTS OF DEFAULT, SOME OF WHICH ARE BEYOND THE CORPORATION'S CONTROL.

The Corporation has borrowed funds under its credit facilities to finance its operations. The credit facilities and the Notes contain certain events of default, some of which are beyond the Corporation's control, the occurrence of which could require the Corporation to pay back immediately all amounts borrowed under the credit facilities.

THE CORPORATION'S PRINCIPAL SHAREHOLDER HAS THE ABILITY TO DIRECT THE CORPORATION'S AFFAIRS AND BUSINESS AND, BECAUSE IT OWNS APPROXIMATELY 50% OF THE COMMON SHARES, THIRD PARTIES MAY BE DETERRED FROM ACQUIRING THE CORPORATION.

To the best of the Corporation's knowledge, KFOC, a privately-held oil and gas company based in Tulsa, Oklahoma, owns Common Shares, representing approximately 50% of the total number of Common Shares outstanding as of June 21, 2006. KFOC, therefore, has the ability to direct the affairs and business of the Corporation. This concentration of ownership may have the effect of delaying or preventing a change in control of the Corporation, which may deprive the Corporation's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Corporation.

-16-

THE CORPORATION'S HEDGING ACTIVITIES OR ITS DECISION NOT TO HEDGE COULD EXPOSE IT TO LOSSES.

From time to time, the Corporation engages in hedging activities in connection with the metals it produces, such as forward sales contracts and commodity put and call option contracts, to partially offset the risk of declines in metal prices on its operating results. While these hedging activities may protect the Corporation against low metal prices, they may also limit the price it can receive on hedged products. As a result, the Corporation may be prevented from realizing possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale or call option contract. In addition, the Corporation may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, the high and low

exchange rates for Canadian dollars expressed in U.S. dollars, the average of such exchange rates on the last day of each month during such period, and the exchange rate at the end of such period. These rates are based on the inverse noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York:

	FISCAL YEAR ENDED DECEMBER 31,			
	2002	2003	2004	2005
	(US DOLLARS)			
Highest rate during period................	0.6619	0.7738	0.8493	0.8690
Lowest rate during period.................	0.6200	0.6349	0.7158	0.7872
Average rate during period................	0.6368	0.7186	0.7702	0.8276
Rate at the end of period.................	0.6329	0.7708	0.8402	0.8569

On June 21, 2006, the inverse of the noon buying rate was $1.00 per US$0.9056.

SUMMARY CONSOLIDATED FINANCIAL DATA

The Corporation's summary historical consolidated financial data in the table below is derived from and qualified by reference to the audited consolidated financial statements for each of the two fiscal years in the period ended December 31, 2005, which have been audited by KPMG LLP and the unaudited interim consolidated financial statements for the 3 months ended March 31, 2006.

Prospective investors should read the following information in conjunction with management's discussion and analysis of financial results, the Corporation's audited consolidated financial statements and the related notes, all of which are incorporated by reference herein and the "Risk Factors" sections in this Prospectus. The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP, see note 19 to the Corporation's audited consolidated financial statements incorporated by reference herein.

SELECTED FINANCIAL INFORMATION

	AS AT OR FOR THE THREE MONTHS ENDED MARCH 31	AS AT OR FOR THE YEAR ENDED DECEMBER 31,	
	2006	2005	2004
STATEMENT OF EARNINGS DATA	(CDN$000S EXCEPT PER SHARE AMOUNTS)		
Revenue from metal sales	31,492	92,606	185,204
Net income (loss)	(4,141)	(53,611)	(92,110)
Net income (loss) per Common Share			
- basic	(0.08)	(1.03)	(1.79)

- fully diluted	(0.08)	(1.03)	(1.79)
BALANCE SHEET DATA			
Total assets	275,381	238,357	297,897
Total long-term debt (including current portion)	68,881	46,272	50,171
Shareholders' equity	180,324	167,211	217,833

PRODUCTION AND OPERATING DATA

The following tables provide historical production and operating data for the Lac des Iles mine for the periods indicated below:

	FOR THE THREE MONTHS ENDED MARCH 31,	FOR THE YEAR ENDED DECEMBER 31,	
	2006	2005	2004
PRODUCTION DATA			
Ore milled (tonnes)	1,125,710	4,780,599	5,298,544
Palladium (ounces)	47,015	177,167	308,931
Platinum (ounces)	4,698	18,833	25,128
Gold (ounces)	3,615	14,308	25,679
Nickel (lbs)	616,037	2,353,227	4,320,970
Copper (lbs)	1,213,394	5,514,670	7,836,183
OPERATING DATA			
Ore milled (tonnes)	1,125,710	4,780,599	5,298,544
Mill throughput (tpd)	12,508	13,098	14,477
Grade (g/t)	1.79	1.66	2.41
Palladium recovery (%)	72.7%	69.6%	75.2%
Palladium production (ounces)	47,015	177,167	308,931
Total cash costs (US$/ounce) (1)	$ 329	$ 359	$ 159

(1) Total cash costs including overhead and smelter treatment, refining and freight costs net of by-product credits and net smelter royalty.

USE OF PROCEEDS

The selling securityholders will receive the net proceeds from the sale of the Interest Shares sold under this Prospectus. The sale of Interest Shares will not result in any proceeds to the Corporation.

The Corporation realized net proceeds of US$32,850,000 from the sale of the Notes (after deducting the related offering expenses and placement agent fees) and no proceeds from the sale of the Warrants. The Corporation has used or intends to use the net proceeds realized from the sale of the Notes and any proceeds received upon exercise of the Warrants to complete the underground development at its Lac des Iles mine (as further described in the AIF), to advance the work on the Arctic Platinum Project (described below) in order to earn up to a 50% and, in certain circumstances, 60% interest in certain properties indirectly owned by Gold Fields Exploration B.V. ("GFBV") and for general corporate purposes. The Arctic Platinum Project comprises certain mining

properties indirectly owned by GFBV. The Corporation has been granted an option (the "Option") to earn up to a 50% and, in certain circumstances, a 60% interest in the Arctic Platinum Project and will become the project operator. In order to exercise the Option, the Corporation must spend US$12.5 million, complete a feasibility study and make a production decision as well as pay GFBV US$36 million or US$45 million to earn a 50% or 60% interest, respectively, through the issuance of Common Shares (approximately 7.3 million Common Shares or 9.2 million Common Shares as the case may be) on or before August 31, 2008.

CONSOLIDATED CAPITALIZATION

Other than the issuance of 41,568 Common Shares to the employee registered retirement savings plan, the issuance of 120,588 Common Shares upon the exercise of options, the issuance of the Interest Shares and the issuance of $35,000,000 principal amount of Notes, there have been no material changes in the share and loan capitalization of the Corporation which have occurred subsequent to the fiscal year ended December 31, 2005.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed for trading on the AMEX and TSX under the trading symbols "PAL" and "PDL", respectively. The following table sets out the reported high and low closing prices and trading volume of the Common Shares on the AMEX and TSX for the periods indicated:

	AMEX			TSX		
	HIGH (US$)	LOW (US$)	VOLUME	HIGH (CDN$)	LOW (CDN$)	VOLUME
2006						
June (through June 20)	9.21	7.40	4,322,300	10.12	8.28	555,471
May	11.29	8.48	10,404,600	12.50	9.70	1,847,910
April	12.29	10.80	7,925,200	14.20	12.31	1,172,472
March	12.30	9.65	12,908,900	14.27	11.10	1,979,853
February	12.39	9.60	12,223,900	14.10	11.21	2,140,121
January	10.73	8.50	7,645,900	12.30	9.79	1,505,791
2005						
Fourth Quarter	9.50	4.54	28,331,700	10.92	5.28	5,219,158
Third Quarter	5.51	4.22	11,154,300	6.78	5.12	2,122,365
Second Quarter	7.36	3.90	12,433,200	9.04	5.02	2,596,195
First Quarter	8.65	7.23	12,971,700	10.56	8.81	2,762,370
2004						
Fourth Quarter	9.67	7.53	18,646,800	11.60	9.14	3,414,946
Third Quarter	9.55	6.32	12,484,000	12.49	8.34	2,267,677
Second Quarter	13.67	8.30	27,533,700	17.85	11.39	6,421,183
First Quarter	11.78	7.75	21,129,100	15.58	9.93	4,353,560

The last reported sale price of the Common Shares on June 20, 2006 was US$7.60 and Cdn$8.40 on the AMEX and TSX, respectively.

DIVIDEND POLICY

The Corporation has not paid any dividends to date on the Common Shares. In addition, the payment of dividends on the Common Shares is restricted under the Corporation's credit facilities with a Canadian chartered bank and KFOC and under the terms of the Securities Purchase Agreement. Accordingly, it is not anticipated that the Corporation will pay any dividends on its Common Shares in the near future. The actual timing, payment and amount of any dividends will be determined by the board of directors from time to time based upon, among other things, cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the board of directors may consider relevant.

DESCRIPTION OF COMMON SHARES

The Corporation is authorized to issue an unlimited number of 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 (none of which are currently issued and outstanding), to receive any dividends

declared by the board of directors and the remaining property of the Corporation upon dissolution. As of June 5, 2006, there were 52,403,145 Common Shares issued and outstanding (including the Interest Shares).

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

The Corporation's by-laws provide for certain rights of its shareholders in accordance with the provisions of the Canada Business Corporations Act. Such by-laws may be amended either by a majority vote of the shareholders or by a majority vote of the board of directors. Any amendment of the by-laws by action of the board of directors must be submitted to the next meeting of the shareholders whereupon the by-law amendment must be confirmed as amended or repealed by a majority vote of the shareholders voting on such matter.

Shareholders do not have cumulative 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.

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.

SELLING SECURITYHOLDERS

The table below sets forth the name of each selling securityholder, the total number of Common Shares held by such selling securityholder as of June 20, 2006,

the percentage of the outstanding Common Shares that the Common Shares held by the selling securityholder represents and the Interest Shares covered by this Prospectus held by each of the selling securityholders.

SELLING SECURITYHOLDER	COMMON SHARES OWNED AS OF JUNE 20, 2006 (INCLUDING INTEREST SHARES)	% OF OUTSTANDING COMMON SHARES (INCLUDING INTEREST SHARES)	INTEREST SHARES COVERED BY THIS PROSPECTUS
Kaiser-Francis Oil Company	26,102,205	50%	21,886
IP Synergy Finance Inc.	21,886		

(1) Individual grants become exercisable in installments of 25% per year on each of the first through the fourth anniversaries of the grant date. At age 60, all outstanding option grants fully vest.

(2) All options were made at 100% of fair market value as of the date of the grant.

(3) In accordance with Securities and Exchange Commission rules, the Black-Scholes option-pricing model was chosen to estimate the grant date present value of the options set forth in this table. The

company does not believe that the Black-Scholes model, or any other model, can accurately determine the value of an option. Accordingly, there is no assurance that the value realized by an executive, if any, will be at or near the value estimated by the Black-Scholes model. Future compensation resulting from option grants is based solely on the performance of the company's stock price. The Black-Scholes Ratio of .3202 was determined using the following assumptions: a volatility of 27.78%, an historic average dividend yield of 1.56%, a risk free interest rate of 5.5%, a 7 year option term and a 3% annual risk of forfeiture.

(4) Information based upon all stock option grants made to employees in 2002, including TeamShare grants. Exercise price shown is the weighted average of all grants. Actual exercise prices ranged from $22.20 to $51.10, reflecting the fair market value of the stock on the date of the option grants.

Aggregated Option/SAR Exercises in the Last Fiscal Year and Fiscal Year-End Option/SAR Values(1)

Name	Shares Acquired On Exercise #	Value Realized $	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End #		Value of Unexercised "In The Money"(2) Options/SARs At Fiscal Year-End $	
			Exercisable	Unexercisable	Exercisable	Unexercisable
P.R. Dolan	0	$ 0	418,511	1,153,119	$ 54,226	$ 0
J.L. McGoldrick	0	$ 0	837,113	305,588	$ 1,927,252	$ 0
A.R.J. Bonfield	0	$ 0	0	200,000	$ 0	$ 0
P.S. Ringrose, Ph.D.	0	$ 0	448,001	379,721	$ 0	$ 0

			Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End #		Value of Unexercised "In The Money"(2) Options/SARs At Fiscal Year-End $	
D.J. Hayden, Jr.	0	$ 0	384,114	460,214	$ 128,173	$ 0

(1) All options were granted at 100% of fair market value. Optionees may satisfy the exercise price by submitting currently owned shares and/or cash. Income tax withholding obligations may be satisfied by electing to have the company withhold shares otherwise issuable under the option with a fair market value equal to such obligations subject to statutory requirements.

(2) Calculated based upon the December 31, 2002 fair market value share price of $23.0850.

Long-Term Incentive Plan Awards in the Last Fiscal Year

Name	Number of Shares Awarded (1)	Other Period Until Maturation or Payout	Estimated Future Payouts Under Long-Term Incentive Plan # of Shares(2)		
			Threshold	Target	Maximum
P.R. Dolan	21,800	Three-Year Period Ending in 2004	7,993	21,800	47,960
J.L. McGoldrick	5,500	Three-Year Period Ending in 2004	2,017	5,500	12,100
A.R.J. Bonfield		Three-Year Period Ending in 2004			
P.S. Ringrose, Ph.D.	5,500	Three-Year Period Ending in 2004	2,017	5,500	12,100
D.J. Hayden, Jr.	7,100	Three-Year Period Ending in 2004	2,603	7,100	15,620

(1) The number of shares represents the targeted award amount payable in the beginning of 2005 if earned for the fiscal years 2002-2004.

(2) Payouts under the Long-term Incentive Plan will be based on total stockholder return versus the peer group companies included in the performance graph on page 22, growth in sales and growth in earnings per share over the three-year period. Threshold, target and maximum payouts are expressed as a number of shares. Target awards will be paid if the targeted sales and earnings per share growth are achieved and total stockholder return is at the median of the peer group included in the performance graph on page 22. Threshold performance will result in a payout of 45% of target

on the measures of earnings per share growth and sales growth and a payout of 20% of target on the measure of relative shareholder return. Performance below threshold level will result in no payout. Maximum performance on all three measures will result in a payout of 220% of target. Performance above the maximum level will result in the maximum payout.

Compensation and Management Development Committee Report on Executive Compensation

The Compensation and Management Development Committee is responsible for administering the compensation program for corporate officers and certain senior management of the company. The Committee is composed exclusively of non-employee directors as defined by the Securities and Exchange Commission's rules. The members of the Committee are neither employees nor former employees of the company nor are they eligible to participate in any of the company's executive compensation programs. Additionally, they meet the definition of an outside director for purposes of administering compensation programs to meet the tax deductibility criteria included in Section 162(m) of the Internal Revenue Code.

The company's executive compensation program is based upon a pay-for-performance philosophy. In implementing this philosophy, the Committee considers performance against financial objectives, total stockholder return as well as the executive's demonstration of the values and

behaviors defined in the Bristol-Myers Squibb Company Pledge. Under the company's program, an executive's compensation consists of three components: base salary, annual incentive (bonus) payment and long-term incentives (which may include cash-based awards, stock-based awards and/or stock options).

The company's executive compensation program is designed to provide overall compensation, when targeted levels of performance are achieved, which is at the median of pay practices of a peer group of twelve large and high-performing industry competitors. The corporations that comprise the peer group are Abbott Laboratories, AstraZeneca, Aventis, Eli Lilly and Company, Glaxo SmithKline, Johnson & Johnson, Merck & Company, Inc., Novartis, Pfizer, Inc., Pharmacia Corporation, Schering-Plough Corporation and Wyeth.

At the time the Committee makes executive compensation decisions, the Committee reviews individual performance and company performance versus that of the peer companies. When 2002 compensation decisions were made, the Committee also reviewed detailed data concerning the levels of executive pay among the peer group of companies. This data included analyses provided by independent compensation consultants.

The executive compensation program is designed to provide value to the executive based on the extent to which individual performance, company performance versus budgeted financial targets, company longer-term financial performance and total return to stockholders (including share price appreciation and reinvested dividends) meet, exceed or fall short of expectations. Under this program design, incentive payments can exceed target levels only if expectations are exceeded. The Committee believes that the program it has adopted, with its emphasis on long-term compensation, serves to focus the efforts of the company's executives on the attainment of a sustained high rate of company growth and profitability for the benefit of the company and its stockholders.

Base Salary An executive's base salary is determined by an assessment of her/his sustained performance against her/his individual job responsibilities including, where appropriate, the impact of such performance on the business results of the company, current salary in relation to the salary range designated for the job, experience and mastery, potential for advancement and the executive's demonstration of the values and behaviors outlined in the Bristol-Myers Squibb Company Pledge. In light of the company's performance in 2001 and 2002, none of the named executive officers received a merit increase to base salary for 2002. The last merit increase for these executives was effective on December 31, 2000. As reported in last year's proxy, Mr. Dolan received a promotional increase from

---

$900,000 to his current salary of $1,100,000 on May 1, 2001 when he was promoted to the position of Chief Executive Officer. Thus, Mr. Dolan's base salary reported in the summary compensation table is slightly higher in 2002 than 2001 due to the fact that he did not receive his current salary of $1,100,000 for all of 2001.

Annual Incentives Payments under the company's annual incentive plan, the Performance Incentive Plan, are tied to the company's level of achievement of annual operating pretax earnings targets and annual sales growth, thereby establishing a direct link between executive pay and company financial performance. Annual operating pretax earnings and annual sales targets for the overall company and each operating group are based upon the budgets for the company as reviewed by the Board of Directors. An individual executive's annual incentive opportunity is a percentage of her/his salary determined by the executive's job level. Actual annual incentive payments are determined by applying a formula based on achievement of budgeted financial performance to each individual's target annual incentive opportunity. Applying this formula results in payments at the targeted incentive opportunity level when budgeted earnings and sales are achieved and payments below the targeted level when performance on these measures is below those set by the budget. The formula provides for payments above the targeted level only when financial performance exceeds budgeted levels.

For 2002 awards, operating pretax earnings and sales were established at levels that the Board felt reflected the aggressive expectations management had for the performance of the business. As a whole, the company did not attain the pretax earnings goals and partially attained the sales goals. Notwithstanding that the named executive officers would have received a portion of their bonus based on sales attainment, in light of the overall financial performance of the company for 2002, the Committee approved the Chief Executive Officer's request that no cash bonuses be paid for 2002 to those named executive officers who served as executives of the company for the entire year. The Committee believes that the elimination of cash bonuses for these executives for 2002 is appropriate, as the purpose of the Performance Incentive Plan is to provide financial rewards to senior executive officers only when warranted by the company's financial performance. The Committee also believes this action is consistent with the company's overall philosophy of aligning executive compensation with the creation of stockholder value.

Long-Term Incentives The company's long-term incentives are in the form of stock option awards and long-term performance awards. The objective of these awards is to advance the longer-term interests of the company and its stockholders and complement incentives tied to annual performance. These awards provide rewards to executives based upon the creation of incremental stockholder value and the attainment of long-term financial goals. Stock options produce value to executives only if the price of the company's stock appreciates, thereby directly linking

the interests of executives with those of stockholders. The number of stock options granted is based on the grade level of an executive's position and the executive's performance in the prior year and the executive's potential for continued sustained contributions to the company's success. The size of previous option grants and the number of options currently held by an executive are not taken into account in determining the number of options granted. The executive's right to the stock options vests over a four-year period and each option is exercisable, but only to the extent it has vested, over a ten-year period following its grant.

In order to preserve the linkage between the interests of executives and those of stockholders, executives are expected to use the shares obtained on the exercise of their stock options, after satisfying the cost of exercise and taxes, to establish a significant level of direct ownership. The company continues to maintain long-standing share ownership expectations for its executives to meet through the exercise of stock option awards. These share ownership guidelines are more stringent than most of the company's peers. Under these guidelines, the Chief Executive Officer must retain shares with a value of 8 times his base salary prior to selling any of the net shares obtained upon exercise. The other named executive officers must retain shares with a value of 5 times their base salary prior to selling any of the net shares obtained upon exercise. Even after these ownership thresholds are satisfied, executives must

retain 25% of all net shares obtained as a result of subsequent option exercises. The Committee believes these retention requirements are an important tool in aligning the interests of the company's executives with the long-term interests of the company's stockholders.

The Committee also consistently maintains a firm policy against repricing stock options or resetting targets under other long-term incentives for its senior executives. The Committee believes this policy is critical in maintaining the alignment of senior executives' interests with the long-term interests of our stockholders.

In 2000, stock options, with an exercise price of $61.09, were granted in lieu of a long-term performance award and therefore executives were not eligible to receive long-term award payments for the 2000-2002 performance period.

The long-term plan award granted in 2002 covers the 2002-2004 performance period. The payout will be determined based on the company's performance on the following three measures: total stockholder return ranking versus the 12 peer group companies, earnings per share growth and sales growth. Each measure is weighted equally. As in 2001, for 2002, awards were granted in the form of performance shares rather than cash, further aligning the interests of executives with that of stockholders.

The Committee annually reviews the composition of the long-term compensation package to ensure that it provides an appropriate incentive package. Based upon reviews conducted in 2002, the Committee continues to believe that this program design is consistent with competitive practice and provides a direct link with the creation of stockholder value.

CEO Compensation

The compensation for Mr. Dolan results from his participation in the same compensation programs as the other executives of the company. The Committee applied the principles outlined above in establishing Mr. Dolan's compensation, in the same manner as they were applied to the other executives of the company.

As mentioned previously, in light of the company's overall performance, Mr. Dolan did not receive an increase to base salary in 2002.

Mr. Dolan did not receive an annual bonus payment for 2002. Mr. Dolan's bonus targets for 2002 were based on achievement of operating pre-tax earnings and sales goals. As with the other named executive officers, Mr. Dolan would have received a portion of his annual bonus based on partial attainment of the sales goals. However, in light of the overall financial performance of the company for 2002, the Committee approved Mr. Dolan's request that he not receive a 2002 bonus.

The majority of Mr. Dolan's compensation continues to be incentive based with an emphasis on long-term incentives directly tied to enhanced stockholder value. In 2002, 11% of Mr. Dolan's compensation was in the form of base salary, 0% was in the form of annual incentive and 89% was in the form of equity based incentives (comprised of stock options and the long-term performance award) which are directly linked to the creation of long-term stockholder value.

Effective March 5, 2002, Mr. Dolan received an option award of 500,000 shares. The option award has an exercise price of $48.075 and will only return value to Mr. Dolan when the company's stock price exceeds $48.075.

Mr. Dolan participates in the company's long-term incentive plan. As with other executives, Mr. Dolan received stock options in 2000, with an exercise price of $61.09, in lieu of a long-term performance award for the 2000-2002 cycle. Therefore, Mr. Dolan was not eligible to receive a long-term award payout for the 2000-2002 performance period. For the 2002-2004 award cycle, the Committee set a target award of 21,800 shares for Mr. Dolan based on an analysis of competitive long-term incentive

opportunities at the proxy peer group companies. The measures for this award are earnings per share growth, sales growth and relative stockholder return compared to the proxy peer group companies, each of which is weighted equally. Mr. Dolan will only receive the targeted number of shares if the company meets the earnings per share growth and sales growth targets approved by the Committee and has a relative stockholder return which places it at the median of its peer group for the three year period.

Mercer Study

In October 2002, the Committee retained Mercer Human Resource Consulting ("Mercer") to conduct a study of the company's executive compensation practices and programs. The focus of the study was to review 1) the corporate governance practices of the Committee, 2) the competitive position of current pay levels for the company's senior executives and 3) the design and mix of the executive compensation programs. A primary purpose of the study was to assess the relationship of pay to performance and stockholder value creation to ensure that the company's pay programs were both designed and implemented in a manner that would align the interests of the company's executives with those of its stockholders. The study included an analysis of the company's performance on various financial performance measures as compared to its peer group. The company's pay practices were then compared to its financial performance and this pay to performance relationship was compared to that of the company's peers.

Mercer's review was substantially completed in January 2003 at which time the results were reported to the Committee. Mercer concluded that the Committee's charter and operating practices are consistent with current standards of good corporate governance. Mercer also concluded that the company's pay levels and programs for the named executive officers bore a direct relationship to the company's financial performance and stockholder return. Based on Mercer's report, the Committee has determined to continue to work with Mercer to ensure that the company's current and future executive compensation programs align with the creation of stockholder value and the company's pay for performance philosophy.

Deductibility of Compensation over $1 Million

Section 162 (m) of the Internal Revenue Code includes potential limitations on the deductibility of compensation in excess of $1 million paid to the company's five highest paid officers. Based on the regulations issued by the Internal Revenue Service to implement the Act, the company has taken the necessary actions to ensure the deductibility of payments under the annual incentive plan and long-term award plans. The company will continue to take the necessary actions to maintain the deductibility of payments under both plans.

Compensation and Management Development Committee

James D. Robinson III, Chair
Lewis B. Campbell
Vance D. Coffman
Louis W. Sullivan, M.D.

Performance Graph

The following graph compares the performance of the company for the periods indicated with the performance of the Standard & Poor's 500 Stock Index (S&P 500) and the average performance of a group consisting of the company's peer corporations on a line-of-business basis. As previously noted, the corporations making up the peer companies group are Abbott Laboratories, AstraZeneca, Aventis, Eli Lilly and Company, Glaxo SmithKline, Johnson & Johnson, Merck & Company, Inc., Novartis, Pfizer, Inc., Pharmacia Corporation, Schering-Plough Corporation and Wyeth.

Total return indices reflect reinvested dividends and are weighted using beginning-period market capitalization for each of the reported time periods. The company measures its performance for compensation purposes against the performance of this peer companies group. The company measured its performance against this same group in the 2002 Proxy Statement.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Assumes $100 invested on 12/31/97 in Bristol-Myers Squibb Common Stock, S&P 500 Index and Peer Companies Group Index. Values are as of December 31 of specified year assuming dividends are reinvested.

Ending of Year	1997	1998	1999	2000	2001	2002
Bristol-Myers Squibb	100	142.95	138.93	162.82	120.13	57.39
S&P 500	100	128.58	155.63	141.46	124.65	97.10
Peer Group	100	138.31	116.44	155.72	134.79	112.31

Pension Benefits

The following table sets forth the aggregate annual benefit payable upon retirement at normal retirement age for each level of remuneration specified at the listed years of service.

PENSION PLAN TABLE

	Years of Service					
Remuneration	**15**	**20**	**25**	**30**	**35**	**40**
$ 500,000	$ 150,000	200,000	250,000	300,000	350,000	400,000
1,000,000	300,000	400,000	500,000	600,000	700,000	800,000
1,500,000	450,000	600,000	750,000	900,000	1,050,000	1,200,000
2,000,000	600,000	800,000	1,000,000	1,200,000	1,400,000	1,600,000
2,500,000	750,000	1,000,000	1,250,000	1,500,000	1,750,000	2,000,000
3,000,000	900,000	1,200,000	1,500,000	1,800,000	2,100,000	2,400,000
3,500,000	1,050,000	1,400,000	1,750,000	2,100,000	2,450,000	2,800,000
4,000,000	1,200,000	1,600,000	2,000,000	2,400,000	2,800,000	3,200,000
4,500,000	1,350,000	1,800,000	2,250,000	2,700,000	3,150,000	3,600,000
5,000,000	1,500,000	2,000,000	2,500,000	3,000,000	3,500,000	4,000,000

Pension benefits are determined by final average annual compensation where annual compensation is the sum of the amounts shown in the columns labeled Salary and Bonus in the Summary Compensation Table. Benefit amounts shown are straight-life annuities before the deduction for Social Security benefits. The executive officers named in the Summary Compensation Table have the following years of credited service for pension plan purposes: P.R. Dolan 15 years; J.L. McGoldrick 8 years; P.S. Ringrose 6 years; D. J. Hayden, Jr. 22 years; A. Bonfield 0 years.

Employment and Separation Agreement

On June 5, 2002, the company entered into an employment and separation agreement with Dr. Peter S. Ringrose. Under the Agreement, Dr. Ringrose became scientific advisor to the company when his successor was appointed. Dr. Ringrose will provide the company advice and counsel on matters in his area of expertise until March 31, 2004 and will refrain from activities detrimental to the company. Until his separation from the company, Dr. Ringrose will continue to receive his annual base salary and other employee benefits, including participation in performance incentive programs. Upon Dr. Ringrose's separation from the company, any stock options outstanding for at least one year will be fully vested. In addition, he will receive a portion of the restricted stock granted to him on January 3, 2000. Dr. Ringrose will receive financial counseling for a period of one year after his separation and will continue to have use of his company vehicle until June 30, 2004.

Change in Control Arrangements

The company has entered into change-in-control agreements with certain executives. The agreements are intended to provide for continuity of management in the event of a change in control of the company. By their terms, the agreements were in effect through December 31, 2002, and have been and will continue to be automatically extended, beginning on January 1, 2003, in one-year increments, unless either the company or the executive gives prior notice of termination or a change in control shall have occurred prior to January 1 of such year. If a change in control occurs during the term of the agreement, the agreement shall continue in effect for a period of not less than 36 months beyond the month in which such change in control occurred.

The agreements provide that executive officers could be entitled to certain severance benefits following a change in control of the company and termination of employment. Under each agreement, a

change in control would include any of the following events: (i) any person, as defined in the Securities and Exchange Act of 1934, as amended, acquires 20% or more of the combined voting power of the company's then outstanding securities; (ii) a majority of the company's directors are replaced during a two-year period; or (iii) the stockholders approve a merger or consolidation of the company or approve a plan of complete liquidation of the company.

Upon the executive's termination following a change in control, unless such termination is: (1) by the company for cause (as defined in the agreement); (2) by reason of death; or (3) by the executive without good reason (as defined in the agreement), the covered executive would be entitled to a lump sum severance payment equal to three times the sum of the executive's base salary and target bonus under the Performance Incentive Plan. In addition, the executive would receive a payout of any unpaid incentive compensation which has been allocated or awarded to the executive for the completed calendar year preceding the date of termination and a pro rata portion to the date of termination of the aggregate value of all contingent incentive compensation awards to the executive for the current calendar year.

Further, all outstanding stock options granted to the executive officer would become immediately vested and exercisable and all restrictions on restricted stock awards would lapse, unless otherwise provided for under a written stock award agreement. All unvested matching

contributions in the company Savings Plan would also vest. The executive officer would receive a cash amount for the additional benefit to which the executive officer would have been entitled had he or she been fully vested and credited three additional years of service and age for the purpose of calculating his or her tax-qualified and nonqualified pension benefits. Additionally, if the executive officer is under 55 years of age and/or has fewer than 10 years of service at the time of termination, he or she would receive payment of pension benefits in such form of distribution available under the pension plan, and otherwise would be treated under such pension plan as if the executive were 55 with at least ten years of service. For a three-year period after the date of termination, the executive officer would receive life and health insurance benefits and perquisites substantially similar to those that the executive is receiving immediately prior to the notice of termination. Thereafter, the executive officer will be eligible to participate in the company's retiree medical and dental plans.

In the event that any payments made to an executive officer in connection with a change in control and termination of employment would be subject to excise tax as excess parachute payments by the Internal Revenue Code, the company will gross up the executive officer's compensation to fully offset such excise taxes provided the payments exceed 110% of the maximum total payment which could be made without triggering the excise taxes. If the aggregate parachute payments exceed such maximum amount but do not exceed 110% of such maximum amount, then the parachute payments would be automatically reduced so that no portion of the parachute payments is subject to excise tax and no gross-up payment would be made.

In consideration for receiving one of these agreements, each executive officer signed an agreement not to work for any competitor of the company for a period of one year following termination.

PROPOSAL 2 APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors of Bristol-Myers Squibb has appointed PricewaterhouseCoopers LLP ("PwC") as independent auditors for the year 2003, subject to ratification by the stockholders.

Aggregate fees for professional services rendered to the company by PwC for the years ended December 31, 2002 and 2001, were:

	2002	2001
	(in millions)	
Audit	$ 10.8	$ 5.2
Audit Related	0.6	1.0
Tax	6.0	9.0
All Other	5.6	26.2
Total	$ 23.0	$ 41.4

Audit fees for 2002 and 2001 were for professional services rendered for the audits of the consolidated financial statements of the company, including the restatement of previously issued financial statements, statutory and subsidiary audits, timely reviews of quarterly financial statements, divestiture audits, consents, income tax provision procedures, issuance of comfort letters, and assistance with review of documents filed with the SEC, including the amendment to previously issued filings.

Audit Related fees for 2002 and 2001 were primarily for assurance services including employee benefit plan audits, due diligence related to acquisitions, accounting consultations in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax fees for 2002 and 2001 were for services related to tax compliance, including the preparation of tax returns and claims for refund, and tax planning and tax advice, including assistance with and representation in tax audits and appeals, advice related to divestitures and acquisitions, and requests for rulings or technical advice from tax authorities.

All Other fees for 2002 and 2001 related primarily to management consulting services that were completed in early 2002.

The Board of Directors recommends a vote "FOR" the ratification of the appointment of PwC.

PROPOSAL 3 APPROVAL OF EXECUTIVE PERFORMANCE INCENTIVE PLAN

The Executive Performance Incentive Plan (the "Plan") provides for annual incentive payments to certain key executives of the company based upon company performance. As the Report of the Compensation and Management Development Committee discusses, the company's compensation programs are based on a strong pay-for-performance philosophy. A central element of this philosophy has been to link a significant portion of annual cash compensation to the attainment of the company's annual financial objectives. The Plan is intended to continue this direct linkage between company performance and compensation. The Board of Directors recommends that the Plan be approved by the stockholders. A copy of the Plan is included in this Proxy Statement as Exhibit A and the following description is qualified in its entirety by reference to the Plan.

In the past, the company has awarded annual incentives to key executives through the Performance Incentive Plan, originally implemented by the company in the 1950's. The Plan is a continuation of this former plan and benefits will be similarly determined.

The Omnibus Budget Reconciliation Act of 1993 added Section 162(m) to the Internal Revenue Code (the "Code") which generally disallows a federal income tax deduction to any publicly held corporation for compensation paid in excess of $1 million in any taxable year to the chief executive officer or any of the four other most highly compensated executive officers. Incentives paid to these executives have been deductible under the prior Executive Performance Incentive Plan ("the Prior Plan") approved by the stockholders at the 1997 Annual Meeting of Stockholders. The company intends to

continue to structure awards under the Plan so that compensation resulting therefrom would be qualified "performance based compensation" eligible for continued deductibility with stockholder approval. To allow the company to so qualify for such deduction, the company is again seeking approval of the Plan and the material terms of performance goals applicable to the Plan.

The Plan allows for aggregate payments which cannot be more than two percent of the operating pretax earnings of the company for the fiscal year relating to the award. If there are no such earnings, no payments can be made under the Plan. No individual may receive as a maximum amount an annual payment under the Plan which exceeds 0.15% of the operating pretax earnings of the company for the fiscal year relating to the awards. Payments under the Plan may be made in either cash, Common Stock of the company or a combination of cash and Common Stock. The form of payment will be determined by the Compensation and Management Development Committee. The maximum amount of stock which may be issued in any one year is limited to 0.2% of the outstanding shares of the company at the beginning of the fiscal year relating to the awards. All limits under the Plan are the same as the limits in the Prior Plan as approved by the stockholders at the 1997 Annual Meeting.

PLAN ADMINISTRATION

The Plan will be administered by the Compensation and Management Development Committee which is composed entirely of non-employee directors who meet the criteria of "outside director" under Section 162(m) of the Code and "non-employee director" under Section 16 of the Securities Exchange Act of 1934. The Committee shall select the key executives of the company who shall receive awards under the Plan, the target and maximum pay-out level and the performance targets. The Committee will certify the level of attainment of performance targets.

PERFORMANCE CRITERIA

Section 162(m) of the Code requires that performance awards be based upon objective performance measures. For executives whose compensation is, or may be, subject to Section 162(m) of the Code, the performance criteria may include one or more of the following:

a. Earnings	e. Financial return ratios
b. Revenue	f. Total shareholder return
c. Operating or net cash flows	g. Market share
d. Research and development milestones	h. Product commercialization milestones

For any Participant not subject to Section 162(m) of the Code, other performance measures or objectives, whether quantitative or qualitative, may be established. Performance criteria may relate to the total company or any business unit. Performance targets may be set at a specific level or may be expressed as relative to the comparable measures at comparison companies or a defined index. The Committee may, in its discretion, reduce the award payable to any Participant below the amount determined by the objective performance measures established for that Participant. The Committee's discretion may not be exercised to increase the award payable to any Participant subject to Section 162(m) of the Code above the maximum amount determined by the applicable performance measure. In addition, the exercise of the Committee's discretion

to reduce the award payable to any Participant may not increase the award payable to any other Participant subject to Section 162(m) of the Code.

AWARD DEFERRALS

With the concurrence of the Compensation and Management Development Committee, participating executives may elect to defer receipt of any payments due until retirement or other termination from the company. Any amount deferred will be credited to deferred compensation accounts

for these executives. The deferred funds will be valued in reference to one or more of the following: (1) a fund denominated in units based upon the value of company Common Stock and dividend payments; (2) units denominated as an equity fund reflecting the performance on a specific basket of equity investments; or (3) a fixed income fund based upon prevailing rates of return on cash-based investments experienced by the company or some other fixed return benchmark. Additional investment funds may be established by the Committee as necessary to effectively manage deferrals.

TERM AND AMENDMENT OF THE PLAN

The Plan, if approved by stockholders, will be effective for all fiscal years beginning with 2003 by action of the Board of Directors. The Plan may be amended or discontinued by the Board of Directors at any time. However, no amendment may increase the total payments which may be made under the Plan in any fiscal year or the maximum payment which may be made to any individual in any fiscal year above the award limits outlined above and specified in the Plan. Additionally, no amendment may provide for the issuance of Common Stock in excess of the limits specified above. The Committee may exercise its discretion to make no award payments to Participants subject to Section 162(m) of the Code in respect of the 2007 fiscal year or any later fiscal year (other than awards properly deferred from earlier fiscal years) if the Plan has not been reapproved by the company's stockholders at the first meeting of stockholders during 2007, if necessary for compliance with Section 162(m) of the Code.

FUTURE PLAN AWARDS

Since future awards under the proposed Plan will be based upon the future performance of the company, actual payments cannot be determined at this time. Additionally, since the proposed Plan is a continuation of the Prior Plan, the 2002 award payments would not have been any different than as is shown in the Summary Compensation Table had the proposed Plan been in effect in 2002.

The Board of Directors believes that the continuation of annual incentive awards based upon company performance are in the best interests of the company and its stockholders.

Accordingly, the Board of Directors recommends a vote "FOR" the approval of the company's Executive Performance Incentive Plan.

PROPOSAL 4 APPROVAL OF AMENDMENT TO CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

The company's Certificate of Incorporation provides in Article Eighth (a) that the Board of Directors be divided into three classes, as nearly equal in number as possible, with members of each class serving three-year terms. This system for electing directors was adopted by stockholders in 1984 by the affirmative vote of more than 75% of the then outstanding shares of the company. To return to an annual election of directors, it is necessary to amend the company's Certificate of Incorporation, which requires the affirmative vote of at least 75% of the current outstanding shares.

The Board of Directors has unanimously adopted resolutions, subject to stockholder approval, amending Article Eighth of the company's Certificate of Incorporation to declassify the Board of Directors. The Proposal would allow for the annual election of all directors by the company's 2006 Annual Meeting of Stockholders as described below. The Board of Directors has set the current number of directors at ten. The Proposal would not change the present number of directors.

Classified boards have been widely adopted by and have a long history in corporate law, government institutions and non-profit organizations. Proponents of classified boards assert they promote the independence of directors in that directors elected for multi-year terms

would be less subject to outside influence. Proponents of a staggered system election of directors also believe it provides continuity and stability in the management in the business and affairs of a company since a

majority of directors will always have prior experience as directors of the company. This continuity and long-term focus may be viewed as particularly important to research-based organizations, such as the company, where product development is complex and long-term. Proponents further assert classified boards may enhance stockholder value by forcing an entity seeking control of a target company to initiate arms length discussions with the board of a target company because the entity would be unable to replace the entire board in a single election.

On the other hand, some investors have come to view classified boards as having the effect of reducing the accountability of directors to stockholders because classified boards limit the ability of stockholders to evaluate and elect all directors on an annual basis. The election of directors is a primary means for stockholders to influence corporate governance policies and to hold management accountable for implementing those policies. In addition, opponents of classified boards assert a staggered structure for the election of directors may discourage proxy contests in which shareholders have an opportunity to vote for a competing slate of nominees and therefore may erode shareholder value.

A stockholder proposal to declassify the Board of Directors has been received by the company each year since 1985 and has received a majority of votes cast each year since 1997. Each year, the Committee on Directors and Corporate Governance and the full Board of Directors has considered carefully the advantages and disadvantages of maintaining a classified board structure and concluded that it would be in the best interests of the company and its stockholders to maintain the classified board. This year, the Board has again given due consideration to the various arguments for and against a classified board, including consultation with internal and outside advisors. After this review, the Board of Directors, upon the recommendation of the Committee on Directors and Corporate Governance, has decided to propose declassifying the Board. Although the Board still believes there are powerful reasons to retain a classified board, it is also committed to principles of corporate democracy and is mindful that a majority of stockholders voting has voted for declassification in increasing numbers since 1997. This determination by the Board is in furtherance of its goal of ensuring that the company's corporate governance policies maximize management accountability to stockholders and would, if adopted, allow stockholders the opportunity each year to register their views on the performance of the Board of Directors.

The Board of Directors has unanimously approved the proposed amendment declassifying the organization of the Board of Directors, and, if approved by the requisite vote of stockholders as set forth above, the Certificate of Incorporation, pursuant to Delaware law, will be amended to declassify the Board of Directors. The Board of Directors will amend the Bylaws of the company to the extent necessary to make them consistent with the amended Certificate of Incorporation.

Under the proposed amendment, the annual election of directors would be effective as of the company's 2004 Annual Meeting of Stockholders and would be phased in over a three-year period. Directors who had been previously elected for three-year terms ending in 2005 and 2006 would continue to serve out these terms so that no director previously elected to a multiyear term would have his or her term shortened. Consequently, under the proposed amendment, one class of the directors would be elected to one-year terms in 2004, two classes of directors would be elected to one-year terms in 2005 and in 2006 all directors would be elected to one-year terms.

The Proposed Amendment to the company's Certificate of Incorporation is set forth in Exhibit B with deletions indicated by strike-outs and additions indicated by underlining.

Accordingly, the Board of Directors unanimously recommends that the stockholders vote "FOR" this proposal.

PROPOSAL 5 STOCKHOLDER PROPOSAL RELATING TO SHAREHOLDER RIGHTS PLAN

Mr. John Chevedden as legal proxy for Chris Rossi, P.O. Box 249, Boonville, CA 95415, custodian for Victor Rossi who holds 4000 shares of Common Stock, has informed the company that he intends to present to the meeting the following resolution:

> This is to recommend that the Board of Directors redeem any poison pill previously issued (if applicable) and not adopt or extend any poison pill unless such adoption or extension has been submitted to a shareholder vote.

This topic won an average 60%-yes vote at 50 companies in 2002.

Harvard Report

A 2001 Harvard Business School study found that good corporate governance (which took into account whether a company has a poison pill) was positively and significantly related to company value. This study, conducted with the University of Pennsylvania's Wharton School, reviewed the relationship between the corporate governance index for 1,500 companies and company performance from 1990 to 1999.

Some believe that a company with good governance will perform better over time, leading to a higher stock price. Others see good governance as a means of reducing risk, as they believe it decreases the likelihood of bad things happening to a company.

Since the 1980s Fidelity, a mutual fund giant with $800 billion invested, has withheld votes for directors at companies that have approved poison pills, *Wall Street Journal*, June 12, 2002.

Council of Institutional Investors Recommendation

The Council of Institutional Investors www.cii.org, an organization of 120 pension funds which invests $1.5 trillion, called for shareholder approval of poison pills. In recent years, various companies have been willing to redeem existing poison pills or seek shareholder approval for their poison pill. This includes Columbia/HCA, McDermott International and Bausch & Lomb. I believe that our company should follow suit and allow shareholder participation.

Shareholder Vote on Poison Pills Yes

Board of Directors' Position

The Board of Directors recommends a vote "AGAINST" the proposal for the following reasons:

The Board of Directors believes that this proposal is unwise because the proposal would limit the flexibility of the Board to act in the best interests of the stockholders. It is important to note that Bristol-Myers Squibb has not adopted a shareholder rights plan (also called a poison pill) and has no present intention to adopt one. Circumstances, however, could arise in the future, where the adoption of such a plan would be an important tool for protecting the interests of the company's stockholders in accordance with the Board's fiduciary duties. The delay caused by requiring stockholder approval for the adoption of a rights plan would impede the ability of the Board of Directors to use such a plan for the benefit of stockholders when circumstances warrant.

The Board agrees that good corporate governance is important to the success of a company. The Board is committed to high standards of corporate governance and has adopted Corporate Governance Guidelines that are posted on the company's web site. These guidelines outline the Board responsibilities and ensure Board independence. The Board, however, does not believe that requiring stockholder approval of a shareholder rights plan would enhance the company's corporate governance.

The purpose of a shareholder rights plan is to help the Board of Directors maximize shareholder value in the event of a takeover attempt by encouraging negotiations with the Board and by giving the Board the opportunity to explore other alternatives. A 1997 study by Georgeson & Company, a nationally recognized proxy solicitation and investor relations firm, found that the premiums paid to acquire companies with rights plans averaged eight percentage points higher than premiums for companies without such plans. The same Georgeson & Company study found that the presence of a rights plan neither increased the likelihood of defeat of an unsolicited takeover proposal nor reduced the likelihood of a company becoming a takeover target.

Additionally, Delaware law imposes a fiduciary duty on the Board of Directors to act in the best interests of the company's stockholders and to oppose unfair takeover offers. Courts have recognized that rights plans are a valuable and legitimate tool available to directors in fulfilling their fiduciary duties to stockholders. In upholding the legal validity of shareholder rights plans, the Delaware Supreme Court has made it clear that a board is required to act in accordance with its fiduciary duties in adopting and maintaining a rights plan. Shareholder rights plans are designed to strengthen the ability of a board of directors, in accordance with its fiduciary duties, to maximize shareholder value and to protect stockholders from unfair and abusive takeover tactics. That is why more than 2,000 companies, including more than half of the companies in the S&P 500 Index, have adopted some type of rights plans.

In recommending a vote against the proposal, the Board of Directors has not determined that a rights plan should be adopted by the company. If circumstances warranting the adoption of a rights plan should arise, the determination to adopt such a plan would be made only after careful deliberation and in compliance with the Board's fiduciary duties. It is important to note in this regard that nine out of ten of the company's directors are independent (non-employee) directors. The company has not adopted a poison pill and the recommendation against the proposal is based on the Board's belief that it would not be wise to limit the Board's flexibility to act in the best interests of the stockholders.

Accordingly, the Board unanimously recommends that the stockholders vote "AGAINST" this proposal.

PROPOSAL 6 STOCKHOLDER PROPOSAL RELATING TO SEPARATION OF CHAIRMAN AND CEO POSITIONS

Mr. Dundas I. Flaherty, 3749 Malibu Vista Drive, Malibu, California 90265, on behalf of the Flaherty-Kulli Trust, which holds 83,880 shares of Common Stock (plus an additional 69,040 shares held in street name), has informed the company that he intends to present to the meeting the following resolution:

> RESOLVED: The Shareholders of Bristol-Myers Squibb ("BMS") urge the Board of Directors to amend the bylaws to require that an independent director who has not served as chief executive officer of the Company shall serve as chairman of the Board of Directors.

Supporting Statement

> A key duty of the Board of Directors is to protect shareholders' interests by providing independent oversight of management, including the CEO. We believe that separating the positions of chairman and CEO will enhance independent Board leadership at BMS and help the Board to deal more effectively with what we view as the causes of BMS's recent underperformance.

Since May 1, 2001 BMS has:

- Publicized as "potential blockbusters" planned new products that did not get to market, notably Vanlev and Erbitux, despite having the same evidence used by the FDA to turn them down.

- Lost about $1.2 billion of its $1.3 billion investment in ImClone and its planned Erbitux drug, which the FDA refused to approve only three months after BMS signed the deal.

- Quit a partnership with Novartis to co-market Zelnorm (now successfully marketed in the U.S. by Novartis alone), an action that might discourage others from partnering with BMS in the future.

- Carried out a promotional scheme to sell distributors more products than current demand would warrant. This so-called "channel-stuffing" was apparently intended to achieve targeted results for 2001, but has hurt future sales and derailed 2002's performance.

- Changed its disclosure regarding the channel-stuffing four times, according to press reports; BMS initially estimated the excess reported as sales at the time at $1 billion vs. its $2 billion current estimate.

- Attracted legal challenges, including actions by state authorities alleging abuses designed to preserve patent protection, investigations by the Justice Department and the SEC into the channel-stuffing, and private lawsuits.

- Spent $16.5 billion on research and development since 1990 without that R&D creating any outstanding commercial product (such as a Prozac, Lipitor or Zocor).

Suffered loss of reputation. BMS was *Fortune's* most admired pharmaceutical company at the beginning of 2001, but in June 2002 it appeared in a critical comic strip along with Enron, Andersen, and Tyco.

Delivered such poor financial performance that its bond ratings were downgraded, its stock price declined about 50% by November 2002 (worse than all of BMS's peer companies), and, according to press reports, it lost credibility in the investment community. Coverage from earnings of BMS's dividend worsened after decades during which its dividend was regularly increased and never cut.

We believe that BMS needs management that is capable of bringing new products from its laboratories to market without promotional missteps, uneconomic deals, disclosure problems, or

unnecessary litigation. We believe that the proposed change is an important governance reform to improve the Board's oversight of BMS management in the shareholders' interest.

We urge you to vote FOR this proposal.

Board of Directors' Position

The Board of Directors recommends a vote "AGAINST" the proposal for the following reasons:

The Board of Directors, which includes nine independent, non-management directors among its ten members, believes that the positions of Chairman and Chief Executive Officer should be held by the same person, except in unusual circumstances such as transition in leadership. The Board believes this combination has served the company well over many years by providing unified leadership and direction. The Board may separate these positions in the future should circumstances change. The Board believes it is important that the Board have the discretion to act in the best interests of shareholders at any point in time.

The proponent's proposal would deprive the Board of its flexibility to organize its functions and conduct its business in the manner it deems most efficient. In its "Policy Statement on Corporate Governance", TIAA-CREF, a major institutional investor widely recognized for its leadership in corporate governance, specifically recognized this responsibility of the Board. TIAA-CREF also advises that it does not generally support shareholder resolutions to separate the positions of Chief Executive Officer (CEO) and Chairman of the Board.

The Board is committed to high standards of corporate governance and has adopted Corporate Governance Guidelines that are posted on the company's web site. These guidelines were designed in part, to ensure the independence of the Board and include a formal process for the evaluation of CEO performance by all independent Board members. The evaluation is used by the Compensation and Management Development Committee as a basis to recommend the compensation of the CEO, which is approved by all independent Board members. In addition, the Compensation and Management Development Committee, the Audit Committee and the Committee on Directors and Corporate Governance are composed entirely of independent directors.

The Board believes its independence is not compromised by having a single person serve as Chairman of the Board and CEO. The functions of the Board are carried out by the full Board, and when delegated, by the Board committees. Each director is a full and equal participant in the major strategic and policy decisions of the company. As indicated in the corporate governance guidelines, the independent Board members meet on a quarterly basis in executive session that are led by the Chair of the Committee on Directors and Corporate Governance. The insight and advice that each independent director provides to the company would not change if he or she served as non-executive Chairman of the Board.

The Board believes that the company's corporate governance structure, with its emphasis on independence, makes it unnecessary to have an absolute requirement that the Chairman of the Board be an independent director. The Board further believes that adopting such a rule would only serve to place limits on the Board's ability to select the director it believes best suited to serve as Chairman of the Board.

Accordingly, the Board unanimously recommends that the stockholders vote "AGAINST" this proposal.

PROPOSAL 7 STOCKHOLDER PROPOSAL RELATING TO DISCRETIONARY EXECUTIVE COMPENSATION

Mr. Steven S. Schneider, 129 Clover Leaf Lane, North Wales, Pennsylvania 19454, who holds of record 1,036 shares of Common Stock, has informed the company that he intends to present to the meeting the following resolution:

Shareholders request that our Bristol-Myers Squibb (BMY) Board of Directors vote to implement a provision to the executive incentive compensation plan prohibiting discretionary (non-base-salary cash) payments to executive officers of the company for any year in which the total return of BMY common stock does not reach some predetermined threshold (to be defined by the compensation committee) relative to its self-selected peer group.

This approach institutionalizes the superiority of economic value over accounting results and restricts performance measurement to factors controlled by management. It isolates overall stock market and sector performance over which BMY management has no control. Such a provision also reduces the incentive for management to manipulate short-term accounting results using practices such as "inventory stuffing."

This proposal is motivated by the long-term relationship between BMY executive compensation and shareholder returns (Compensation data source: 1994-2002 BMY proxy statements):

In 2000 BMY total return to shareholders was 15.9% below its peer group. The CEO received a $1.3 million annual bonus and an $800,000 long-term incentive payout in addition to his base salary of $1.4 million

In 2001 BMY underperformed its peer group by 12.5%. For that year two CEO's received $3.9 million in annual bonus payments and $934,000 in long-term incentive payments

From 1992-2001, BMY paid total CEO compensation (including stock option exercises) of $13.6 million for each percent of average annual total shareholder return. This is more than double the amount paid by Pfizer ($6.5M), Schering-Plough ($5.8M), and Eli Lilly ($5.1M). Even excluding option gains, BMY's return adjusted CEO compensation was more than 50% higher than the average for the 8 largest U.S.-based pharmaceutical companies (total return source data for these calculations is Value Line Investment Survey®).

Compensation Committee Claims Performance Ties

The compensation committee states in the 2002 proxy statement that "Mr. Heimbold's annual bonus... was based upon the degree to which the company achieved its pretax earnings, sales and cash flow budgets."

Incentive compensation is not working when executive bonuses exceeding 100% of base salary are paid based on the achievement of all operational goals for a year in which $40 billion of shareholder value was erased.

Good Intentions Not Enough

Current oversight based on subjective performance measurement clearly is not working. BMY has paid enormous compensation to executives who have destroyed shareholder value. This process needs to be replaced with a set of objective measurements, known to shareholders in advance whereby it is not possible for executives to receive more than base salary compensation for any year in which shareholder returns are unacceptable.

Time to Act is Now

In the wake of widespread executive scandal, it is clear that boards of directors need to act more decisively and proactively on behalf of shareholders to deter self-dealing by management. Shareholders request that the BMY Board of Directors act now.

In the interest of shareholder value vote yes:

SHAREHOLDER VOTE ON DISCRETIONARY EXECUTIVE COMPENSATION
YES ON THIS PROPOSAL

Board of Directors' Position

The Board of Directors recommends a vote "AGAINST" the proposal for the following reasons:

The Board of Directors believes that this proposal would impair the company's ability to attract, retain and motivate the most talented executives and to drive company performance through the executive compensation programs by limiting the Board's ability to set the most appropriate measures for the annual bonus plan. As a result, the Board believes this proposal is not in the best interests of the stockholders.

The Board agrees that long-term stockholder return is a very important measure for the company's executive compensation programs. Thus, the majority of compensation for the company's executive officers is in the form of options and other equity incentives tied directly to stockholder return. The Board believes that placing the majority of senior executives' compensation in equity incentives aligns senior executives with the company's stockholders.

The Board does not believe, however, that an annual incentive plan should be tied to stockholder return over a one-year period. Stockholder return should be viewed as a long-term goal. The vacillation of the company's stock price over a one-year period can occur for many reasons beyond the control of the company's executives.

The Board also believes in aligning executives with the company's stockholders through the maintenance of stringent share retention guidelines to ensure that when executives exercise stock options they must retain a substantial ownership in company stock. These guidelines are more stringent than most of the company's peers. For example, the Chief Executive Officer must retain eight times his base salary in stock before selling any of the net shares obtained upon exercise. Other named executive officers must retain five times their base salary in stock before selling any net shares upon exercise.

In 2002, the Compensation and Management Development Committee, an independent committee of the Board comprised solely of outside directors, hired a human resource consulting firm, Mercer Human Resource Consulting, to review the company's executive compensation programs. A primary purpose of the study was to assess the relationship of pay to performance and stockholder value creation to ensure that the company's pay programs were both designed and implemented in a manner that would align the interests of the company's executives with those of its stockholders. Mercer concluded that the company's pay levels and programs for the named executive officers bore a direct relationship to the company's financial performance and stockholder return.

The Board has tools in place to ensure that senior executive officers receive a smaller bonus or no bonus at all in a year in which the company does not meet its pre-established financial targets approved by the Board at the beginning of the year. In 2002, at the CEO's recommendation, neither the CEO, nor any other named executive officer who was with the company at the beginning of 2002 received an annual bonus.

The Board believes that the company's executive compensation program with its emphasis on long-term stockholder return makes it unnecessary and unwise to rigidly tie the annual bonus program to stockholder return. The Board further believes that requiring such a link will inhibit the company's ability to attract and retain the best and brightest executives.

Accordingly, the Board unanimously recommends that the stockholders vote "AGAINST" this proposal.

PROPOSAL 8 STOCKHOLDER PROPOSAL RELATING TO EXECUTIVE COMPENSATION REVIEW

Ms. Ann M. Sink, 2724 Old Sugar Road, Durham, North Carolina 27707, owner of 125 shares of Common Stock, and three proponents, whose names, addresses and stockholdings will be furnished by the company promptly upon receiving an oral or written request from a stockholder addressed to the Secretary of the company, have informed the company that they intend to present to the meeting the following resolution:

WHEREAS,

"Beginning with the strongest companies, CEOs and their boards should simply reach the conclusion that executive pay is excessive and adjust it to more reasonable and justifiable levels."

William McDonough, President of the New York Federal Reserve Bank speaking at a 9/11 memorial event. Mr. McDonough went on to say that excessive CEO pay was "terribly bad social policy and perhaps even bad morals."

During the four years ending 2001, Bristol-Myers Squibb paid its Chief Executive Officers more than $103 million, ranking thirty-eighth among US corporations. (Source: Business Week's Executive Compensation Survey)

In 2001, Bristol-Myers Squibb's shareholders lost money, and the company announced that 2,295 hard-working employees would be laid-off (source: Forbes.com), yet each of the four executive officers who remained in the same job they held in 2000, received salary increases in 2001 and cash bonuses that averaged more than $500,000 in 2001. In 2001 Bristol-Myers Squibb's stock lost more than 26% of its value, underperforming the company's self-defined peer group, which lost just 14%.

RESOLVED: shareholders request that the Board conduct a comprehensive executive compensation review and publish a report of this review, omitting proprietary information and prepared at reasonable cost. This report shall be available to all shareholders upon request by August 15, 2003. At a minimum, this review should consider the following:

Would shareholder value be enhanced if Bristol-Myers Squibb altered its executive compensation policies to:

1. Freeze executive pay during periods of large layoffs?

2. Establish a maximum ratio between the highest-paid executive officer and the lowest-paid employee?

3. Seek shareholder approval for any executive severance payments or executive retirement plans exceeding two times annual salary?

Supporting Statement

New York Federal Reserve President William McDonough had it right: executive pay packages are excessive and responsible companies should take actions to reform executive pay policies. Bristol-

Myers Squibb has not become a successful company by clinging to convention and refusing to change.

Does it take the promise of a financial payoff of tens of millions of dollars to get a CEO out of bed in the morning and off to work? Of course not. The passion of most successful CEOs is to create a company they and others can be proud of. We believe that a company with a commitment to fairness and equity, and in which all employees are regarded as co-creators of corporate success and where each shares in the sacrifice required during difficult times, would be a company worthy of pride.

Please vote **FOR** this resolution!

Board of Directors' Position

The Board of Directors recommends a vote against the proposal for the following reasons:

The Board of Directors believes that this proposal is unnecessary because the company has already substantially implemented the proposal.

In October 2002, the Compensation and Management Development Committee of the Board of Directors retained Mercer Human Resource Consulting to conduct a comprehensive study of the company's executive compensation practices. The purpose of the study was to assess the competitive position of current pay levels for the company's senior executives and the relationship of pay to performance and shareholder value creation. Accordingly, the part of the proposal requesting that the Board of Directors "conduct a comprehensive executive compensation review" has been fulfilled because the Board has already retained independent advisors who have conducted a review of the company's executive

compensation practices.

Furthermore, the Mercer study addresses the request that the review consider whether shareholder value would be enhanced if the company "altered its executive compensation policies." The relationship of pay to performance was a fundamental aspect of the Mercer study. Because strong financial performance is reflected in enhanced shareholder value, the Mercer study sought to determine whether changing the company's compensation policies would enhance shareholder value.

The proposal also requests that the Board of Directors publish a report of the review by August 15, 2003. This aspect of the proposal has also been fulfilled since the Compensation and Management Development Committee has reported on the results of the Mercer study in the committee's Report on Executive Compensation on page 21 of this Proxy Statement.

Because the Board has already conducted a "comprehensive" review of the company's executive compensation practices (complete with the expertise of outside compensation advisors) and reported on the results of this review to all stockholders, the Board believes that it has already implemented the requests stated in the proposal. The proposal, however, seeks to require another executive compensation review and the Board believes that this would be an unwise use of the company's resources.

Accordingly, the Board unanimously recommends that the stockholders vote "AGAINST" this proposal.

ADVANCE NOTICE PROCEDURES

Under the company's Bylaws, no business may be brought before an annual meeting except as set forth in the notice of the meeting or as otherwise brought before the meeting by or at the direction of the Board or by a stockholder entitled to vote who has delivered notice to the company containing certain information set forth in the Bylaws, not fewer than 120 days before the date of the company's proxy statement is released to stockholders in connection with the prior year's annual meeting. For the

company's meeting in 2004, the company must receive this notice no later than December 16, 2003. These requirements are separate and distinct from and in addition to the SEC requirements that a stockholder must meet to have a stockholder proposal included in the company's proxy statement.

A copy of the Bylaw provisions discussed above may be obtained by writing the company at its principal executive offices, 345 Park Avenue, New York, New York 10154, attention: Secretary.

2004 PROXY PROPOSALS

Stockholder proposals relating to the company's 2004 Annual Meeting of Stockholders must be received by the company at its principal executive offices, 345 Park Avenue, New York, New York 10154, attention: Secretary, no later than December 16, 2003.

DIRECTIONS TO THE HOTEL DUPONT

By Car:

From Baltimore or Downstate Delaware:

1. Take I-95 North to Wilmington Exit 7 marked "Route 52, Delaware Avenue".

2. From right lane, take Exit 7 onto Adams Street.

3. At the third traffic light on Adams Street, turn right onto 11th Street.

4. At the intersection of Delaware Avenue, bear left, continuing on 11th Street.

5. Follow 11th Street through six traffic lights. Hotel duPont is on the right.

From New Jersey:

(New Jersey Turnpike)

1. Take the New Jersey Turnpike South to Delaware Memorial Bridge.

2. After crossing the Delaware Memorial Bridge, follow signs to I-95 North.

3. From I-95 North, follow steps 1-5 outlined in directions "From Baltimore or Downstate Delaware".

From Philadelphia:

(I-95 South):

1. Take I-95 South through Chester to Wilmington.

2. Follow I-95 South to Exit 7A marked "52 South, Delaware Avenue".

3. Follow 11th Street in the middle lane through six traffic lights. Hotel du Pont is on the right.

By Train:

Amtrak train service is available into Wilmington, Delaware Station. The Hotel duPont is located approximately twelve blocks from the train station.

EXHIBIT A

BRISTOL-MYERS SQUIBB COMPANY

EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. Purpose: The purpose of the Executive Performance Incentive Plan (the "Plan") is to promote the interests of the Bristol-Myers Squibb Company (the "Company") and its stockholders by providing additional compensation as incentive to certain key executives of the Company and its Subsidiaries and Affiliates who contribute materially to the success of the Company and such Subsidiaries and Affiliates.

2. Definitions: The following terms when used in the Plan shall, for the purposes of the Plan, have the following meanings:

(a) "Affiliate" shall mean any entity in which the Company has an ownership interest of at least 20%.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Company" shall mean the Bristol-Myers Squibb Company, its subsidiaries and affiliates.

(d) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(e) "Retirement" shall mean termination of the employment of an employee with the Company or a Subsidiary or Affiliate on or after

(i) the employee's 65th birthday

or

(ii) the employee's 55th birthday having completed 10 years of service with the Company.

(f) "Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" in Section 424 of the Code.

3. Administration: The Plan shall be administered under the supervision of the Board of Directors of the Company (the "Board") which shall exercise its powers, to the extent herein provided, through the agency of a Compensation and Management Development Committee (the "Committee") which shall be appointed by the Board. The Committee shall consist of not less than three (3) members of the Board who meet the definition of "outside director" under the provisions of Section 162(m) of the Code and the definition of "non-employee director" under the provisions of the Exchange Act or the regulations or rules promulgated thereunder.

The Committee, from time to time, may adopt rules and regulations ("Regulations") for carrying out the provisions and purposes of the Plan and make such determinations, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate. The Committee may alter, amend or revoke any Regulation adopted. The interpretation and construction of any provision of the Plan by the Committee shall, unless otherwise determined by the Board, be final and conclusive.

The Committee may delegate its responsibilities for administering the Plan to a committee of key executives as the Committee deems necessary. Any awards under the Plan to members of this committee and to such other of the Participants as may be determined from time to time by the Board or the Committee shall be referred to the Committee or Board for approval. However, the Committee may not delegate its responsibilities under the Plan relating to any executive who is subject to the provisions of Section 162(m) of the Code or in regard to the issuance of any stock under Paragraph 6(c).

4. Participation: "Participants" in the Plan shall be such key executives of the Company as may be designated by the Committee to participate in the Plan with respect to each fiscal year.

---

5. Performance Incentive Awards:

(a) For each fiscal year of the Company, the Committee shall determine the following:

(i) The Company, Subsidiaries and/or Affiliates to participate in the Plan for such fiscal year.

(ii) The executives who will participate in the Plan for such fiscal year.

(iii) The basis(es) for determining the maximum amount of the Awards to such Participants will be dependent upon the attainment by the Company or any Subsidiary or Affiliate or subdivision thereof of any specified performance goal or objective. Performance measures established by the Committee may relate to the Total Company or a business unit. Performance measures may be set at a specific level or may be expressed as relative to the comparable measures at comparison companies or a defined index. Performance criteria for Awards under the Plan may include one or more of the following operating performance measures:

a. Earnings e. Financial return ratios

b. Revenue
c. Operating or net cash flows
d. Research and development milestones
f. Total shareholder return
g. Market share
h. Product commercialization milestones

(iv) For Participants subject to 162(m) of the Code, the Committee shall establish one or more objectively determinable performance measures based on the criteria described above no later than 90 days after the beginning of the fiscal year and at a time when the achievement of such measure (or measures) is substantially uncertain. No award shall be paid to a Participant unless the Committee determines that the performance measures applicable to that Participant have been achieved.

(v) For any Participant not subject to Section 162(m) of the Code, other performance measures or objectives, whether quantitative or qualitative, may be established. The Committee shall establish the specific targets for the selected measures. These targets may be set at a specific level or may be expressed as relative to the comparable measure at comparison companies or a defined index.

The Committee may, in its discretion, reduce the award payable to any Participant below the amount determined by the objective performance measures established for that Participant. The Committee's discretion may not be exercised to increase the award payable to any Participant subject to Section 162(m) of the Code above the amount determined by the applicable performance measure. In addition, the exercise of the Committee's discretion to reduce the award payable to any Participant may not increase the award payable to any other executive subject to Section 162(m) of the Code.

(vi) The Committee may require or a Participant may request the Committee to approve deferred payment of a percentage (not less than 25%) of an Award (the "Deferred Portion"). Any Award or portion of Award which the Committee does not require deferral of or the Participant does not request deferral of shall be paid subject to the provisions of Paragraph 6 (the "Current Portion"). Any Award which includes a Deferred Portion shall be subject to the terms and conditions stated in Paragraph 9 and in any Regulations established by the Committee.

(b) At any time after the commencement of a fiscal year for which Awards have been determined, but prior to the close thereof, the Committee may, in its discretion, eliminate or add Participants, or increase or decrease the Award of any Participant; but the Committee may not alter

any election made relative to establishing a Deferred Portion of an Award or which would cause any Award to lose deductibility under Section 162(m) of the Code. Any changes or additions with respect to Awards of members of any committee established to oversee the Plan shall be referred to the Board or Committee, as appropriate, for approval.

6. Payment of Current Portion of Performance Incentive Awards:

(a) Subject to such forfeitures of Awards and other conditions as are provided in the Plan, the Awards made to Participants shall be paid to them or their beneficiaries as follows:

(i) As soon as practicable after the end of the fiscal year, the Committee shall determine the extent to which Awards have been earned on the basis of the actual performance in relation to the established performance objectives as established for that fiscal year. Such Awards are only payable to the extent that the Participant has performed their duties to the satisfaction of the Committee.

(ii) While no Participant has an enforceable right to receive a Current Portion until the end of the fiscal year as outlined in (i) above, payments on account of the Current Portion may be provisionally made in accordance with the Regulations, based on tentative estimates of the amount of the Award. A Participant shall be required to refund any portion or all of such payments in order that the total payments may not exceed the Current Portion as finally determined, or if the Participant shall forfeit their Award for any reason during the fiscal year. However, any Participant subject to Section 162(m) of the Code may not receive such provisional payments.

(b) There shall be deducted from all payments of Awards any taxes required to be withheld by any government entity and paid over to any such government in respect of any such payment. Unless otherwise elected by the Participant, such deductions shall be at the established Withholding Tax Rate. Participants may elect to have the deduction of taxes cover the amount of any Applicable Tax

(the amount of Withholding Tax plus the incremental amount determined on the basis of the highest marginal tax rate applicable to such Participant).

(c) Form of Payment. The Committee shall determine whether payment with respect to the Current Portion of an Award, or to the payment of a Deferred Portion made under the provisions of Paragraph 9, shall be made entirely in cash, entirely in Common Stock of the Company, or partially in cash and partially in Common Stock. Further, if the Committee determines that payment should be made in the form of Restricted Shares of Common Stock of the Company, the Committee shall designate the restrictions which will be placed upon the Common Stock and the duration of those restrictions. For any fiscal year, the Committee may not cause Awards to be made under this provision which would result in the issuance, either on a current or restricted basis, of more than two-tenths of one percent of the number of shares of Common Stock of the Company issued and outstanding as of January 1 of the fiscal year relating to the payment.

7. Maximum Payments Under the Plan: Payments under the Plan shall be subject to the following maximum levels.

(a) *Total Payments.* The total amount of Awards paid under the Plan relating to any fiscal year may not exceed two percent of the operating pretax earnings for the Company in that fiscal year.

(b) *Maximum Individual Award.* The maximum amount which any individual Participant may receive relating to any fiscal year may not exceed 0.15 percent of the operating pretax earnings for the Company in that fiscal year.

---

8. Conditions Imposed on Payment of Awards: Payment of each Award to a Participant or to the Participant's beneficiary shall be subject to the following provisions and conditions:

(a) *Rights to Awards.* No Participant or any person claiming under or through the Participant shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Regulations that affect such Participant or such other person shall have been complied with. Nothing contained in the Plan or in the Regulations shall require the Company to segregate or earmark any cash, shares or stock or other property. Neither the adoption of the Plan nor its operation shall in any way affect the rights and power of the Company or of any Subsidiary or Affiliate to dismiss and/or discharge any employee at any time.

(b) *Assignment or Pledge of Rights of Participant.* No rights under the Plan, contingent or otherwise, shall be assignable or subject to any encumbrance, pledge or charge of any nature except that a Participant may designate a beneficiary for the Deferred Portion of an Award pursuant to the provisions of Paragraph 10.

(c) *Rights to Payments.* No absolute right to any Award shall be considered as having accrued to any Participant prior to the close of the fiscal year with respect to which an Award is made and then such right shall be absolute only with respect to any Current Portion thereof; the Deferred Portion will continue to be forfeitable and subject to all of the conditions of the Plan. No Participant shall have any enforceable right to receive any Award made with respect to a fiscal year or to retain any payment made with respect thereto if for any reason (death included) the Participant, during such entire fiscal year, has not performed their duties to the satisfaction of the Company.

9. Deferral of Payments: Any portion of an Award deemed the Deferred Portion under Paragraph 5(a)(vi) shall be subject to the following:

(a) The Committee will, in its sole discretion, determine whether or not a Deferred Portion may be elected by the Participant under an Award or if a Deferred Portion shall be required. If a Deferred Portion election is permitted for an Award, the Committee will establish guidelines regarding the date by which such deferral election by the Participant must be made in order to be effective.

(b) Concurrent with the establishment of a Deferred Portion for any Award, the Participant shall determine, subject to the approval of the Committee, the portion of any Participant's Deferred Portion that is to be valued by reference to the Performance Incentive Fixed Income Fund (hereinafter referred to as the "Fixed Income Fund"), the portion that is to be valued by reference to the Performance Incentive Equity Fund (hereinafter referred to as the "Equity Fund"), the portion that is to be valued by reference to the Performance Incentive Company Stock Fund (hereinafter referred to as the "Stock Fund") and the portion that shall be valued by reference to any other fund(s) which may be established by the Committee for this purpose.

(c) Prior to the beginning of each fiscal year, the Committee shall determine if the Fund(s) used to value the account of any Participant may be changed from the Fund currently used to any other Fund established for use under this Plan. Any such determination relating to a member of the Committee shall be referred to the Board (or such Committee of the Board as may be designated by the Board) for approval.

(d) Payment of the total amount of a Participant's Deferred Portions shall be made to the Participant, or, in case of the death of the Participant prior to the commencement of payments on account of such total amount, to the Participant's beneficiary, in installments commencing as soon as practical after the Participant shall cease, by reason of death or otherwise, to be an employee of the Company. In case of the death of any Participant after the commencement of payments on account of the total of the Deferred Portions, the then remaining unpaid balance thereof shall continue to be paid in installments, at such times and in such manner as if such Participant were

living, to the beneficiary(ies) of the Participant. However, the Committee shall possess absolute discretion to accelerate the time of payment of any remaining unpaid balance of the Deferred Portions to any extent that it shall deem equitable and desirable under circumstances where the Participant at the time of payment shall no longer be an employee of the Company or shall have died.

(e) *Conduct of Participant Following Termination of Employment.* If, following the date on which a Participant shall cease to be an employee of the Company, the Participant shall at any time either disclose to unauthorized persons confidential information relative to the business of the Company or otherwise act or conduct themselves in a manner which the Committee shall determine is inimical or contrary to the best interest of the Company, the Company's obligation to make any further payment on account of the Deferred Portions of such Participant shall forthwith terminate.

(f) *Assignment of Rights by Participant or Beneficiary.* If any Participant or beneficiary of a Participant shall attempt to assign their rights under the Plan in violation of the provisions thereof, the Company's obligation to make any further payments to such Participant or beneficiary shall forthwith terminate.

(g) *Determination of Breach of Conditions.* The determination of the Committee as to whether an event has occurred resulting in a forfeiture or a termination or reduction of the Company's obligation in accordance with the foregoing provisions of this Paragraph 9 shall be conclusive.

(h) *Fund Composition and Valuation.* Deferred Portions of Awards under the Plan shall be valued and maintained as follows:

(i) In accordance with the provisions, and subject to the conditions, of the Plan and the Regulations, the Deferred Portion as established by the Committee shall be valued in reference to the Participants' account(s) in the Equity Fund, in the Fixed Income Fund, in the Company Stock Fund, and in any other Fund established under this Plan. Account balances shall be maintained as dollar values, units or share equivalents as appropriate based upon the nature of the fund. For unit or share-based funds, the number of units or shares credited shall be based upon the established unit or share value as of the last day of the quarter preceding the crediting of the Deferred Portion.

(ii) Investment income credited to Participants' accounts under the Fixed Income Fund shall be determined by the Committee based upon the prevailing rates of return experienced by the Company. The investment income credited to participants under the Equity Fund shall be established based upon the performance of a specific basket of equity investments. The Company shall advise Participants of the specific measures used and the current valuations of these Funds as appropriate to facilitate deferral decisions, investment choices and to communicate payout levels. The Company Stock Fund shall consist of units valued as one share of Common Stock of the Company (par value $.10).

(iii) Nothing contained in the Fund definitions in Paragraphs 9(h)(i) and 9(h)(ii) shall require the Company to segregate or earmark any cash, shares, stock or other property to determine Fund values or maintain Participant account levels.

(iv) Alternative Funds. The establishment of the "Fixed Income Fund", the "Equity Fund" and the "Stock Fund" as detailed in Paragraphs 9(h)(i) and 9(h)(ii) shall not preclude the right of the Committee to direct the establishment of additional investment funds ("Funds").

In establishing such Funds, the Committee shall determine the criteria to be used for determining the value of such Funds.

(v) Accelerated Distributions. The Committee may, at its sole discretion, allow for the early payment of a Participant's Deferred Portion(s) in the event of an "unforeseeable emergency". An "unforeseeable emergency" is defined as an unanticipated emergency caused by an event beyond the control of the Participant that would result in severe financial hardship if the distribution were not permitted. Such distributions shall be limited to the amount necessary to sufficiently address the financial hardship. Any distributions under this provision shall be consistent with all rules and regulations established under the Code.

10. Designation of Beneficiary for Deferred Portion: A Participant may name a beneficiary to receive any Deferred Portion under Paragraph 5(a)(vi) to which the Participant may be entitled under the Plan in the event of their death, on a form to be provided by the Committee. A Participant may change their beneficiary from time to time in the same manner.

If no designated beneficiary is living on the date on which any Deferred Portion becomes payable to a Participant's beneficiary, such payment will be payable to the person or persons in the first of the following classes of successive preference:

(a) Widow or Widower, if then living

(b) Surviving children, equally

(c) Surviving parents, equally

(d) Surviving brothers and sisters, equally

(e) Executors or administrators

and the term "beneficiary" as used in the Plan shall include such person or persons.

11. Miscellaneous:

(a) By accepting any benefits under the Plan, each Participant and each person claiming under or through him shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or made to be taken or made under the Plan by the Company, the Board, the Committee or any other committee appointed by the Board.

(b) Any action taken or decision made by the Company, the Board, the Committee, or any other committee appointed by the Board arising out of or in connection with the construction, administration, interpretation or effect of the Plan or of the Regulations shall lie within its absolute discretion, as the case may be, and shall be conclusive and binding upon all Participants and all persons claiming under or through any Participant.

(c) No member of the Board, the Committee, or any other committee appointed by the Board shall be liable for any act or failure to act of any other member, or of any officer, agent or employee of such Board or Committee, as the case may be, or for any act or failure to act, except on account of their own acts done in bad faith. The fact that a member of the Board shall then be, shall theretofore have been or thereafter may be a Participant in the Plan shall not disqualify them from voting at any time as a director with regard to any matter concerning the Awards, or in favor of or against any amendment or alteration of the Plan, provided that such amendment or alteration shall provide no benefit for directors as such and provided that such amendment or alteration shall be of general application.

(d) The Board, the Committee, or any other committee appointed by the Board may rely upon any information supplied to them by any officer of the Company or any Subsidiary and may rely upon the advice of counsel in connection with the administration of the Plan and shall be fully protected in relying upon such information or advice.

(e) Notwithstanding anything to the contrary in the Plan, neither the Board nor the Committee shall have any authority to take any action under the Plan where such action would affect the Company's ability to account for any business combination as a "pooling of interests."

12. Amendment or Discontinuance: The Board may alter, amend, suspend or discontinue the Plan, but may not, without approval of the holders of a majority of the Company's Common Stock ($0.10 par value) and $2.00 Convertible Preferred Stock ($1 par value) make any alteration or amendment thereof which would permit the total payments under the Plan for any year to exceed the limitations provided in Paragraph 7 hereof or to allow for the issuance of Company Common Stock in excess of the limitation provided in Paragraph 6(c).

13. Effective Date: The Plan will be effective for all fiscal years beginning with 2003 by action of the Board of Directors conditioned on and subject to approval of the Plan, by a vote of the holders of a majority of the shares of Common Stock and $2.00 Convertible Preferred Stock of the Company present in person or by proxy at a duly held stockholders meeting at which a quorum representing a majority of all outstanding voting stock is present. The Committee may exercise its discretion to make no award payments to Participants subject to Section 162(m) of the Code in respect of the 2007 fiscal year or any later fiscal year (other than awards properly deferred from earlier fiscal years) if the Plan has not been reapproved by the Company's stockholders at the first meeting of stockholders during 2007, if necessary for compliance with Section 162(m) of the Code.

EXHIBIT B

Amendments to Bristol-Myers Squibb's Certificate of Incorporation to Declassify the Board of Directors

A blackline of changes from the current Article EIGHTH (a) to show changes to remove the classified board is below.

EIGHTH: (a) Subject to the rights under Article FOURTH hereof of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of, the retirement age of and other restrictions and qualifications for directors of the corporation shall be fixed by the by-laws of the corporation and such number, retirement age and other restrictions and qualifications may be altered only by a majority vote of the entire board of directors from time to time in the manner provided in the by-laws or by amendment thereof adopted by a majority vote of the entire board of directors or adopted by the stockholders; provided, however, that any such amendment adopted by the stockholders must be adopted by the affirmative vote of holders of at least 75% of the outstanding shares of stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

Except with respect to directors who may be elected by holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, at the 2004 annual meeting of stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2005 annual meeting of stockholders (which number of directors shall be approximately one-third of the total number of directors of the corporation); at the 2005 annual meeting of stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2006 annual meeting of stockholders (which number of directors shall be approximately two-thirds of the total number of directors of the corporation); and at each annual meeting of stockholders thereafter, the directors shall be elected for terms expiring at the next annual meeting of stockholders.

~~The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the by-laws of the corporation. The first class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1985, the second class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, and the third class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, with the directors of each class to hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.~~

~~Subject to the rights under Article FOURTH hereof of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, newly created directorships resulting from~~

~~any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, retirement, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the board of directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the~~

~~number of directors constituting the board of directors or change in the restrictions and qualifications for directors shall shorten the term of any incumbent director.~~

~~Subject to the rights under Article FOURTH hereof of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, retirement, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the board of directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.~~ No decrease in the number of directors constituting the board of directors or change in the restrictions and qualifications for directors shall shorten the term of any incumbent director.

Subject to the rights under Article FOURTH hereof of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director~~, an entire class of directors~~ or the entire board of directors may be removed from office, with or without cause, only by the affirmative vote of the holders of at least 75% of the outstanding shares of stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 75% of the outstanding shares of stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article EIGHTH (a).

Y O U R   V O T E   I S   I M P O R T A N T
P L E A S E   V O T E   Y O U R   P R O X Y

03PS1

[LOGO] Bristol-Myers Squibb Company

P.O. BOX 4000
PRINCETON, NJ 08640

THREE WAYS TO VOTE

VOTE BY PHONE: 1-800-690-6903

1) **Read the accompanying Proxy Statement and this proxy card.**
2) **Call toll free 1-800-690-6903**
3) **Enter the 12-digit Control Number shown below.**
4) **Follow the simple recorded instructions.**

VOTE BY INTERNET: WWW.PROXYVOTE.COM

1) **Read the accompanying Proxy Statement and this proxy card.**

2) Go to the Web site WWW.PROXYVOTE.COM
3) Enter the 12-digit Control Number, shown below.
4) Follow the simple instructions.

VOTE BY MAIL:

1) Mark, sign and date your proxy card.
2) Return it in the enclosed postage paid envelope.

YOUR VOTE IS IMPORTANT

Do not return this proxy card if you vote by telephone or Internet.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

BMSOB1 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

BRISTOL-MYERS SQUIBB COMPANY

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSALS 1, 2, 3 AND 4.

Vote On Directors

		For All	**Withheld All**	**For All Except**	To withhold authority to vote, mark "For All Except" and write the nominee's name(s) on the line below.
1.	**Election of Directors** **01) R.E. Allen** **02) L.B. Campbell** **03) L.H. Glimcher, M.D.** **04) J.D. Robinson III**	o	o	o	

Vote On Proposals		**For**	**Against**	**Abstain**
2.	Appointment of Independent Auditors	o	o	o
3.	Approval of Executive Performance Incentive Plan	o	o	o
4.	Amendment to Certificate of Incorporation to Declassify the Board of Directors	o	o	o

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" PROPOSALS 5, 6, 7 AND 8.		**For**	**Against**	**Abstain**
5.	Shareholder Rights Plan	o	o	o
6.	Separation of Chairman and CEO Positions	o	o	o
7.	Discretionary Executive Compensation	o	o	o
8.	Executive Compensation Review	o	o	o

I have included a Change of Address and/or Comments on the reverse side of this card. o

	Yes	**No**
I plan to attend the Annual Meeting	o	o

Note: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature (PLEASE SIGN WITHIN BOX) Date

Signature (Joint Owners) Date

[LOGO] Bristol-Myers Squibb Company

ADMISSION TICKET

2003 Annual Meeting of Stockholders

Tuesday, May 6, 2003
9:45 A.M.
Hotel duPont
11th & Market Streets
Wilmington, DE 19801

PHOTO IDENTIFICATION WILL BE REQUIRED

Please present this admission ticket in order to gain admittance to the meeting.
This ticket admits only the stockholder(s) listed on the reverse side of this card and is not transferable.

The Hotel duPont is located at 11th and Market Streets in downtown Wilmington, Delaware.
Directions to the hotel can be obtained by calling the hotel at (302) 594-3100 or via the Internet by accessing the hotel's web site at **http://www.dupont.com/hotel/map.htm**.

Limited Complimentary Parking for stockholders attending the 2003 Annual Meeting is available at the **HOTEL CAR PARK**, located on Orange Street between 11th and 12th Streets approximately one block from the hotel.

SHOW YOUR ADMISSION TICKET TO THE PARKING ATTENDANT TO RECEIVE COMPLIMENTARY PARKING

Valet parking at the Hotel duPont is available at your own expense.

[LOGO] Bristol-Myers Squibb Company

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS, MAY 6, 2003

The undersigned hereby appoints Peter R. Dolan, Ellen V. Futter, and Louis W. Sullivan, M.D., and each of them proxies, with full power of substitution in each of them, for and on behalf of the undersigned to vote as proxies, as directed and permitted herein, at the Annual Meeting of Stockholders of the company to be held at the Hotel duPont, 11th and Market Streets, Wilmington, Delaware, on May 6, 2003 at 9:45 A.M., and at any adjournments thereof upon matters set forth in the Proxy Statement and, in their judgment and discretion, upon such other business as may properly come before the meeting.

This proxy also provides voting instructions for shares held by the Trustee of the Bristol-Myers Squibb Company Savings and Investment Program, the Bristol-Myers Squibb Company Employee Incentive Thrift Plan, the Bristol-Myers Squibb Puerto Rico, Inc. Savings and Investment Program, the Zimmer Holdings, Inc. Savings and Investment Program and the Zimmer Puerto Rico Savings and Investment Program and directs such Trustee to vote at the Annual Meeting all of the shares of Common Stock of Bristol-Myers Squibb Company which are allocated to the undersigned's employee plan account in the manner directed on the reverse side of this card. If no direction is given or is received after April 25, 2003, the Trustee will vote the shares in the same proportion as the shares as to which it has received instructions.

When properly executed, your proxy will be voted as you indicate, or where no contrary indication is made, will be voted FOR Proposals 1, 2, 3, and 4 and AGAINST Proposals 5, 6, 7 and 8. The full text of the proposals and the position of the Board of Directors on each appears in the Proxy Statement and should be reviewed prior to voting.

Address Changes/Comments: ______________________________

____

____

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

QuickLinks

ADMISSION TICKET
PHOTO IDENTIFICATION WILL BE REQUIRED
[LOGO] Bristol-Myers Squibb Company