NORTH AMERICAN PALLADIUM LTD
Form F-10/A
November 19, 2007

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As filed with the Securities and Exchange Commission on November 19, 2007.

Registration No. 333-147126

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 Number, if any)*

130 Adelaide Street West, Suite 2116, Toronto, Ontario, Canada M5H 3P5, (416) 360-7590
(Registrant's principal executive offices)

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

The Commission is requested to send copies of all communications to:

Trent C. A. Mell, Esq.	**Ian G. Putnam, Esq.**	**Edwin S. Maynard, Esq.**
North American Palladium Ltd.	**Stikeman Elliott LLP**	**Paul, Weiss, Rifkind, Wharton & Garrison LLP**
130 Adelaide Street West, Suite 2116	**5300 Commerce Court West, 199 Bay Street**	**1285 Avenue of the Americas**
Toronto, Ontario, Canada M5H 3P5	**Toronto, Ontario, Canada M5L 1B9**	**New York, New York 10019-6064**
(416) 360-7590	**(416) 869-5506**	**(212) 373-3024**

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

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

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

A. o 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. ý at some future date (check appropriate box below)

1. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time not sooner than seven calendar days after filing).

2. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time seven calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ( ).

3. ý 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. o after the filing of the next amendment to this Form (if preliminary material is being filed).

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

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

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

PROSPECTUS

US$300,000,000

North American Palladium Ltd.

Common Shares
Special Shares
Debt Securities
Warrants
Share Purchase Contracts
Share Purchase or Equity Units
Subscription Receipts

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

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

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

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

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the federal laws of Canada, that most of its officers and directors are residents of Canada, that some or all of the experts named in the registration statement to which this Prospectus relates are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.

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

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

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

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

On November 15, 2007, the last trading day prior to the filing of this Prospectus, the closing price of the Common Shares on the TSX was Cdn.$6.30 per Common Share, and the closing price of the Common Shares on AMEX was US$6.37 per Common Share. Unless otherwise specified in the applicable Prospectus Supplement, Securities other than the Common Shares will not be listed on any securities exchange.

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

The date of this Prospectus is November 16, 2007

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

ABOUT THIS PROSPECTUS

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

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

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

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

INDUSTRY AND MARKET DATA

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

CAUTIONARY NOTE TO UNITED STATES INVESTORS

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- market fundamentals will result in reasonable demand and prices for palladium and by-product metals;
- mine plan scenarios will be viable and that exploration and development work, including at the Offset High Grade Zone, the Shebandowan West Project and the Arctic Platinum Project, will proceed as expected;
- the Company will not be subject to any environmental disasters, significant litigation, significant regulatory changes or significant labor disruptions;
- the integrated operation of the underground mine and the open pit mine at Lac des Iles will remain operationally and economically viable;
- the advice the Company has received from its consultants and advisors relating to matters such as mineral reserves and mineral resources, environmental requirements and certain legal proceedings is reliable and correct and, in particular, that the models, dilution strategies and mining recovery estimates used to calculate mineral reserves and mineral resources are appropriate and accurate; and
- financing will be available on reasonable terms.

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

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

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

- fluctuations in commodity prices;
- fluctuations in foreign currency exchange rates, particularly the Canadian dollar/U.S. dollar exchange rate;
- the ability of the Company to meet production volume or operating cost estimates;
- the accuracy of mineral reserve and mineral resource estimates;
- demand for, and cost of, exploration, development and construction services and equipment;

risks related to future exploration;

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

inherent risks and hazards associated with mining and processing operations;

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

interruption of operations at the Lac des Iles mine;

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

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

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

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

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

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

costs of complying with environmental laws and regulations;

costs of complying with government regulations;

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

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

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

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

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

loss of key personnel;

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

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

risk related to hedging strategy;

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

risks the Company faces in pursuing exploration activities abroad;

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

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

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements contained in this Prospectus are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from

those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company undertakes no obligation to release publicly any future revisions to forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events, except as required by law.

EXCHANGE RATE INFORMATION

The following table sets forth (i) the rates of exchange for Canadian dollars, expressed in U.S. dollars, in effect at the end of each of the periods indicated, (ii) the high and low exchange rates during each of the periods indicated and (iii) the average of such exchange rates on the last day of each month during such periods. These rates are based on the inverse of the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York. On November 15, 2007, the inverse of the noon buying rate was $1.00 per US$1.0200.

	Year Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
End of period	0.6359	0.7704	0.8320	0.8605	0.8576	0.8947	1.005
High	0.6618	0.7733	0.8493	0.8695	0.9102	0.9013	0.9388
Low	0.6198	0.6355	0.7160	0.7878	0.8533	0.8640	0.8504
Average[(1)]	0.6370	0.7205	0.7719	0.8282	0.8847	0.8784	0.8812

Notes:

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

INDUSTRY OVERVIEW

Platinum Group Metals

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

Supply

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

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

Demand

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

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

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

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

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

Historical Palladium Price Performance

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

Historical Palladium Prices (US$/oz)

Source: Bloomberg, as at November 15, 2007

THE COMPANY

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

Overview of North American Palladium's Business

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

Lac des Iles Property

Lac des Iles mine

The Company owns and operates the Lac des Iles mine located 85 kilometers from Thunder Bay, Ontario, Canada. The Lac des Iles mine consists of an open pit mine, an underground mine and two processing plants (one of which is currently idle). The primary deposit on the property is the Roby Zone, a disseminated magmatic nickel-copper-PGM deposit. The Company began mining the Roby Zone in 1993 using open pit mining methods. In April 2006, an underground mine went into commercial production to access a higher grade portion of the Roby Zone. In 2006, the Company produced 237,338 ounces of palladium from the Lac des Iles mine and in the ten months ended October 31, 2007, the Company produced 238,744 ounces of palladium from the Lac des Iles mine. In order to further extend the mine life of the open pit, the Company is currently assessing the economic viability of a southern extension of the open pit, which could generate additional operating cash flow.

Offset High Grade Zone

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

Shebandowan West Project

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

Arctic Platinum Project

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

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

Mineral Reserve and Mineral Resource Estimates

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

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

Lac des Iles Reserves[(1)(2)(3)]

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

North American Palladium Share of Project Resources[(2)(3)(4)(8)]

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

Total Project Resources (joint ventures)[(2)(3)(4)]

Property	Resources	Tonnes	Pd	Pt	Au	Cu	Ni	Pd	Pt
		(000)	(g/t)	(g/t)	(g/t)	(%)	(%)	(000 oz)	(000 oz)
Shebandowan[(5)]	Measured	736	1.19	0.37	0.22	0.66	0.89	28	9
	Indicated	1,847	1.05	0.33	0.23	0.60	0.92	62	20
	Measured and Indicated	**2,583**	**1.09**	**0.34**	**0.23**	**0.62**	**0.91**	**91**	**28**
	Inferred	342	0.97	0.27	0.18	0.61	1.11	11	3
APP[(7)]	Measured	46,074	1.08	0.26	0.11	0.17	0.07	1,600	385
	Indicated	106,428	1.06	0.24	0.12	0.20	0.08	3,627	821
	Measured and Indicated	**152,502**	**1.07**	**0.25**	**0.12**	**0.19**	**0.08**	**5,247**	**1,226**
	Inferred	25,398	1.04	0.25	0.11	0.17	0.07	849	204

Notes:

(1)

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

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

(2)

Due to rounding differences, total contained ounces of measured and indicated resources of Pd and Pt may not be equal to the sum of these two mineral resource categories.

(3)

Pd and Pt ounces are stated as contained ounces. Disclosure of contained ounces is permitted under Canadian regulations, however, the SEC generally permits resources to be reported only as in place tonnage and grade. See "Cautionary Note to United States Investors".

(4)

Although "Measured Resources", "Indicated Resources" and "Inferred Resources" are categories of mineralization that are recognized and required to be disclosed by Canadian regulators, the SEC does not recognize them. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See "Cautionary Note to United States Investors".

(5)

The mineral resource estimates for the Shebandowan West Project were prepared by F.H. Brown, CPG, Pr. Sci. Nat. (a "qualified person" under NI 43-101) using a cut-off grade of US$60.00 NSR and 18-month trailing average metal prices of US$300/oz Pd, US$750/oz Pt, US$400/oz Au, US$7/lb Ni and US$1.50/lb Cu.

(6)

Assumes a net inventory to North American Palladium of 50% for the Shebandowan West Project. Assuming successful completion of its earn-in requirements, the Company's interest is initially expected to be 50%, which could be reduced to 40% upon the exercise by CVRD Inco of a claw-back right.

(7)

The mineral resource estimates for the APP were prepared by F.H. Brown, CPG, Pr. Sci. Nat. (a "qualified person" under NI 43-101) using a cut-off grade of 1.0 g/t Pd equivalent cut-off grade and 18-month trailing average metal prices of US$344/oz Pd, US$1,222/oz Pt, US$644/oz Au, US$15.27/lb Ni and US$3.26/lb Cu.

(8)

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

Key Strengths

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

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

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

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

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

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

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

Highly Experienced Management Team. In November 2005, Mr. James Excell became President and Chief Executive Officer of the Company. Mr. Excell is an experienced mining executive with over 30 years experience working for one of the world's largest mining companies. Over the past two years, Mr. Excell has assembled a new senior management team, which included hiring Mr. David Passfield, with 29 years of experience, as Vice President, Operations, appointing Bill McKinney, with over 40 years of experience, as superintendent overseeing the Lac des Iles mine, as well as hiring a new Chief Financial Officer and General Counsel.

Growth Strategy

Increase Production. Construction of the underground mine at Lac des Iles has had a positive impact on production results over the past six quarters. The Company anticipates extending the life of the Lac des Iles operations by expanding the open pit and extending the underground mine to the OHGZ. The Company expects to increase overall production by making development decisions for the Shebandowan West Project and the APP in 2008. Nordmin Engineering Ltd. has estimated that the currently idle original mill at the Lac des Iles mine could be refurbished relatively quickly and economically, which would allow the Company to process material from the Shebandowan West Project in a dedicated flotation circuit.

Increase Reserves and Resources. The Company is committed to increasing its mineral reserves and resources through further exploration work with a view to extending the Lac des Iles mine life and developing the Company's operations beyond this mine. In furtherance of this objective, the Company actively investigates and evaluates strategic opportunities to acquire additional palladium resources both in the immediate vicinity of existing mining operations and elsewhere. The Company has a team of highly skilled and trained exploration specialists in offices in Canada and Finland. Recent exploration activities resulted in the preparation of new technical reports for the Shebandowan West Project and the APP that substantially increased the Company's total estimated mineral resources.

Leverage Mining Experience. The Company believes that it can benefit from the existing infrastructure at the Lac des Iles mine and leverage the operational experience and geological knowledge that it has gained through mining and developing the open pit and underground mine at Lac des Iles. The Company believes that it can apply the proven operating principles of the Lac des Iles mine to the Shebandowan West Project and the APP.

Properties

The Company's material properties consist of one operating mine and three advanced-staged exploration projects. The following describes key aspects of the Company's material properties. Please refer to the section entitled "Mineral Properties" in this Prospectus and to the various reports prepared in accordance with NI 43-101 discussed below for a further description of these properties, including their location, accessibility, climate, local resources, infrastructure, physiography, geological setting, mineralization, past drilling programs and history.

Lac des Iles mine

The Company owns and operates the Lac des Iles mine, which is located approximately 85 kilometers northwest of the city of Thunder Bay, Ontario, Canada. The mine consists of an open pit mine, an underground mine, a processing plant with a capacity of approximately 15,000 tonnes per day, and the original mill (which is currently idle) with a nominal capacity of approximately 2,400 tonnes per day. The primary deposit on the property is the Roby Zone, a PGM deposit.

Mining Operations

The Company began mining the Roby Zone in 1993 using open pit mining methods. Ore and waste from the open pit is mined using conventional hydraulic 27 cubic meter and 23 cubic meter shovels, 190 tonne trucks, 187 millimeter blast hole drills and a fleet of conventional ancillary equipment. Mine waste is stockpiled outside of design pit limits.

Development of the underground mine commenced in the second quarter of 2004 in order to access the higher grade portion of the Roby Zone. The underground deposit lies below the ultimate pit bottom of the open pit and extends to a depth of approximately 660 meters below the surface where it is truncated by an offset fault. Commercial production from the underground mine commenced on April 1, 2006. For the first three quarters of 2007, the underground mine had an average head grade of 5.72 g/t Pd.

The chosen mining method for the underground mine is sublevel retreat longitudinal longhole stoping with no fill. The mining block interval is 70 meters floor to floor including a 15 meter to 25 meter sill pillar below each haulage level. Slopes are 45 meters to 55 meters high by the width of the ore body. Total intake ventilation for the mine is designed to be 205 cubic meters per minute. There is one intake ventilation raise/secondary egress situated outside the ultimate open pit limits and air exhausts up the main ramp.

The open pit has a remaining mine life of approximately three years at the current rate of production. Management is currently assessing the economic viability of a southern extension of the open pit, which could prolong the mine life of the open pit by an additional three years. The Company intends to commence production from the upper portion of the OHGZ as the current underground mine ceases operations.

Milling Operations

In 2001, a new concentrator facility was commissioned with a design capacity of 15,000 tonnes per day. The processing operation utilizes a conventional flotation technology to produce a palladium rich concentrate that also contains platinum, nickel, gold and copper.

Ore is first crushed in a gyratory crusher and conveyed to a coarse ore stockpile. With the commissioning of the secondary crusher in 2004, the coarse ore stream can be split so that a portion is crushed in the secondary crusher producing a fine material feed which is then combined with the coarse feed. This mixture of coarse and fine material feeds to the SAG mill to increase mill throughput. In 2005, modifications were made to the secondary crusher, including the installation of a slide gate and better control feed distribution. The ore is ground to a nominal P80 (the size of an opening through which 80% of the product will pass) of 74 microns in a conventional semi-autogenous mill/ball mill/pebble crusher (SABC) circuit. The ground ore then feeds a flotation circuit that is comprised of rougher/scavengers and four stages of cleaning. The flotation circuit in the old concentrator is currently connected to the new concentrator to provide additional cleaner flotation capacity. The final concentrate is thickened and dewatered using two pressure filters.

In 2006, the concentrator processed 4,570,926 tonnes of ore or 12,523 tonnes per calendar day at an average palladium head grade of 2.18 grams per tonne and an average palladium recovery of 74.0%. In the first three quarters of 2007, the concentrator processed 3,840,614 tonnes of ore or 14,068 tonnes per calendar day at an average palladium head grade of 2.33 grams per tonne and an average palladium recovery of 74.7%.

Production costs per tonne of ore milled were $24.60 in 2006 and $25.94 for the first nine months of 2007. Cash costs, which include direct and indirect operating costs, smelting, refining, transportation and sales costs and royalties, net of credits for by-products, were approximately US$201.00 per ounce of palladium in 2006 as compared to approximately US$215.00 per ounce of palladium for the first six months of 2007.

The following table sets forth the tonnes milled and the metal production of the concentrate for each of the five years ended December 31, 2006 and the nine months ended September 30, 2006 and 2007:

	Year Ended December 31,					Nine months ended September 30,	
	2002	2003	2004	2005	2006[1]	2006[1]	2007
PALLADIUM							
Ore milled (tonnes)	4,851,621	5,159,730	5,298,544	4,780,599	4,570,926	3,391,282	3,840,614
Head grade (g/t)	1.91	2.31	2.41	1.66	2.18	2.07	2.33
Recovery (%)	73.8	75.5	75.2	69.6	74.0	72.8	74.7
Mill Availability	90.5	91.1	88.4	86.5	86.5	85.5	92.4
Production (oz)	219,325	288,703	308,931	177,167	237,338	164,097	214,739
BY-PRODUCT METALS							
Platinum (oz)	19,180	23,742	25,128	18,833	22,308	15,796	18,713
Nickel (lbs)	2,763,654	4,070,785	4,320,970	2,353,227	2,721,042	1,856,600	2,262,625
Copper (lbs)	5,295,486	7,142,674	7,836,183	5,514,670	5,155,588	3,734,137	4,092,367
Gold (oz)	16,030	23,536	25,679	14,308	17,237	12,128	14,756

Note:

(1) The underground mine at Lac des Iles went into commercial production on April 1, 2006.

Facilities and Infrastructure

In addition to the 15,000 tonnes per day concentrator, the Company's Lac des Iles mining operation includes a 2,400 tonnes per day mill, which has been idle since 2001. Nordmin Engineering Ltd. has estimated that this original mill could be refurbished and rendered operational relatively quickly and economically. This would enable the Company to process material from the Shebandowan West Project or elsewhere in a separate flotation circuit, thereby ensuring that the quality of the concentration produced from the Lac des Iles ore remains unaffected by co-mingling with secondary feeds.

The Company's Lac des Iles mining operation also includes an assay laboratory, a warehouse, an electrical shop, a three bay truck shop to service the larger haul trucks, an operations camp, a water treatment plant, a propane storage facility, a fuel storage area, low grade stockpile areas, rock storage areas, tailings storage areas and an electrical substation. Power is delivered to the site by a 65 kilometer power line, which ties directly into the northwestern Ontario power grid.

The present tailings management facility (the "TMF") at the Lac des Iles mine has been operating since 1990. The TMF is an industrial waste impoundment structure, where erosion is minimized, runoff is managed, water is returned to the concentrator as needed and excess water is stored until it can be treated and released. The design of the operation is expected to facilitate closure and reclamation of the facility at the end of mine life. An expansion of the TMF was commenced in 2007, which is expected to have sufficient capacity to hold all of the tailings generated until the end of the current mine life.

Smelting and Refining

The Company currently delivers all of its concentrate to Xstrata Canada Corporation (formerly Falconbridge Limited) ("Xstrata") for treatment under a contract that was renegotiated during the second quarter of 2007 for a three-year term that expires on March 31, 2010. This agreement may be extended for two additional one-year terms by the mutual agreement of the parties. The concentrate is delivered by truck to Xstrata's Sudbury, Ontario smelter operations where the nickel and copper are extracted. The PGM and gold bearing material is then further processed at Xstrata's refining

operations in Kristiansand, Norway. Under the agreement, the Company has a precious metal take-back of refined palladium and platinum, which the Company has historically exercised. The balance of the recovered metals is settled in cash.

Sales of metals in concentrate are recognized in revenue (net of royalties, treatment, refining and other charges) in Canadian dollars when concentrate is delivered to the Xstrata smelter in Sudbury for treatment. Final pricing is determined by quoted market prices at the time that the refined metal is sold, which can be up to six months later. Accordingly, revenue in a quarter is based on current U.S. dollar denominated commodity prices for sales occurring in the quarter and ongoing pricing adjustments from prior sales that were recognized in the Company's revenue but remained subject to final pricing. These final pricing adjustments result in additional revenues in a rising commodity price environment and reductions to revenue in a declining commodity price environment. Similarly, not including other variables, a weakening in the Canadian dollar relative to the U.S. dollar will result in additional revenues and a strengthening in the Canadian dollar relative to the U.S. dollar will result in reduced revenues. Effective April 1, 2007, the amount of the final pricing adjustment recognized on any commodity price changes will also be reduced by any price participation deductions as provided for in the Company's smelting and refining agreements. The Company does not currently hedge against currency and commodity price fluctuations while concentrate is awaiting settlement. See "Risk Factors Risks relating to North American Palladium and its Industry Fluctuations in foreign currency exchange rates in relation to the U.S. dollar may adversely affect the Company's results of operations".

Metal Sales

In 2007, the Company sold palladium both into the spot market and to Auramet Trading, LLC, a precious metals merchant ("Auramet"), under a palladium and platinum advance purchase facility that the Company entered into in January 2007. The facility provides for the sale, at the Company's option, of an average of 10,000 ounces of palladium and 500 ounces of platinum per month. Under the terms of the facility, the Company may receive advance payments not exceeding, at any time, an aggregate maximum of US$25 million. The purchase price may be fixed or provisional. For fixed pricing, the Company may price at either: (i) Auramet's current market bid price at the time of the transaction, or (ii) market limit orders, as defined under the terms of the agreement. In the case of provisional pricing, it is determined based on the afternoon fixing of the London Bullion Marketing Association immediately preceding the purchase. In each case, such pricing will reflect the forward value corresponding to the scheduled delivery date. Each advance payment is subject to a discount and, upon the delivery of the precious metals to Auramet, the Company is paid the difference between the advance payment and the purchase price. To secure the obligations of the Company under the agreement, the Company has granted to Auramet a security interest in the concentrates mined at the Lac des Iles mine, together with the proceeds arising from the sale of the concentrate, and, by way of security, an assignment of its smelting and refining agreement.

In 2006, all palladium production was sold into the spot market with one or more commodity dealers and manufacturers. From January 2000 to June 2005, the Company sold all of its palladium production to an automotive manufacturer under a contract with a US$325/oz floor price and a US$550/oz ceiling price.

Royalties

Production from the Lac des Iles mine and any future production from the OHGZ is subject to a royalty agreement with The Sheridan Platinum Group Inc. and John Patrick Sheridan (together, the "Sheridan Group"). Under the agreement, the Company is required to pay the Sheridan Group a royalty equal to 5% of net cash proceeds received from concentrates and other products produced on the Lac des Iles property. Net cash proceeds are calculated as proceeds from the sale of concentrates after deducting; (i) the costs of sampling, assaying, transporting and insuring the concentrate;

(ii) smelter processing and refining charges and penalties (excluding the Company's own processing costs); and (iii) all applicable taxes and royalties that must be paid in respect of the mining operations. In respect of palladium and platinum, the Sheridan Group has the option to be paid in kind and, to date, have elected to exercise this payment option.

Labor Matters

Employees at the Lac des Iles mine are either salaried or paid hourly. The hourly employees at the Lac des Iles mine, other than supervisors, are members of United Steelworkers of America, Local 9422. In 2006, the Company and the union signed a new three-year collective agreement that expires on February 23, 2009.

Employees live at the mine site during their work week and most have homes in Thunder Bay, Ontario, a city of approximately 120,000 people with an international airport, rail service and port facilities on Lake Superior.

The underground development work at Lac des Iles is currently being conducted using contractors, given the general shortage of, and significant competition for, skilled underground miners. Underground mining activities at the Lac des Iles mine, however, are conducted by Company employees.

Offset High Grade Zone

Overview

The OHGZ is located on the Lac des Iles property and was discovered by the Company's exploration team in 2001. The OHGZ is believed to be the fault-displaced continuation of the Roby Zone mineralization and is located below and approximately 250 meters to the west of the Roby Zone. A mineral resource estimate prepared by Scott Wilson RPA in October 2007 estimated that the OHGZ has more than three times the mineral resources of the current underground mine at the Roby Zone at similar grades, while still being open along strike to the north, south and at depth.

From May to October 2007, the Company completed approximately 18,000 meters of infill drilling in the upper 300 meters of the OHGZ, with the objective of upgrading that portion of the mineral resources to the measured and indicated categories. The Company expects that assay results will be returned by year-end. The Company's objective is to commence production from the OHGZ as the current underground mine reaches the end of its mine life in 2010.

In September 2007, the Company engaged two consulting firms, Micon International Limited and Nordmin Engineering Ltd., to prepare a scoping study. The scoping study will examine the economic viability of several exploitation scenarios for the OHGZ, including a continuation of the ramp from the current underground mine and shaft options. The results of this preliminary economic assessment are expected to be reported to management in the first quarter of 2008.

An exploration drilling program is also currently in progress to search for the deep limits of the OHGZ. To date, the OHGZ has been traced to a depth of 1,300 meters below surface, and along a strike length of approximately 600 meters.

Shebandowan West Project

Overview

The Company is party to an option and joint venture agreement with CVRD Inco entitling it to earn a 50% interest in the former producing Shebandowan mine and the surrounding Haines and Conacher properties, totaling approximately 7,842 hectares. The properties contain a series of nickel-copper-PGM mineralized bodies and are located 90 kilometers west of Thunder Bay, Ontario, and approximately 100 kilometers southwest from the Company's Lac des Iles mine. In order to earn a 50% interest in the property, the Company must incur $3.0 million in exploration expenditures and make $200,000 in cash payments by March 31, 2008. The Company believes that it will satisfy the conditions of the earn-in by the end of 2007. CVRD Inco retains an option to increase its interest from 50% to 60%, exercisable in the event that a feasibility study on the properties results in a mineral reserve and mineral resource estimate of the equivalent of 200 million pounds of nickel and other metals.

The Shebandowan West Project encompasses three shallow mineralized zones known as the West, Road and "D" zones, all of which are located at shallow depths immediately to the west of the former Shebandowan mine in an area known as the Shebandowan West district. The Shebandowan West Project's nickel-copper-PGM mineralization is believed by management to represent the western extension of the Shebandowan mine orebody. The former Shebandowan mine, which was in operation from 1972 to 1998, produced 8.7 million tonnes of ore at grades of 2.07% nickel, 1.00% copper and approximately 3.0 g/t PGM and gold.

Management is considering a mine development scenario that would entail excavation of the Shebandowan West Project by means of ramp-accessed underground mining methods at a rate of 500 to 1,000 tonnes per day, crushing the material on site and transporting it by truck to the Lac des Iles property for processing at the original mill on the Lac des Iles property. The original mill at Lac des Iles has been idle since 2001 and the Company believes that it could be refurbished quickly and at a relatively low cost. Preliminary metallurgical testing supports the possibility of producing a bulk sulphide concentrate from the Shebandowan West Project at the original mill. The Company intends to undertake a scoping study to determine the optimal processing scenario.

An estimate of the mineral resources found at the Shebandowan West Project was completed as of August 9, 2007. See " Mineral Reserve and Mineral Resource Estimates".

Community consultations and baseline environmental sampling are ongoing and completion of bulk sampling, process and design are expected to be completed during the first half of 2008. If plans proceed as expected, production at the Shebandowan West Project could commence in 2009.

Arctic Platinum Project

Overview

The Company is party to an agreement with Gold Fields entitling it to earn up to a 60% interest in a series of mining licenses and claims known as the APP. The agreement is subject to a back-in right in favor of Gold Fields which, if exercised, would decrease the Company's interest to a 50% share. Upon satisfaction of the earn-in requirements, North American Palladium will have a casting vote at meetings of the joint venture partners, other than with respect to matters requiring a special majority vote.

In order to exercise the option, on or before August 31, 2008, the Company must: (i) complete a re-scoping and exploration program; (ii) complete a feasibility study; (iii) make a production decision and prepare the initial formal development proposal and associated budget based on the feasibility study; (iv) incur expenditures of US$12.5 million on the APP; and (v) issue 7,381,636 Common Shares to Gold Fields BV in order to earn a 50% interest or 9,227,033 Common Shares to earn a

60% interest. To date, the Company has completed the re-scoping study, incurred over US$9.5 million in expenditures and has commissioned a feasibility study. The Company believes that it will satisfy the conditions of the earn-in on or before August 31, 2008.

The APP is an advanced-stage PGM-nickel-copper exploration project located approximately 60 kilometers south of the city of Rovaniemi, Finland. To date, three areas of the APP have been explored by North American Palladium: the Suhanko projects, the Narkaus project and the Penikat project.

The Suhanko Projects

The Suhanko projects are located approximately 60 kilometers south of the city of Rovaniemi, which has a population of approximately 34,400 and, as the capital of the Province of Lapland, is a major regional centre. The town is serviced by rail, road and air with multiple flights daily to and from Helsinki. The port of Kemi on the Gulf of Bothnia is kept open throughout the winter and is located 120 kilometers southwest of Rovaniemi.

The Suhanko projects include a number of deposits over a total strike length of approximately 17 kilometers that have been demonstrated by Gold Fields to contain a number of nickel-copper-PGM deposits. Since the discovery of nickel-copper-PGM mineralization at the Yli-Portimo deposit in 1964, exploration in the Suhanko projects area in the intervening years has resulted in the discovery of the following other deposits: Konttijarvi, Little Suhanko, Vaaralampi, Niittilampi, Ahmavaara, Suhanko North, and Tuumasuo. Exploration and delineation work in connection with the Company's preparation of a feasibility study has focused on only the Konttijarvi and Ahmavaara deposits, with the total sizes of the remaining deposits being essentially undetermined.

The Narkaus Project

The Narkaus project is located approximately 30 kilometers northeast of the Suhanko projects and contains a sequence of favorable rocks that have been demonstrated to be present along an aggregate strike length of approximately 20 kilometers. To date, significant nickel-copper-PGM mineralization has been discovered at a number of deposits, including the Siika-Kämä, Kuohunki, Nutturalampi and Kilvenjärvi deposits. The Company continues to explore deposits in the Narkaus project area with a view to potentially improving the overall economics of the larger Suhanko projects.

The Penikat Project

The Penikat project is a separate intrusion located approximately 35 kilometers to the southwest of the Suhanko projects. Traditional reef-style nickel-copper-PGM mineralization has been discovered in three distinct reefs over a strike length of approximately 27 kilometers. To date, exploration has concentrated on evaluating the shallow portions (essentially above a depth of 100 meters from surface) of one of these reefs where significant concentrations of nickel-copper-PGM mineralization located in the northern portion of the intrusion have been discovered. The exploration potential of the remaining two reefs, along with the depth extensions of the explored reef, remains essentially untested.

Management has been examining a development scenario consisting of two nickel-copper-PGM open pit mines at two of the deposits that comprise the Suhanko projects, the Ahmavaara and Konttijärvi deposits, which are located three kilometers from each other. The nickel-copper-PGM bearing material would be processed through a centrally-located concentrator at a nominal throughput rate of five million tonnes per year. PGM-nickel-copper bearing concentrate would be transported 125 kilometers by truck to a port facility located at Kemi, Finland and shipped to smelting and refining facilities for final extraction of the contained metals.

On October 30, 2007, the Company released the results of a scoping study by Aker Kvaerner on the two main mineral deposits in the Suhanko projects, Ahmavaara and Konttijärvi, which indicated that the mineral resources could potentially support a 20-year mine life at approximately 7.5 million tonnes per annum.

An infill drilling campaign at the Ahmavaara deposit was completed earlier in 2007 and the assay results of the final 26 holes of the 83-hole drilling program were reported on October 22, 2007. Micon International Limited has now been engaged to conduct the update of the mineral resource estimates, which will include the results from the Ahmavaara infill drilling campaign. Micon will also conduct the open pit designs and optimization.

Bulk sampling of the Ahmavaara and Konttijarvi deposits was also completed in October 2007 in advance of pilot plant test work. A program of bench-scale metallurgical testing is currently underway in support of a pilot plant test that is anticipated to begin in November 2007.

The Company has retained Aker Kvaerner to prepare a definitive feasibility study for the Suhanko projects to build upon the recommendations in the scoping study. The Company has also contracted with a 30-year veteran of the mining industry to oversee the feasibility study and other work at the APP as the Company moves closer to satisfying its earn-in conditions.

In support of the feasibility study and pursuant to the recommendations in the Aker Kvaerner scoping study, the Company will be completing additional infill drilling to upgrade inferred resources to measured and indicated resources, a flowsheet will be piloted and a concentrate marketing strategy has been developed. In October 2007, the Company commenced discussions with various smelters, and follow-up meetings are planned once samples are available from the pilot plant. Smelting proposals in support of the feasibility study are anticipated by May 2008.

Grassroots Exploration Properties

In addition to its operating mine and three advanced exploration projects, North American Palladium is constantly examining PGM and nickel opportunities, particularly in the areas surrounding the Company's Lac des Iles mine.

Management believes that the Company is well positioned to partner with other PGM exploration companies in Canada, given the existing infrastructure at the Lac des Iles mine and the Company's years of experience in mining PGM-nickel deposits. From time to time, the Company enters into confidentiality agreements with junior mining companies or individual prospectors to assess the prospective nature of their land holdings. In addition, management believes that the consolidation in the nickel industry may result in joint venture or acquisition opportunities for the Company as the major nickel companies seek to shed non-core assets.

The Company is also active in grassroots exploration and recently staked 39 claims containing 632 claim units at the Company's Shawmere Project, located approximately 110 kilometers southwest of Timmins, Ontario, Canada. The Company intends to conduct a grassroots exploration program to assess the area's potential for hosting PGM-nickel-copper mineralization similar to that found at its Lac des Iles mine. Further exploration is also anticipated in the area surrounding the Lac des Iles mine.

Corporate Information

The following diagram illustrates the Company's corporate structure, including the Lac des Iles mine and the advanced exploration projects. For purposes of this diagram, the OHGZ forms part of the Lac des Iles mine.

Employees

North American Palladium has 390 employees. 365 of the Company's employees work at the Lac des Iles mine, 7 work at the Company's finance and administration office in Thunder Bay, 10 work out of an exploration office in Thunder Bay, and 8 work at the Company's corporate head office in Toronto.

Legal Proceedings

The following is a summary of material legal proceedings of which the Company is or has been a party.

In 2000, Lac des Iles Mines Ltd. ("LDI") and B.R. Davidson Mining & Development Ltd. ("Davidson") entered into a contract whereby Davidson agreed to construct an expanded tailings management facility at the Lac des Iles mine site. LDI declared Davidson to be in default of the contract on February 2, 2001 and made a demand under a labor and material payment bond issued by AXA Pacific Insurance Company ("AXA"). Davidson was the principal named in the bond and the indemnitors were B.R. Davidson Mining, Atikokan Ready Mix Ltd., Blaine R. Davidson, Bruce R. Davidson and Marlene Davidson. AXA commenced an action against the indemnitors. All of the indemnitors other than Marlene Davidson commenced a third party action against LDI, Sitka Corp., LDI's engineers, and Aon Reed Stenhouse, the bond broker. In this third party action, Davidson claims under the contract in the amount of $7.9 million, general damages for breach of contract in the amount of $3 million, aggravated, punitive or exemplary damages in the amount of $500,000, loss of equity and equipment in the amount of $3 million by reason of LDI's failure to pay, contribution and indemnity for any amounts which the indemnitors are required to pay as a result of AXA's claim against Davidson, costs, and interest. For its part, LDI has two default judgments against Davidson and noted

Davidson in default in eight other actions in connection with subtrade claims made against Davidson which were assigned to LDI. LDI's subtrade actions, costs orders and interest against BR Davidson total approximately $2 million.

The Company, along with J. Patrick Sheridan, Minerales De Copan and two other individuals, are defendants in an action brought by Cambridge Resources Corp. ("Cambridge") in the Superior Court of Justice (Ontario). In its amended statement of claim dated September 27, 1991, Cambridge claims damages in the amount of $20 million, punitive and exemplary damages in the amount of $5 million, a declaration that the defendants hold any interest in an unidentified mining concession located in Honduras, about forty miles southeast of Tegucigalpa (defined therein as the "Mining Property"), on constructive trust for Cambridge, a mandatory order requiring the defendants to deliver up all proceeds, equity interest, security or debenture interest in whatever form relating to the Mining Property, prejudgment and post-judgment interest and costs. The Company filed a statement of defense dated February 7, 1992 which states, among other things, that the Mining Property was previously known to one of the individual defendants to be of insufficient quality to merit commercial development and that, accordingly, the Company had declined to proceed any further with the investigation or purchase of the Mining Property. Partial discoveries of certain of the parties were conducted on October 6, 7 and 8, 1993. There have been no further proceedings in the action and it has been dormant for over 14 years. No provision in the financial statements of the Company has been made in respect of any possible loss from the action as management believes that the Company has a valid defense and the Sheridan Group has indemnified the Company.

From time to time, the Company is involved in other litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company's management, these claims and lawsuits individually and in the aggregate, even if adversely settled, would not be expected to have a material effect on the results of operations or financial condition of the Company.

MINERAL PROPERTIES

Lac des Iles Property

At the request of the Company, Scott Wilson RPA prepared a mineral reserve and mineral resource estimate for the Lac des Iles property (the "LDI Property"), including the open pit mine, the underground mine and the OHGZ. Graham Clow, P. Eng., Leo Hwozdyk, P.Eng., Deborah A. McCombe, P.Geo. and Ian T. Blakley, P.Geo. (collectively referred to in this section as the "LDI Consultants"), prepared a report dated October 29, 2007 entitled "Technical Report on Lac des Iles Project, Thunder Bay, Prepared for North American Palladium Ltd." (the "LDI Report"). Each of the LDI Consultants is a "qualified person" under NI 43-101 and is independent of the Company.

The following description of Lac des Iles has largely been summarized from the LDI Report, which is available for review on the internet via the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under North American Palladium's profile.

Project Description and Location

The LDI Property comprises approximately 86.4 square kilometers of mineral claims and leases. The LDI Property is located at Latitude 49º10' North, Longitude 89º37' West, 85 kilometers northwest of the community of Thunder Bay in northwestern Ontario. The mine, mill and tailings impoundment area lie in the Boreal Forest ecoregion, characterized by typical northern Ontario forest with numerous lakes and beaver swamps.

The mine site straddles the Spruce River and the Dog River/Matawin Forests. The land surrounding the mine is Crown Land with limited access, and was historically used primarily for

recreation, forest resource extraction, and trapping. The Lac des Iles mine is the only developed mine in the area. The mine area is part of a registered trap line. LDI co-operates with the Sustainable Forest Licence holders, utilizing the area to ensure that marketable timber on the mine site is harvested.

LDI holds six mining leases comprising 3,416.3 hectares. Contiguous with these leases are 54 mineral claims consisting of 331 claim units covering 5,119.1 hectares, for a total property area of 8,535.3 hectares. LDI owns the surface rights to some but not all the claims and leases.

The Company is required to pay a royalty to the Sheridan Group equal to 5% of the net cash proceeds from mining operations on the LDI Property until the expiration of the Lac des Iles leases. All mining operations at the Lac des Iles mine are, and all future operations at the OHGZ will be, on the mining leases covered by the royalty agreement with the Sheridan Group.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

Access to the site is via a paved provincial highway from Thunder Bay and then via a 15 kilometer all-weather private road to the mine site. The site itself is served by well-maintained hard surface roads.

Climate

The Lac des Iles area experiences hot summers and cold, snowy winters. Maximum and minimum temperatures range from an extreme low of -30ºC in the winter months to an extreme high of 38ºC in the summer months. Winter lows of -30ºC are not uncommon in January and February. Mean annual precipitation at the LDI Property is approximately 714 millimeters. The area is snow-covered for approximately five and a half months per year, with monthly snowfalls ranging from 270 millimeters to 450 millimeters in winter. Prevailing winds at the Lac des Iles mine are from the northwest. The relative humidity ranges from 50% to 77%. Weather conditions are rarely severe enough to halt mining operations and generally the only issue is related to safe traction on the access roads and ramps within the open pit mine. Mill operations are enclosed and are therefore not exposed to the weather other than feed inputs. LDI does not budget for weather related shutdowns in the mines.

Local Resources

Thunder Bay, with a population of approximately 120,000, is the major service center for northwestern Ontario and provides most of the services required by the mining operation. This includes an airport with regular daily service to and from major Canadian cities, rail connections, and ocean access via the Great Lakes and St. Lawrence Seaway.

Most mine and mill consumables including fuel, cement and propane are readily available in Thunder Bay. Due to the project's proximity to Thunder Bay, the Lac des Iles mine has had recent success in hiring experienced staff and personnel with considerable mining and processing expertise. Most staff operate on either a 4 day on / 3 day off or 7 day on / 7 day off shift. Contract miners operate on a 28 day in / 14 day out schedule.

Infrastructure

The main facilities of the mine are the new camp area, the old camp area, the main office and tire shop, the old mill area, the new mill area, which includes the open pit shops, warehouse and operational offices, the old concentrator building, the open pit and stockpile area, the underground portal and related ventilation accesses, and the tailings management facility.

A 324-person capacity camp and recreational complex was built in conjunction with the construction of the new mill. This facility was expanded in 2006 to accommodate the underground workforce.

All purchasing is handled by the on-site staff, with regular freight movement between the Lac des Iles mine site and Thunder Bay. On-site warehouse space accommodates spares for open pit and underground mining as well as milling operations. The trucking contractor maintains a transshipping warehouse in Thunder Bay for Lac des Iles material. Road access to the site is adequate for moving in most materials, including oversize mining equipment.

Waste dumps and ore stockpiles of various grades have been established on the surface near the concentrator facilities. One significant aspect is that the waste rock from pit walls is relatively benign and classified as non-acid generating. Similar waste rock from the underground workings is placed as fill in the mined underground stopes.

Tailings from the mill are deposited and water reclaimed for use in the concentrator. The tailings management facility is presently being expanded to meet life of mine capacity.

Water and sewer services are supplied independently for each facility and are considered by the Company to be adequate for current needs. Expansion of potable water and sewer services were completed for the underground workforce additions. Electrical power is supplied by Hydro One via a 118 kV line to a main substation on site. Site distribution is maintained by Lac des Iles and consists of 4,160 V overhead lines around the site. There is a services agreement with Hydro One currently in place.

Physiography

The Lac des Iles mine is located in northwestern Ontario which lies within the Superior Province of the Canadian Precambrian Shield, a boreal forest region typified by uplands forested mostly by black spruce, birch, poplar and jack pine, and low areas of numerous lakes and treed swamps. Drainage is poorly integrated and generally south to Lake Superior. Local land use is primarily forestry-related. The topography of the site is favorable for the placement of facilities, being generally of low relief. Elevations on the property range from 418 meters above sea level to 550 meters above sea level, exclusive of the open pit.

History

Significant palladium mineralization was first discovered in the Roby zone in 1963 by prospectors. Various exploration programs were undertaken over the next 25 years by a number of companies, including Gunnex, Anaconda, Texas Gulf Sulphur, and Boston Bay Mines.

In 1990, Madeleine Mines Ltd. developed the property. After intermittent production and continuing capital expenditures, commercial open pit production of the Roby Zone was achieved in December 1993. The Company was formed as an outcome of corporate reorganization. In 2000, LDI commenced an expansion program at the Lac des Iles mine and a new mill was commissioned in the second quarter of 2001 to achieve its rated 15,000 tonnes per day throughput in August 2002.

A major Phase 4 push back of the south and east pit wall was undertaken in 2004-2005, with waste removal of upper benches completed in 2005. In 2006, the open pit mine was redesigned to address south wall stope stability issues. This pit redesign was finalized in September 2006.

From 1999 to 2001, the Company's exploration arm carried out an extensive drilling campaign on behalf of LDI that identified mineralization at depth, below the ultimate pit bottom. The drilling identified two zones with potential for underground mining: the Main High Grade Zone and the Offset Zone.

On July 31, 2003, Roscoe Postle Associates Inc. ("RPA") completed a positive pre-feasibility study for underground mining of the Main High Grade Zone (down dip extension of the open pit Main Zone) at the Lac des Iles mine on behalf of LDI. Subsequently, RPA completed a feasibility study for the underground mine dated February 27, 2004. The study proposed to develop a 2,000 tonnes per day underground mine to run concurrently with the existing open pit mine. A NI 43-101 Technical Report by RPA dated April 2, 2004, summarized LDI's underground project at the mine as of March 31, 2004.

Underground development on the High Grade Zone below the Roby pit started in 2004, with the ramp developed and the zone accessed in late 2005. Development muck was delivered to the concentrator in December 2005 and underground commercial production began in March 2006.

A number of process improvement and enhancement initiatives were undertaken in 2006 to improve mill performance. In the last quarter of 2006, mill availability reached 90% and palladium recovery rose to 77%.

The Offset Zone was discovered in 2001 by the Company. The Offset Zone is subdivided into the Offset High Grade Zone and the adjacent Roby Footwall Zone (the "Offset Zones"). The Offset High Grade Zone is the fault-offset, down dip extension of the High Grade Zone that is currently being mined underground below the Roby open pit at the Lac des Iles mine. From 2001 to 2006 some 63 holes totaling 62,022 meters from both underground and surface diamond drilling programs have explored the Offset Zones. The 2006 drilling was planned to confirm grade continuity at hole spacing in the zone of 50 meters by 50 meters and upgrade a portion of the inferred resources to indicated resources.

On February 23, 2007 Scott Wilson RPA completed an independent estimate of Mineral Resources of the Offset Zones. The Offset High Grade Zone has been traced from 311,600N to 312,125N on strike (525 meters) and vertically from -60 RL to -550 RL (490 meters) at depths of 575 meters to 1,065 meters. The current 2007 drilling program is being completed from a 5095RL exploration drift targeting the Offset High Grade Zone and the Roby Footwall Zone.

Geological Setting

Regional Geology

The Lac des Iles area is underlain by mafic to ultramafic rocks of the Archean Lac des Iles Intrusive Complex. These rocks have intruded granites and greenstones of the Wabigoon Subprovince of the Superior Province. The Lac des Iles Intrusive Complex lies immediately north of the Wabigoon-Quetico subprovince boundary, which extends some 300 kilometers from Rainy Lake to Lake Nipigon. The Lac des Iles Intrusive Complex is the largest of a series of mafic and ultramafic intrusions that occur along the boundary and which collectively define a 30 kilometer diameter circular pattern in the Lac des Iles mine area.

Local and Property Geology

The mine lies in the southern portion of the Lac des Iles Intrusive Complex, in a roughly elliptical intrusive package measuring 3 kilometers long by 1.5 kilometers wide. These rocks, locally termed the Mine Block Intrusive ("MBI"), comprise a very wide range of textures and mafic and ultramafic compositions. The MBI is host to a number of PGM deposits, and the most important of these is the Roby Zone. The Roby Zone consists of three subzones: the North Roby Zone, High Grade Zone, and Breccia Zone. The main area of economic interest for underground mining is the High Grade Zone of the Roby Zone, extending beneath the open pit mine and the Offset High Grade Zone, a fault-displaced depth extension of the High Grade Zone.

High Grade Zone Ore is hosted mainly within a portion of a 15 meter to 25 meter thick unit of occasionally sheared PXN/melanogabbro. A host to high-grade PGM mineralization, it is located in the east central portion of the Roby Zone, bounded by the barren EGAB hangingwall and HGABX-hosted Breccia Ore to the west. The High Grade Zone is primarily confined to a 400 meter long segment of the PXN, although it does extend northward into the GN. The High Grade Zone, striking north-northwest to north-northeast, dips near-vertically near surface and flattens to nearly 45° at depth. The zone appears to be terminated down dip by a relatively shallow dipping fault, the Offset Fault.

Below this structure, the Offset High Grade Zone, a higher grade zone similar to the High Grade Zone, has been intersected in drill holes, where it is displaced down and approximately 300 meters to the west. Within the wireframed Offset High Grade Zone, the palladium mineralization is hosted in approximately 37% heterolithic gabbro breccia, 32% pyroxenite, 16% gabbro and gabbro breccias. Approximately 3% of the zone is occupied by late dikes (dilution). Higher grade portions of the Roby Footwall Zone, in the footwall of the Offset High Grade Zone, are hosted 60% by heterolithic gabbro breccia and 31% by vari-textured gabbro, gabbro and gabbro norites with dilution by approximately 1% late dikes.

Exploration

Since the early 1960s the property has been mapped by several companies. The first detailed mapping of the Roby Zone was conducted by LDI between 1992 and 1994. During this period, the eastern part of the zone was stripped of overburden, then mapped and sampled. This program continued in 1995 over the South Roby area. In 1998, the area between the south pit and the main pit was stripped, mapped and channel sampled. In 1999, this program was expanded to the area east of the Roby pit and resulted in the discovery of the mineralized Twilight Zone and several other zones of mineralization. The Baker, Moore and Creek zones have been explored sporadically over the last ten years and at present there are no plans for further exploration of these areas.

The Offset Zone was discovered in 2000 and 39 holes (35,363 meters) were drilled in, and immediately above, the zone during 2000 and 2001 to explore the zone. In 2001, geological interpretations of available data were initiated and a large east-west striking oblique-slip fault with an offset throw of 300 meters (to the southwest) was interpreted to displace the down plunge extent of the high grade ore. Two holes for 2,783 meters were drilled in the zone in 2003 and 2004. Fifteen additional holes (18,230 meters) were drilled in 2005.

In 2006, LDI spent approximately $1.5 million for diamond drilling to better define and upgrade a portion of the Offset High Grade Zone inferred resource. As of 2005, drill hole intercepts within the Offset Zones were generally spaced at 120 meters to 140 meters. The 2006/2007 infill drilling program was designed to tighten the spacing to approximately 50 meters by 50 meters in and around some of the wider intercepts. Eight wedge offset holes (5,663 meters) were drilled from two surface holes to fill in on certain sections and close the hole spacing, allowing for classification of some of the inferred resources as indicated resources.

Development of the 5095RL underground exploration drift that began in 2006 was completed in April 2007 at a total cost of $2.0 million. The underground exploration drift off from 5095RL is currently being drilled off to access the Offset High Grade Zone. The two targets are primarily the Shallow Offset High Grade Zone and the Roby Footwall Zone.

Mineralization

PGM and base metal mineralization in the Lac des Iles intrusion occurs in both primary and secondary situations within sulphide and silicate minerals. Mineralization appears to be dominantly stratabound along the contact between the East Gabbro and the mineralized Heterolithic Gabbro

Breccia. Within the Heterolithic Gabbro Breccia, there is a high grade core typically constrained to an easily recognized ultramafic unit know as the Pyroxenite.

Visible PGM mineralization is rare to nil, and difficult to predict. Palladium and platinum mineralization within the High Grade Zone consists primarily of fine-grained PGM sulphide, braggite and telluride minerals, merenskyite and kotulskite.

Higher PGM grades (mean: 7.89 g/t palladium, maximum: 55.95 g/t palladium) occur in those portions of the PXN that are altered to an assemblage of amphibole (anthophyllite-actinolite-hornblende)-talc-chlorite. The PGM tenor is not proportional to the sulphide content, and samples free of visible sulphide often contain more than 10 g/t palladium. The high-grade mineralization is located primarily within the western, highly altered portion of the PXN, since much of the PXN between the barren EGAB and the High Grade Zone is low grade. The higher grade "High Grade Ore" is not restricted to the PXN as it commonly straddles the PXN/gabbro breccia contact to depths exceeding 250 meters.

Platinum group and chalcophile elements occur in variable amounts in almost every ore type within the Roby Zone. The majority of PGMs either occur within sulphides or are associated with sulphides at sulphide-silicate boundaries, occurring as discrete mineral inclusions within secondary silicates of altered rocks (CIM Exploration Mining and Geology, Volume 10, 2001).

Drilling

The property has been subjected to numerous drill campaigns since the early 1960s. From May 1997 to May 2001, Matawin Mineral Exploration Inc., under contract to LDI, managed the exploration and drilling programs on the property. In May of 2001, LDI established its own metals exploration division. Chibougamau Diamond Drilling was the drill contractor until 1999. A variety of contractors have carried out drilling on the property since then.

Core recovery is excellent throughout the deposit and is reported to average close to 100 percent. Since 2006, the Company's exploration division has noted core recovery on the drill logs.

Sampling, Analysis and Security

Since 2003, the Lac des Iles drill hole core has been prepared and analyzed by Accurassay Laboratories ("Accurassay"), a division of Assay Laboratory Services Inc., in Thunder Bay. Accurassay is an independent, commercial mineral laboratory and is accredited by the Standards Council of Canada under ISO/IEC 17025 guidelines.

The sample preparation and assay procedures used by Accurassay are as follows. Core sample numbers are entered into the local laboratory information management system. Samples are dried, if necessary, then jaw crushed to -8 mesh (2.36 millimeter). A 250 gram to 400 gram cut is taken by riffle splitting, with the balance stored as coarse reject. The cut is plate pulverized to 90%-150 mesh (106=m), and then matted to ensure homogeneity. Silica sand is used to clean out the pulverizing dishes between each sample to prevent cross contamination.

For precious metals assay, a one assay ton pulp split (±30 gram) is mixed with a lead based flux and fused in a muffle oven. The resulting lead button is placed in a cupelling furnace where all of the lead is absorbed by the cupel, and a silver bead, which contains any gold, platinum and palladium, is left in the cupel. Once the cupel has been removed from the furnace and cooled, the silver bead is placed in a labeled small test tube and digested using a 1:3 ratio of nitric acid to hydrochloric acid. The samples are bulked up with 1.0 milliliters of distilled de-ionized water and 1.0 millimeter of 1% digested lanthanum solution for a total volume of 3.0 milliliters. The solution is cooled and vortexed and then allowed to settle. Analysis for gold, platinum, and palladium is then done using atomic

absorption spectroscopy ("AA"). The AA unit is calibrated for each element using the appropriate ISO 9002 certified standards in an air-acetylene flame.

For base metal assay, pulps are digested using a multi-acid digest (nitric acid, hydrofluoric acid, hydrochloric acid). The samples are bulked up with 2.0 milliliters of hydrochloric acid and brought to a final volume of 10.0 milliliters with distilled de-ionized water. The samples are vortexed and allowed to settle and then analyzed for copper, nickel, and cobalt using atomic absorption spectroscopy.

The results for the atomic absorption are checked by the technician and forwarded to data entry by electronic transfer, and a certificate is produced. The laboratory manager checks the data and validates it if it is error-free. The results are then forwarded to LDI by email and in hardcopy by mail. The Exploration Office in Thunder Bay maintains hardcopy laboratory certificates and digital copies on file, the latter stored by drill hole number. The digital analytical results are compiled, formatted, and imported into the master drill hole database.

Core samples are secured in the logging/sampling geology facility at the mine site. The mine itself has a gate house and barriers to restrict public access. Core samples are trucked by exploration staff to the Accurassay laboratory in Thunder Bay.

Mineral Reserve and Mineral Resource Estimates

The mineral reserve and resource estimate and underlying assumptions for the LDI Report are set out above. See "The Company Properties Mineral Reserve and Mineral Resource Estimates".

Shebandowan West Project

At the request of the Company, Des Cullen, P.Geo., Consulting Geologist, F.H. Brown CPG, Pr. Sci. Nat., Consulting Geologist, and Laila Sedore, P.Eng., Mill Superintendant at Lac des Iles Mines Ltd., prepared a report dated August 9, 2007 entitled "Technical Report on the Shebandowan West Property, Thunder Bay Mining Division, Northwestern Ontario" (the "Shebandowan Report"). Each of Mr. Cullen and Mr. Brown is a "qualified person" within the meaning of NI 43-101 and is independent of the Company. Ms. Sedore is also a "qualified person" within the meaning of NI 43-101 and is an employee of the Company.

The following description of the Shebandowan West Project has largely been summarized from the Shebandowan Report, which is available for review on the internet via the SEDAR website located at www.sedar.com under North American Palladium's profile.

Project Description and Location

The Shebandowan West Project is located in the Hagey and Haines Townships in the Thunder Bay Mining Division, approximately 90 kilometers west of Thunder Bay, Ontario. The UTM co-ordinates for the approximate centre of the property are 700500 E, 5386800 N (Datum NAD 83, Zone 15); NTS 52B/9.

The Shebandowan property consists of six unpatented claims (eight units) covering an area of 131.9 hectares, and 205 patented and leased mining claims totalling approximately 7,842.42 hectares, all of which are held 100% by CVRD Inco. The Shebandowan West Project is part of this larger land package that includes the leases hosting the current Shebandowan mine workings.

The property includes extensive surface rights. A power-line approximately six kilometers to the north of the property previously serviced the Shebandowan mine. Also on the property are backfilled and flooding mine workings immediately east of the project area. A tailings pond, pump shack and gate house remain on the property as well.

No permits were required to undertake the drilling, metallurgy and resource estimate by the Company on the Shebandowan West Project. Permits will be required if a decision is made to develop a mine.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Shebandowan property is located approximately 90 kilometers west of Thunder Bay, Ontario, and is centred 15 kilometers west-southwest of the town of Shebandowan, which is situated on Trans-Canada Hwy #11.

Year round access to the property is available via the Inco Mine Road that starts at Shebandowan and crosses the property. Temperatures range from highs of 35ºC in summer to lows of -30ºC in winter, with snow cover between November and May. The best season for exploration is between June and October, although exploration activities of lake covered or swampy areas such as geophysical surveys and diamond drilling might best be conducted after winter freeze-up.

Thunder Bay is a city of approximately 120,000 people with an international airport with daily scheduled jet service, rail service, and port facilities at the west end of Lake Superior. Shebandowan is a town with a very small year-round population and limited services including seasonal accommodation, electrical and telephone utilities, railroad, highway and public lake access to Lower Shebandowan Lake.

Based on the history of the property and the mine, the project area has sufficient surface rights and sufficient availability of power, water, mining personnel and mining infrastructure to carry out future mining operations.

History

The following chronology is from MNDM Mineral Deposit Files: INCO-Shebandowan. The reader is cautioned not to rely on historic information as its accuracy cannot be guaranteed.

1913-14	Nickel is discovered by W. W. Benner at Discovery Point. Test pits blasted by Cross Brothers.
1923	Samples are sent to to the Ontario Department of Mines provincial assayer.
1927-30	Trenching, stripping and diamond drilling is conducted by Cross Brothers. Geological mapping and diamond drilling is performed.
1936-52	Claims are purchased by Inco; trenching, test-pitting, geophysical surveys and diamond drilling is conducted.
1952-65	Intermittent diamond drilling is undertaken by Inco.
1966-67	No. 1 development shaft is commenced in spring 1966 and completed in the following year. Underground diamond drilling is conducted. Geophysical surveys performed.
1966-67	Inco undertakes various exploration programs while development and production of the orebody continues, including: geological, geophysical and geochemical surveys; stripping; and diamond drilling in the search for both precious and base metals.
1993-2001	The provincial and federal governments undertake many mapping projects in the area, the most recent of which include: geological mapping by Osmani (1993) OGS Map 2625 and 2626; airborne geophysical survey (1991) OGS Map 81560; Lake sediment and water geochemical survey (2001) OGS open file report 6057; and Till sampling survey (2001) OGS open file report 6046.

1972-98	Aubut, Lavigne, Scott and Kita state in "Metallurgy, Stratigraphy and Structure of the Shebandowan Greenstone Belt" (1990) that the Shebandowan mine "has been in semi-continuous production since 1972 at an average production rate of about 2000 tons per day. The ore body is up to 150 feet wide, has a strike length of 6200 feet and plunges to the east.
1972-98	Concentrate produced from the Shebandowan mine is alternatively shipped to Sudbury, Ontario, or Thompson, Manitoba, for smelting and refining.
1998-2006	The Shebandowan mine ceased production in 1998 and by 2006 the mine site had largely been rehabilitated with continuing maintenance and monitoring of the tailings site.
1972-98	Production from the Shebandowan mine totalled 8.7 million tons at 2.07% nickel, 1.00% copper and approximately 3.0 g/t PGM and gold (B. Schnieders, personal communication).

Geological Setting

Regional Geology

The Shebandowan property is underlain by the Shebandowan Greenstone Belt which is part of the Wawa Subprovince of the Superior Structural Province of the Canadian Shield. In this area, the Wawa Subprovince is fault bounded to the north by the sedimentary-plutonic suites of the Quetico Subprovince and to the south by the Paleoproterozoic rocks of the Animikie Group and the Keweenawan Supergroup.

Property Geology

The Shebandowan West Project lays immediately west of the past producing Shebandowan mine. The project area is located along the western strike extension of the former orebody and exhibits many similar geological features and controls to those found at the mine-site.

The Shebandowan West Project area is underlain by east-west-striking and steeply north dipping Keewatin metavolcanics and ultramafics with local interflow metasediments lying north of Timiskiming metavolcanics and metasediments. A regional fault called the Crayfish Creek Fault is a dextral fault generally found along the southern contact of the southern ultramafic, separating the Keewatin and Timiskiming rocks. The southern Timiskiming rocks consist of intensely foliated and sheared agglomerates and felsic to intermediate metavolcanics now sericite schists.

A younger granite called the Shebandowan Lake Stock intruded the Keewatin metavolcanics and lies on the north side of the project area. The Keewatin metavolcanics consist predominantly of crudely banded mafic volcanics that often exhibit intense foliation and shearing associated with strong chlorite and epidote alteration. Within the Keewatin Metavolcanic suite are ultramafic units thought to be magmatic flows or sills that host nickel and copper bearing sulphides and chromite mineralization. The ultramafic units strike approximately 107 degrees and dip sub-vertically. There are two ultramafic bodies termed the "Northern" and "Southern" Peridotites, which lie within and along the southern contact of the banded Keewatin metavolcanics along the Crayfish Creek Fault.

Exploration

Exploration Geophysics

In February of 2004, Geotech Ltd., on behalf of the Company, flew a helicopter-borne, time domain, electromagnetic ("EM"), geophysical survey over an area that included the Shebandowan West Project. The airborne survey included collection of EM and magnetic data. The survey was flown at

100 meter line spacings in a north-south direction at 80 kilometers per hour. The data recording rates were 0.1 second for both EMs and magnetics with an EM sensor flight height of 30 meters. The mine stratigraphy was used as a base or reference to work from producing magnetic and EM anomalies. The ultramafics within the Shebandowan West Project are highlighted as moderate magnetic anomalies with weak to moderate local EM conductors.

In February 2004, on behalf on the Company, Crone Geophysics & Exploration Ltd. conducted a Surface Pulse EM survey over the D-Zone, and the western portion of the Shebandowan West Project. A grid was cut by Nord-Ouest Exploration totalling approximately 5,350 meters having 200 meter line spacing and 1100-1150 meter length lines along with a baseline. Results of the survey produced a moderate EM anomaly in an area of known mineralization and historic drilling.

From September 20 to 28, 2004, Geosig Inc., on behalf of the Company, conducted a detailed ground magnetometric-gradiometric survey over the Road and D-Zones. The survey was carried out on a flagged grid of 30.7 line kilometers. The grid consisted of 300 meter lines spaced at 12.5 meters apart. The readings were taken along the grid lines every 5 meters. Due to the location of Shebandowan Lake, the survey could only be conducted on the central to western side of the property. The intent of the survey was to better define the near surface geology as well as identify important structures that may influence the location or emplacement of the nickel-copper mineralization.

A small gravity survey was conducted along Shaft 1 road across the stratigraphy of Road zone by A. Spector of Allan Spector & Associates Ltd. The survey took place in July 2004 using a thermostatically controlled Sodin gravimeter and a differential barometric altimetry system at 100 meter stations along the road. A gravity anomaly was generated over the ultramafics that host the Road Zone mineralization.

Exploration Trenching

On behalf of the Company, J & J Hackl Ltd. was contracted to do trenching in the D-Zone area, which was carried out in October 2006. Six trenches were dug with a Tanga F221 Excavator and a one yard bucket in an attempt to extend mineralization along strike of the historic D-Zone showing. Two out of the six trenches directly west of the historic showing uncovered mineralization, while the other four uncovered barren ultramafic rocks. Three of the six trenches were filled in due to extensive overburden depths. Various beep-mat traverses were carried out north-south across stratigraphy to try and discover surface conductors.

Exploration Drilling

Throughout 2005 and 2006, three diamond drill programs (D-Zone, Phase I and Phase II) were carried out. See " Drilling" below. All diamond drill holes were collared west of and on Discovery Point of Lower Shebandowan Lake targeting the D, Road and West Zones. A total of 87 diamond drillholes were completed totalling 13,102.3 meters.

Mineralization

Nickel-copper mineralization on the Shebandowan West Project is believed to represent the western extension of the Shebandowan mine orebody. At the Shebandowan mine, nickel-copper bearing sulphide mineralization strikes 107 degrees, dipping sub-vertically and was mined over a 2.0 kilometer strike length and to a vertical depth of 902 meters. Mineralization at the Shebandowan mine was mainly hosted within the Northern Peridotite, along the contact with the hanging wall Keewatin metavolcanics. Nickel-copper sulphide mineralization occurred generally as irregular lenses of semi-massive breccia-style sulphides and as stringer sulphides, with more localized pods of massive sulphide material. In general, the massive sulphides tended to have a higher nickel tenure while the

copper rich sulphides were more associated with PGM mineralization within the stringer style mineralization and, where present, net-textured sulphides. The sulphide mineralization appears to gradually shallow and thins out to the west while the eastern boundary is reported to be steeply plunging with a higher sulphide content.

Nickel-copper mineralization has been traced by diamond drilling across most of the Shebandowan West Project, however the mineralization appears discontinuous, forming three separate zones called West Zone, Road Zone and D-Zone (from east to west respectively).

Mineralized Zones

The West Zone is the largest of the three nickel-copper zones on the Shebandowan West Project and lies immediately west of and includes parts of the area around Shaft 1. It has a known strike length of 285 meters and varies between two and 20 meters in width averaging six meters and has been traced from surface to a depth of 175 meters. This mineralization strikes 107 degrees and dips sub-vertically. Nickel-copper mineralization in the West Zone is comprised of disseminated to massive sulphides located along the northern or hanging wall contact of the Northern Peridotite. Common sulphide minerals within the mineralized horizon are pentlandite, pyrite, chalcopyrite, pyrrhotite, violerite, bornite and millerite.

There has apparently been a significant amount of remobilization associated with post mineral deformation and faulting, as a result of which the sulphide mineralization appears to pitch and swell both along strike and in a down dip direction. This is true not only for the West Zone but also for the Road and D Zones. This pinching and swelling was also a common feature noted in the Shebandowan mine. CVRD Inco has stated that the sulphide mineralization has been seen pinching from approximately 30 feet to two feet over the length of one round underground.

The Road Zone is located between West Zone and the D-Zone. Mineralization in the Road Zone differs somewhat from the West and D-Zone as it appears to have bifurcated and is hosted within two separate but subparallel ultramafic units (North and Main Units). The North and Main Units are interpreted to represent the lateral equivalent of the Northern Peridotite. Both nickel-copper zones are composed of disseminated to massive pyrrhotite, chalcopyrite, pentlandite and pyrite that vary in concentrations and widths located at the northern or hanging wall contacts of the North and Main Units. The Road Zone mineralization is typically highly variable in widths from 0.5 to 15 meters but averages four meters in width for the North Unit and five meters in width for the Main Unit. Mineralization has been encountered in drilling down to a depth of 181 meters where it appears to be closed off and can be traced along strike for 483 meters.

The D-Zone is an historic surface showing discovered in the late 1920s. Previous historic drilling suggests that the D-Zone represents the western-most extent of near surface nickel-copper bearing sulphide mineralization. Mineralization in this area is very shallow and discontinuous. The presence of late felsic diking and faulting has caused significant disruption and offsetting of the mineralization. Sulfides in this zone vary from disseminated pyrite to massive pyrrhotite with associated pentlandite, chalcopyrite and pyrite. Breccia-style mineralization is most common.

Mineralization Types

Nickel-copper sulphide mineralization observed in drill core on the Shebandowan West Project generally occurs as semi-massive or breccia-style sulphides and as stringer sulphides, with more localized pods of massive sulphide material and rarely observed net textured sulphides. The most common sulphide minerals are pentlandite, pyrite, chalcopyrite, pyrrhotite, violerite, bornite and millerite.

Massive sulphides are generally less abundant than semi-massive and stringer sulphides and comprise approximately 13% of the overall mineralization. The massive sulphides consist of pyrrhotite with common pentlandite eyes and minor chalcopyrite and pyrite. The pyrrhotite is very fine-grained and exhibits flow textures as a result of remobilization. Round two to three millimeter pentlandite eyes are common as very lustrous, distinct grains within duller and finer pyrrhotite. Minor chalcopyrite can be present and is usually found along the peridotite/ sulphide contacts.

The semi-massive or breccia-style mineralization is the second most common form of sulphide mineralization found on the Shebandowan West Project, consisting of approximately 26% of the overall mineralization observed. Breccia-style mineralization is commonly a mixture of pyrrhotite, chalcopyrite and pyrite at a ratio of approximately 4:3:1 respectively containing numerous clasts of the host ultramafic. The sulphides are draped around sub-rounded ultramafic clasts that range in diameter from one millimeter to over 10 centimeters. Very often, the clasts are coated or rimmed by fine-grained chalcopyrite and minor pyrite.

Stringer type mineralization is the most common form of mineralization encountered throughout the Shebandowan West Project comprising approximately 34% of the sulphide material. The stringers commonly contain chalcopyrite with lesser pyrrhotite and pyrite and are generally one to three centimeters in width but vary from one to two millimeters to five centimeters in size. Stringer mineralization is often found along the outer contacts of the breccia-style and massive sulphide mineralization as splays and fine dikelets.

Drilling

The Company has attempted to review the practices and details of the historic drilling carried out by CVRD Inco on the Shebandowan property since the signing of the March 2006 joint venture agreement. No information on drilling practices was made available, but header, survey and lithological data was provided by CVRD Inco. Since 1936, CVRD Inco had diamond drilled a total of 195 surface holes on the Shebandowan West Project totalling 41,800.65 feet (12,740.80 meters). Underground drilling was conducted from various levels and consisted of 1,038 holes totaling 59,202.38 feet (18,044.90 meters).

In November 2005, four drillholes were drilled around the historic D-Zone. The drilling was an attempt to check the validity of previous drilling done by CVRD Inco and to test the EM anomaly generated in the 2004 ground pulse EM survey performed by Crone Geophysics. Two of the four drill holes intersected semi-massive to massive sulphide. This mineralization was intercepted in the vicinity of historic mineralization, and there was a close correlation with the EM anomaly produced from 2004. A total of 584 meters were drilled in the 2005 D-Zone phase of drilling.

The Phase I program took place from May 31 to August 3, 2006 to test previous drilling and larger gaps in historic drilling. This Phase I drilling campaign consisted of 21 drillholes totalling 4,010 meters, which targeted three zones of the Shebandowan West Project (West Zone, Road Zone and D-Zone). Sixteen holes were drilled in the West Zone totalling 3,290 meters, three holes were drilled in the Road Zone totalling 483 meters and two holes were drilled in the D-Zone totalling 237 meters. The drilling confirmed the presence of mineralization in all three zones within the Shebandowan West Project.

Sixty-two holes were drilled during the Phase II program that took place from September 27 to December 14, 2006 with the use of two drills. The Phase II program totalled 8,508.3 meters of which 25 holes were drilled in the West Zone for 4,815.8 meters, ten holes were drilled in the Road Zone for 1,674.0 meters, and 23 holes were drilled in the D-zone for 1,951.5 meters and four rock characterization holes were drilled totalling 60.0 meters.

Throughout 2005 and 2006, a total of 13,102.3 meters were drilled on the Shebandowan West Project. The results of the drilling confirm the continuity of sulphide mineralization and correlation with the Gemcom geological model. All drilling on the Shebandowan West Project was carried out by Bradley Brothers Limited on behalf of the Company.

Drilling Campaign	Year Drilled	Number of Holes	Total Meterage	Number of Samples
D-zone	2005	4	584	142
Phase I	2006	21	4017	1103
Phase II	2006	62	8501.3	2056

Sampling, Analysis and Security

Sampling

Drill core samples for assaying were selected based on significant mineralization or alteration through the sulphide mineralization. The logging geologist generally sampled in one-meter intervals, with exceptions at lithological contacts and always sampled a minimum of one to two meters of barren material adjacent to the mineralization to ensure that the mineralization unit was completely defined.

No drilling or recovery factors were noticed that could materially impact the accuracy and reliability of the results.

All samples collected by the Company and delivered to Accurassay were analyzed for precious metals by fire assay with an AA finish, while base metals were analyzed using aqua-regia.

Quality Assurance and Quality Control Procedures

As a means of quality assurance-quality control for each diamond drilling program, blank and standard samples were randomly inserted into the continuous sampling series. The insertion of blank and standard materials was done to ensure the accuracy of the assay results against any laboratory bias. For each drill hole, random positions were chosen for the blanks within each set of 20 samples (e.g. one blank sample within samples 001 to 020, one blank sample within samples 021 to 040, etc). Similarly, random standard sample positions were chosen within each set of 30 samples (e.g. one standard sample within samples 001 to 030, one standard sample within samples 031 to 060, etc).

Sample Security

The Company took reasonable steps to ensure the security of samples from the drill site through to the database, including the following:

- secure taping of box lids when boxing core at the drill site;
- careful transport of core from the drill rig to the core shack to ensure jumbling does not occur;
- measures taken to ensure that the core, split samples, blanks and standards were locked in the logging and sampling facilities;
- piecing together and orientation of each core run prior to core photography;
- securing of sample bags and fibre bags with electrical tape for transport to Accurassay Laboratories in Thunder Bay;
- retention of both coarse rejects and pulps in secure locked storage; and

retention of half core in core boxes located in sturdy storage racks on private property where they are not clearly visible from public roadways.

The measures discussed above do not guarantee that the samples are completely immune from tampering, but the secure storage of the remaining half core, the coarse rejects, and the pulps means that any suspicion of fraudulent behaviour can always be resolved by reference to the original sample, which has been retained.

Mineral Resource Estimates

The mineral resource estimate and underlying assumptions for the Shebandowan West Project are set out above, based on a US$60.00 net smelter return mineralization shell. See "The Company Mineral Reserve and Mineral Resource Estimates".

Arctic Platinum Project

At the request of the Company, Mr. Eugene Puritch P.Eng, Dr. Wayne Ewert P.Geo., Mr. F.H. Brown CPG, Pr. Sci. Nat., Mr. Jason Rickard, P.Geo., and Mr. David King, P.Eng (collectively referred to in this section as the "APP Consultants"), prepared a report dated October 29, 2007 entitled "Technical Report, Mineral Resource Estimate, and Preliminary Economic Assessment (Scoping Study) of the Suhanko Project, Northern Finland" (the "APP Report"). Each of the APP Consultants is a "qualified person" within the meaning of NI 43-101 and is independent of the Company. The scope of the APP Report is limited to the Suhanko projects.

The following description of the APP (and specifically, the Suhanko projects) has largely been summarized from the APP Report, which is available for review on the internet via the SEDAR website located at www.sedar.com under North American Palladium's profile.

Project Description and Location

The Suhanko projects are located approximately 60 kilometers south of the city of Rovaniemi and 30 kilometers northwest of Ranua on the Arctic Circle in northern Finland. The city of Rovaniemi has a population of approximately 34,400 and as the capital of the province of Lapland, is a major regional centre. The city is serviced by rail, road and air with multiple flights daily to and from Helsinki. The port of Kemi on the Gulf of Bothnia is kept open throughout the winter and is located 120 kilometers south of Rovaniemi.

In order to acquire the mineral rights of the highly prospective margin of the Portimo Intrusive Complex (composed of the Suhanko, Konttijärvi, and Narkaus intrusive bodies), Gold Fields Arctic Platinum Oy ("GFAP") has acquired a total of 258 contiguous claims with a total area of 22,260.2 hectares. Fifteen of these claims (1,388.1 hectares) are subject to a purchase agreement with South Atlantic Resources Ltd. GFAP also has nine active claim applications, covering an area of 740.4 hectares, that are undergoing the renewal process. With its large landholding GFAP controls virtually the entire extent of the Marginal Phases of the Portimo Intrusive Complex.

The Suhanko projects are one of several active GFAP projects within the Portimo Intrusive Complex. Being the most active of the projects, the Suhanko project area is protected not only by the claims but also by a mining license application covering 4,145.4 hectares (this lease application has gone through the approval process and only the concession certificate is pending).

All properties are currently in good standing or are undergoing the lease renewal process. The tenements covered by mining licenses have been legally surveyed while individual mining claims outside of the mining leases, having been acquired through a government regulated staking process, have not been surveyed.

The Finnish government has no free carried interest in the partnership between GFAP and the Company and no royalties are payable to the State. Regular corporate income tax will be payable at a rate which is currently 29% but which is scheduled to be reduced incrementally. For the claim rights, GFAP must pay annual claim compensations to the private landowners and annual surface area based fees to the State. The total annual amount for current claim coverage is approximately €394,654.17.

The final meeting regarding the execution of the Suhanko mining lease was held on May 29, 2006. The minutes of the meeting were published on July 24, 2006 and became legally valid in early September 2006. Granting of a concession certificate is pending in the Ministry of Trade and Industry.

The Northern Finland Environmental Permit Authority granted the environmental permit for the Suhanko projects on December 7, 2005. Two appeals were made against the permit concerning the amounts of compensation for land for two small properties. GFAP submitted its statement of defense in February 2006. The decision from the administrative court is currently being awaited.

The Energy Market Authority issued a construction permit for the Petäjäskoski Konttijärvi 110 kV overhead transmission line on August 12, 2004. Yet to be applied for are the acceptance for the general plan for mining from the Safety Technology Authority, the construction license for buildings and workshops, the environmental permit for fuel storage as well as a number of other minor permits.

The rehabilitation bond to be deposited upon initiation of the construction of the tailings basin and waste rock stockpiling areas is €6,620,000. There are no current environmental obligations of significance outstanding. At the Ahmavaara trial mine the pumping waters and their impact on local surface waters are required to be monitored until the 2006 year end or as long as dewatering is continued. In case the Suhanko projects stop, the pit can be left to flood to ground water level. Rehabilitation of other test pits has been completed.

The Suhanko Environmental Permit and the rehabilitation bond have been decided and, despite the two appeals, are effective. As long as the appeals remain unresolved, they cause restrictions for construction of certain water areas and hence influence parts of the tailings storage facility and waste rock areas.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Konttijärvi and Ahmavaara properties are examined in the context that they are the most significant discoveries found to-date within the Suhanko projects.

Access to both Konttijärvi and Ahmavaara is via a sealed road to within 15 kilometers of the project location, and thence by a well-maintained gravel road passable by logging trucks and similar vehicles. All-weather access on the non-sealed roads will be guaranteed by the use of snowploughs during the autumn and winter months.

The site is situated just south of the Arctic Circle where the climate is characterized by seasonal changes in temperature and daylight. The climate is, however, moderated by the Gulf Stream. Useful daylight varies from continuous light for a period of around 6 weeks in summer to around 6 hours per day in late December. Average temperatures range from -20°C to +20°C with occasional short-duration cold spells of below -40°C

There are no major towns or villages on or close to the layered complexes. However, there are a few scattered homesteads and summer cottages on farms and near lakes located in the project area. The average population density in the area is about two people per square kilometer. Forestry is the main industry and very little primary forest is preserved except in proclaimed reserves.

The topography of the lease area is generally flat as a result of various glaciation events. The layered complexes are covered by overburden that ranges in thickness from 0 to 30 meters. Outcrop is

rare and the average thickness of till is 5 to 10 meters. As a result of the low relief and poor drainage, peat bogs cover large areas such that off-road vehicle access in some areas is only possible during the winter months when the surface is frozen. Elevations are relative to mean sea level.

History

Outokumpu Oy ("Outokumpu") commenced a copper-nickel exploration program in the Suhanko area using magnetic and electro-magnetic ground geophysical survey methods in conjunction with extensive geological mapping and drilling in 1964. Exploration continued until 1981, and focused on the disseminated and massive sulphide mineralization in the basal part of the Suhanko Intrusion. Exploration of the marginal series mineralization was extended to other prospective areas of the Portimo Intrusive Complex which included Niittylampi and Suhanko. The smaller Konttijärvi intrusion block was discovered following geological mapping and assaying, which led to the first indications of the presence of PGM from sulphide-bearing samples.

Past Exploration Konttijärvi

Further work by Outokumpu in 1981 that verified the historical PGM assays of outcrop samples taken in the 1970s determined that true values were three to four times higher than first reported. This motivated a small drilling campaign and the first drillhole drilled in September 1981 intersected significant sulphide-hosted PGM mineralization. A further four drill holes were completed all of which intersected significant PGM mineralization. Thus, Konttijärvi became the first significant PGM discovery in Finland.

Following these successful results, the area was covered by a ground magnetic survey and also by a small number of geochemical till sampling lines. Since 1981, Outokumpu has completed 189 diamond drill holes with a total length of 13,617 meters at the Konttijärvi and Ahmavaara deposits. This drilling was conducted during three phases, from 1981 to 1983; 1986 to 1989; and finally in 1995.

Past Exploration Ahmavaara

The Ahmavaara deposit was discovered by applying the exploration model developed from the Konttijärvi data. Based on this model, and with the results from a ground magnetic survey that identified the location of the all-important peridotite marker, the first seven drill holes were completed. Laboratory-scale metallurgical test results, supported by a microscopic study of the mineralogy in samples taken from the later drill holes, showed that nickel, copper and PGM could be concentrated at fairly good recovery rates at Ahmavaara. An additional 12 holes were drilled at the Ahmavaara area in 1995 to search for nickel-rich occurrences. The total amount of drilling at Ahmavaara before the formation of the the Company's partnership with Gold&nbs