

NORTH AMERICAN PALLADIUM LTD
Form SUPPL
January 30, 2014
Table of Contents

Filed Pursuant to General
Instruction II.L of Form F-10
File No. 333-185656

AMENDED AND RESTATED PROSPECTUS SUPPLEMENT
(AMENDING AND RESTATING THE PROSPECTUS SUPPLEMENT DATED JANUARY 28, 2014
TO THE BASE PROSPECTUS DATED FEBRUARY 12, 2013)

January 30, 2014

NORTH AMERICAN PALLADIUM LTD.

Up to Cdn.\$32,000,000

7.5% Convertible Unsecured Subordinated Series 1 Debentures Due January 2019 and
Series 1 Common Share Purchase Warrants

This amended and restated prospectus supplement (the **prospectus supplement**) qualifies the distribution (the **Offering**) of up to Cdn.\$32,000,000 aggregate principal amount of 7.5% convertible unsecured subordinated series 1 debentures (the **Debentures**) of North American Palladium Ltd. (**NAP** or the **Corporation**) due five years after the date of issue (the **Maturity Date**) at a price of Cdn.\$1,000 per Debenture (the **Offering Price**) and for no additional consideration series 1 common share purchase warrants (each a **Warrant** and together with the Debentures the **Series 1 Securities**) of the Corporation. Subject to Shareholder Approval (as defined below), the Warrants will entitle the holders thereof to purchase up to 33.33% of the number of common shares of the Corporation into which the principal amount of Debentures purchased by the holders are convertible at the initial fixed conversion price (excluding common shares issuable as interest, under the Make-Whole Amount (as defined below) or otherwise), at any time before 5:00 p.m. (Toronto time) on the third anniversary of the date that Shareholder Approval is received. If Shareholder Approval is not obtained by March 30, 2014, the Warrants will terminate.

The Debentures will bear interest at an annual rate of 7.5% payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2014 (each an **Interest Payment Date**). The first interest payment on the Debentures will include accrued and unpaid interest for the period from and including the closing of the Offering to, but excluding, July 31, 2014. **There is no minimum amount of funds that must be raised under the Offering. This means that the Corporation could complete the Offering after raising only a small portion of the Offering amount set out above.**

Debentures	Price to the Public	Agents Fee⁽¹⁾	Proceeds to the Corporation⁽²⁾
Per Debenture ⁽³⁾	Cdn.\$1,000	Cdn.\$40.00	Cdn.\$960.00
Total	Cdn.\$32,000,000	Cdn.\$1,280,000	Cdn.\$30,720,000

Table of Contents

Notes:

- (1) Edgecrest Capital Corporation and Canaccord Genuity Corp. in Canada, and Canaccord Genuity Inc. in the United States, are the placement agents for the Offering (each an **Agent** and together the **Agents**), and in consideration for the services rendered by the Agents in connection with the Offering, the Corporation has agreed to pay the Agents a fee representing 4% of the gross proceeds of the Offering. See **Plan of Distribution**.
- (2) Before deducting expenses of the Offering, estimated to be Cdn.\$1,660,000, which, together with the Agents' fee, will be required to be paid from the proceeds of the Offering. See **Plan of Distribution** and **Use of Proceeds**.
- (3) Each purchaser of Debentures will also receive for no additional consideration, a Warrant.
For each of the twelve month periods ended December 31, 2012, and September 30, 2013, the Corporation had an interest coverage ratio in respect of earnings of less than one to one. For further information see Earnings Coverage.

Holder may convert their Debentures into common shares of the Corporation (**Common Shares**) at any time at a conversion rate of approximately 1,575 Common Shares per \$1,000 principal amount of Debentures (the **conversion price**), subject to adjustment in certain events as described in the Indenture (as defined herein). Holders converting their Debentures will receive all accrued and unpaid interest thereon to, but excluding, the date of conversion, as well as the Make-Whole Amount, and such holders shall become holders of record of Common Shares on the date of conversion. The number of Common Shares issuable in respect of accrued and unpaid interest is determined by dividing the aggregate amount of accrued and unpaid interest by the interest conversion price, being the average five-day volume weighted average price (**VWAP**) of the Common Shares on the Toronto Stock Exchange (the **TSX**) for the five consecutive trading days ending on the second trading day immediately preceding the conversion date (**Interest Conversion Price**). The number of Common Shares issuable in respect of the Make-Whole Amount is determined by dividing the Make-Whole Amount by the average five-day VWAP of the Common Shares on the TSX for the five consecutive trading days ending on the second trading day immediately preceding the conversion date (the **Make-Whole Conversion Price**). The **Make-Whole Amount** represents the amount of unaccrued and unpaid interest that would have been paid if such Debenture were held to maturity, reduced by 1% for each 1% that the five-day VWAP of the Common Shares on the TSX ending two trading days preceding the date of conversion exceeds the conversion price (prorated for increments less than 1%). In lieu of issuing Common Shares in respect of accrued and unpaid interest and the Make-Whole Amount, the Corporation may elect to pay all or any portion of such amounts in cash.

Subject to any applicable stock exchange approval, and no Equity Conditions Failure (as defined herein) having occurred and being continuing, any accrued and unpaid interest on the Debentures may be paid in Common Shares, at the Corporation's option, at a price equal to the five-day VWAP of the Common Shares on the TSX ending on the second trading day prior to the applicable Interest Payment Date.

Commencing 18 months after the closing of the Offering (the **Closing Date**), all, but not less than all, of the Debentures may be redeemed by the Corporation for cash on not more than 60 trading days and not less than 30 trading days prior notice, at a price equal to their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption, plus the applicable Make-Whole Amount, provided that the Optional Redemption Conditions set forth under **Details of the Offering** **Description of the Debentures** **Optional Redemption** are met.

Commencing 18 months after the Closing Date, all, but not less than all, of the Debentures may be converted by the Corporation for Common Shares on not more than 60 trading days and not less than 30 trading days prior notice, at a conversion rate set forth under [Details of the Offering](#) [Description of the Debentures](#) [Mandatory Conversion](#) , provided that the Mandatory Conversion Conditions set forth under [Details of the Offering](#) [Description of the Debentures](#) [Mandatory Conversion](#) are met.

If on the Maturity Date, the aggregate dollar trading volume (as reported on Bloomberg) of the Common Shares on the TSX plus the NYSE MKT, LLC (the **NYSE MKT**) for each of the 10 consecutive trading days immediately preceding the Maturity Date exceeds \$5.5 million per trading day and no Equity Conditions Failure has occurred, then the Corporation will have the right to require holders to convert all, but not less than all, of the Debentures at the Maturity Date Mandatory Conversion Price described under [Details of the Offering](#) [Description of the Debentures](#) [Payment at Maturity](#) .

Within 30 days following the occurrence of a Fundamental Transaction (as defined herein), the Corporation will be required to make an offer in writing to purchase in cash, in whole or in part, the Debentures then outstanding, at a price equal to 102% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition, plus the applicable Make-Whole Amount.

Table of Contents

The Corporation will hold a meeting of its shareholders following the closing of the Offering to obtain disinterested Shareholder Approval for, among other things, the issue of the Common Shares issuable upon the exercise of the Warrants (the **Warrant Shares**) and the approval of the full-ratchet anti-dilution provisions contained in the Warrants, as more fully described in Details of the Offering Description of the Warrants Anti-Dilution. Unless Shareholder Approval is obtained, a holder of Warrants will not be able to exercise its Warrants, and if Shareholder Approval is not obtained by March 30, 2014, the Warrants will terminate. Subject to Shareholder Approval, each Warrant entitles the holder thereof to purchase one Warrant Share at the price of Cdn.\$ 0.762 (the **Warrant Exercise Price**) (which is equal to the conversion price plus a 20% premium) for a period ending on the third anniversary of the Shareholder Approval, with the Warrant Exercise Price being subject to adjustment in certain circumstances.

A holder will not be able to convert Debentures, or exercise the Warrants, nor will a holder be able to accept Common Shares issued in satisfaction of interest, on account of a Make-Whole Amount or upon mandatory conversion if, as a result of such conversion, exercise, or payment the holder or any of its affiliates beneficially own greater than 9.9% of the outstanding voting securities of the Corporation. In connection with a proposed issuance of Common Shares under the Debentures or the Warrants, upon the written request of the Corporation, a holder shall promptly confirm the number of Common Shares that it and its affiliates beneficially own at that time (including convertible securities).

There is currently no market through which the Debentures and the Warrants may be sold and purchasers may not be able to resell the Debentures and the Warrants purchased under this prospectus supplement. While the Corporation has applied to the TSX to list the Debentures on the TSX, there can be no assurance that an active liquid market for the Debentures will develop or be sustained. The Corporation does not currently intend to list the Warrants on any exchange or marketplace and currently no market is expected to develop for the Warrants. This may affect the pricing of the Debentures and the Warrants in the secondary market, the transparency and availability of trading prices, and the liquidity of the securities. See Risk Factors .

The outstanding Common Shares are listed for trading on the NYSE MKT, LLC (the **NYSE MKT**) under the symbol **PAL** and on the TSX under the symbol **PDL**. On January 29, 2014, the last trading day prior to the date of this prospectus supplement, the closing price of the Common Shares on the NYSE MKT and the TSX was US\$0.56 and Cdn.\$0.62 per Common Share, respectively. The Corporation has applied to list the Debentures on the TSX, and the Common Shares issuable in connection with the Debentures and the Warrants on the TSX and NYSE MKT. Listing is subject to the Corporation fulfilling all of the requirements of the TSX and the NYSE MKT. There can be no assurance that a sufficient number of Common Shares will have been approved for listing on the TSX and the NYSE MKT so as to permit, in all circumstances, (i) the Corporation to pay any or all interest and Make-Whole Amounts on the Debentures in Common Shares and (ii) to pay all principal amounts due on any conversion, including a mandatory conversion at maturity, in Common Shares, and there can be no assurance that the TSX and NYSE MKT will approve for listing additional Common Shares issuable in connection with the Debentures and Warrants. In the event the TSX and NYSE MKT approve for listing Common Shares issuable by the Corporation in connection with the Debentures and the Warrants, the Corporation anticipates that any such approval will limit the number of Common Shares that may be issued. See Risk Factors Risks Related to the Offering The Corporation may make interest payments and Make-Whole Amounts on the Debentures in Common Shares and pay principal amounts due at maturity or redemption in Common Shares, however in certain circumstances the Corporation may not be able to issue Common Shares which may lead to a default under the Debentures .

Investing in the Debentures and Warrants is highly speculative and involves a significant degree of risk. Prospective investors should carefully consider the risks that are described in the Risk Factors section of this prospectus supplement.

This prospectus supplement is filed by a Canadian issuer that is permitted, pursuant to a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this prospectus supplement in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. The annual financial statements incorporated herein by reference have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS) and the interim financial statements incorporated herein by reference have been prepared in accordance with IFRS using International Accounting Standard No. 34, and thus may not be comparable to financial statements of United States companies.

Table of Contents

Prospective investors should be aware that the acquisition of the Debentures and the Warrants (and, in each case, the underlying Common Shares) may have tax consequences both in the United States and Canada. Such consequences for investors who are resident in, or citizens of, the United States or Canada may not be described fully herein. See **Certain Canadian Federal Income Tax Considerations and **Certain United States Federal Income Tax Considerations** in this prospectus supplement.**

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC) NOR ANY STATE SECURITIES COMMISSION OR ANY CANADIAN SECURITIES REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE DEBENTURES, THE WARRANTS (OR THE UNDERLYING COMMON SHARES), OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

<u>GENERAL MATTERS</u>	s-i
<u>DOCUMENTS INCORPORATED BY REFERENCE</u>	s-i
<u>MARKETING MATERIALS</u>	s-iii
<u>CURRENCY AND FINANCIAL STATEMENT PRESENTATION</u>	s-iv
<u>CAUTIONARY NOTE TO UNITED STATES INVESTORS</u>	s-v
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	s-v
<u>THE CORPORATION</u>	S-1
<u>RISK FACTORS</u>	S-5
<u>USE OF PROCEEDS</u>	S-25
<u>EARNINGS COVERAGE</u>	S-25
<u>DETAILS OF THE OFFERING</u>	S-26
<u>DESCRIPTION OF COMMON SHARES</u>	S-41
<u>PRICE RANGE AND TRADING VOLUME</u>	S-42
<u>DIVIDEND POLICY</u>	S-43
<u>PRIOR SALES</u>	S-43
<u>CONSOLIDATED CAPITALIZATION</u>	S-44
<u>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS</u>	S-44
<u>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	S-50
<u>PLAN OF DISTRIBUTION</u>	S-57
<u>EXPERTS</u>	S-58
<u>LEGAL MATTERS</u>	S-58
<u>AUDITORS, TRANSFER AGENT AND REGISTRAR</u>	S-58
<u>DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT</u>	S-58

Base Shelf Prospectus

	Page
CAUTIONARY NOTE TO UNITED STATES INVESTORS	1
DOCUMENTS INCORPORATED BY REFERENCE	2
CURRENCY AND FINANCIAL STATEMENT PRESENTATION	3
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	4
THE CORPORATION	6
RISK FACTORS	8
USE OF PROCEEDS	11
PRICE RANGE AND TRADING VOLUME	12
DIVIDEND POLICY	13
PRIOR SALES	13
CONSOLIDATED CAPITALIZATION	13
DESCRIPTION OF COMMON SHARES	13
DESCRIPTION OF DEBT SECURITIES	14
DESCRIPTION OF WARRANTS	24
DESCRIPTION OF SUBSCRIPTION RECEIPTS	26
PLAN OF DISTRIBUTION	27
INCOME TAX CONSIDERATIONS	27

LEGAL MATTERS	28
AUDITORS, TRANSFER AGENT AND REGISTRAR	28
EXPERTS	28
AVAILABLE INFORMATION	29
DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT	29
ENFORCEABILITY OF CIVIL LIABILITIES	30
GLOSSARY OF MINING TERMS	32

Table of Contents

GENERAL MATTERS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the Debentures and Warrants, and also adds to and updates certain information contained in the base shelf prospectus of the Corporation dated February 12, 2013 (the **base prospectus**), and the documents incorporated by reference herein and therein. The second part is the base prospectus, which gives more general information, some of which may not apply to the Offering. This prospectus supplement is deemed to be incorporated by reference into the base prospectus solely for the purposes of the Offering. If any information varies between this prospectus supplement and the base prospectus, you should rely on the information in this prospectus supplement. In this prospectus supplement, all capitalized terms used and not otherwise defined herein have the meanings provided in the base prospectus.

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the base prospectus. The Corporation has not authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. The Corporation is not making an offer to sell the Debentures or Warrants in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein is accurate only as of the respective date of the document in which such information appears, regardless of the time of delivery of this prospectus supplement or of any sale of Debentures or Warrants. The Corporation's business, financial condition, results of operations and prospects may have changed since those dates.

In December 2013, one of the Agents, on behalf of the Corporation, contacted certain potential investors with respect to a possible private placement of securities of the Corporation. The amount of the contemplated offering was between \$40 million and \$60 million. No offer to buy or indication of interest by any potential investor was accepted by the Corporation. The Corporation abandoned the contemplated private placement on or before December 19, 2013. This prospectus supplement, including the base prospectus, supersedes any offering materials used in the abandoned private placement.

This prospectus supplement contains references to earnings before interest, taxes, depreciation and amortization (**EBITDA**). EBITDA is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS, and therefore may not be comparable to similarly titled measures presented by other reporting issuers, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. EBITDA in this prospectus supplement has the meaning set forth in each of the Brookfield Debt or Credit Facility as applicable.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus supplement and the base prospectus from documents filed with the securities commissions or similar authorities in each of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at Suite 2350, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2J2, telephone 416-360-7590 and facsimile 416-360-7709, or by accessing the disclosure documents available through the Internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the SEC's EDGAR system, which can be accessed at www.sec.gov.

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

- (a) the annual information form of the Corporation (the **AIF**) for the financial year ended December 31, 2012;
- (b) the audited consolidated financial statements of the Corporation and the notes thereto for the financial year ended December 31, 2012, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations and comprehensive loss, shareholders equity and cash flows for the years ended December 31, 2012 and December 31, 2011, prepared in

s-i

Table of Contents

accordance with IFRS (the **Annual Financial Statements**), together with the independent auditors' report thereon;

- (c) the Corporation's management's discussion and analysis relating to the Annual Financial Statements;
- (d) the unaudited interim condensed consolidated financial statements of the Corporation for the three-month and nine-month periods ended September 30, 2013;
- (e) the Corporation's management's discussion and analysis for the three-month and nine-month periods ended September 30, 2013 (**MD&A**);
- (f) the Corporation's management information circular dated April 1, 2013 in connection with the May 9, 2013 annual and special meeting of the shareholders of the Corporation;
- (g) the Corporation's material change report dated March 1, 2013 regarding the National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**) technical report titled "Technical Report Lac des Iles Mine, Ontario, Incorporating Prefeasibility Study Offset Zone Phase 1" dated February 13, 2013 (effective date of January 31, 2013) (the **LDI Report**);
- (h) the Corporation's material change report dated March 28, 2013 regarding the appointment of Phil du Toit as President and Chief Executive Officer of the Corporation and the sale of the Corporation's gold division, NAP Quebec Mines Ltd.;
- (i) the Corporation's material change report dated May 16, 2013 announcing the Corporation's operating, development and financial results for the three months ended March 31, 2013;
- (j) the Corporation's material change report dated June 17, 2013 regarding the Corporation's US\$130 million debt financing, a Cdn.\$20 million private placement of Flow-Through Shares (as defined below) and the extension of the Corporation's operating credit facility;
- (k) the Corporation's material change report dated December 9, 2013 regarding the amendment of the Corporation's US\$130 million debt financing to add US\$15 million and to refund US\$6.4 million of cash interest previously paid to Brookfield (as defined below) to the existing facility (the **December 9, 2013 Material Change Report**);
- (l) the term sheet for the Offering dated January 13, 2014 (the **Term Sheet**);

- (m) the Corporation's material change report dated January 23, 2014 in respect of the Offering (the **January 23, 2014 Material Change Report**);
- (n) the amended term sheet for the Offering dated January 28, 2014 (the **Amended Term Sheet**); and
- (o) the second amended term sheet for the Offering dated January 30, 2014 (the **Second Amended Term Sheet**).

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements (including the related management's discussion and analysis), annual audited consolidated financial statements (including the auditors' report thereon and the related management's discussion and analysis), business acquisition reports, information circulars and any other disclosure documents required to be incorporated by reference herein under National Instrument 44-101 *Short Form Prospectus Distributions* which are filed by the Corporation with the securities commissions or similar authorities in each of the provinces of Canada after the date of this prospectus supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this prospectus supplement. In addition, any document filed by the Corporation with, or furnished by the Corporation to, the SEC pursuant to the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), subsequent to the date of this prospectus supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this prospectus supplement (in the case of any Report on Form 6-K, if and to the extent expressly provided in such report).

Table of Contents

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

Upon a new annual information form and corresponding annual financial statements and related management's discussion and analysis being filed by the Corporation with securities commissions or similar authorities in each of the provinces of Canada during the currency of this prospectus supplement, the previous annual information form and corresponding annual financial statements and related management's discussion and analysis, all interim financial statements and management's discussion and analysis and all material change reports filed prior to the commencement of the then current financial year will be deemed no longer to be incorporated into this prospectus supplement for purposes of future offers and sales of the Debentures and Warrants hereunder.

Upon each new filing of interim financial statements and related management's discussion and analysis filed with securities commissions or similar authorities in each of the provinces of Canada during the currency of this prospectus supplement, the previous interim financial statements and management's discussion and analysis filed prior to the commencement of the then current interim period will be deemed no longer to be incorporated into this prospectus supplement for purposes of future offers and sales of the Debentures and Warrants hereunder.

MARKETING MATERIALS

The Term Sheet, the Amended Term Sheet and the Second Amended Term Sheet incorporated by reference in this prospectus supplement are not part of this prospectus supplement to the extent that the contents of such documents have been modified or superseded by a statement contained in this prospectus supplement. Any template version of marketing materials (as defined in National Instrument 41-101 *General Prospectus Requirements*) filed after the date of this prospectus supplement and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials described above) shall be deemed to be incorporated into and form an integral part of this prospectus supplement. See Documents Incorporated by Reference .

Statements included in the template version of the Term Sheet relating to the details of the Offering have been modified in view of disclosure contained in this prospectus supplement to reflect changes to the details of the Offering and the proposed subsequent offering, including:

to increase in the size of the Offering from an amount up to \$30 million to an amount up to \$32 million;

to reduce the range of size of the proposed subsequent offering (the **Second Tranche Offering**) of 7.5% convertible unsecured subordinated series 2 debentures (the **Series 2 Debentures**) and series 2 warrants (the **Series 2 Warrants** and, together with the Series 2 Debentures, the **Series 2 Securities**) from an aggregate principal amount of Series 2 Debentures of between \$20 million to \$45 million to up to \$43 million;

to include Warrants in the Offering as part of the Series 1 Securities;

to reduce the number of Common Shares issuable on exercise of the Series 2 Warrants from (x) 33.33% of the number of Common Shares issuable on conversion of the Debentures and the Series 2 Debentures to (y) 33.33% of the number of Common Shares issuable on conversion of the Series 2 Debentures;

to include full ratchet anti-dilution provisions in the Warrants and the Series 2 Securities;

the listing of the Debentures and the Series 2 Debentures on the TSX;

to require the Shareholder Approval in respect of the issuance of the Warrant Shares and Series 2 Securities;

to change the formula used to calculate the mandatory conversion, at the Corporation's option, of the Debentures into Common Shares at maturity from the 5-day VWAP on the day preceding the filing of the shelf supplement to 95% of the 10-day VWAP, to a maximum of the applicable conversion price;

Table of Contents

to add the conditions related to an optional redemption or mandatory conversion at maturity, as further described under Details of the Offering : (i) the aggregate daily dollar trading volume of the Common Shares on the TSX and NYSE MKT for each of the 10 days prior to the applicable date exceeds \$5.5 million; and (ii) no Equity Condition Failure has occurred and is continuing to the Corporation's ability to call the Series 2 Warrants;

to include a cashless exercise right for the Warrants and the Series 2 Warrants in certain circumstances;

to add the conditions that (i) the aggregate daily trading volume of the Common Shares on the TSX and the NYSE MKT for each of the 10 days prior the redemption or conversion exceeds \$5.5 million; and (ii) no Equity Condition Failure has occurred to the Corporation's ability to mandatorily convert the Debentures and the Series 2 Debentures;

to include a requirement that a lead investor may and must solely approve certain amendments to the Series 1 Securities and the Series 2 Securities;

to provide a lead investor with restrictive pre-emptive / participation rights on future offerings;

to include penalty interest provisions if the Corporation is in default and penalties for other defaults, including late delivery of shares; and

to include late payment charges,
from what was disclosed in the Term Sheet. See Recent Developments and Details of the Offering .

Statements included in the template version of the Amended Term Sheet relating to the details of the Offering have been modified in view of disclosure contained in this prospectus supplement to reflect changes to the details of the Offering and the proposed subsequent offering, including:

to amend the conversion price of the Debentures from a conversion rate of approximately 1,381 Common Shares per \$1,000 principal amount of Debentures, to a conversion rate of approximately 1,575 Common Shares per \$1,000 principal amount of Debentures;

to amend the exercise price of the Warrants from Cdn.\$0.869 to Cdn.\$0.762;

to amend the initial targeted closing date from January 30, 2014 to January 31, 2014;

to change the amendment requirement of the securities to the written consent of the Corporation and holders of 2/3 of the applicable securities or by 2/3 class or series vote at a duly called meeting of holders;

to remove the equity conditions and volume conditions as conditions precedent to the Second Tranche Offering;

to remove references to a lead investor, including any pre-emptive/ participation right; and

to remove the prohibition on variable price offerings, from what was disclosed in the Amended Term Sheet. See *Recent Developments* and *Details of the Offering* .

Pursuant to Section 9A.3(7) of National Instrument 44-102 *Shelf Distributions*, the Corporation has prepared a blackline of the Amended Term Sheet against the original Term Sheet, and a blackline of the Second Amended Term Sheet against the Amended Term Sheet, to show the modified terms of the Offering and Second Tranche Offering. The Amended Term Sheet, Second Amended Term Sheet and blacklines can be viewed under the Corporation's profile on www.sedar.com. See *Recent Developments* *The Offering and the Second Tranche Offering* for a summary of the changes between the Term Sheet and the Amended Term Sheet, and between the Amended Term Sheet and the Second Amended Term Sheet.

CURRENCY AND FINANCIAL STATEMENT PRESENTATION

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

Unless otherwise indicated, annual financial statements incorporated by reference herein have been prepared in accordance IFRS and interim financial statements incorporated herein by reference have been prepared in accordance with IFRS; using International Accounting Standard No. 34.

The following table sets forth, for the Canadian dollar, expressed in United States dollars: (i) the high and low exchange rates during each period; (ii) the average of the exchange rates on the last day of each month during each period;

Table of Contents

and (iii) the exchange rate at the end of each period. These rates are based on the noon buying rate published by the Bank of Canada.

	Year Ended		Nine Months Ended	
	December 31,		September 30,	
	2012	2013	2012	2013
Highest rate during period	1.0299	1.0164	1.0299	1.0164
Lowest rate during period	0.9599	0.9348	0.9599	0.9455
Average rate during period	1.0004	0.9710	0.9976	0.9770
Rate at the end of period	1.0051	0.9402	1.0166	0.9723

On January 29, 2014 the noon buying rate for one Canadian dollar expressed in United States dollars, as quoted by the Bank of Canada, was \$1.00=US\$ 0.90 (or US\$1.00=\$1.11). The Canadian dollar/U.S. dollar exchange rate has varied significantly over the last several years and investors are cautioned that the exchange rates presented here are historical and are not indicative of future exchange rates.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein have been, and will be, prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

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

made public by companies that report in accordance with U.S. standards.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the base prospectus include or incorporate by reference certain statements that are forward-looking statements and/or forward-looking information, which include future oriented financial information, within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. The words expect, believe, anticipate, contemplate, target, plan, may, will, intend, estimate and similar words identify forward-looking statements, although these words may not be present in all forward-looking statements. Forward-

S-V

Table of Contents

looking statements included in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein include, without limitation, information as to the Corporation's strategy, plans or future financial or operating performance, such as the Corporation's expansion plans at the Lac des Iles (**LDI**) mine, project timelines, production plans, projected cash flows or capital expenditures, liquidity, cost estimates, mining or milling methods, projected exploration results, resource and reserve estimates and other statements that express management's expectations or estimates of future performance.

Forward-looking statements involve known and unknown risks that may cause actual results to be materially different from those expressed or implied by the forward-looking statements. Such risks include, but are not limited to:

the ability of the Corporation to continue as a going concern;

the ability of the Corporation to obtain substantial additional financing necessary to fund both short-term and long-term operations and capital expenditure requirements;

shareholders may not approve the issuance of the Warrant Shares and Second Tranche Offering;

risks associated with the expansion of the LDI mine;

fluctuations in commodity prices, interest rates and foreign exchange rates;

deterioration of general economic conditions;

the Corporation's inability to achieve or maintain production and operating cost estimates;

additional capital expenditure requirements;

inaccuracy of mineral resource and reserve estimates;

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

the possibility of construction and commissioning delays;

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

inherent risks associated with mining and processing, including environmental hazards;

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

the Corporation's reliance on third parties for smelting and refining the concentrate that is produced at the LDI mill;

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

environmental and other regulatory requirements;

the costs of complying with environmental legislation and government regulations;

risks related to the Corporation's ongoing relations with First Nations;

the risk that permits and regulatory approvals necessary to conduct operations will not be available on a timely basis, on reasonable terms, or at all;

loss of key personnel;

Table of Contents

competition from other current and potential new producers of palladium and platinum group metals;

current or future litigation (including class actions) or regulatory proceedings, including the Class Action (as defined below);

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

risks related to the Corporation's hedging strategies;

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

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

the consequences of events of default provided in the Corporation's Credit Facility, the 2012 Convertible Debentures and the Brookfield Debt (each as defined below), some of which are beyond the Corporation's control.

Forward-looking statements, including future oriented financial information, are necessarily based on a number of factors and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Factors and assumptions contained in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein that may prove to be incorrect, include, but are not limited to, the following:

that additional financing for the Corporation's capital and development plans, including the Second Tranche Offering, will be available, including on reasonable terms;

that the LDI mine will be and will remain viable operationally and economically;

that expectations for mill feed head grade, recovery rates and mill performance will be as expected at the LDI mine;

that plans for mine production, mine development projects, mill production and exploration will proceed as expected and on budget;

that the Corporation will pursue future development projects;

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

that the Corporation will not be subject to any material environmental incidents, significant regulatory changes or material labour disruptions;

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

that the Corporation and its contractors will be able to attract and retain sufficient qualified employees. All of the forward-looking statements made in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the projected results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. You are cautioned not to put undue reliance on forward-looking statements. All forward-looking statements in this prospectus supplement, the base prospectus and the documents incorporated by reference herein and therein are made as of the date of the document in which such statements appear, and the Corporation disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except as expressly required by law.

Table of Contents

THE CORPORATION

North American Palladium Ltd. is the successor to Madeleine Mines Ltd., a corporation incorporated under the *Mining Companies Act* (Québec) by letters patent in 1968. In January 1992, Madeleine Mines Ltd. was amalgamated with 2945-2521 Québec Inc. and the amalgamated corporation was wound up into the federally incorporated parent corporation, 2750538 Canada Inc. This entity changed its name to Madeleine Mines Ltd. and, in June 1993, the name was changed to North American Palladium Ltd. The Corporation continues to exist under the *Canada Business Corporations Act* (**CBCA**).

The Corporation's head and registered office is located at 200 Bay Street, Suite 2350, Royal Bank Plaza, South Tower, Toronto, ON, Canada M5J 2J2, telephone: (416) 360-7590, facsimile: (416) 360-7709.

The Corporation has one material wholly owned subsidiary, Lac des Iles Mines Ltd. The following chart describes the Corporation's structure as at the date hereof.

Overview of the Business

The Corporation is an established precious metals producer that has been operating its flagship LDI mine in Ontario, Canada since 1993. The LDI mine is one of only two primary producers of palladium in the world, offering investors leverage to the price of palladium.

The LDI mine complex consists of an operating underground mine and a 15,000-tonne per day mill. The primary deposits on the property are the Roby Zone (which was mined through an open pit and underground) and the underground Offset Zone (which is approximately 300 metres west from the underground Roby Zone), all of which contain disseminated magmatic palladium deposits with some platinum, gold, nickel and copper by-products. As of the end of 2013, the Corporation had substantially completed Phase I of its expansion of the underground mine, resulting in the transition to shaft-based infrastructure. See [Recent Developments](#) [LDI Update](#) .

The Corporation believes that there remains significant exploration upside near the LDI mine, where a number of

Table of Contents

exploration targets have been identified for potential future production growth. The exploration upside is further complemented by LDI's existing infrastructure, including the excess capacity at its mill and shaft.

Recent Developments

The Offering and the Second Tranche Offering

The offering of up to \$75 million aggregate principal amount of unsecured subordinated convertible debentures under the Offering and Second Tranche Offering was announced by the Corporation on January 13, 2014, as more fully described in the Term Sheet and the January 23, 2014 Material Change Report. Subsequently, a number of terms of such offering were amended to include, among other things, an increase of the size of the Offering to up to \$32 million principal amount of Debentures, and to include the Warrants in the Series 1 Securities being offered pursuant to this prospectus supplement and a proposed Second Tranche Offering of up to \$43 million aggregate principal amount of Series 2 Debentures together with the associated Series 2 Warrants, as more fully described in the Amended Term Sheet. Other changes to the Term Sheet, as set out in the Amended Term Sheet, include, among other things, the inclusion of full ratchet anti-dilution provisions in the Warrants and Series 2 Securities. Other than pricing and principal amounts, it is expected that the Series 2 Securities will be substantially similar to the Series 1 Securities, except investors should note that the Debentures do not contain similar full-ratchet anti-dilution provisions as the Warrants and the proposed Series 2 Securities. On January 30, 2014 the Corporation filed the Second Amended Term Sheet, which further amended the Offering by changing the conversion price of the Debentures from a conversion rate of approximately 1,381 Common Shares per \$1,000 principal amount of Debentures, to a conversion rate of approximately 1,575 Common Shares per \$1,000 principal amount of Debentures, and to amend the exercise price of the Warrants from \$0.869 to \$0.762. See Marketing Materials .

As required by the TSX, the issuance of the Warrant Shares, the full-ratchet anti-dilution provisions contained in the Warrants and the Series 2 Securities, and the issuance of the Series 2 Securities (including Common Shares issuable under the Warrants and Series 2 Securities), must be approved at a duly called and held meeting of shareholders of the Corporation (the **Shareholder Meeting**). Resolutions providing for such approvals must be approved by a majority of disinterested holders of outstanding Common Shares (as determined by the TSX), present or represented by proxy at the Shareholder Meeting (**Shareholder Approval**). The Corporation anticipates that the Shareholder Meeting will be held on or about March 18, 2014, or on such other date as the Corporation determines.

In the event the TSX and NYSE MKT approve for listing Common Shares issuable by the Corporation in connection with the Debentures and the Warrants, the Corporation anticipates that any such approval will limit the number of Common Shares that may be issued.

In the fourth quarter of 2013, a construction lien was placed on the LDI mine by a supplier. The Corporation paid the supplier the amount owed at the time and the lien was removed. However, this resulted in an event of default as at December 31, 2013 under the Brookfield Debt and, as a result of a cross-default and a related financial covenant breach, an event of default under the Credit Facility, and accordingly each lender has had the ability to accelerate its loans. As well, the Brookfield Debt became classified as a current liability as at December 31, 2013 under IFRS. The Corporation has received formal waivers from both lenders, and the event of default has been cured.

In connection with an aggregate outstanding amount owing of approximately \$2.24 million, there are currently four construction liens registered against the LDI mine property, which depending on the circumstances may lead to the Corporation being in default under the Credit Facility and the Brookfield Debt. Management intends to seek to have such liens removed on, or as soon as possible following, the closing of the Offering.

The Debentures will be subordinate in right of payment to the prior payment in full of current Senior Debt of the Corporation (including the Credit Facility and the Brookfield Debt), as amended and/or replaced from time to time. See Details of the Offering General .

The Offering and Second Tranche Offering are being undertaken to seek to remedy the serious financial difficulties currently faced by the Corporation. See Risk Factors Risks Related to the Liquidity of the Corporation .

LDI Update

As of the end of 2013, Phase I of the expansion of the underground mine at LDI was substantially complete, resulting in the transition to shaft-based infrastructure. On January 6, 2014, the Corporation announced that operations were

Table of Contents

making good progress ramping up underground production through the shaft. The Corporation continues to optimize the underground ore handling system to improve shaft production (which is largely completed but not yet operating at full capacity) and to permit increased utilization in 2014.

From January 1, 2014 through the date of this prospectus supplement, underground mining has proceeded at an average rate of approximately 3,125 tonnes per day.

On a preliminary and unaudited basis, and subject to change, based on the information currently available to the Corporation as of the date of this prospectus supplement, the Corporation expects to have spent a total of approximately \$116 million in capital expenditures during 2013 (excluding capitalized interest), of which approximately \$92 million was spent on Phase I of the LDI mine expansion, approximately \$17 million was spent on the tailings management facility, and approximately \$7 million was spent on other capital expenditures.

A comprehensive update to the mineral reserve and resource estimate at LDI is underway. The Corporation is working with an external engineering firm to update its current mine plan for the upper Offset Zone based on recent refinements to the underground mining method, operating costs and capital expenditure forecasts. The results of this work will be incorporated in a new NI 43-101 technical report that is expected to be published in the first quarter of 2014.

Preliminary 2013 Year End Unaudited Results

On a preliminary and unaudited basis, and subject to change, based on the information currently available to the Corporation as of the date of this prospectus supplement, the Corporation expects:

to have produced approximately 135,000 ounces of payable palladium for the year ended December 31, 2013, at a cash cost per ounce of approximately US\$560 (net of by-product revenue);

to have a working capital deficit as at December 31, 2013 of approximately \$181 million, which includes approximately \$49 million in accounts payable (including approximately \$40 million of trade payables, some of which were, and some of which remain, in arrears), \$18 million of outstanding borrowings under the Credit Facility, \$179 million of outstanding borrowings under the Brookfield Debt (since an event of default had not been waived at December 31, 2013, the Brookfield Debt would be classified as a current liability under IFRS) and \$9 million in cash and cash equivalents, and;

the utilization of the Credit Facility to have been approximately US\$30.8 million and the Credit Facility to have been fully utilized. The Credit Facility utilization as at December 31, 2013 includes approximately US\$14 million of letters of credit.

The preliminary financial and operating information included in this prospectus supplement reflects management's estimates based solely upon information available to the Corporation as of the date of this prospectus supplement. The preliminary information presented above is subject to the completion of the Corporation's financial closing procedures. Actual results for the year ended December 31, 2013 will not be finalized until after the Offering is completed and may differ materially from the above estimates. Accordingly, you should not place undue reliance upon these preliminary results. See Risk Factors and Cautionary Note Regarding Forward-Looking Statements.

Outlook

As outlined in a press release by the Corporation on January 6, 2014, the Corporation is targeting for fiscal 2014:

production of 170,000 to 175,000 ounces of payable palladium, at an average cash cost per ounce of US\$550 (net of by-product revenue); and

spending approximately \$30 million in capital expenditures, plus approximately \$4 million on exploration.