

NORTH AMERICAN PALLADIUM LTD

Form SUPPL

September 23, 2009

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Filed pursuant to General
Instruction II.L of Form F-10;
File No. 333-147126

PROSPECTUS SUPPLEMENT
(To Base Shelf Prospectus dated November 16, 2007)

September 22, 2009

North American Palladium Ltd.

16,000,000 Units

Price: Cdn.\$3.15 per Unit

North American Palladium Ltd. ("we" or the "Company") is hereby qualifying for distribution 16,000,000 Units (the "Units") of the Company, at a price of Cdn.\$3.15 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase one Common Share at a price of Cdn.\$4.25 per Common Share, subject to adjustment and early termination in certain circumstances, at any time following the closing of this Offering until 5:00 pm (Toronto time) on the second anniversary of the closing of the Offering. The qualification of the Unit Shares and Warrants comprising the Units offered hereby is referred to as the "Offering".

The Company's outstanding common shares ("Common Shares") are listed for trading on the NYSE Amex LLC ("NYSE Amex") under the symbol "PAL" and on the Toronto Stock Exchange (the "TSX") under the symbol "PDL." The Company has applied to list the Unit Shares and Common Shares issuable on exercise of the Warrants on the NYSE Amex and the TSX and the whole Warrants on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the NYSE Amex and the TSX, including, in the case of the Warrants, distribution to a minimum number of public securityholders. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased in the Offering.** Listing of the Warrants on the TSX is not a condition of closing of the Offering, and it is possible that the Warrants may not be listed. On September 18, 2009, the last sale price of the Company's outstanding Common Shares reported on the NYSE Amex and the TSX was US\$3.24 and Cdn.\$3.45 per Common Share, respectively. The offering price of the Units was determined by negotiation between the Company and Thomas Weisel Partners Canada Inc., Cormark Securities Inc., Dundee Securities Corporation, Haywood Securities Inc. and Octagon Capital Corporation (collectively, the "Underwriters").

Investing in the Units involves risks that are described in the "Risk Factors" section beginning on page S-5 of this prospectus supplement.

	Price to the Public	Underwriters' Fee	Net Proceeds to the Company(1)
Per Unit	Cdn.\$3.15	Cdn.\$0.173	Cdn.\$2.977

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Total(2)	Cdn.\$50,400,000	Cdn.\$2,772,000	Cdn.\$47,628,000
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(1)

After deducting the Underwriters' fee (the "Underwriters' Fee"), but before deducting the expenses of the Offering payable by the Company, which are estimated at Cdn.\$1,000,000.

(2)

The Company has granted the Underwriters an overallotment option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an additional 2,400,000 Units, at the public offering price, less the Underwriters' Fee, to cover overallotments, if any. If the overallotment option is exercised in full, the total price to the public, Underwriters' Fee and net proceeds before expenses to the Company will be Cdn.\$57,960,000, Cdn.\$3,187,800 and Cdn.\$54,772,200, respectively. This prospectus supplement and the accompanying prospectus to which this prospectus supplement relates also qualify the distribution of the overallotment option and any Unit Shares and Warrants that may be delivered upon the exercise of the overallotment option. See "Underwriting."

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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 supplement and the accompanying prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein and therein 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 or Canada may not be described fully herein. See "Income Tax Considerations."

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected 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 underwriters or experts named in the registration statement to which this prospectus supplement and the accompanying prospectus relate are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons is 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 OF THESE SECURITIES, PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company, and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Underwriting" and subject to the passing upon of certain legal matters on behalf of the Company by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Skadden, Arps, Slate, Meagher & Flom LLP, with respect to U.S. legal matters, and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP, with respect to Canadian legal matters, and by Dorsey & Whitney LLP, with respect to U.S. legal matters. The Units will be offered in the United States and Canada through the Underwriters either directly or through their respective United States or Canadian broker-dealer affiliates, as applicable.

After the initial offering, the offering price may be decreased by the Underwriters as described under "Underwriting."

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on September 30, 2009, or such other date as may be agreed upon by the Company and the Underwriters. One or more certificates representing the Unit Shares and Warrants sold in the Offering will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS"), or to its nominee, and deposited with CDS on the closing of the Offering. A purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased. The Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares or the Warrants at levels which might not prevail in the open market. See "Underwriting."

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Overallotment option	2,400,000 additional Units	30 days from the date of this prospectus supplement	Cdn.\$3.15 per additional Unit

The Company's head and registered office is located at Suite 2116, 130 Adelaide Street West, Toronto, Ontario, Canada M5H 3P5.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the Offering and also adds to and updates certain information contained in the accompanying base shelf prospectus, dated November 16, 2007, and the documents incorporated by reference herein and therein. The second part is the accompanying base shelf 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 accompanying prospectus solely for the purposes of the Offering. If the description of the Common Shares and Warrants varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In this prospectus supplement, all capitalized terms used and not otherwise defined herein have the meanings provided in the accompanying prospectus.

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

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

CAUTIONARY NOTE TO UNITED STATES INVESTORS

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

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"), and reserve and resource information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, these documents use the terms "measured resources," "indicated resources" and "inferred resources." Investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Investors are cautioned not to assume that any part of a "measured resource" or "indicated resource" will ever be converted into a "reserve." Investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of "inferred resources" exist, are economically or legally mineable or will ever be upgraded to a higher

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

- (a) annual information form of the Company dated March 16, 2009 for the financial year ended December 31, 2008;
- (b) audited consolidated comparative financial statements of the Company and the notes thereto for the financial year ended December 31, 2008, together with the report of the auditors thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of the Company for the financial year ended December 31, 2008;
- (d) supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated comparative financial statements of the Company for the financial year ended December 31, 2008;
- (e) management information circular of the Company dated April 23, 2009, prepared in connection with the Company's annual meeting of shareholders held on May 28, 2009, excluding those portions under the headings "Solicitation of Proxies," "Appointment and Revocation of Proxy," "Exercise of Discretion by Proxies," "Performance Graph," "Corporate Governance" and "Obligations, Duties and Roles of the Board of Directors";
- (f) business acquisition report of the Company dated as of June 5, 2009, prepared in connection with the merger by way of plan of arrangement (the "Arrangement") between the Company and Cadiscor Resources Inc. ("Cadiscor");
- (g) unaudited comparative consolidated financial statements of the Company and the notes thereto for the six month periods ended June 30, 2009 and 2008 (the "Interim Financial Statements");
- (h) management's discussion and analysis of the financial condition and results of operations of the Company for the six month periods ended June 30, 2009 and 2008 (the "Interim Management's Discussion & Analysis");
- (i) the material change report dated April 3, 2009, prepared in connection with the Arrangement;

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(j)

the material change report dated August 18, 2009, prepared in connection with a proposed private placement of up to US\$50 million aggregate principal amount of 7% secured convertible notes (the "Notes"); and

(k)

the material change report dated September 14, 2009, prepared in connection with the Company's decision not to proceed with the proposed private placement of Notes.

Scott Wilson Roscoe Postle Associates Inc. prepared a NI 43-101 Technical Report for the Lac des Iles property (including the Lac des Iles mine and the Offset High Grade Zone (the "Offset Zone") (the "LDI Report"), dated and filed on SEDAR on March 13, 2009. **The LDI Report includes and updates technical information from a NI 43-101 resource estimate for the Offset Zone (the "Offset Zone Report") dated January 15, 2009. As a result, any reference into, or information originating from, the Offset Zone Report that may be presented in the documents incorporated by reference to this prospectus supplement is no longer relevant and is excluded from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein.**

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

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

CURRENCY AND FINANCIAL STATEMENT PRESENTATION

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

Unless otherwise indicated, all financial information included or incorporated by reference in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's audited financial statements that are incorporated by reference into this prospectus supplement and the accompanying prospectus have been reconciled to generally accepted accounting principles in the United States ("U.S. GAAP"), as described therein. For a summary of the significant differences between Canadian GAAP and U.S. GAAP as they apply to the Company's audited financial statements, you should refer to our supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated financial statements of the Company for the financial year ended December 31, 2008. See "Documents Incorporated by Reference."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

placing the Lac des Iles mine on care and maintenance is temporary and the mine will eventually resume operations;

the Lac des Iles mine will remain viable operationally and economically if and when market prices for palladium, platinum and other metals produced at the mine return to historical averages;

operations at the Sleeping Giant gold mine will commence and will be viable operationally and economically;

the expectations for mill feed head grade and mill performance will proceed as expected if and when the Lac des Iles mine resumes operations;

the plans for mill production, sustainable recoveries from the Lac des Iles mine and exploration at Lac des Iles will all proceed as expected if and when metal prices return to historical averages;

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

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

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

Statements about anticipated future results, events and conditions and other statements that are not statements of historical fact may be deemed to be forward-looking statements. The words "expect," "anticipate," "estimate," "may," "could," "might," "will," "would," "should," "intend," "believe," "target," "budget," "plan," "strategy," "goals," "objectives," "projection" or the negative of any of these words and similar expressions are intended to identify forward-looking statements, although these words may not be present in all forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed or as development continues.

In light of the risks and uncertainties inherent in all forward-looking statements, including future-oriented financial information, the inclusion or incorporation by reference of forward-looking statements in this prospectus supplement and the accompanying 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" in this prospectus supplement and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein:

a prolonged shut-down of the Company's Lac des Iles mine and the inability of the Sleeping Giant gold mine to commence operations and produce revenue;

continuing weak commodity prices or fluctuations in commodity prices;

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

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

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

the accuracy of mineral resource and mineral reserve estimates;

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

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

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

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

inherent risks and hazards associated with mining and processing operations;

failure to maintain projected production levels;

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

changes in life-of-mine plans;

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

competition for exploration, development and construction services and equipment;

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

employment disruptions, including the failure to renew on acceptable terms or at all the collective agreement between the Company and the employee union;

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

costs of complying with other government regulations;

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

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

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

loss of key personnel;

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

risk related to hedging strategies;

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

risks involved in current or future litigation or regulatory proceedings;

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

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

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein 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, including future-oriented financial information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events, except as expressly required by law.

SUMMARY

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

THE COMPANY

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

On May 26, 2009, the Company acquired all of the issued and outstanding shares of Cadiscor pursuant to a plan of arrangement under the *Canada Business Corporations Act*. Cadiscor is now a wholly-owned subsidiary of the Company. As part of its development strategy, the Company intends to acquire additional mining properties, including gold properties, where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that any such acquisitions will be successful.

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

Lac des Iles Property

The Company owns the Lac des Iles property, which is located approximately 85 kilometres northwest of the city of Thunder Bay, Ontario, Canada. The property consists of an open pit mine, an underground mine, the Offset Zone, a processing plant, and the original mill. The primary deposits on the property are the Roby Zone and the Offset Zone, both disseminated magmatic nickel-copper-platinum group metal ("PGM") deposits. On October 21, 2008, the decision was made to temporarily place the Lac des Iles mine on care and maintenance, effective October 29, 2008, due to declining metal prices. The Company has not determined when, or if, the Lac des Iles mine will re-open.

Sleeping Giant Gold Mine

The Company's Sleeping Giant gold mine is in the Abitibi region of Quebec, approximately 80 kilometres north of the town of Amos. The mine is a narrow vein underground mine that commenced production in 1988 and is accessible by a four-compartment production shaft with a total depth of 1053 metres. The mine site also has a mill with a rated capacity of 900 tonnes per day. The previous owner placed the mine on care and maintenance in September 2008 and the Company expects to resume operations in the fourth quarter of 2009. There are 137 employees and 34 contractors currently employed by the Sleeping Giant gold mine and mill and, although there can be no assurance, a first gold pour is expected in the near term. See "The Sleeping Giant Gold Mine".

Shebandowan West Project

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

Discovery Project

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

THE OFFERING

Issuer	North American Palladium Ltd.
Securities offered	16,000,000 Units. Each Unit is comprised of one Unit Share and one half of one Warrant. Each whole Warrant entitles the holder to purchase one Common Share at an exercise price of Cdn.\$4.25 per Common Share, subject to adjustment and early termination in certain circumstances, at any time following the closing of the Offering until 5:00 pm on the second anniversary of the closing of the Offering. See "Description of Share Capital Warrants."
Issue price	Cdn.\$3.15 per Unit.
Common Shares outstanding after the Offering(1)	128,070,139 Common Shares if all of the Warrants offered hereby are exercised. If the overallotment option is exercised in full and all of the Warrants offered hereby and thereby are exercised, 131,670,139 Common Shares will be outstanding after the Offering.
Overallotment option	The Company has granted the Underwriters an overallotment option to purchase up to 2,400,000 additional Units at the public offering price set forth on the cover of this prospectus supplement. The overallotment option is exercisable for 30 days from the date of this prospectus supplement.
Concurrent Private Placement	Concurrent with the Offering, the Company has also agreed to sell up to 4,000,000 "flow-through" common shares of the Company (the "Flow-Through Shares") to accredited investors in Canada on a private placement basis under applicable Canadian securities laws. The Flow-Through Shares are not qualified for distribution pursuant to this prospectus supplement and will not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (the "Flow-Through Private Placement"). The Offering and the Flow-Through Private Placement are not conditional on one another. See "Concurrent Private Placement".
Use of proceeds	The Company estimates that net proceeds from the Offering will be approximately Cdn.\$46,628,000 (approximately Cdn.\$53,772,200 if the Underwriters exercise their overallotment option in full), after deducting the underwriting commissions and estimated expenses of the Offering. The Company plans to use the net proceeds received from the sale of the Units for exploration and development expenditures at the Lac des Iles property and Sleeping Giant gold mine, to fund capital expenditures and working capital requirements for a potential future restart of the Lac des Iles mine, and for general corporate purposes, which may potentially include future acquisitions. See "Use of Proceeds."

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- (1) Based on Common Shares outstanding as of September 18, 2009. This figure excludes: (i) 2,347,900 Common Shares reserved for issuance pursuant to outstanding stock options as at June 30, 2009, which are exercisable at a weighted average exercise price of Cdn.\$4.02 per Common Share; (ii) 2,756,664 Common Shares reserved for issuance upon the exercise of the Company's outstanding Series I and Series II Warrants (the exercise prices of the Series I and Series II Warrants are US\$10.73 and US\$7.85, respectively); (iii) 10,733,233 Common Shares reserved for issuance upon the exercise of warrants issued in connection with a public offering conducted by the Company in December 2007 (the exercise price of such warrants is US\$5.05); and (iv) 1,230,000 Common Shares reserved for issuance upon the exercise of warrants issued by Cadiscor (at a weighted average exercise price of Cdn.\$2.08), which were assumed by the Company on its acquisition of Cadiscor on May 26, 2009.

Stock exchanges

The Common Shares are listed for trading on the NYSE Amex under the symbol "PAL" and on the TSX under the symbol "PDL." The Company has applied to list the Unit Shares and Common Shares issuable on exercise of the Warrants on the NYSE Amex and the TSX and the Warrants on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the NYSE Amex and the TSX, including, in the case of the Warrants, distribution to a minimum number of public securityholders. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased in the Offering.** Listing of the Warrants on the TSX is not a condition of closing of the Offering, and it is possible that the Warrants may not be listed. An investment in the Units involves significant risk. See "Risk Factors" beginning on page S-5 of this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in the Units.

Risk factors

S-4

RISK FACTORS

An investment in the Units involves risk. In addition to the other information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, prospective investors should carefully consider the factors set out below in evaluating the Company and its business before making an investment in the Units. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of the Common Shares or the Warrants could decline and all or part of any investment in the Units may be lost. Additional risks and uncertainties not currently known to the Company or that the Company currently deems immaterial may also materially and adversely affect the Company's business, prospects, financial condition, results of operation and cash flows.

Risks Related to the Company

A prolonged suspension of production at the Lac des Iles mine will adversely impact the financial position of the Company.

The Company has historically derived all of its revenue from the Lac des Iles mine. As of October 29, 2008, the Company placed the Lac des Iles mine, its only producing mine, on care and maintenance and laid off approximately 350 employees as a result of declining metal prices. While the Company believes that metal prices will eventually return to historical averages, there is no guarantee when or even if this will occur. Consequently, the Company's results of operations for the six months ended June 30, 2009 are not comparable to the same period in 2008 when the Lac des Iles mine was in full production. A sustained period of depressed metal prices, resulting in a lengthy period of suspension in production at the Lac des Iles mine, will result in a significant loss of revenue for this period and could have a material adverse impact on the financial position and results of operations of the Company. If the Lac des Iles mine remains idle for a sustained period of time or were to be permanently shut down and if production is commenced at the Sleeping Giant mine but revenue is insufficient, the Company may be unable to continue as a going concern. A prolonged shutdown of the Lac des Iles mine could also make it more difficult for the Company to recruit qualified employees.

The Company's financial results are directly affected by commodity prices.

The Company's earnings are directly related to commodity prices as its revenues have historically been derived from sales of palladium and, to a lesser extent, platinum, gold, nickel and copper produced from its Lac des Iles mine, which is currently idled. The Company's current policy and practice is not to sell forward its production. Commodity prices can fluctuate widely and are affected by numerous factors beyond the Company's control, including production at other mines, supply from recycling, producer hedging activities, the state of the automotive industry, other production, investor demand, and overall political and economic conditions. The price of palladium is affected by global supply and demand for the commodity, the availability and cost of substitutes, and supply from Russia and South Africa, the two major PGM producing countries. Further, the price of palladium and platinum have on occasion been subject to very rapid short-term changes because of the smaller size of the market relative to other metals. The aggregate effect of these factors is impossible to predict with any accuracy.

In 2008, the price of palladium and platinum, the Company's two main metals at that time, changed dramatically over a short period of time. In June 2008, palladium and platinum traded at highs of US\$475 per ounce and US\$2,103 per ounce, respectively. On September 18, 2009, the PM London Fix Prices of palladium and platinum were US\$304 per ounce and US\$1,337 per ounce, respectively. The current depressed prices for most metals, including palladium, have and will continue to adversely affect the Company's financial performance and results of operations. The Company's primary source of revenue has historically been the sale of palladium, which accounted for approximately 45% of the

Company's revenue in 2008 and 47% of the Company's revenues in 2007. In prior years, changes in the market price of palladium have significantly impacted the Company's profitability and the trading price of the Common Shares. Since the market prices of palladium and by-product metals have fallen below the Company's total cash costs of production, the Company suspended operations at its Lac des Iles mine and is not currently producing any revenue.

Deterioration of economic conditions will adversely impact revenues of the Company.

The deterioration in the U.S. and global capital markets, the financial services industry and economic conditions generally, could continue to negatively impact the Company's business in several ways. For instance, market volatility, tight credit markets and the decline in the U.S. housing market have adversely affected consumer confidence and reduced business activity, both of which have negatively impacted the Company's revenues and the market price of the Common Shares since PGMs are used in the production of consumer items such as automobiles, electronics and jewellery. In addition, some purchasers of PGMs, such as automobile manufacturers, could experience serious cash flow problems due to the deteriorating global capital markets. PGM purchasers may be forced to reduce their product lines or production, shut down their operations or file for bankruptcy protection, which would have a material adverse effect on the Company's business. Approximately 50% of global demand for palladium and platinum is for the manufacture of automotive catalytic converters. The Company does not expect that the difficult economic conditions faced by the automotive sector, the most important consumer of PGMs, will improve significantly in the near term, and any continuation or worsening of the economic downturn will continue to adversely affect the Company.

Fluctuations in foreign currency exchange rates in relation to the U.S. dollar may adversely affect the Company's results of operations.

The Company's operating results and cash flows are significantly affected by changes in the Canadian dollar/U.S. dollar exchange rate. Exchange rate movements can have a significant impact as all of the Company's revenues are earned in U.S. dollars but most of its operating and capital costs are incurred in Canadian dollars. As a result, if mining operations resume at the Lac des Iles mine or commence at the Sleeping Giant gold mine, a strengthening Canadian dollar relative to the U.S. dollar will result in reduced profit or increased losses for the Company. The Canadian dollar/U.S. dollar exchange rate has varied significantly over the last several years. The Company does not currently hedge its foreign exchange exposure against the effects of currency fluctuations but may do so in the future. There can be no assurance that foreign exchange fluctuations will not materially adversely affect the Company's financial performance and results of operations.

The Company may not meet its production level and operating cost estimates and, if it does not, its results of operations may be adversely affected.

Planned production levels and operating costs upon the resumption of operations at the Lac des Iles mine and commencement of operations at the Sleeping Giant gold mine are estimates, with the estimates in respect of the Lac des Iles mine being based on the Company's experience in operating such mine. The Company has no experience operating the Sleeping Giant gold mine and all estimates in respect of such mine are based solely on projections. All of the Company's estimates are subject to numerous uncertainties, many of which are beyond the Company's control. The Company cannot give assurances that its actual production levels will not be substantially lower than its estimates or that its operating costs will not be materially higher than anticipated. For example, production levels for 2008 were considerably lower than initial estimates as a result of the decision to place the Lac des Iles mine on temporary care and maintenance. Further, production levels will continue to be lower than initial estimates for such time as the Lac des Iles mine remains on care and maintenance.

Calculation of mineral resources, mineral reserves and metal recovery are only estimates, and there can be no assurance about the quantity and grade of minerals until the metals are actually mined.

The calculation of mineral resources, mineral reserves and grades are merely estimates and depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which might prove to be unpredictable. Mineral resources that are not mineral reserves do not have demonstrated economic viability and mineral reserve estimates are based on certain assumptions, including metal prices. Until mineral resources or mineral reserves are actually mined and processed, the quantity of reserves or resources and their respective grades must be considered as estimates only. Any material change in the quantity of mineral resources, mineral reserves, grade or stripping ratio may affect the economic viability of the Company's properties.

Decreases in the market price of palladium or other metals may render the mining of some or all of the reserves uneconomic.

The mineral resource and reserve figures presented in the documents incorporated by reference to this prospectus supplement are estimates, which are, in part, based on forward-looking information, and no assurance can be given that the indicated level of palladium, platinum, gold, nickel and copper will be produced. Estimated reserves may have to be recalculated based on actual production experience. Market price fluctuations of these metals, as well as increased production costs or reduced recovery rates and other factors, may render the present proven and probable reserves unprofitable to develop at a particular site or sites for periods of time.

The mineral resource estimates in the LDI Report assume long-term prices of US\$350/oz palladium, US\$1,400/oz platinum, US\$850/oz gold, US\$6.50/lb nickel and US\$2.00/lb copper. The mineral resource estimates in the Shebandowan Report assume 18-month trailing average metal prices of US\$300/oz palladium, US\$750/oz platinum, US\$400/oz gold, US\$7/lb nickel and US\$1.50/lb copper. Mineral reserve and mineral resource estimates for the Lac des Iles property (including the Offset Zone) and Shebandowan West project would be lower than those presented in the technical report prepared in respect of the Lac des Iles mine and the technical report prepared in respect of the Shebandowan West Project if current market metal prices were assumed.

The mineral resource and reserve estimates in the Sleeping Giant Report assume long-term prices of Cdn.\$850 per ounce for gold.

If mineral resource and reserve estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and results of operations.

The Company cannot be certain that its mineral resource and reserve estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates for the following reasons:

actual mineralization or ore grade could be different from those predicted by drilling, sampling, feasibility studies or technical reports;

increases in the capital or operating costs of the mine;

changes in the life-of-mine plan; or

the grade of ore may vary over the life of the mine and the Company cannot give any assurances that any particular mineral reserve estimate will ultimately be recovered.

The occurrence of any of these events may cause the Company to adjust its mineral resource and reserve estimates or change its mining plans, which could negatively affect the Company's financial condition and results of operations. Moreover, short-term factors, such as the need for additional

development of the orebody or the processing of new or different grades if and when operations resume, may adversely affect the Company.

Favourable market conditions from 2004 to 2007 encouraged increased mining exploration, development and construction activity in the mining industry, resulting in increased demand for, and cost of, exploration, development and construction services and equipment.

The overall strength of the metals market from 2004 to 2007 resulted in an increase in exploration, development and construction activities around the world, resulting in increased demand for, and cost of, exploration, development and construction services and equipment. The costs of such services and equipment could increase in the future if such trends were to resume, which could result in delays if services or equipment cannot be obtained in a timely manner.

Future exploration at the Lac des Iles mine or at the Company's other exploration properties may not result in increased mineral resources or mineral reserves, which could prevent the Company from sustaining its targeted production levels over the long term.

As mines have a depleting asset base, the Company actively seeks to replace and expand its mineral resources and mineral reserves, through exploration and development, strategic acquisitions and joint ventures. The Company has conducted exploration programs on the Lac des Iles intrusive complex, on the Shebandowan joint venture properties and elsewhere with the objective of increasing total mineral resources and mineral reserves. Exploration for minerals involves many risks and uncertainties and is frequently unsuccessful. Among the many uncertainties inherent in any exploration and development program are the location of economic mineralized zones, the development of appropriate metallurgical processes, the receipt of necessary governmental permits to mine a deposit and the construction of mining and processing facilities. Assuming discovery of an economic mineralized zone, several years may elapse from the completion of the exploration phase until commercial production commences and during such time the economic feasibility of production may change. There can be no assurance that the Company's current exploration and development programs will result in economically viable mining operations or yield new mineral resources and mineral reserves to replace current mineral resources and mineral reserves. This could prevent the Company from sustaining its targeted production levels over the long term, which could affect its ability to continue as a going concern.

Risks of acquisitions and the failure to integrate acquired mining properties.

On May 26, 2009, the Company acquired Cadiscor and the Sleeping Giant gold mine and Discovery Project owned by Cadiscor. As part of its development strategy, the Company intends to acquire additional mining properties, including gold properties, where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that it will succeed at effectively managing the integration of acquired mining properties, including the Sleeping Giant gold mine and the Discovery Project. If the expected synergies from such transactions do not materialize, or if the Company fails to successfully integrate such new mining properties into its existing business, or if acquired businesses or properties have unexpected liabilities, the Company's results of operations could be adversely affected.

The Company has a history of losses and no immediately foreseeable earnings.

The Company has a history of losses, and there can be no assurance that it will ever be profitable. The Company expects to continue to incur losses unless and until such time as it resumes production at the Lac des Iles mine, develops and commences mining operations at the Sleeping Giant gold mine, the Offset Zone, the Shebandowan West Project or Discovery Project or it completes a corporate

transaction for new operating assets. Even if the Company is successful in these operations, there can be no assurance that the Company will ever achieve profitability.

The risks and hazards associated with mining and processing may increase the Company's costs and reduce its profitability in the future.

Mining and processing operations involve many risks and hazards, including, among others: metallurgical and other processing problems; unusual and unexpected rock formations; pit slope failures or underground cave-ins; environmental contamination; industrial accidents; fires; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and the availability of materials and equipment. These risks could result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death, including to the Company's employees; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.

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

The Company's failure to maintain projected production levels for its underground or open pit mining operations will adversely affect its ability to generate revenue and profits.

The Company's future prospects will be negatively affected if the Lac des Iles mine fails to return to projected production levels. This is increasingly likely as a result of the decision to place the Lac des Iles mine on care and maintenance as of October 29, 2008. If the Lac des Iles mine resumes operations or the Company's other properties commence operations, unforeseen conditions or developments could arise during the ongoing development and operation of the mines which could increase costs and adversely affect the Company's ability to generate revenue and profits. These events may include, among others: shortages or unanticipated increases in the cost of equipment, materials or skilled labour; delays in delivery of equipment or materials; labour disruptions; adverse weather conditions or natural disasters; accidents; unforeseen engineering, design, environmental or geological problems; and unanticipated changes in the life-of-mine plan or the ultimate pit design.

Title to the Company's mineral properties cannot be guaranteed and may be subject to prior recorded and unrecorded agreements, transfers or claims and other defects and potential aboriginal rights claims.

The Company cannot guarantee that title to its properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior recorded and unrecorded agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Additionally, there can be no guarantee that potential aboriginal rights claims to the Company's mineral properties will not create delays in project approval, unexpected interruptions in project progress or result in additional costs to advance the project. A successful challenge to the area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

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

The Company has a smelter agreement with Xstrata Canada Corporation ("Xstrata"), which provides for the smelting and refining of the principal metals contained in the concentrates produced at the Lac des Iles mine. The existing agreement with Xstrata expires on March 31, 2010 but may be extended for two additional one-year terms. Xstrata may terminate the agreement prior to the expiry date under certain conditions. The termination of the agreement or the failure to renew the agreement on acceptable terms, or at all, could have a material adverse effect on the Company's financial performance and results of operations until such time as alternative smelting and refining arrangements could be made or alternative purchasers of the Company's concentrates could be found. If the Company is required to make alternative refining arrangements or to find alternative purchasers, there can be no assurance that such arrangements would be on terms as favourable to the Company as its existing agreement with Xstrata.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The mining industry is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. As a result, for reasons beyond its control, the Company may not be able to acquire mining properties in the future on acceptable terms.

The exploration and development of the Company's properties will require substantial additional financing.

The exploration and development of the Company's properties will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration activities, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The Company's inability to renew its collective agreement on acceptable terms could have a material adverse effect on the Company.

The Company's collective agreements with the United Steelworkers of America, the union representing the hourly employees at the Lac des Iles mine and the Sleeping Giant gold mine, expired in February 2009 and will expire on July 31, 2010, respectively. The inability to renew these agreements on acceptable terms could have a material adverse effect on the Company and could potentially delay or prevent the re-opening of the Lac des Iles mine or operations at the Sleeping Giant gold mine. In addition, work stoppages or strikes at these mines, if operations commence or re-commence, could have a material adverse effect on the results of operations and financial performance of the Company.

The Company is subject to extensive environmental legislation and the costs of complying with these applicable laws and regulations may be significant.

The Company's operations are subject to extensive environmental legislation. This legislation requires the Company to obtain various operating approvals and licenses and also imposes standards and controls on activities relating to the exploration, development and production of palladium, gold and by-product metals.

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The cost to the Company of obtaining operating approvals and licenses and abiding by environmental legislation, standards and controls may be significant. Further, if the Company fails to obtain or maintain such operating approvals or licenses or breaches such legislation, standards or controls, it may not be able to continue its operations in its usual manner or at all, and the Company may be subject to fines or other liabilities which may have a material adverse impact on its operations or financial results.

The Company will be responsible for all costs of closure and reclamation at the Lac des Iles mine and the Sleeping Giant gold mine. In addition, to the extent that the Company's exploration activities at other projects, including the Shebandowan West project and the Discovery project, disturb the land or some other environmental attribute, the Company may incur clean-up and other reclamation costs at such projects. Under applicable legislation, the Company has established a trust fund to prepare for closure and reclamation. The current amended mine closure plan requires the payment by the Company of Cdn.\$8.4 million for cleanup and restoration of the Lac des Iles mine site. The trust fund is maintained by the Ontario Ministry of Northern Development and Mines and will become available to the Company when the mine closure is completed. At March 31, 2009, approximately Cdn.\$8.7 million (including accrued interest) had been deposited by the Company into the trust fund. Thus, while the Company will be required to pay closure costs, once paid and following completion of the closure, it can access the trust funds. The estimated closure and reclamation costs at the Sleeping Giant gold mine are Cdn.\$4.1 million. Of this amount, Cdn.\$1.8 million is currently held in a trust fund established to prepare for the closure and reclamation of the Sleeping Giant gold mine. There is no trust fund established to prepare for the closure and reclamation of the Sleeping Giant gold mine. There can be no assurance that the closure and reclamation costs for the Lac des Iles mine or the Sleeping Giant gold mine will not substantially exceed the Company's estimates, or that any trust funds available will cover these costs.

Changes in environmental legislation or in its enforcement, new information on existing environmental conditions or other events, including changes in environmental controls or standards or in their enforcement, may increase future environmental expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental legislation may be implemented in the future with the objective of further protecting human health and the environment. New environmental legislation or changes in existing environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses would likely increase as a result of compliance with new or more stringent environmental legislation.

Failure to comply with environmental legislation may result in the issuance of governmental orders, the imposition of penalties, liability for related damages and the loss of operating licenses or approvals. The Company cannot give assurances that it will at all future times be in compliance with all federal and provincial environmental legislation or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

Compliance with current and future government regulations may cause the Company to incur significant costs.

The Company's activities are subject to extensive Canadian federal and provincial legislation governing matters such as mine safety, occupational health, labour standards, prospecting, exploration, production, exports, toxic substances, explosives, management of natural resources, price controls, land use, water use and taxes. Compliance with this and other legislation could require the Company to make significant capital outlays. The enactment of new legislation or more stringent enforcement of current legislation may increase costs, which could have a negative effect on the Company's financial

position. The Company cannot make assurances that it will be able to adapt to these regulatory developments on a timely or cost effective basis. Violations of these laws, regulations and other regulatory requirements could lead to substantial fines, penalties or other sanctions including possible shut-downs of the Lac des Iles mine, the Sleeping Giant gold mine or the Company's other projects and future operations, as applicable.

The Company is required to obtain and renew governmental permits in order to conduct mining operations, which is often a costly and time-consuming process.

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

The Company faces competition from other larger producers of platinum group metals and from potential new sources of platinum group metals.

The Company competes globally with other PGM producers and suppliers, some of which are significantly larger and have access to greater mineral reserves and financial resources. In addition, recycling and new mines could increase the global supply of palladium and platinum. The Company may not be successful in competing with these existing and emerging PGM producers and suppliers.

The development of new technology or new alloys could reduce the demand for palladium and platinum.

Demand for palladium and platinum may be reduced if manufacturers in industries such as the automotive sector, the electronics sector and dentistry find substitutes for palladium or platinum. The development of a substitute alloy or synthetic material which has catalytic characteristics similar to PGMs could result in a decrease in demand for palladium and platinum. Furthermore, the development by the automobile industry of automobiles that do not use catalytic converters could significantly reduce the demand for palladium and platinum. High prices for palladium or platinum would create an incentive for the development of substitutes. Any such developments could have a material adverse effect on the Company's financial condition and results of operations.

If the Company loses key personnel or is unable to attract and retain personnel, the Company's mining operations and prospects could be significantly harmed.

The Company is dependent upon the services of a small number of members of senior management including William J. Biggar, the Company's President and Chief Executive Officer. The Company's current operations and its future prospects depend on the experience and knowledge of these individuals. The Company does not maintain any "key man" insurance. The loss of one or more of these individuals could have a material adverse effect on the Company's mining operations and results of operations.

The Company's hedging activities or its decision not to hedge could expose it to losses.

The Company does not currently engage in hedging transactions, but from time to time, the Company may in the future engage in hedging activities to manage its exposure related to currencies, interest rates and commodity prices. Without hedging transactions, the Company is exposed to potentially adverse effects of fluctuations in currency exchange rates, interest rates and commodity prices. While hedging related to realized metal prices may protect the Company against low metal prices, it may also limit the price the Company can receive on hedged products. As a result, the Company may be prevented from realizing possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale or call option contract. In addition, the Company may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

Lack of infrastructure could delay or prevent the Company from developing its projects.

Completion of the development of the Company's advanced exploration projects is subject to various requirements, including the availability and timing of acceptable arrangements for electricity or other sources of power, water and transportation facilities. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of the Company's advanced exploration projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that: the development of the Company's projects will be completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume; or the ongoing operating costs associated with the development of the Company's advanced projects will not be higher than anticipated.

Current and future litigation and regulatory proceedings may impact the revenue and profits of the Company.

The Company may be subject to civil claims (including class action claims) based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with its operations or investigations relating thereto. While the Company is presently unable to quantify its potential liability under any of the above heads of damage, such liability may be material to the Company and may materially adversely affect its ability to continue operations.

In addition, the Company may be subject to actions by governmental or regulatory authorities in connection with its activities at the Lac des Iles mine, its other properties or related investigations. Such actions may include prosecution for breach of relevant legislation or failure to comply with the terms of the Company's licenses and permits and may result in liability for pollution, other fines or penalties, revocations of consents, permits, approvals or licenses or similar actions, which could be material and may impact the results of operations of the Company. The Company's current insurance coverage may not be adequate to cover any or all the potential losses, liabilities and damages that could result from the civil and/or regulatory actions referred to above.

The Company may fail to achieve and maintain adequate internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act and equivalent Canadian legislation.

The Company documented and tested during its most recent fiscal year its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act ("SOX") and equivalent Canadian legislation. SOX requires an annual assessment by management of the effectiveness of the Company's internal controls over financial reporting and an attestation report by the Company's independent auditors addressing this assessment. The Company may fail to achieve and maintain the adequacy of its internal controls over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude, on an ongoing basis, that it has effective internal controls over financial reporting in

accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of the Common Shares or the market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies, if any, may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. No evaluation can provide complete assurance that the Company's internal controls over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's processes, procedures and controls could also be limited by simple errors or faulty judgments. In addition, if the Company expands, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting.

Because the Company is a Canadian corporation and the majority of its directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against the Company based solely upon the federal securities laws of the United States.

The Company is a Canadian corporation, with its principal place of business in Canada. A majority of the Company's directors and officers and some or all of the experts named in the registration statement to which this prospectus supplement relates are residents of Canada and a significant portion of the Company's assets and the assets of a majority of the Company's directors and officers and the experts named in this prospectus supplement are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon the Company or its directors or officers or such experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the U.S. Securities Act of 1933, as amended. Investors should not assume that Canadian courts (1) would enforce judgments of U.S. courts obtained in actions against the Company or such directors, officers or experts predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or (2) would enforce, in original actions, liabilities against the Company or such directors, officers or experts predicated upon the U.S. federal securities laws or any such state securities or "blue sky" laws. In addition, the protections afforded by Canadian securities laws may not be available to investors in the United States.

Risks Related to the Common Shares and Warrants

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

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

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

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

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

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

volatility in gold and metal prices;

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

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

changes in general economic and/or political conditions;

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

the arrival or departure of key personnel;

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

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

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

The Company's principal shareholder, KFOC, will own approximately 30% of the outstanding Common Shares following the Offering.

To the Company's knowledge, KFOC will own Common Shares representing approximately 30% of the total number of Common Shares outstanding following the Offering (assuming the Underwriters' overallotment option is not exercised and not accounting for the Common Shares issued pursuant to the Flow-Through Private Placement, and assuming that KFOC has made and makes no purchases of Common Shares after August 31, 2009).

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

We believe we will not be a "passive foreign investment company" under the U.S. Internal Revenue Code, and if we are or become a "passive foreign investment company" there may be adverse U.S. tax consequences for investors in the United States.

Potential investors that are U.S. Holders (as defined in "Income Tax Considerations United States Federal Income Tax Considerations") should be aware that we believe we were not a "passive foreign investment company" ("PFIC") under Section 1297(a) of the U.S. Internal Revenue Code for the taxable year ended December 31, 2008, and we believe we will not be a PFIC for the taxable year ending December 31, 2009. Further, we believe we will not be a PFIC for subsequent taxable years if commercial production commences at Sleeping Giant gold mine before the end of 2010 (as currently anticipated) or if the Lac des Iles mine were to resume operations in 2010, and sufficient non-passive income is generated. If we are a PFIC, any gain recognized on the sale of the Common Shares or Warrants and any "excess distributions" (as specifically defined) paid on our Common Shares must be ratably allocated to each day in a U.S. Holder's holding period for the Common Shares or Warrants. The amount of any such gain or excess distribution allocated to prior years of such U.S. Holder's holding period for the Common Shares or Warrants generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. Holder will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

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

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

THE SLEEPING GIANT GOLD MINE

Sleeping Giant Gold Mine

Overview

In December 2007, Cadiscor commenced a 19,000 metre underground exploration program at the Sleeping Giant gold mine at a cost of \$2.4 million to test the continuity of a gold zone below the deepest developed mine level (975 metres). Cadiscor engaged Genivar L.P. ("Genivar") to validate the geological interpretation and the known mineralized zones at the mine. In their report dated October 8, 2008, entitled "Technical Report, the Sleeping Giant Mine, Northwestern Quebec, prepared for Cadiscor Resources Inc." (the "Sleeping Giant Report"), Genivar concluded that the Sleeping Giant mine had measured and indicated resources of 254,500 tonnes at an average grade of 9.7 g/t Au and proven and probable mineral reserves accessible from current underground mine working totalling 235,300 tonnes at an average grade of 9.3 g/t Au. See " Sleeping Giant Report."

Mining Operations

The Sleeping Giant gold mine was in production from 1988 to 1991 and 1993 to September 2008, when it was placed on care and maintenance by its previous owner, Iamgold Corporation ("Iamgold"). At the end of 2008, cumulative production was approximately 960,000 ounces of gold at an average grade of about 11.44 g/t Au.

The mine is accessed by a four-compartment production shaft with a total depth of 1053 metres. Levels are spaced at 45 metres from surface to 235 metres, and from there to 975 metres are spaced at 60 metres. The exploration shaft and various raises allow all portions of the mine to be ventilated with fresh air. An ore pass and a waste pass allow material to be handled and raised to the surface. The deepest working level of the mine is 975 metres. The mine uses 3 and 5 tonne electric locomotives and cars.

Three mining methods have been used to extract ore, with the method being determined according to the dip of a particular zone. For slopes over 65 degrees, long-hole and shrinkage stope extraction is used. For slopes between 65 and 45 degrees, the method employed is generally shrinkage stope mining (with some stopes mined by long-hole methods). For slopes below 45 degrees, the room and pillar extraction method is used.

Existing tailings at the time that Iamgold ceased operations will remain Iamgold's responsibility. Site decommissioning will be the responsibility of the Company.

According to the Sleeping Giant Report, the mine currently has sufficient mineral reserves to support operations for 16 months at a rate of approximately 50,000 ounces of gold per year. If all of the current mineral resources are converted to reserves, there would be sufficient mine life to support mining operations for an additional 17 months.

Refining and Metal Sales

If production is commenced at the Sleeping Giant gold mine, the Company expects that the Sleeping Giant mill will produce gold-silver doré bars, which are expected to be transported by a licensed armoured car services company to Johnson Matthey Ltd.'s refinery in Brampton, Ontario for further purification. The Company expects to sell its refined gold to banks, bullion dealers and/or refiners based on prevailing spot prices at the time of such sales.

Labour

Employees at the Sleeping Giant gold mine are either salaried or paid hourly. The hourly employees, other than supervisors, are members of United Steelworkers, Local 4796. The current union agreement was negotiated by Iamgold and expires July 31, 2010.

Most of the employees have homes in or near the town of Amos, Quebec and travel to and from the mine site daily on a bus provided by the Company. Currently, the Sleeping Giant mine employs approximately 137 employees. In addition, contractors are employed to assist with underground development, diamond drilling and certain administrative duties.

Sleeping Giant Report

At the request of the Company, Genivar prepared a mineral reserve and mineral resource estimate for the Sleeping Giant gold mine. Tyson C. Birkett, Eng., Ph.D., Josée Couture, P.Eng. and Christian Bézy, Geo. (collectively referred to in this section as the "Sleeping Giant Consultants"), prepared the Sleeping Giant Report. Each of the Sleeping Giant Consultants is a "qualified person" under NI 43-101 and was independent of the Company at the time of the report. The following description of the Sleeping Giant gold mine has largely been summarized from the Sleeping Giant Report, which is available for review on the internet via the System for Electronic Document Analysis and Retrieval at www.sedar.com under Cadiscor's profile.

Project Description and Location

The Sleeping Giant property is located 80 km north of the town of Amos, Quebec. Provincial highway 109, connecting Amos and Matagami is located less than 1 km east of the mine site. Overburden thickness varies between 15 and 60 metres with an average of 30 metres.

The Sleeping Giant gold mine property is composed of four mining leases and 69 mining claims surrounding the mining infrastructures.

Iamgold held 100% of mineral rights, claims and interest of the Sleeping Giant gold mine after acquiring it from Cambior Inc. ("Cambior") in November of 2006. In October 2007, Cadiscor signed an agreement with Iamgold in order to acquire mineral rights at the end of the commercial production with delivery of the property to Cadiscor at the end of October, 2008.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Sleeping Giant gold mine is accessed via provincial highway 109, which connects Amos to Matagami. The nearest significant urban centre is Amos, about 80 km south of the property.

The landscape is relatively flat and lightly timbered. It is limited to the west and south by the Harricana and Coigny Rivers. The major forest vegetation consists of Black Spruce.

The climate is typical of north-western Quebec. Weather data for Amos, the nearest reporting centre, show that January is the coldest month with an average maximum of -12°C and an average minimum of -23°C, while July is the warmest month with an average maximum of 22°C and an average minimum of 10°C. Rainfall is highest in July with 115 mm and snowfall is highest in December with 57 cm.

History

In 1957, following the discovery of the Lac Matagami Zn-Cu deposit located approximately 65 km north of the Sleeping Giant gold mine, work started in the Sleeping Giant area. Several aerial and ground geophysical surveys, as well as some drilling, searching for base metals were carried out. These

were followed with an exploration program which was carried out from 1976 to 1982 by Matagami Lake Exploration.

In 1983, Peron Gold Mines (now named Aurizon Mines Ltd) acquired a 50% interest in the property by carrying out ground geochemistry and geophysical surveys (magnetic and very-low-frequency studies), drilling, as well as the beginning of underground exploration. Between 1984 and 1987, two shafts were sunk and sufficient reserves were delimited to begin development work. The first phase of commercial production occurred between 1988 and 1991, during which 494,000 tonnes at 6.4 g Au/t were extracted from levels 55 to 415. By the end of 1990, Aurizon Mines, then sole owner of the Sleeping Giant gold mine, stopped work due to the depletion of reserves.

In 1991, an agreement between Aurizon and Cambior allowed Cambior to acquire 50% interest in the property by investing in drilling and in underground work. With this Cambior became the project manager.

Geological Setting

Regional Geology

The Sleeping Giant property is located in the first volcanic cycle of the North Volcanic Zone of the Abitibi sub-province. The location of the Sleeping Giant gold mine matches a disturbance of the regional tectonic grain which forms a triple junction emphasized by the three tonalitic polyphase and synvolcanic plutons arrangement. This area is affected by major deformation zones E-W and NW-SE. The Joutel mining camp is located at 50 km NW, and the Matagami mining camp is located at 65 km North from the Sleeping Giant gold mine.

Local Geology

The mine geology is composed of a volcanic and sedimentary sequence intruded by a felsic complex and post-mineralization dykes. The volcano-sedimentary rocks from a homoclinal sequence striking East-West with a steep southern dip.

As for the deposit geometry, the economic gold zones are restricted to the volcano-sedimentary sequence located north and south of the central dacitic intrusion.

The Sleeping Giant gold mine gold ore is contained in sulphide bearing quartz veins. At the mine scale, the mineralized zones are spatially distributed inside 1 sq km surface to the north; the veins strike east-west with a steep southern dip of between 65 and 75 degrees. They are characterized by a vertical continuity of over 700 metres and a lateral continuity between 100 and 200 metres. To the south, a complex system made of four family of veins show a gradual change of the strike and connections with other veins at different attitudes. These veins are less continuous and extensive than those at the north. Their sizes vary between 50 to 100 metres laterally and less than 200 metres vertically.

Property Geology

All data related to drilling which were compiled since 2002 allowed increasing several aspects of the knowledge related to the Sleeping Giant gold mine geological context.

The new characterizations of volcanic rocks of this sector identify two local-scale volcanic cycles (the North Cycle and the Mine Cycle) in relation with an important intrusive complex.

The Mine Cycle stratigraphic sequence is cut by an important group of intrusive rocks of felsic to intermediate composition of calc-alkaline affinity, which constitute the Sleeping Giant Complex. Four major phases are recognized in the magmatic evolution of this complex.

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Recent data show that the mine area is the site of a tight fold dipping east with its axial surface sub-vertical and oriented ENE-WSW. Beds which are oriented ESE-WSW with a steep slope going south in the north area of the mine, pass N-S with a moderate slope going east in the south sector and come back at ESE to WSW in the south sector. Overall, the fold's dip is moderate going east, but information suggests that it has a steeper slope in the deepest levels.

Some faults oriented NW-SE show another important structural aspect of the mine sector. Two categories of fault NW-SE are distinguished in the mine environment: ductile dextral structures (sector SW) and brittle sinistral faults (sector NE). Both fault categories are late according to the upthrust and they displace the gold zones.

Deposit Types

The Sleeping Giant deposit is a member of the type of gold deposits formed by groups of veins with gold associated with sulphide minerals and whose geometry was controlled by the stress field in the rocks at the time of vein formation.

Mineralization

The Sleeping Giant is a quartz-sulphide vein type gold deposit. The best-mineralised veins typically contain four sulphide minerals: pyrite, pyrrhotite, chalcopyrite and sphalerite, which form 5 to 60% of the veins. The typical vein thickness is between 20 and 80 cm with average grade between 35 and 85 Au g/t (uncut channel sample analyses). Besides gold, the veins contain silver and a small proportion of copper and zinc. The ratio Au:Ag is about 1:2.

In new extensions of the multi-vein gold system, no change was observed in the nature of veins, i.e. no improvement related to tonnes and grades. Therefore, it is considered that future exploration in the extensions of the mineralized system is likely to show veins of the same type, tonnes and grades than those found up until now.

The economic veins are grouped in the Mine Cycle rocks and in North Cycle rocks surrounding the main intrusive mass of the Sleeping Giant complex. Controls of gold-bearing structures correspond to permeability zones in the supporting structure such as: faults, lithological contacts, joints, specific lithologies. Gold veins are usually oblique compared to bedding. Most of the veins are found in faults. Geological markers show that movements caused by these faults are limited, in the order of metres.

With regard to spatial distribution of this vein-type system, several veins occur at the level of the fold hinge line. Since veins were in place before the folding, it is considered this abundance shows the fact that this hinge line is a site of favourable preservation, in contrast to the limb where veins might have been boudinaged. The hinge line then appears as a significant target where well-preserved ore veins can be found.

Exploration

In 2007 and 2008, Cadiscor completed 90 underground drill holes for a total of 18,669 metres. These drill holes were completed with the objective of verifying the economic potential of veins below the current mine workings and of increasing knowledge of selected areas which had not been mined in the past even though gold-bearing veins had been defined there.

Drilling

Drilling for purposes of the present report includes drill holes completed by the mine operations in stopes or areas which were subsequently not mined, as well as new drilling by Cadiscor in their exploration program. In all cases, drilling was from underground stations by standard methods with

most drill core of BQ size. Core boxes were closed at the drill station and transported to the core logging facility on surface for core description and sampling.

Sampling Method and Approach

Drill core samples taken from the exploration holes are split and one-half of the core is retained. Samples are split from drill core using a hydraulic splitter which is standard in the industry.

All samples were analyzed at the laboratory located at the mine site. The analytical method was fire assay with an atomic absorption finish. This method has a lower detection limit of 0.03 g/t Au. Samples returning a high gold concentration are reanalysed following dilution. To simplify calculations, results are typically reported to one decimal place.

Sample reception and preparation follow industry standards. The objective of the drying, crushing, quartering and pulverisation steps is to produce a rock sample of approximately 500 grams with 70% passing 200 mesh. A powdered sample of 15 grams is used for the gold analysis. This amount of sample is less than typical in exploration programs, but adequate when a larger number of samples will be used to define a stope for eventual mining.

The QA/QC program consisted of 1) the use of a check laboratory in order to verify the precision of the results (splits of the pulps), 2) insertion of blanks in order to control contamination errors, 3) continuous insertion of drill core pulps and tailings in order to evaluate the reproducibility and finally 4) insertion of certified reference material samples.

The Sleeping Giant laboratory has a control system and quality control program that has continuously demonstrated acceptable results.

A mine visit was carried out by Tyson Birkett, Eng. Ph.D. on August 12, 2008 as a due diligence study of the drill core handling, logging and sampling, and the mine laboratory procedures.

Core handling, logging and sampling are generally to industry standards.

Six base samples were selected from available materials, and $\frac{1}{4}$ cores, coarse rejects and pulps were obtained from all or some of these materials. A total of 15 samples were submitted to ALS-Chimitec of Val-d'Or, Quebec, for analyses for Au.

Overall, results of check analyses agree well with original values from the Sleeping Giant laboratory. There is an excellent correlation between the original and check results, with the pulp analyses, as expected, showing the best agreement. Results of $\frac{1}{4}$ cores and coarse rejects show the effects of a larger nugget effect and associated difficulties of subsampling than the pulps. Average values for the check analyses versus the original values show an excellent correlation with no significant bias evident.

After a review of methods and internal checks and a series of check analyses in an external laboratory, it is the opinion of the author, Tyson C. Birkett, Eng. PhD that core handling, sampling, sample security and analysis at the Sleeping Giant gold mine meet current industry standards and are adequate to support estimates of Mineral Resources and Mineral Reserves.

Data Verification

The technical information which forms the basis of this report was acquired by personnel of the Sleeping Giant gold mine either in their capacity as employees at the mine or in a subsequent capacity as employees of Cadiscor. There was thus continuity in personnel and in accumulated knowledge of the mine which has benefited the current study. Since most of the new resources are extensions of existing veins and existing stopes, the geometries of the mineralised zones are well-constrained and detailed verification of such data has been minimal.

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Verification of new drilling has been limited to examination of some drill logs and analytical results. The new drilling leading to estimates of mineral resources at depth below the current mine workings has followed known veins to greater depth with demonstration of geometric continuity. Since this information is rooted in the existing mine data, it has been verified through examination of plans and sections for geological coherence.

Adjacent Properties

The Sleeping Giant Report was limited to the Sleeping Giant gold mine and no relationship with adjacent properties was considered.

Mineral Processing And Metallurgical Testing

In 1993, the Sleeping Giant's milling facility was restarted using the Merrill-Crowe process. The recovery rate slightly increased in the following years, while costs decreased. In 1998, the material used for the Merrill-Crowe process was so deteriorated that the milling process was questioned. Once a study was completed, it was decided to modify the milling facility in order to use the CIL process (carbon in leach). This process allowed, in the first months of its use, a recovery increase with the reduction of the liquid tailings and in a short period of time reduction of global milling and processing costs. With this system, fresh water demand and water quantity which needs to be treated are reduced.

The Sleeping Giant mill has a nameplate capacity of 900 tonnes per day and was operating at approximately 800 tonnes per day in August 2008. Thus the mill capacity is adequate for the planned production over the 19-month operating period envisaged in the report.

Mineral Resource Estimates

The table below sets forth estimated mineral resources as at October 8, 2008 for the Sleeping Giant gold mine, as calculated by Genivar pursuant to NI 43-101.

Category	Tonnes	Grade (g/t)
Reserves		
Proven	135,000	9.3
Probable	100,000	9.4
Resources		
Measured	42,000	6.8
Indicated	212,000	10.7

Notes:

- (1) CIM definitions were followed for the estimation of Mineral Resources.
- (2) The mineral reserve and resources estimate for the Sleeping Giant gold mine was prepared as of October 8, 2008 by Tyson C. Birkett, Josée Couture, and Christian Bézy from Genivar L.P., each a qualified person under NI 43-101. See "Cautionary Note to United States Investors".
- (3) Mineral reserve and resources estimates were estimated using various cut-off grades, depending on the mining method applied.
- (4) Long term gold price was assumed to be Cdn.\$850 per ounce.

Milling Operations

The mill has a rated capacity of 900 tonnes per day and recent historical recovery has been approximately 97.2%.

Royalties

Gold production from the Sleeping Giant gold mine is subject to a 1% net smelter return royalty ("NSR") in favour of Iamgold. The Company has the right to buy back the royalty upon making a payment of \$1 million to Iamgold. The property is also subject to a 1.5% NSR in favour of Iamgold for any base metals produced from the Sleeping Giant property provided that a technical report prepared in accordance with NI 43-101 demonstrates the existence of more than 5 million tonnes of measured and indicated resources on the property. Royalty obligations also exist on certain claims located on the Sleeping Giant property but none of these are situated on claims that form part of Sleeping Giant's mining operations.

Other Relevant Data and Information

Exploration drilling at depth has intersected the mineralised zones as deep as 445 metres below the current workings with significant gold grades comparable to those in the current existing levels, which has indicated exploration potential.

At current gold prices, new interpretation of the existing geological interpretation of the mine and drilling to extend known zones to depth seems justified. Zones recently drilled such as 30W remain open both down and up dip.

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USE OF PROCEEDS

The Company estimates that the net proceeds from the Offering will be approximately Cdn.\$46,628,000 (approximately Cdn.\$53,772,200 if the Underwriters exercise their overallotment option in full), after deducting underwriting commissions and estimated expenses relating to the Offering. The Company plans to use the net proceeds received from the sale of the Units for exploration and development expenditures at the Lac des Iles property and Sleeping Giant gold mine, to fund capital expenditures and working capital requirements for a potential future restart of the Lac des Iles mine, and for general corporate purposes, which may potentially include future acquisitions. As part of its development strategy, the Company intends to acquire additional mining properties, including gold properties, where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that any such acquisitions will be successful. It is anticipated that the Company will invest funds that it does not immediately require in investment grade income securities or short-term marketable securities.

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

CONCURRENT PRIVATE PLACEMENT

Concurrent with the Offering, the Company has agreed to sell up to 4,000,000 Common Shares to be issued on a "flow-through" basis under the *Income Tax Act* (Canada) (the "Flow-Through Shares") to accredited investors in Canada on a private placement basis under applicable Canadian securities laws. The Flow-Through Shares are not qualified for distribution pursuant to this prospectus supplement and will not be offered or sold in the United States or to, or for the account or benefit of, persons in the United States or U.S. persons (as such terms are defined in the U.S. Securities Act of 1933, as amended). The Offering and the Flow-Through Private Placement are not conditional on one another.

PRICE RANGE AND TRADING VOLUME

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

	NYSE Amex			TSX		
	High (US\$)	Low (US\$)	Volume	High (Cdn.\$)	Low (Cdn.\$)	Volume
2009						
September (1 st to 18 th)	3.24	2.60	12,722,180	3.52	2.84	2,885,050
August	3.51	2.72	19,510,064	3.60	2.95	3,291,026
July	3.09	2.05	15,358,020	3.42	2.35	1,957,827
Second Quarter	2.77	1.44	46,879,206	3.30	1.70	7,848,526
First Quarter	2.13	1.06	31,111,873	2.59	1.34	3,216,392
2008						
Fourth Quarter	1.99	0.91	51,086,000	2.44	1.14	7,314,500
Third Quarter	5.30	2.12	45,079,613	5.50	2.20	6,711,299
Second Quarter	6.74	4.62	71,378,190	6.71	4.67	7,772,214
First Quarter	9.28	3.59	147,930,191	9.21	3.52	22,608,648
2007						
Fourth Quarter	8.51	3.40	41,089,160	8.31	3.46	6,909,202
Third Quarter	10.72	6.30	17,935,100	11.12	6.82	3,277,862
Second Quarter	12.05	7.34	33,746,500	13.33	8.40	5,856,400
First Quarter	8.33	6.83	13,251,114	9.86	7.81	3,010,367

On September 18, 2009, the last sale price of the Common Shares on the NYSE Amex and the TSX was US\$3.24 and Cdn.\$3.45 per Common Share, respectively.

The Company's outstanding warrants (the terms of which are not the same as the terms of the Warrants) are listed for trading on the NYSE Amex and the TSX under the trading symbols "PAL.WS" and "PDL.WT", respectively. The following table sets out the reported high and low closing prices and trading volume of the warrants on the NYSE Amex and the TSX for the periods indicated:

	NYSE Amex			TSX		
	High (US\$)	Low (US\$)	Volume	High (Cdn.\$)	Low (Cdn.\$)	Volume
2009						
September (1 st to 18 th)	0.15	0.06	220,695	0.14	0.07	52,375
August	0.16	0.08	352,597	0.17	0.07	135,400
July	0.12	0.04	467,276	0.14	0.06	74,00
Second Quarter	0.23	0.06	780,497	0.30	0.08	198,400
First Quarter	0.29	0.03	600,483	0.38	0.05	194,208
2008						
Fourth Quarter	0.34	0.05	832,682	0.45	0.08	260,650
Third Quarter	1.89	0.32	811,773	1.95	0.28	329,067
Second Quarter	2.85	1.54	1,312,467	2.90	1.60	462,167
First Quarter	5.41	0.65	5,967,170	5.29	0.62	3,476,971
2007						
Fourth Quarter	0.72	0.38	2,218,300	0.78	0.15	132,060
Third Quarter	n/a	n/a	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a	n/a	n/a
First Quarter	n/a	n/a	n/a	n/a	n/a	n/a

DIVIDEND POLICY

It is not anticipated that the Company will pay any dividends on its Common Shares in the near future. The actual timing, payment and amount of any dividends will be determined by the Company's board of directors from time to time based upon, among other things, cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the board of directors may consider relevant. As of the date of this prospectus supplement, the Company has not paid any dividends on the Common Shares.

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EXCHANGE RATE INFORMATION

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

	Year Ended December 31,					Six Months ended June 30, 2009
	2004	2005	2006	2007	2008	
Highest rate during period	0.8493	0.8690	0.9099	1.0905	1.0289	0.9269
Lowest rate during period	0.7159	0.7872	0.8528	0.8437	0.7711	0.7653
Average rate during period	0.7683	0.8254	0.8817	0.9304	0.9381	0.8341
Rate at the end of period	0.8308	0.8577	0.8581	1.0120	0.8166	0.8598

On September 18, 2009, the noon buying rate published by the Bank of Canada was Cdn.\$1.00 equals US\$0.9325. 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.

CONSOLIDATED CAPITALIZATION

The following table sets forth the cash and cash equivalents and the consolidated capitalization of the Company as at June 30, 2009, (i) on an actual basis, and (ii) on an adjusted basis after giving effect to the Offering (assuming no exercise of the overallotment option and no Flow-Through Shares are issued). The table should be read in conjunction with the Interim Financial Statements and the Interim Management's Discussion and Analysis, each of which is incorporated by reference into this prospectus supplement.

	As at June 30, 2009	
	As	
	Actual	Adjusted
	(in millions of Cdn.\$)	
Cash and cash equivalents	\$ 61	\$ 108
Long-term debt	1	1
Shareholders' equity		
Common share capital, share purchase warrants and stock options (Common Shares authorized: unlimited; outstanding as at June 30, 2009: 103,745,976; as adjusted to give effect to the Offering: 119,745,976(1))	\$ 523	568
Warrants offered hereby		2
Deficit	(393)	(393)
Contributed surplus	12	12
Total shareholders' equity	\$ 142	\$ 189
Total capitalization	\$ 143	\$ 190

(1)

Based on Common Shares outstanding as of June 30, 2009. This figure excludes: (i) 2,347,900 Common Shares reserved for issuance pursuant to outstanding stock options as at June 30, 2009, which are exercisable at a weighted average exercise price of Cdn.\$4.02 per Common Share; (ii) 2,756,664 Common Shares reserved for issuance upon the exercise of the Company's outstanding Series I and Series II Warrants (the exercise prices of the Series I and Series II Warrants are US\$10.73 and US\$7.85, respectively); (iii) 10,733,233 Common Shares reserved for issuance upon the exercise of warrants issued in connection with a public offering conducted by the Company in December 2007 (the exercise price of such warrants is US\$5.05); and (iv) 1,230,000 Common Shares reserved for issuance upon the exercise of warrants issued by Cadiscor (at a weighted average exercise price of Cdn.\$2.08), which were assumed

by the Company on its acquisition of Cadiscor on May 26, 2009.

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DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of special shares, issuable in series. As of September 18, 2009, there were 104,070,139 Common Shares of the Company issued and outstanding and no special shares issued and outstanding. The Common Shares issued and outstanding as of September 18, 2009 exclude: (i) 2,347,900 Common Shares reserved for issuance pursuant to outstanding stock options as at June 30, 2009, which are exercisable at a weighted average exercise price of Cdn.\$4.02 per Common Share; (ii) 2,756,664 Common Shares reserved for issuance upon the exercise of the Company's outstanding Series I and Series II Warrants (the exercise prices of the Series I and Series II Warrants are US\$10.73 and US\$7.85, respectively); (iii) 10,733,233 Common Shares reserved for issuance upon the exercise of warrants issued in connection with a public offering conducted by the Company in December 2007 (the exercise price of such warrants is US\$5.05); and (iv) 1,230,000 Common Shares reserved for issuance upon the exercise of warrants issued by Cadiscor (with a weighted average exercise price of Cdn.\$2.08), which were assumed by the Company on its acquisition of Cadiscor on May 26, 2009.

Common Shares

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

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

The Company's by-laws provide for certain rights of its shareholders in accordance with the provisions of the *Canada Business Corporations Act*. Such by-laws may be amended either by a majority vote of the shareholders or by a majority vote of the board of directors. Any amendment of the by-laws by action of the board of directors must be submitted to the next meeting of the shareholders whereupon the by-law amendment must be confirmed as amended by a majority vote of the shareholders voting on such matter. If the by-law amendment is rejected by the shareholders, the by-law ceases to be effective and no subsequent resolution of the board of directors to amend a by-law having substantially the same purpose or effect shall be effective until it is confirmed or confirmed as amended by the shareholders.

Shareholders do not have cumulative voting rights for the election of directors. Therefore, the holders of more than 50% of the Common Shares voting for the election of directors could, if they choose to do so, elect all of the directors and, in such event, the holders of the remaining Common Shares would not be able to elect any directors. In this regard, KFOC, which will own approximately 30% of the outstanding Common Shares following the Offering (assuming that the Underwriters' overallotment option is not exercised and not accounting for Common Shares issued pursuant to the Flow-Through Private Placement, and assuming that KFOC has made and makes no purchases of Common Shares after August 31, 2009), may be considered to have the ability to exercise de facto control of the Company. For additional information regarding the risks associated with KFOC's shareholdings, see "Risk Factors Risks Related to the Common Shares The Company's principal shareholder, KFOC, will own approximately 30% of the outstanding Common Shares following the Offering" in this prospectus supplement.

The rights of holders of Common Shares may be adversely affected by the rights of holders of any special shares that may be issued in the future. See "Risk Factors Risks Relating to the Company's Securities The board of directors may issue, without shareholder approval, an unlimited number of

special shares that have rights and preference potentially superior to those of the Common Shares. Such an issuance may delay or prevent a change of control" in the accompanying prospectus.

Warrants

The Warrants will be issued in registered form under, and will be governed by, an indenture dated as of the date of the closing of the Offering (the "Warrant Indenture") between the Company, on the one hand, and Computershare Trust Company of Canada, on the other hand, as warrant trustee. Each whole Warrant will entitle the holder to purchase one Common Share at an exercise price of Cdn.\$4.25, subject to adjustment and early termination as described below. The Warrants will expire if not exercised prior to 5:00 p.m. (Toronto time) on the date that is 2 years from the date of closing of the Offering. The Common Shares underlying the Warrants, when issued upon exercise of the Warrants, will be fully paid and non-assessable, and the Company will pay any transfer tax incurred as a result of the issuance of the underlying Common Shares except for any tax payable in respect of any transfer in a name other than the holders'.

The Warrants make provision for cashless exercise in the event the Common Shares issuable upon exercise of the Warrants are not registered under the U.S. Securities Act of 1933 at the time of exercise. There is no minimum or maximum amount which may be exercised at any one time. The Warrants may be transferred or assigned. The Company may require payment of a sum sufficient to cover any taxes or governmental or other charges that may be imposed in connection with any registration of transfer or exchange of a Warrant certificate.

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

- (a) the issuance of common shares or securities exchangeable for or convertible into Common Shares at no additional cost to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution;
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of Common Shares of securities of the Company (including securities exchangeable for or convertible into Common Shares), or other property or assets of the Company.

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

- (a) reclassification of the Common Shares (other than as described above);
- (b) consolidation, amalgamations, arrangements or mergers of the Company with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding common shares or a change of the Common Shares into other shares); or

(c)

the transfer of the property or assets of the Company as an entirety or substantially as an entirety to another corporation or entity (other than transfers of the property or assets of the Company which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares).

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

In the event that the 20-day volume weighted average price of the Common Shares on the TSX is greater than Cdn.\$5.75 at any time following the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

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

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

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

From time to time, the Company and the warrant trustee, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that, in the opinion of the warrant trustee, does not prejudice the rights of the warrant trustee or the holders of the Warrants. In accordance with and subject to the terms of the Warrant Indenture, amendments or supplements to the Warrant Indenture that so prejudice the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of common shares which may be acquired pursuant to all the then outstanding warrants, and passed by the affirmative vote of holders of Warrants representing not less than $66\frac{2}{3}\%$ of the of the votes cast upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants entitled to acquire not less than $66\frac{2}{3}\%$ of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Warrants.

The Company has applied to list the Warrants on the TSX and the Common Shares issuable upon exercise of the Warrants on the NYSE Amex and the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the NYSE Amex and the TSX, including, in the case of the Warrants, distribution to a minimum number of public securityholders. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased in the Offering.** Listing of the Warrants on the TSX is not a condition of closing of the Offering, and it is possible that the Warrants may not be listed.

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

PRIOR SALES

During the twelve month period prior to the date of this prospectus supplement, the Company issued 19,731,535 Common Shares and 1,445,998 share purchase warrants as follows:

Number of Common Shares	Date of Issue	Price per Common Share (Cdn.\$)
707,798	October 6, 2008	\$2.16
112,573	October 10, 2008	\$2.65
106,443	January 9, 2009	\$1.98
1,501,645	January 15, 2009	\$1.01
63,782	April 17, 2009	\$1.87
14,457,685	May 26, 2009	(issued in exchange for shares of Cadiscor pursuant to the Arrangement)
2,457,446	June 17, 2009	\$1.89
22,365	July 16, 2009	\$2.75
9,900	July 24, 2009	\$1.32
215,998	August 17, 2009	\$1.82
75,900	August 28, 2009	\$1.32

Number of warrants	Date of Issue	Exercise price per warrant (Cdn.\$)
143,999	May 26, 2009	\$1.67
1,301,999	May 26, 2009	\$2.12

INCOME TAX CONSIDERATIONS

Canadian Federal Income Tax Considerations

The following is, as of the date of this prospectus supplement, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires a Unit, consisting of one Common Share and one-half of one Warrant, pursuant to this Offering.

This summary applies only to a purchaser who is a beneficial owner of Common Shares and Warrants acquired pursuant to this Offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), and at all relevant times: (i) deals at arm's length and is not affiliated with the Company; and (ii) holds the Common Shares and Warrants as capital property (a "Holder"). Common Shares and Warrants will generally be considered to be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade.

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

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

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

Allocation of Cost

A Holder who acquires Units pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Common Share and the one-half Warrant comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

For its purposes, the Company has advised counsel that, of the Cdn.\$3.15 subscription price for each Unit, it intends to allocate approximately Cdn.\$3.04 to each Common Share and Cdn.\$0.11 to each one-half Warrant and believes that such allocation is reasonable. The Company's allocation, however, is not binding on the CRA or on a Holder.

The adjusted cost base to a Holder of a Common Share comprising a part of each Unit acquired pursuant to this Offering will be determined by averaging the cost of such Common Share with the

adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder of a Warrant upon the exercise of such Warrant. When a Warrant is exercised, the Holder's cost of the Common Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Holder, plus the amount paid on the exercise of the Warrant. For the purpose of computing the adjusted cost base to a Holder of each Common Share acquired on the exercise of a Warrant, the cost of such Common Share must be averaged with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the acquisition upon such exercise of a Warrant.

Holders Resident in Canada

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

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

Expiry of Warrants

The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such expired Warrant. The tax treatment of capital losses is discussed in greater detail below under the heading "*Holders Resident in Canada Taxable Capital Gains and Losses*".

Dividends

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

A Resident Holder that is a "private corporation" or a "subject corporation", as defined in the Tax Act, will generally be liable to pay a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on dividends received on the Common Shares to the extent such dividends are deductible in computing

the Resident Holder's taxable income for the year. This tax will generally be refunded to the corporation at a rate of \$1.00 for every \$3.00 of taxable dividends paid while it is a private corporation or a subject corporation.

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

Taxable Capital Gains and Losses

A Resident Holder who disposes of or is deemed to have disposed of a Common Share or Warrant (other than a disposition arising on the exercise of a Warrant) will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of the Common Share or Warrant immediately before the disposition or deemed disposition.

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

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

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

Additional Refundable Tax

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6²/₃% on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Common Shares or Warrants as well as dividends received or deemed to have been received on Common Shares (other than dividends that are deductible in computing such Resident Holder's taxable income).

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares or Warrants in connection with carrying on a business in Canada (a

"Non-Resident Holder"). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere and such Holders should consult their own tax advisors.

Dividends

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

Dispositions

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

Generally, a Common Share or Warrant (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder provided that: (i) the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX) at the time of disposition; (ii) at no time during the 60 month period immediately preceding the disposition or deemed disposition of the Common Share or Warrant (as applicable) were 25% or more of the issued shares of any class or series of the capital stock of the Company owned by the Non-Resident Holder, by persons with whom the Non-Resident Holder did not deal at arm's length, or by the Non-Resident Holder together with such persons; and (iii) the Common Share or Warrant (as applicable) is not otherwise deemed under the Tax Act to be taxable Canadian property.

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

United States Federal Income Tax Considerations

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

This summary is applicable to U.S. Holders who are residents of the United States for purposes of the Convention and who qualify for the full benefits of the Convention. Except where expressly noted, it deals only with Units held as "capital assets" (generally, property held for investment purposes) and does not deal with U.S. Holders subject to special tax rules, such as brokers, dealers in securities or currencies, financial institutions, tax-exempt entities or qualified retirement plans, insurance companies, persons holding Units as part of a hedging, integration, conversion or constructive sale transaction or a straddle, persons who own or have owned (or who are deemed to own or have owned for United States federal income tax purposes) 10% or more of the total combined voting power of the Company's stock, traders who elect to mark-to-market their securities, persons whose "functional currency" is not the United States dollar, or persons owning (either alone or with others that they do not deal with at arm's length) 25% or more of the issued shares of any class of the Company's capital stock within 5 years of the disposition of Units. This discussion also does not address any United States federal income tax consequences to any person who owns an interest in any entity that holds Units. Furthermore, this summary does not address alternative minimum taxes, or any aspect of foreign, state, local, estate or gift taxation.

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

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

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

Treatment of Units

Each Unit consists of a Common Share and a Warrant and will be treated as two separate instruments for United States federal income tax purposes. The amount paid for a Unit must be allocated between the Common Share and the Warrant based on their respective fair market values at the time of issuance, and the initial tax basis of each will equal the amount so allocated. For its

purposes, the Company has advised counsel that, of the Cdn.\$3.15 subscription price for each Unit, it intends to allocate approximately Cdn.\$3.04 to each Common Share and Cdn.\$0.11 to each Warrant and believes that such allocation is reasonable. However, the IRS will not be bound by the Company's allocation of the purchase price for the Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Units purchased in the Offering. The holding period for the Common Shares and Warrants will begin on the day after the date of acquisition.

Common Shares

Distributions

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

The amount of any dividend paid in Canadian dollars (including amounts withheld to pay Canadian withholding taxes) will equal the United States dollar value of the Canadian dollars calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the Canadian dollars are converted into United States dollars. If the Canadian dollars received as a dividend are converted into United States dollars on the date of receipt, the U.S. Holder generally should not be required to recognize foreign currency gains or losses in respect of the dividend income. If the Canadian dollars received as a dividend are not converted into United States dollars on the date of receipt, a U.S. Holder will have a tax basis in the Canadian dollars equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollars by a U.S. Holder will be treated as United States source ordinary income or loss.

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

Sale, Exchange or Other Taxable Disposition

A U.S. Holder will recognize gain or loss on the sale, exchange or other taxable disposition of Common Shares in an amount equal to the difference between the amount realized for the Common Shares and the U.S. Holder's adjusted tax basis in the Common Shares. Subject to the discussion below under "Passive Foreign Investment Company Rules," the gain or loss will be capital gain or loss.

Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a U.S. Holder generally will be treated as United States source gain or loss for United States foreign tax credit purposes.

Warrants

Exercise

A U.S. Holder may exercise Warrants only in limited circumstances and for a limited period as described under "Description of Share Capital Warrants." A U.S. Holder generally will not recognize gain or loss on the exercise of a Warrant and related receipt of a Common Share. A U.S. Holder's initial tax basis in the Common Share received on the exercise of a Warrant generally should be equal to the sum of (a) the U.S. Holder's tax basis in such Warrant plus (b) the exercise price paid by the U.S. Holder on the exercise of the Warrant. A U.S. Holder's holding period for the Common Share received on the exercise of a Warrant generally should begin on the day after the date that the Warrant is exercised.

Sale, Exchange or Other Taxable Disposition

A U.S. Holder generally will recognize gain or loss on the sale, exchange or other taxable disposition of a Warrant in an amount equal to the difference between the amount realized for the Warrant and the U.S. Holder's adjusted tax basis in the Warrant. Subject to the discussion below under "Passive Foreign Investment Company Rules," the gain or loss will be capital gain or loss. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a U.S. Holder generally will be treated as United States source gain or loss for United States foreign tax credit purposes.

Lapse

Upon the lapse or expiration of a Warrant, a U.S. Holder will recognize a loss in an amount equal to its adjusted tax basis in the Warrant. Subject to the discussion below under "Passive Foreign Investment Company Rules," any such loss should be a capital loss. Deductions for capital losses are subject to complex limitations under the Code. Any capital loss recognized by a U.S. Holder will generally be treated as United States source loss for United States foreign tax credit purposes.

Certain Adjustments to the Warrants

The number of Common Shares issuable upon exercise of the Warrants and/or the exercise price per Common Share may be adjusted in certain circumstances. See "Description of Share Capital Warrants." Under Section 305 of the Code, an adjustment to the number of Common Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in the earnings and profits or assets of the Company, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to shareholders of the Company). Any constructive distributions generally will be taxable as a distribution, as described above under "Common Shares Distributions." However, adjustments to the exercise price of the Warrants made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the holders of Warrants generally will not be considered to result in a constructive distribution to a U.S. Holder of Warrants. U.S. Holders should carefully review the

conversion rate adjustment provisions and consult their own tax advisors with respect to the tax consequences of any such adjustment.

Passive Foreign Investment Company Rules

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

As a result of placing the Lac de Iles mine on care and maintenance, the Company's gross income for the current year is substantially lower than in prior years. However, the Company expects the Sleeping Giant gold mine to begin operations and earn revenue before the end of 2009. Accordingly, the Company expects that it will not be a PFIC for the current year and will not be a PFIC for subsequent taxable years. However, because the PFIC determination is made annually at the close of the taxable year in question on the basis of facts and circumstances that may be beyond the Company's control and because the principles and methodology for applying the PFIC tests are not entirely clear, there can be no assurance that the Company will not be a PFIC in the current or subsequent taxable years.

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

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

Shares acquired on exercise of the Warrants as well as the availability of any elections that may help mitigate the tax consequences to a U.S. Holder if the Company were a PFIC.

Information Reporting and Backup Withholding

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

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

UNDERWRITING

The Underwriters have agreed to purchase all of the Units sold under the underwriting agreement if any of the Units are purchased. The obligations of the Underwriters under the underwriting agreement may be terminated at their discretion upon the occurrence of certain stated events.

The Offering is being made concurrently in all of the provinces of Canada and in the United States pursuant to the multi-jurisdictional disclosure system implemented by the securities regulatory authorities in the United States and Canada. The Units sold under the underwriting agreement will be offered in the United States and Canada through the Underwriters either directly or through their respective U.S. or Canadian broker-dealer affiliates. Subject to applicable law, the Underwriters may offer the Units outside of Canada and the United States.

We have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the 1933 Act, and applicable Canadian securities legislation, or to contribute to payments that the Underwriters may be required to make in respect of those liabilities.

The Underwriters are offering the Units, subject to prior sale, if, as and when issued to and accepted by them, subject to approval of certain legal matters, including the validity of the Units, and other conditions contained in the underwriting agreement, such as the receipt by the Underwriters of officer's certificates and legal opinions. The Underwriters reserve the right to reject orders in whole or in part.

Certificates representing the Unit Shares and Warrants sold under the Offering will be issued in registered form to CDS or its nominee on the closing date of the Offering. Transfers of ownership of Unit Shares and Warrants will be effected through records maintained by participants in the CDS depository service ("CDS Participants"), which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of Units will receive a customer confirmation of purchase from the CDS Participant from or through which such Units are purchased in accordance with the practices and procedures of such CDS Participant.

It is expected that delivery of the Unit Shares and Warrants comprising the Units offered hereby will be made against payment therefor on or about the closing date specified on the cover page of this prospectus supplement, which will be more than three business days following the date of this prospectus supplement (this settlement cycle being referred to as "T+3"). Under Rule 15c6-1 under the Exchange Act and the rules of the TSX, trades in the secondary market are generally required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade their Unit Shares or Warrants prior to the closing date specified on the cover page of this prospectus supplement will be required, by virtue of the fact that the Unit Shares and Warrants will not settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Units who wish to trade their Unit Shares and Warrants prior to the closing date specified on the cover page of this prospectus supplement should consult their own advisors. There can be no assurance that the Offering will close.

Commissions

The Underwriters have advised us that they propose initially to offer the Units to the public at the public offering price on the cover page of this prospectus supplement. If all of the Units are not sold at the initial public offering price after the Underwriters have made a reasonable effort to sell all of the Units at the initial public offering price, the representative may change the offering price and the other selling terms to an amount not greater than the initial public offering price disclosed in this prospectus supplement, and the compensation realized by the underwriters will be decreased by the amount that

the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to us (which will not affect the price paid to the Company).

The following table shows the public offering price, underwriting commission and proceeds before expenses to us. The information assumes either no exercise or full exercise by the Underwriters of their overallotment option. The public offering price per Unit was determined by negotiation between us and the Underwriters.

	Per Unit		Without Option		With Option	
Public offering price	Cdn.\$	3.15	Cdn.\$	50,400,000	Cdn.\$	57,960,000
Underwriters' Fee	Cdn.\$	0.173	Cdn.\$	2,772,000	Cdn.\$	3,187,800
Net proceeds, before expenses, to us	Cdn.\$	2.977	Cdn.\$	47,628,000	Cdn.\$	54,772,200

We have also agreed to reimburse the underwriter for reasonable, out-of-pocket expenses incurred by them with respect to this offering, including the reasonable and documented fees and disbursements of Canadian and U.S. counsel to the Underwriters, and any taxes payable thereon.

The expenses of the Offering payable by us, not including the underwriting commission, are estimated at approximately Cdn.\$1.0 million.

Overallotment Option

We have granted an option to the Underwriters to purchase up to 2,400,000 additional Units at the public offering price less the underwriting commission. The Underwriters may exercise their option for 30 days from the date of this prospectus supplement solely to cover any overallotments. If the Underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional Units proportionate to that Underwriter's initial amount reflected in the above table. Under applicable Canadian securities laws, this prospectus supplement and the accompanying prospectus also qualify the overallotment option and the distribution of the additional Units issuable upon exercise of the overallotment option.

No Sales of Similar Securities

We have agreed not to offer, sell, contract to sell or otherwise issue any common shares or securities exchangeable or convertible into common shares, without the prior written consent of Thomas Weisel Partners Canada Inc., for a period of 90 days, subject to an 18-day extension under certain circumstances, following the closing date of this offering, subject to certain exceptions. In addition, we have agreed to use our reasonable best efforts to cause all of our officers and directors to enter into lock-up agreements with the Underwriters. Under those lock-up agreements, those holders of Common Shares may not, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any Common Shares or securities convertible into or exchangeable for Common Shares without the prior written consent of Thomas Weisel Partners Canada Inc., for a period of 90 days, subject to an 18-day extension under certain circumstances, from the closing date of this Offering. This consent may be given at any time without public notice.

NYSE Amex and TSX Listings

The Company's outstanding common shares are listed on the NYSE Amex under the symbol "PAL" and on the TSX under the symbol "PDL." The Company has applied to list the Unit Shares and Common Shares issuable on exercise of the Warrants on the NYSE Amex and the TSX and the Warrants on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the NYSE Amex and the TSX, including, in the case of the Warrants, distribution to a minimum

number of public securityholders. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased in the Offering.**

Price Stabilization and Short Positions

Pursuant to the rules of certain Canadian provincial securities commissions and the Universal Market Integrity Rules for Canadian marketplaces, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares or Warrants. The foregoing restriction is subject to certain exceptions for bids or purchases made through the facilities of the TSX or NYSE Amex, in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, including, (a) market stabilization or market balancing activities on the TSX or NYSE Amex where the bid for or purchase of the Common Shares or Warrants is for the purpose of maintaining a fair and orderly market in the Common Shares or Warrants, subject to price limitations applicable to such bids or purchases, (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriters, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period, and (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

Until the distribution of the Units is completed, the rules of the United States Securities and Exchange Commission may limit the Underwriters and selling group members from bidding for and purchasing Common Shares or Warrants. However, the representative of the Underwriters may engage in transactions that stabilize the price of the Common Shares or Warrants, such as bids or purchases to peg, fix or maintain that price.

If the Underwriters create a short position in the Common Shares or Warrants in connection with the Offering, i.e., if they sell more Units than are listed on the cover of this prospectus supplement, the representative may reduce that short position by purchasing Common Shares or Warrants in the open market, subject to certain price limitations. The representative may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of Common Shares or Warrants to stabilize the price or to reduce a short position may cause the price of the Common Shares or Warrants to be higher than it might be in the absence of such purchases.

Neither we nor any of the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Shares or Warrants. In addition, neither we nor any of the Underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (the "EEA") that has implemented the Prospectus Directive (each, a "relevant member state"), with effect from, and including, the date on which the Prospectus Directive is implemented in the relevant member state, an offer to the public of any Units which are the subject of the Offering may not be made in that relevant member state prior to the publication of a prospectus in relation to such Units that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in

accordance with the Prospectus Directive, except that an offer to the public in that relevant member state of Units may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representative for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Units shall result in a requirement for the publication by us or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this notice, the expression an "offer to the public" in relation to any Units in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Units to be offered so as to enable an investor to decide to purchase or subscribe for any Units, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Each purchaser of Units described in this prospectus supplement located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

The sellers of the Units have not authorized and do not authorize the making of any offer of the Units in the EEA through any financial intermediary on their behalf, other than offers made by the Underwriters and their respective affiliates with a view to the final placement of the Units as contemplated in this prospectus supplement. Accordingly, no purchaser of the Units, other than the Underwriters and their respective affiliates, is authorized to make any further offer in the EEA of the Units on behalf of the sellers or the Underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus supplement is only being distributed to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of the Units may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This prospectus supplement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons; and any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in France

Neither this prospectus supplement nor any other offering material relating to the Units described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des marchés financiers* or by the competent authority of another member state of the European Economic Area and notified to the *Autorité des marchés financiers*. The Units have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the Units has been or will be:

released, issued, distributed or caused to be released, issued or distributed to the public in France; or

used in connection with any offer for subscription or sale of the Units to the public in France.

Such offers, sales and distributions will be made in France only:

to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*; or

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Units may be resold, directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

LEGAL MATTERS

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are KPMG LLP, Chartered Accountants, Yonge Corporate Centre, Suite 200, 4100 Yonge Street, Toronto, Ontario M2P 2H1. KPMG LLP reports that it is independent of the Company in accordance with the rules of professional conduct in Ontario, Canada. KPMG LLP is registered with the Public Company Accounting Oversight Board.

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

EXPERTS

Information relating to the Company's mineral properties in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein has been derived from reports prepared by Scott Wilson Roscoe Postle Associates Inc., Deborah A. McCombe, Ian T. Blakley, Richard E. Routeledge, Jason J. Cox, Fred H. Brown, Laila Sedore (Potvin), Des Cullen, Genivar LP, Tyson C. Birkett, Josée Couture, Christian Bézy, InnovExplo Inc. and Carl Pelletier and has been included in reliance on such persons' expertise. Each of Deborah A. McCombe, Ian T. Blakley, Richard E. Routeledge, Jason J. Cox, Fred H. Brown, Laila Sedore (Potvin), Des Cullen, Tyson C. Birkett, Josée Couture, Christian Bézy, and Carl Pelletier is a qualified person as such term is defined in NI 43-101 and, with the exception of Laila Sedore (Potvin) who was an employee of the Company at the time of her report and Tyson C. Birkett who is now an employee of the Company, is independent from the Company.

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

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

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

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

form of underwriting agreement;

consents of Scott Wilson Roscoe Postle Associates Inc., Deborah A. McCombe, Ian T. Blakley, Richard E. Routeledge, Jason J. Cox, Fred H. Brown, Laila Sedore (Potvin), Des Cullen, Genivar LP, Tyson C. Birkett, Josée Couture, Christian Bézy, InnovExplo Inc. and Carl Pelletier; and

the Warrant Indenture.

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.
