

NORTH AMERICAN PALLADIUM LTD
Form F-10/A
June 22, 2007

As filed with the Securities and Exchange Commission on June 22, 2007

Registration No. 333-143528

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM F-10

REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

North American Palladium Ltd.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other Jurisdiction
of Incorporation or Organization)

1099
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification No.)

130 Adelaide Street West, Suite 2116

Toronto, Ontario, Canada M5H 3P5

(416) 360-7590

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System

111 8th Avenue, 13th Floor

New York, New York 10011

(212) 894-8940

(Name, address and telephone number of agent for service in the United States)

Copies to:

Trent Mell, Esq.
North American Palladium Ltd.

Riccardo A. Leofanti, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP

Leslie Gord, Esq.
Gowling Lafleur Henderson LLP

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130 Adelaide Street West, Suite 2116
Toronto, Ontario, Canada M5H 3P5
(416) 360-7590

222 Bay Street, Suite 1750, P.O. Box 258
Toronto, Ontario, Canada M5K 1J5
(416) 777-4700

1 First Canadian Place, Suite 1600
100 King Street West
Toronto, Ontario, Canada M5X 1G5
(416) 862-7525

Approximate date of commencement of proposed sale of the securities to the public:

From time to time after the effective date of this Registration Statement.

Province of Ontario, Canada

(Principal jurisdiction regulating this offering)

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

- A. Upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. At some future date (check the appropriate box below):
1. pursuant to Rule 467(b) on () at ().
 2. pursuant to Rule 467(b) on () at () because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ().
 3. pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
 4. after the filing of the next amendment to this Form.

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

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

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

SHORT FORM BASE SHELF PROSPECTUS DATED JUNE 20, 2007

Secondary Offering

NORTH AMERICAN PALLADIUM LTD.

45,031 COMMON SHARES

On March 29, 2006, North American Palladium Ltd. (the Corporation) issued Series I convertible notes due August 1, 2008 (the Series I Notes) in the aggregate principal amount of US\$35,000,000 to Kaiser-Francis Oil Company (KFOC) and IP Synergy Finance Inc. (IPSF) and, collectively with KFOC, the Holders) on a private placement basis pursuant to a securities purchase agreement dated March 24, 2006 (the Securities Purchase Agreement) between the Corporation and the Holders. KFOC currently owns or controls approximately 48% of the Corporation's outstanding common shares (the Common Shares).

On June 23, 2006, the Corporation issued a Series II convertible note due December 1, 2008 (the Series II Note) in the principal amount of US\$13,500,000 to KFOC on a private placement basis. The Series II Note was issued upon exercise by the Corporation of its option to sell the Series II Note to KFOC pursuant to the Securities Purchase Agreement.

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

This Prospectus may be used by the Holders, as selling securityholders (see Selling Securityholders), in connection with resales, from time to time, during the period that this Prospectus, including any amendments thereto, remains valid, of:

- (a) 31,404 Common Shares issuable to the Holders in satisfaction of US\$308,389 aggregate amount of accrued and unpaid interest due on the Series I Notes for the two month period ended June 1, 2007 (the balance of the interest payable, in the amount of US\$34,265, will be remitted to the Canada Revenue Agency for income tax); and
- (b) 13,627 Common Shares issuable to KFOC in satisfaction of US\$133,819 aggregate amount of accrued and unpaid interest due on the Series II Note for the two month period ended June 1, 2007 (the balance of the interest payable, in the amount of US\$14,869, will be remitted to the Canada Revenue Agency for income tax).

The Common Shares included in paragraphs (a) and (b) above are referred to in this Prospectus as the Qualified Shares.

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

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

Cover Page Continued on Next Page

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

The Common Shares are listed under the symbol PAL on the AMEX and on the Toronto Stock Exchange (TSX) under the symbol PDL . The last reported sale price of the Common Shares on the AMEX on June 19, 2007 was US\$10.48 per share, and on the TSX on June 19, 2007 was Cdn\$11.05 per share.

Investing in the Qualified Shares involves risk. Please carefully consider the Risk Factors section beginning on page 10 of this Prospectus.

Under the MJDS, the Corporation is permitted to prepare this Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such disclosure requirements are different from those of the United States. Certain financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Owning Qualified Shares may subject you to tax consequences both in the United States and Canada. This Prospectus may not describe these tax consequences fully. You should read the tax discussion under United States Federal Income Tax Considerations and Canadian Federal Income Tax Considerations . These discussions are of a general nature only and are not intended to be exhaustive of all possible tax consequences.

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected by the fact that the Corporation is organized under the laws of Canada, that most of its officers and directors and most of the experts named in this Prospectus are residents of Canada, and that a substantial portion of the Corporation s assets and the assets of a majority of the Corporation s directors and officers and the experts named in this Prospectus are located outside the United States.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE QUALIFIED SHARES, OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

You should rely only upon the information included in, or incorporated by reference into, this Prospectus. The Corporation and the Holders have not authorized any other person to provide you with different or inconsistent information, and you should not rely upon any such information. You should assume that the information appearing in this Prospectus is accurate as of the date on the front cover of this Prospectus. The Corporation's business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Prospectus nor the registration of the Qualified Shares hereunder shall, under any circumstances, create any implication that there has been no change in the Corporation's business or affairs since the respective dates as of which information is given herein.

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

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

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

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Unless otherwise indicated, all references in this Prospectus to the Corporation refer to North American Palladium Ltd., together with its wholly-owned subsidiaries, Lac des Iles Mines Ltd., North American Palladium Finland Oy and North American Palladium Arctic Services Oy.

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

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

Unless otherwise indicated, the mineral reserves (reserves) and mineral resources (resources) estimates contained or incorporated by reference in this Prospectus were prepared in accordance with *National Instrument 43-101 Standards of Disclosure for Mineral Projects* (NI 43-101), including the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council on August 20, 2000, as amended December 11, 2005 by employees and consultants of the Corporation who are qualified persons as such term is defined in NI 43-101. Descriptions of reserves and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to reporting and disclosure requirements of the United States Securities and Exchange Commission (the SEC).

DOCUMENTS INCORPORATED BY REFERENCE

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

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

- (a) revised annual information form of the Corporation dated March 30, 2007 and amended and restated June 4, 2007 for the fiscal year ended December 31, 2006 (the AIF);
- (b) audited comparative financial statements of the Corporation and the notes thereto for the financial year ended December 31, 2006, together with the report of the auditors thereon;
- (c) management's discussion and analysis for the annual comparative financial statements referred to in paragraph (b) above;
- (d) unaudited comparative financial statements of the Corporation and the notes thereto for the three month period ended March 31, 2007;
- (e) management's discussion and analysis for the interim financial statements referred to in paragraph (d) above;
- (f) management information circular of the Corporation dated April 18, 2007, prepared in connection with the Corporation's annual and special meeting of shareholders held on May 23, 2007; and
- (g) material change report dated February 5, 2007 regarding the Corporation's financing with Auramet Trading, LLC.

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements of the Corporation (including the management's discussion and analysis in the interim reports for such periods), annual audited consolidated financial statements of the Corporation, including the auditors' report thereon and including the management's discussion and analysis in respect of such annual financial statements, business acquisition reports, information circulars, and any other disclosure documents required to be incorporated by reference under National Instrument 44-101 *Short Form Prospectus Distributions* which are required to be filed by the Corporation with the OSC after the date of this Prospectus and prior to the termination of the offering of securities hereunder shall be deemed to be incorporated by reference into this Prospectus. Any similar document filed by the Corporation with, or furnished by the Corporation to, the SEC pursuant to the United States Securities Exchange Act of 1934, as amended (the U.S. Exchange Act) after the date of this Prospectus shall be deemed to be incorporated by reference in this Prospectus, if and to the extent provided in such document. In addition, the audited Item 18 - Reconciliation to Accounting Principles Generally Accepted in the United States as at December 31, 2007 and for the twelve month periods ended December 31, 2006, December 31, 2005 and December 31, 2004 contained in the Corporation's Annual Report on Form 40-F that was filed with the SEC on April 2, 2007, is incorporated by reference in this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement

or includes any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.

Upon a new annual information form for the year ended December 31, 2007 and the related annual financial statements being filed with the OSC during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars filed prior to the commencement of the then current financial year will be deemed no longer to be incorporated into this Prospectus for purposes of future offerings of Qualified Shares hereunder.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the assumption that the operation of, and production and processing from, the underground mine in conjunction with the open pit mine will remain viable operationally and economically;
- the assumption that the advice the Corporation has received from its consultants and advisors relating to matters such as mineral reserves and mineral resources, environmental requirements and certain legal proceedings is reliable and correct and, in particular, that the models, dilution strategies and mining recovery estimates used to calculate mineral reserves and mineral resources are appropriate and accurate;
- the assumption that financing is available on reasonable terms;
- the assumption that the Corporation will be able to negotiate the renewal of, or enter into a, new smelting and refining agreement(s); and
- the assumption that the Corporation's plans for improved mill production, for sustainable recoveries from the Lac des Iles Mine, for further exploration at the Lac des Iles Mine and surrounding region and for exploration in Finland will proceed as expected.

The words expect, anticipate, estimate, may, will, should, intend, believe, target, budget, plan, projection and similar expressions identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion or incorporation by reference of forward-looking statements in this Prospectus should not be considered as a representation by the Corporation or any other person that its objectives or plans will be achieved. Numerous factors

could cause the Corporation's actual results to differ materially from those in the forward-looking statements, including the following, which are discussed in greater detail under the heading "Risk Factors":

- inability to meet production volumes or operating cost goals;
- inaccurate resource and reserve estimates;
- inherent risks associated with mining and processing operations;
- failure to maintain production levels for underground mining operations;
- failure of the Corporation's exploration program to increase reserves;
- competition from other mining companies;
- interruption of operations at the Lac des Iles mine;
- defaults under the Corporation's credit facilities;
- termination or failure to renew smelting agreements;
- volatility in metal prices;
- economic and political events affecting metal supply and demand;
- change in the life-of-mine plan and/or ultimate pit design;
- geological, technical, mining or processing problems;
- fluctuations in ore grade or ore tonnes milled;
- costs of complying with current and future environmental regulation;
- costs of complying with other current and future governmental regulation;
- competition from other suppliers of platinum group metals;
- development of new technology leading to reduced demand for palladium;
- failure to renew the collective agreement on acceptable terms when it expires;
- loss of key personnel;
- hedging activities; and
- changes in the United States/Canadian dollar exchange rate.

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

THE CORPORATION

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

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

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

CONVERTIBLE NOTE AND COMMON SHARE PURCHASE WARRANT FINANCING

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On March 28, 2006, the Corporation announced the execution of the Securities Purchase Agreement relating to the private placement (the Offering) of up to US\$58.5 million principal amount of convertible notes together with common share purchase warrants exercisable to purchase, for four years from the date of their issuance, 50% of the number of Common Shares underlying the convertible notes. Under the terms of the Securities Purchase Agreement, on March 29, 2006 the Corporation issued a Series I Note in the principal amount of US\$17.5 million to each of the Holders. On June 23, 2006, the Corporation issued a Series II Note in the principal amount of US\$13.5 million to KFOC.

The Series I Notes are initially convertible into 2,873,563 Common Shares representing an effective price of US\$12.18 per share (the Initial Conversion Price). The Series II Note are initially convertible, at the Initial Conversion Price, into 1,108,374 Common Shares. The Initial Conversion Price is equal to 113% of the Initial Market Price. For the purposes of the Notes, the Initial Market Price is US\$10.78, being the five day weighted average trading price of the Common Shares on the AMEX immediately preceding March 24, 2006. In addition, common share purchase warrants exercisable to purchase 1,436,782 Common Shares (the Series I Warrants) were issued with the Series I Notes, and common share purchase warrants exercisable to purchase 554,187 Common Shares (the Series II Warrants) were issued with the Series II Note. Each Series I and Series II Warrant (collectively, the Warrants) is exercisable to purchase one Common Share at an initial exercise price of US\$13.48 (the Initial Exercise Price). The Initial Exercise Price of the Series I and Series II Warrants is equal to 125% of the Initial Market Price.

The Series I Notes bear interest at a rate of 6.5% per annum, payable bi-monthly, commencing on June 1, 2006. The Series II Note bears interest at a rate of 6.5% per annum, payable bi-monthly, commencing on August 1, 2006. The principal amount of the Series I Notes are to be repaid in nine equal instalments, the first instalment payment date being on April 1, 2007. 396,038 Common Shares were issued to the Holders in satisfaction of the principal amount due on the Series I Notes on June 1, 2007. The principal amount of the Series II Note is to be repaid in nine equal instalments commencing on August 1, 2007. The interest payments and/or principal repayment amounts may be paid to each Holder, at such Holder's option, in any combination of cash and/or Common Shares. Common Shares issued for interest payments or in repayment of the Notes will be issued at a 10% discount from the weighted average trading price of the Common Shares on the AMEX for the five consecutive trading days immediately prior to the applicable payment date. A separate prospectus and registration statement will be filed from time to time in connection with the Common Shares issuable in satisfaction of any interest payments. This Prospectus covers the Common Shares which were issued to the Holders, at their option, in satisfaction of the US\$308,389 aggregate amount of accrued and unpaid interest due on the Series I Notes for the two month period ended June 1, 2007. The balance of the interest payable on the Series I Notes, in the amount of US\$34,265, will be remitted to the Canada Revenue Agency for income tax. This Prospectus also covers the Common Shares which were issued to KFOC, at its option, in satisfaction of the US\$133,819 aggregate amount of accrued and unpaid interest due on the Series II Note for the two month period ended June 1, 2007. The balance of the interest payable on the Series II Note, in the amount of US\$14,869, will be remitted to the Canada Revenue Agency for income tax.

Commencing June 29, 2007, in respect of the Series I Notes, and September 23, 2007, in respect of the Series II Note, if the weighted average trading price of the Common Shares on the AMEX for each of any 25 consecutive trading days is at least 150% of the Initial Conversion Price, the Corporation will, subject to certain conditions, have the right to force the Holders to convert all or any of the outstanding principal amount of the Series I Notes or the Series II Note, respectively, at the then Conversion Price.

The Notes contain customary covenants, including restrictions on the Corporation incurring debt or obligations for or involving the payment of money in excess of certain restricted amounts. The Notes also contain customary anti-dilution protection (including full protection for dividends) as well as adjustments in the event that the Corporation issues Common Shares or securities convertible into Common Shares at a purchase price (the Effective Price) per Common Share less than the conversion price. In such event, the conversion price will be reduced to the Effective Price, provided that the adjusted conversion price cannot be less than US\$9.12 (adjusted as prescribed in the Notes). Notwithstanding the foregoing, no adjustment is required in certain specified events, including Common Shares issued (i) pursuant to the exercise of stock options or in connection with the Corporation's share purchase plan, (ii) with favourable flow-through tax treatment relating to Canadian exploration expenses under the *Income Tax Act*

(Canada), or (iii) in connection with certain transactions involving a merger or acquisition of an entity, business or assets.

The Warrants contain anti-dilution protection similar to that of the Notes. In the event that the Corporation issues Common Shares or securities convertible into Common Shares at an Effective Price per Common Share less than the exercise price of the Warrants, the exercise price of the Warrants will be reduced to the Effective Price provided that the adjusted exercise price cannot be less than US\$10.73 (adjusted as prescribed in the Warrants). Notwithstanding the foregoing, no adjustment is required in certain specified events, including Common Shares issued (i) pursuant to the exercise of stock options or in connection with the Corporation's share purchase plan, (ii) with favourable flow-through tax treatment relating to Canadian exploration expenses under the *Income Tax Act* (Canada), or (iii) in connection with certain transactions involving a merger or acquisition of an entity, business or assets.

The Securities Purchase Agreement also provided the Holders with an option to acquire a third tranche of US\$10 million principal amount of convertible notes (the Series III Notes) on or before December 31, 2006, with each Holder entitled to acquire one-half. If either Holder determined not to acquire its entire allotment of the Series III Notes, the other Holder was entitled to purchase the balance. Common share purchase warrants were also to be issued in connection with the Series III Notes. The Holders did not elect to exercise their option to acquire the Series III Notes.

On June 21, 2006, the shareholders of the Corporation approved the issuance of all of the Common Shares issuable to the Holders in connection with the Offering.

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

RECENT DEVELOPMENTS

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The Corporation's wholly-owned subsidiary Lac Des Iles Mines Ltd. (LDI) has entered into a platinum and palladium purchase agreement dated as of January 19, 2007 (the Agreement) with Auramet Trading, LLC (Auramet), a precious metals merchant, providing for the purchase and sale of an average of 10,000 ounces of palladium and 500 ounces of platinum per month. The Corporation is a guarantor of LDI's obligations under the Agreement. LDI may not request any purchase and sale after June 15, 2008 and all sales and payment therefor are required to be settled by December 31, 2008. LDI may receive advance payments not exceeding, at any time, an aggregate maximum of US\$25 million.

The purchase price may be fixed or provisional, determined in the case of fixed by: (i) Auramet's current market bid price at the time of the transaction, and/or (ii) market limit orders by LDI to Auramet that have been concluded; and in the case of provisional, the afternoon fixing of the London Bullion Marketing Association immediately preceding the purchase. In each case such pricing will reflect the forward value corresponding to the scheduled delivery date. Advance payments to LDI may not exceed specified values of fixed and provisionally priced platinum and palladium. Provisional prices must be fixed prior to the scheduled delivery date for such precious metals. Each advance payment will be subject to a discount equal to LIBOR plus 1.9% per annum for the period between the date the advance payment is made and the scheduled delivery date. Upon the delivery of the precious metals to Auramet, Auramet will pay to LDI the difference between the advance payment and the purchase price.

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The Agreement contains conditions precedent to Auramet's obligation to disburse the first advance payment (all of which have been satisfied) and representations, warranties and covenants of LDI, all of which are usual for agreements of this type.

To secure the obligations of LDI under the Agreement, LDI has granted to Auramet a security interest, among other things, in the concentrates (including the precious and base metals contained therein) mined at the Lac des Iles mine, together with the proceeds arising from the sale of the concentrate, and, by way of security, an assignment of its smelting and refining agreement.

The Agreement contains usual events of default including the default of LDI of its obligations under the Agreement (or related documents), the bankruptcy or insolvency of LDI or a material adverse change in the financial and/or economic condition of LDI which may have a material adverse effect on the enforceability of the Agreement (or related documents).

The first advance payment was made on March 7, 2007 and was used to repay the working capital loan previously provided by KFOC and subsequent advance payments will be used to finance working capital requirements.

Fraser Sinclair was appointed as the Vice President, Finance and Chief Financial Officer of the Corporation effective April 1, 2007. Prior to April 2007, Mr. Sinclair ran his own independent consulting practice providing senior level financial and business advisory services. Prior to May 2004, he was Chief Financial Officer of Cedara Software Corp., a publicly traded medical imaging software company.

Trent Mell was appointed Vice President, General Counsel of the Corporation effective April 16, 2007. Prior to April 2007, Mr. Mell was Associate General Counsel and Assistant Secretary of Sherritt International Corporation, with primary responsibility for their metals division. Prior to December 2006, he was Corporate Counsel with Barrick Gold Corporation. Prior to November 2004, Mr. Mell was an associate with Stikeman Elliott LLP, where he practiced securities law.

REGISTRATION RIGHTS AGREEMENT

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In connection with the Offering, the Corporation entered into a registration rights agreement dated as of March 24, 2006 (the Registration Rights Agreement) with the Holders. The following summary of selected provisions of the Registration Rights Agreement is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Registration Rights Agreement. Copies of the Registration Rights Agreement are available from the Corporation upon request.

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

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

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- provide the Corporation with any additional information requested by the OSC and the SEC, if any;
- deliver a copy of this Prospectus to purchasers; and
- be subject to the provisions of the Registration Rights Agreement, including the indemnification provisions.

Under the Registration Rights Agreement, the Corporation will:

- pay all expenses of the registration statement;
- provide the Holders with copies of this Prospectus;
- notify the Holders when the registration statement has become effective; and
- take other reasonable actions as are required to permit unrestricted resales of the registrable securities in accordance with the terms and conditions of the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the Corporation may suspend the use of the Prospectus under certain circumstances relating to pending corporate developments, public filings with the SEC and similar events. Any suspension period shall not exceed one 90 day period during any period of 365 consecutive days.

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

- subject to an allowable suspension described above, if Holders are not permitted to sell Common Shares issued pursuant to the terms of the Notes for any reason for three or more consecutive trading days, or five or more trading days in aggregate in any 12 month period;
- if the Common Shares are not listed or quoted, or are suspended from trading on the AMEX for three or more consecutive trading days or five or more trading days in aggregate in any 12 month period;
- if the Corporation fails to deliver a certificate representing the Common Shares issued pursuant to the terms of the Notes within three trading days after delivery of such certificate is required under the Notes;
- subject to certain exceptions, if the conversion or exercise rights under either the Notes or the Warrants are suspended for any reason;
- if the Corporation fails to have available a sufficient number of Common Shares to issue to the Holders pursuant to the terms of the Notes; and
- subject to certain exceptions, if the Common Shares issued pursuant to the terms of the Notes are not freely tradeable on the TSX after July 29, 2006.

RISK FACTORS

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

Future sales or issuances of Common Shares could lower the Corporation's share price, dilute investors' voting power and may reduce the Corporation's earnings per share.

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The Corporation may sell additional Common Shares in subsequent offerings. It may also issue additional Common Shares to finance future acquisitions. The Corporation cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances and sales of Common Shares will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

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

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

- the Corporation's operating performance and the performance of competitors and other similar companies;
- volatility in metal prices;
- the public's reaction to the Corporation's press releases, other public announcements and the Corporation's filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the resource sector;
- changes in general economic and/or political conditions;
- the number of the Common Shares to be publicly traded after this offering;
- the arrival or departure of key personnel;