



North American Palladium Ltd.



# Investment Case for **PALLADIUM**

# Forward Looking STATEMENTS



Certain information included in this presentation, including any information as to our future production, exploration, financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute 'forward-looking statements' within the meaning of the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities laws. The words 'expect', 'believe', 'will', 'intend', 'estimate' and similar expressions identify forward-looking statements. Forward-looking statements, including future-oriented financial information, are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies, including the possibility that operations at the Lac des Iles and Sleeping Giant mines may not proceed as planned, that other properties may not be successfully developed, and that metal prices, foreign exchange assumptions and operating costs may differ from management's expectations. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of North American Palladium to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and that the forward-looking statements are not guarantees of future performance. For more details on these estimates, risks, assumptions and factors, see the Company's most recent Form 40-F/Annual Information Form on file with the U.S. Securities and Exchange Commission and Canadian provincial securities regulatory authorities. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except as expressly required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

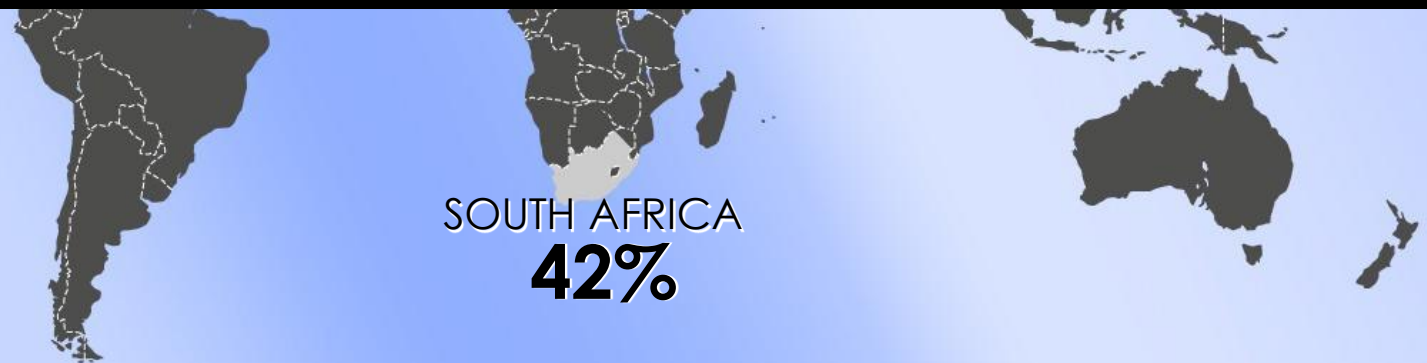
All dollar amounts in Canadian currency unless otherwise stated, all references to production refer to payable production, and all reference to tonnes refer to metric tonnes.

*U.S. investors are encouraged to refer to the "Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources" in the appendix.*

# Palladium Market: **MINE SUPPLY**



**ONLY 6.8 M oz. ANNUAL PRODUCTION WORLDWIDE**



Source: CPM Group, June 2011

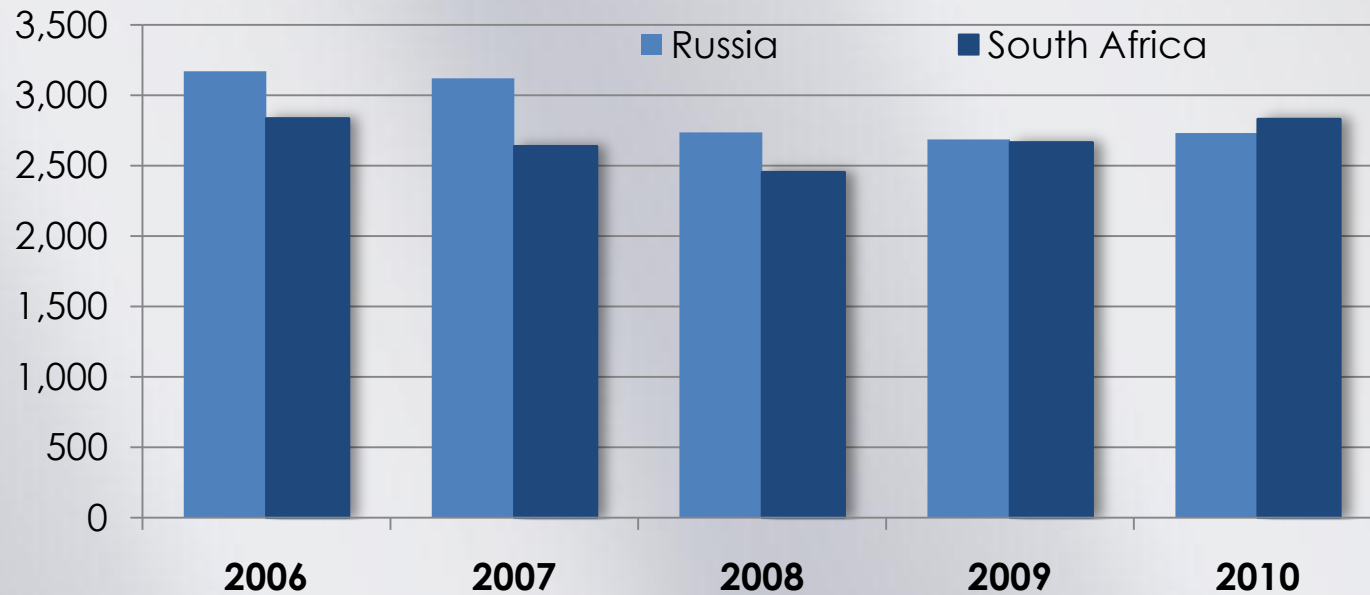
Note: Other producing countries (9%) include Zimbabwe, Australia, Botswana, China, Serbia and Montenegro; Excludes secondary supply of 1.7 M oz.

# Palladium Market: **SUPPLY**



## Constrained Mine Supply From Major Producers

(000's ounces)

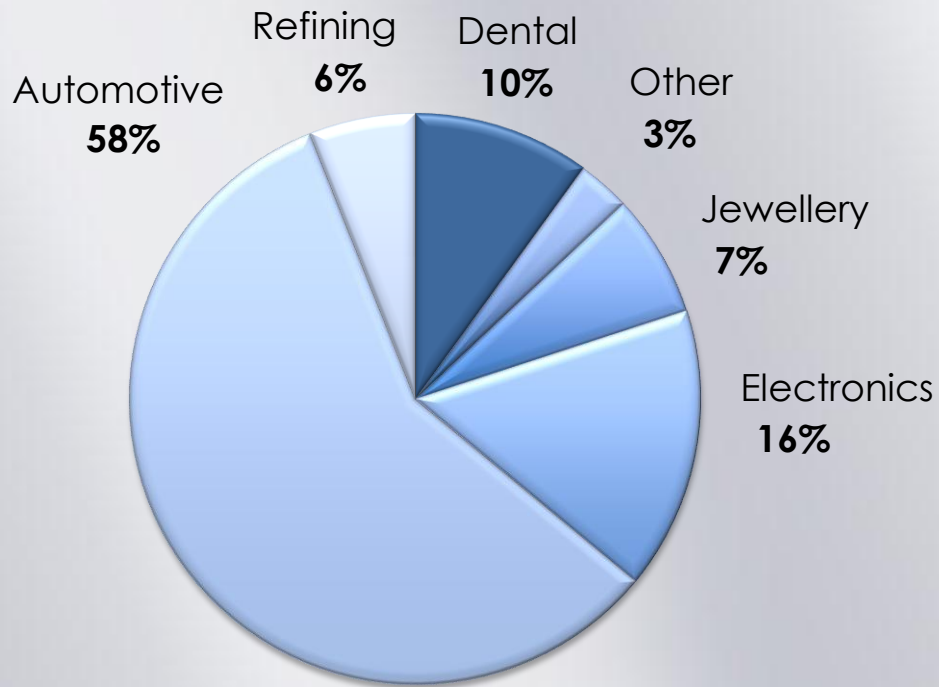


- Supply unable to match growth in demand
- Russian state stockpiles believed to be at or near depletion

# Palladium Market: **DEMAND**



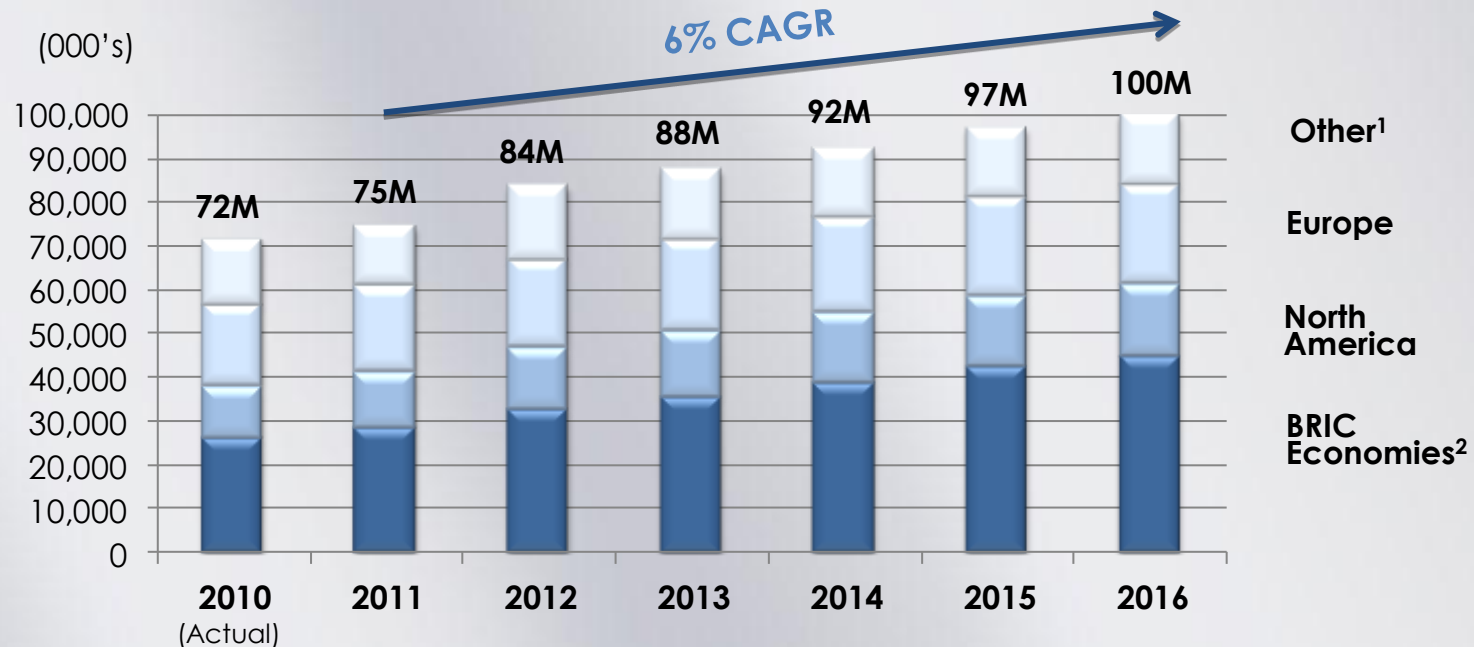
**2010 Fabrication Demand: 7.5 M oz.**



# Palladium Market: DEMAND



## Global Light Vehicle Production – 5 Year Forecast



Source: IHS Global Insight Automotive, June 2011

1. Other includes: Japan, Korea, Middle East and Africa

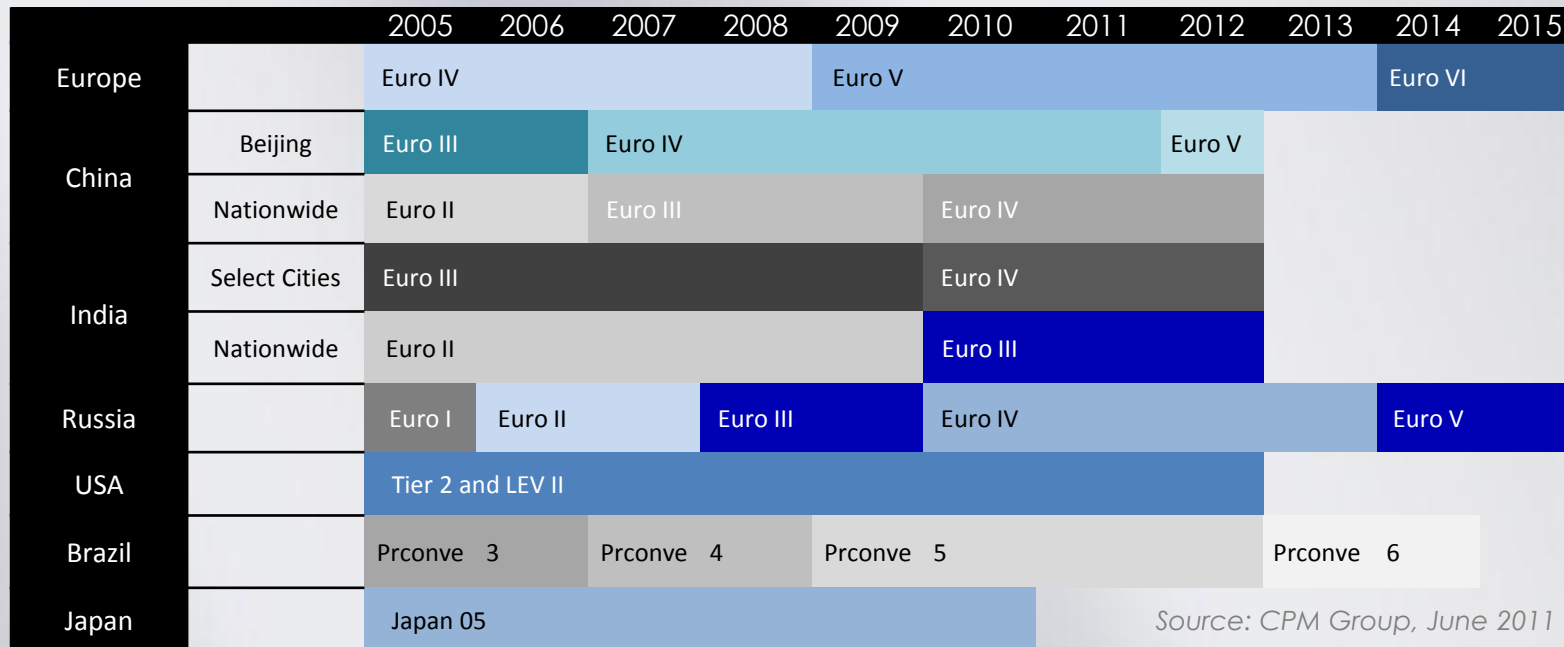
2. BRIC Economies include: Greater China, South America and South Asia

- Majority of demand derived from automobile sector for autocatalysts
- Strongest growth in regions outside of North America, Europe and Japan

# Palladium Market: DEMAND



## Adoption of Stricter Emission Control Standards



- Emerging economies have adopted emission control standards that mandate the use of catalytic converters
- Advancing to a higher level of emission controls results in higher PGM loadings in the catalytic converter
- Tightening emission control regulations for heavy-duty trucks

# Use of Palladium in CATALYTIC CONVERTERS



## Gasoline Engines

- Use +90% palladium (of total required PGM content)

## Diesel Engines

- Historically used platinum due to technical requirements
- Currently use 25% palladium, with scope to increase to 50% due to advent of low sulphur diesel fuel



## Hybrids & Other New Forms

- Neutral impact on PGM use
- Gasoline hybrids tend to use as much palladium as normal gasoline engines
- Currently account for only 1% of global cars sales<sup>1</sup>
- Forecasted to be 14% of overall market by 2020<sup>2</sup>

## Electric

- No requirement for catalytic converters
- Challenged by lack of infrastructure to recharge, high costs, long charging periods and short driving range
- Forecasted to account for only 2% of global car sales by 2020<sup>2</sup>

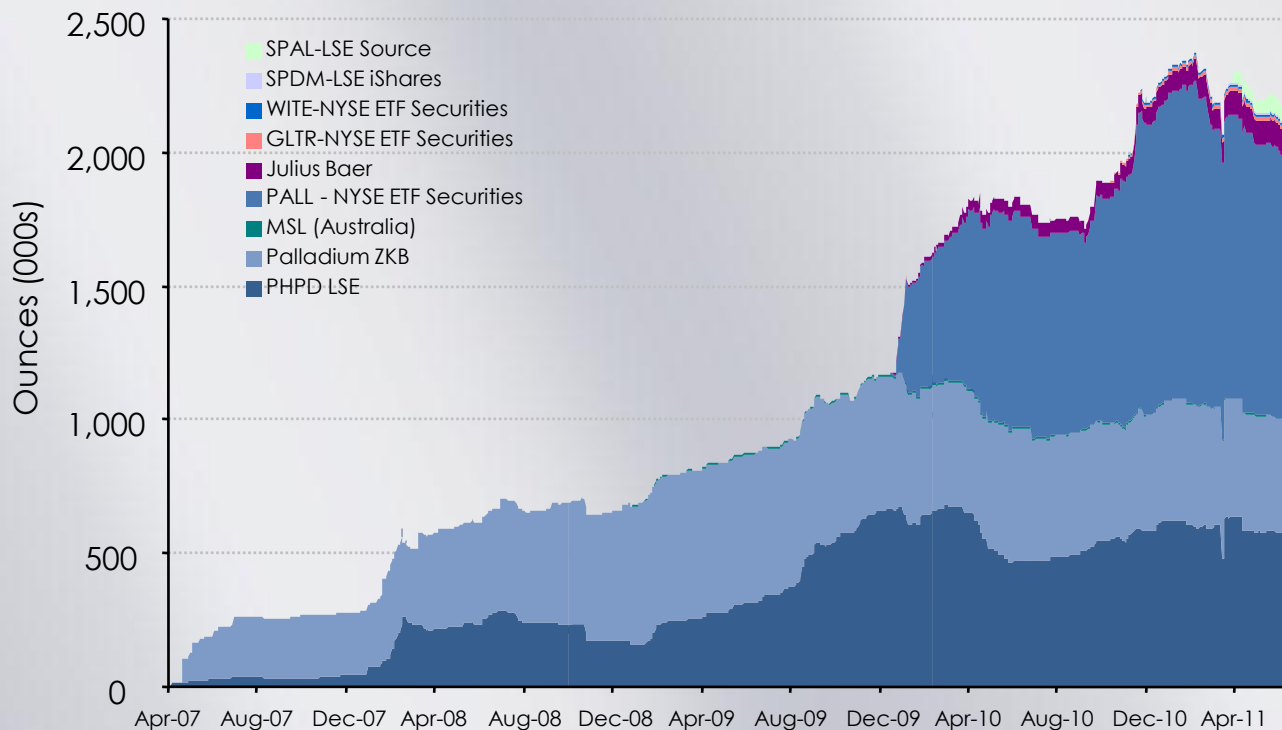
1. CPM Group, June 2010

2. Stefan Bratzel, director of the Centre of Automotive Management in Germany; as reported in Mitsui Global Precious Metals "Pole Position" Report, June 2010

# Palladium Market: DEMAND



## Exchange Traded Funds' Physical Palladium Holdings



- Increasing investment demand driven by perceived positive supply/demand fundamentals for palladium and automotive industry outlook

# Palladium Market: INCREASING PRICE



**Recent performance of Palladium (US\$/oz)**



**Average Annual Price Forecast (US\$/oz)**

|                     | 2011  | 2012    |
|---------------------|-------|---------|
| BNP Paribas         | \$860 | \$990   |
| CPM Group           | \$849 | \$908   |
| JP Morgan           | \$838 | \$938   |
| Credit Suisse       | \$803 | \$1,000 |
| Barclays            | \$820 | \$850   |
| UBS                 | \$800 | \$825   |
| RBC Capital Markets | \$780 | \$850   |

**Historic High:** US \$1,090 (2001)

**Recent Price:** US \$760 (Sept. 5, 2011)

## Best performing metal of 2010

Sources: Thomson One and available equity research: NP Paribas (Mar. 10, 2011); CPM Group (Mar. 4, 2011); JP Morgan (May 10, 2011); Credit Suisse (Aug. 10, 2011); Barclays PLC (Mar. 24, 2011); UBS (Dec. 15, 2010); RBC Capital Markets (Sept. 6, 2011).