



North American Palladium Ltd.



**2012 Guidance**

**JANUARY 17, 2012**

# Senior MANAGEMENT



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# Forward Looking STATEMENTS



Certain information included in this presentation constitutes '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', 'forecast', and similar expressions identify forward-looking statements. Such statements include, without limitation, any information as to our future exploration, financial or operating performance, including: the Company's forward looking production guidance, projected capital expenditures, operating cost estimates, project timelines, mining and milling rates, the methods by which ore will be extracted, projected grades, mill recoveries, and other statements that express management's expectations or estimates of future performance. Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions contained in this news release, which may prove to be incorrect, include, but are not limited to: that metal prices will be consistent with the Company's expectations, that the exchange rate between the Canadian dollar and the United States dollar will be consistent with the Company's expectations, that there will be no significant disruptions affecting operations, that prices for key mining and construction supplies, including labour and transportation costs, will remain consistent with the Company's expectations, that the Company's current estimates of mineral reserves and resources are accurate, and that there are no material delays in the timing of ongoing development projects. The forward-looking statements are not guarantees of future performance. The Company cautions the reader that such forward-looking statements involve known and unknown risks that may cause the actual results to be materially different from those expressed or implied by the forward-looking statements. Such risks include, but are not limited to: the possibility that metal prices, foreign exchange rates or operating costs may differ from management's expectations, uncertainty of mineral reserves and resources, inherent risks associated with mining and processing, the risk that the Lac des Iles and Vezza mines and may not perform as planned and that the Offset Zone and other properties may not be successfully developed, and uncertainty of the ability of the Company to obtain financing. For more details on the factors, assumptions and risks 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.

**2011 operating and capital expenditure numbers discussed in this presentation are subject to change following completion of the year-end audit. 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.**

# 2012 Guidance SUMMARY



## **2012 production & cash cost guidance:**

- LDI: 150,000 – 160,000 oz. Pd. at cash cost of US\$375 – US\$400/oz.
- Veza: 30,000 oz. Au. (*nine month period*) at a cash cost of US\$1,150/oz.



## **\$139 M investment in growth:**

- LDI Mine Expansion: \$116 M
- Veza : \$17 M



## **Significant \$16 M palladium exploration program:**

- 70,000 metres



## **Commencement of operations at Veza gold mine:**

- Commercial production at 750 tpd expected in Q2, 2012 (increased production at 850 tpd planned for 2013)
- Steady cash flow to fund growth in palladium operations



## **Gold division restructuring:**

- Sleeping Giant mine closure due to insufficient operating margin (mill will continue to operate)
- Seek to realize value through sale or joint venture on other gold properties
- ~\$50 M non-cash impairment charge on gold assets

# LDI Mine Expansion INVESTMENT PROPOSITION



## Canada's Only Primary Palladium Producer

- ✓ Transitioning into a long life, low cost mine with steady production growth
- ✓ Significant development & exploration upside
- ✓ Leverage to the rising price of palladium
- ✓ Safer investment alternative to South African peers - *more stable political landscape & reduced geopolitical risk*








## Restructuring of Gold Division Allows for Greater Focus on Palladium Growth Initiatives



- ✓ Sleeping Giant mine closed due to insufficient operating margin
  - Mill will continue to operate
- ✓ Commencement of operations at Vezza gold mine
  - Focus on cash generation to support palladium growth initiatives
- ✓ Seeking to realize value through sale or joint venture on other non-producing gold assets
- ✓ Non-cash impairment charge of ~\$50 M on gold assets to be reflected in YE financial results

# Financial POSITION



-  \$51 M in cash as at Dec. 30, 2011
-  \$60 M operating line (\$48 M available)
-  \$15 M capital lease in the process of being finalized



***Strong balance sheet supports growth strategy***

# LDI PRODUCTION GUIDANCE



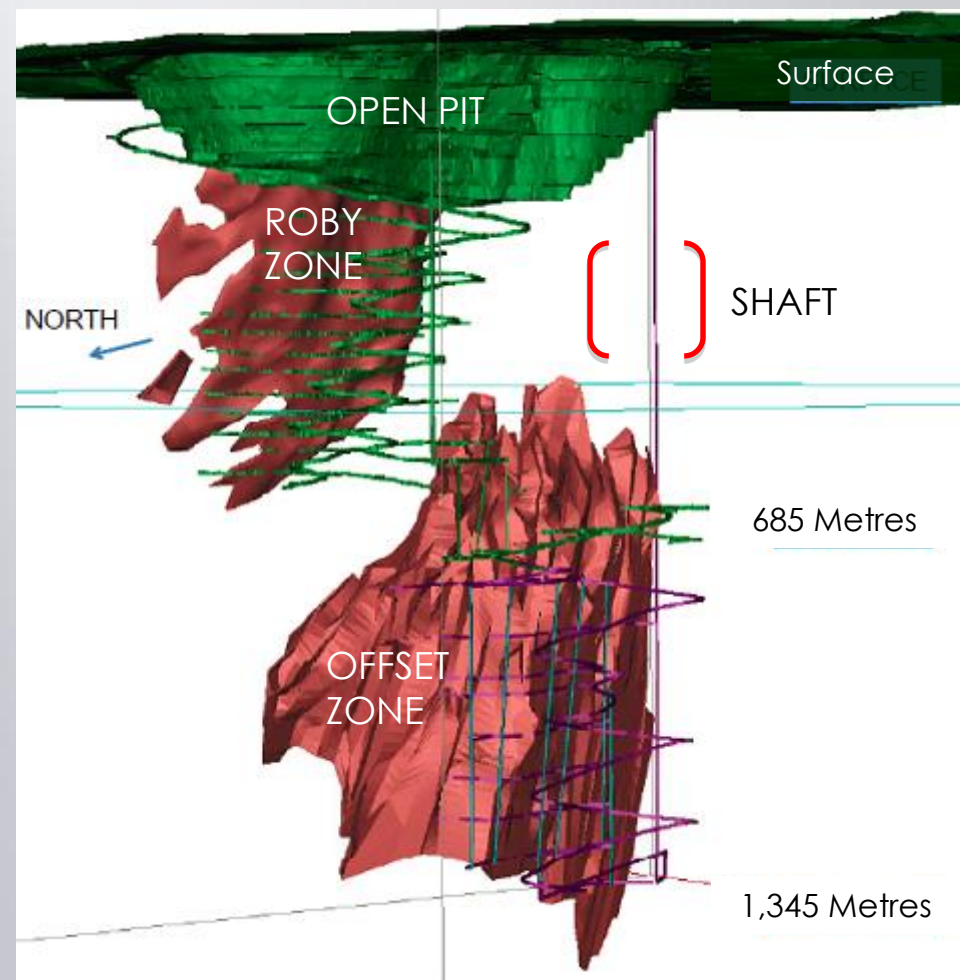
	<b>2011 Actual</b> <i>(Subject to Audit)</i>	<b>2012 Guidance</b>
<b>Payable Palladium Production</b>	146,000 oz.	<b>150,000 - 160,000 oz.</b>
<b>Cash Costs<sup>1</sup></b>	~US\$450/oz.	<b>US\$375 - US\$400/oz.</b>
<b>Total Ore Milled</b> (tonnes milled)	1.7 M	<b>1.8 M – 2.0 M</b>
<b>Average Palladium Head Grade</b> (milled)	3.7 g/t	<b>3.7 g/t</b>
<b>Underground Sources</b> (tonnes mined)	1 M @ 5.2 g/t	<b>0.8 M – 1 M @ 5.3 g/t</b>
<b>Surface Sources</b> (tonnes mined)	0.7 M @ 1.7 g/t	<b>1 M @ 1.9 g/t</b>
<b>Palladium Mill Recovery</b>	78%	<b>78%</b>

1. Cash costs per ounce is a non-IFRS measure. For reconciliation of historical total cash costs per ounce to production costs, please refer to the Company's financial statements. Cash costs per ounce are presented net of byproduct credits and can be materially affected by changes in byproduct metal prices, as well as the Canadian/US dollar exchange rate. The 2012 guidance assumes: US\$1,600 per ounce gold, US\$1,600 per ounce platinum, US\$8.50 per pound nickel, US\$3.50 per pound copper and an exchange rate of C\$1.00 to US\$1.00.

# LDI Mine Expansion 2011 PROGRESS

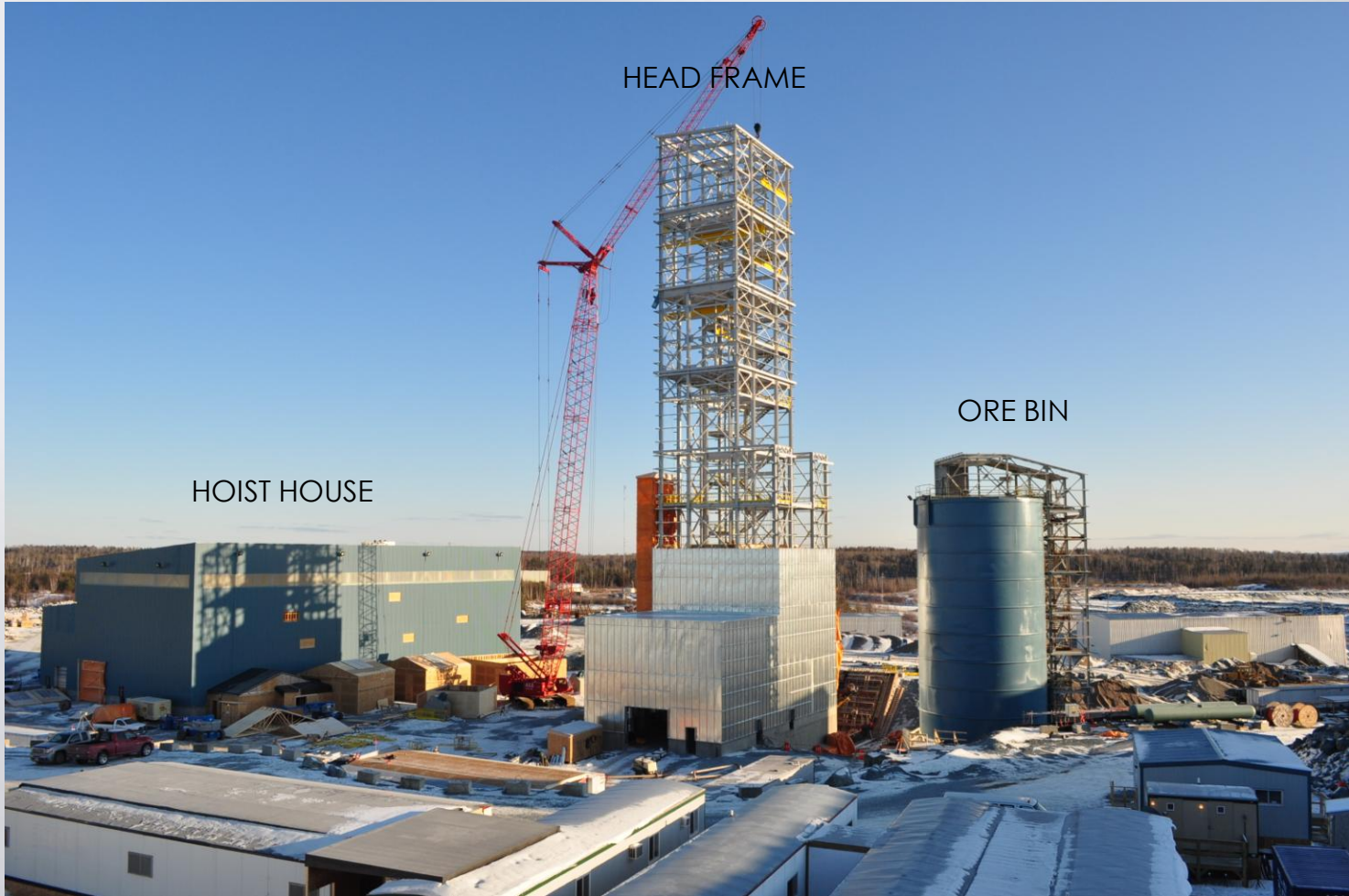


Development Activity	Status
1. Constructing the head frame, hoist room and electrical substation construction	90% Complete
2. Completing the shaft raise bore pilot hole and primary ventilation raise bore	100% Complete
3. Sub collar work related to shaft sinking	80% Complete
4. Completing the pilot hole for the backfill aggregate raise to the surface	100% Complete
5. Advancing the ramp to the Phase I shaft bottom at 795 metres	Substantially Complete (at 775 m)
6. Developing the 735-metre mine level in preparation for production	In Progress



The underground design schematic of LDI, showing the deposit and underground ramp infrastructure, looking east.

# LDI Mine Expansion IN PROGRESS



# LDI Mine Expansion 2012 DEVELOPMENT PLANS



## \$116 M Budget to Complete Phase 1 of Mine Expansion

- ✓ Complete the surface construction activities
- ✓ Complete the 735-metre mine level development
- ✓ Commence set up of Offset stopes for production
- ✓ Complete the shaft sinking to the 795-metre level by year end



***On Track to Commission Shaft by Year End***

# Significant EXPLORATION UPSIDE



- \$16 M budget for palladium exploration\*
- 70,000 metres of drilling planned
  - 64,000 metres at LDI
  - 6,000 metres at other nearby properties
- LDI program objectives:
  - ✓ To expand reserves & resources at LDI and identify new targets
  - ✓ Underground exploration targeting the Offset Zone – infill drilling & testing Offset Zone extensions towards surface, at depth & south
  - ✓ Drilling at North LDI, North VT Rim and Legris Lake



\* \$10 M of the budget (55,000 of the 64,000 metres to be drilled at LDI) is in connection with the LDI mine expansion and is included in the \$116 M capital expenditure budget.

# Veza PRODUCTION GUIDANCE



	2012 (Guidance)	2013 (Preliminary Forecast)
<b>Payable Gold Production</b>	30,000 oz.*	43,000 oz.
<b>Cash Costs</b>	US\$1,150/oz.	~US\$1,000/oz.
<b>Average Head Grade at Mill</b>	5.2 g/t	TBD
<b>Gold Recovery</b>	88%	88%
<b>Daily Mining Rate</b>	750 tpd	850 tpd



***\$17 Million Budget for Continued Development***

\* For the nine month period to December 31, 2012.

# NAP POSITIONED FOR GROWTH



## VISION

To become a low cost mid-tier precious metals producer (~250,000 ounces annual production)

## 2012 INITIATIVES

1. Complete Phase 1 of LDI mine expansion to increase UG mining rate from 2,600 tpd to 3,500 tpd in 2013
2. Complete development at Vezza to increase UG mining rate from 750 tpd to 850 tpd in 2013





## Favourable palladium market outlook

## Upcoming Milestones:

- ✓ LDI exploration update on the remaining results from the 2011 drill program - [expected in Q1](#)
- ✓ Updated mineral reserve and resource estimate for LDI - [expected in Q2](#)
- ✓ Updated mineral reserve and resource estimate for Vezza - [expected in Q2](#)



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**Q & A**



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