



North American Palladium Ltd.

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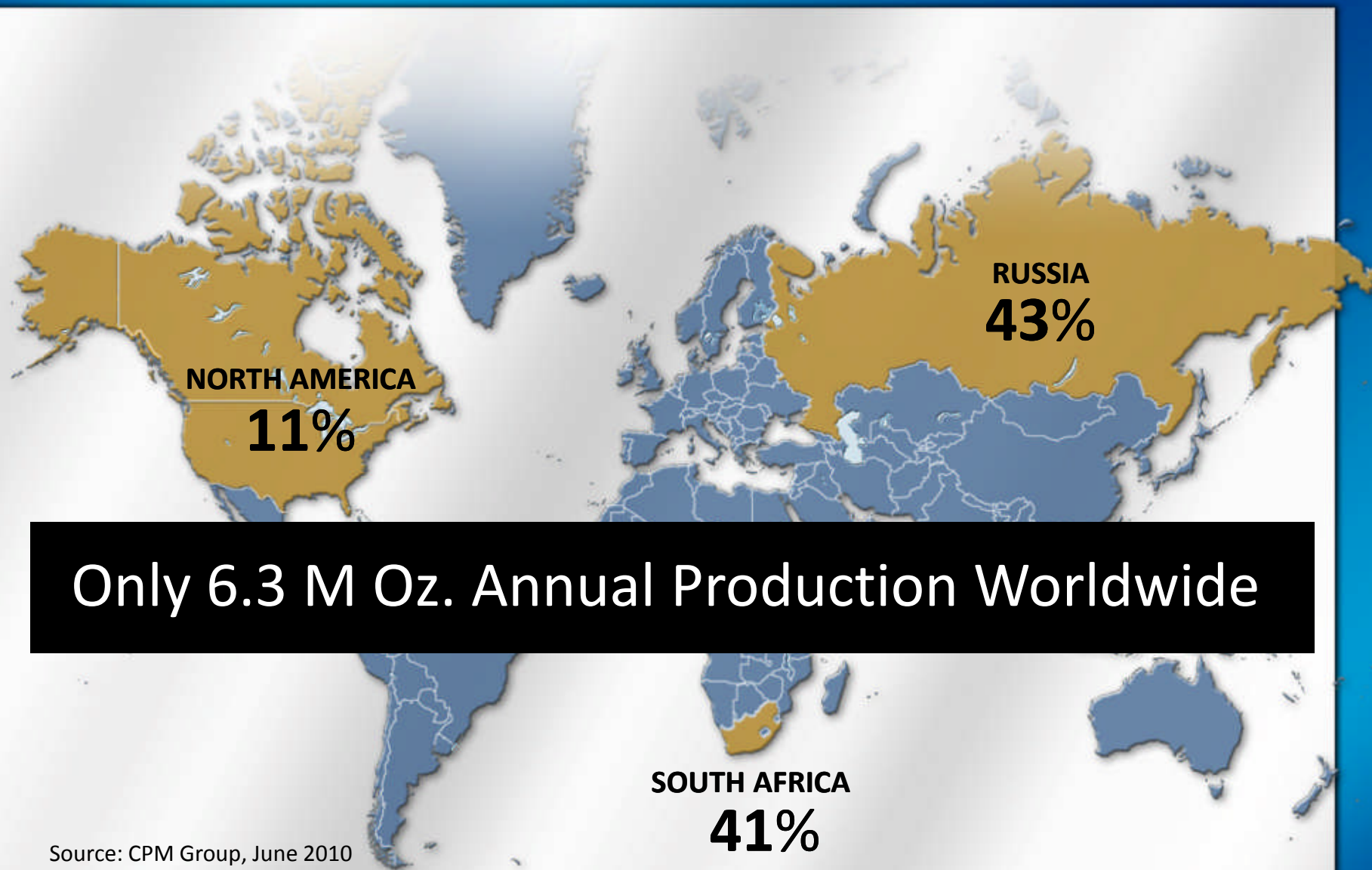
# Investment Case for **Palladium**

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# Palladium Market: Mine Supply



**Only 6.3 M Oz. Annual Production Worldwide**

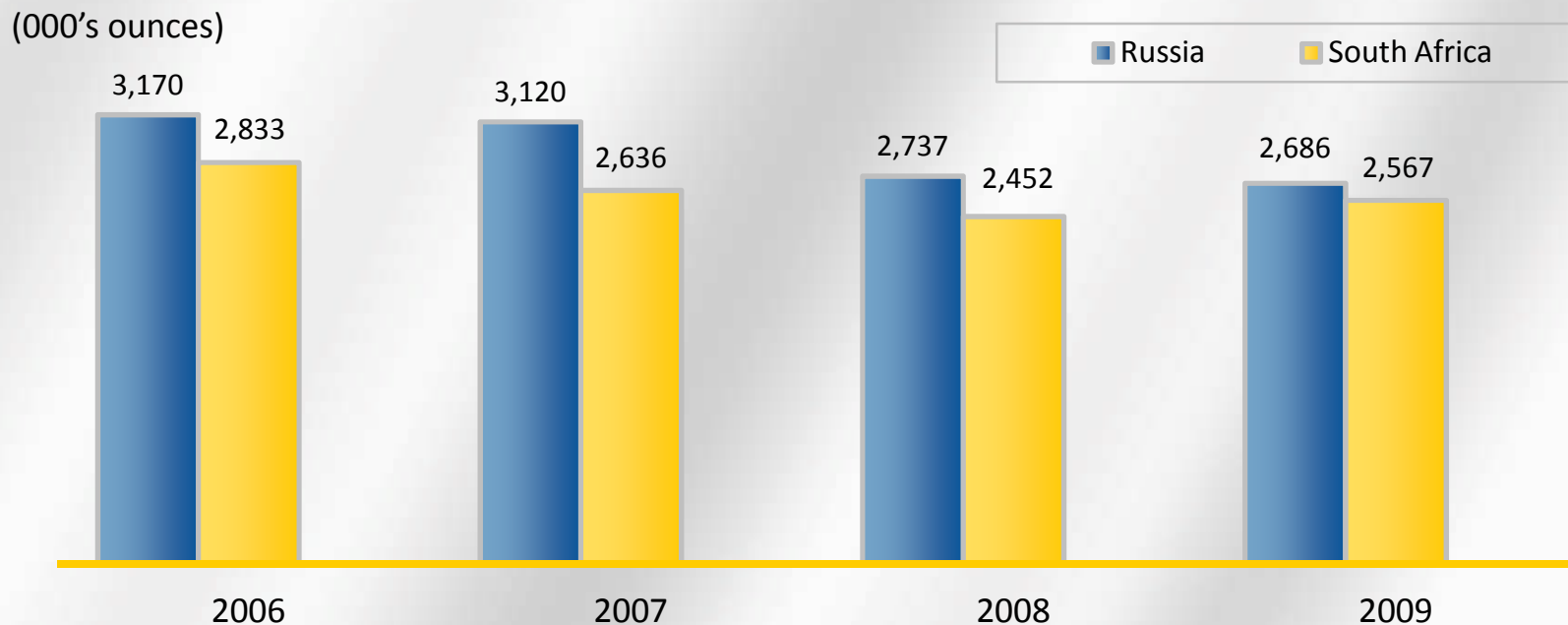
Source: CPM Group, June 2010

Note: Excludes secondary supply of 1.34 M oz.

# Palladium Market: Supply



## CONSTRAINED MINE SUPPLY



Source : CPM Group, June 2010

## RUSSIAN STOCKPILE NEARING EXHAUSTION

- "The company and other main market players conclude on the basis of indirect indicators that the state palladium stocks will not be a decisive factor on this market."<sup>1</sup>
- "The Russian state palladium stock is "practically nil," and the State Precious Metals and Gemstones Repository, known as Gokhran, is unlikely to sell palladium on the world market."<sup>2</sup>

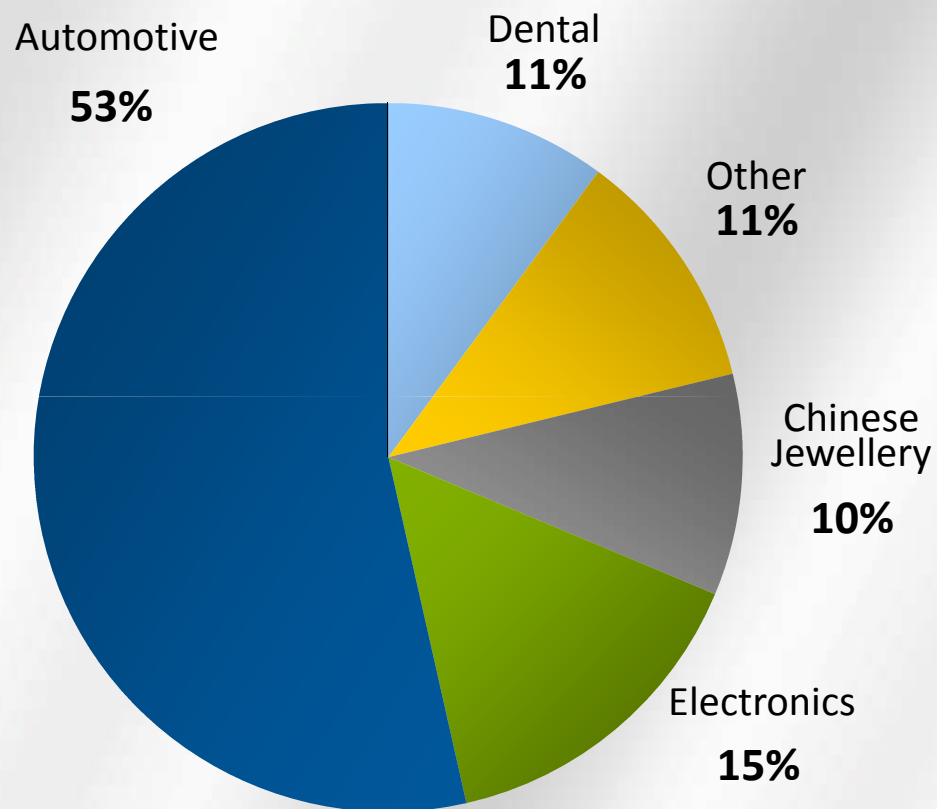
1. Viktor Sprogis, Deputy CEO, Norilsk Nickel; as reported by Reuters, May 21, 2010 .

2. Statement made by a Russian Finance Ministry official; as reported by Dow Jones, November 17, 2010.

# Palladium Market: Demand



## 2009 FABRICATION DEMAND



Source: CPM Group, June 2010

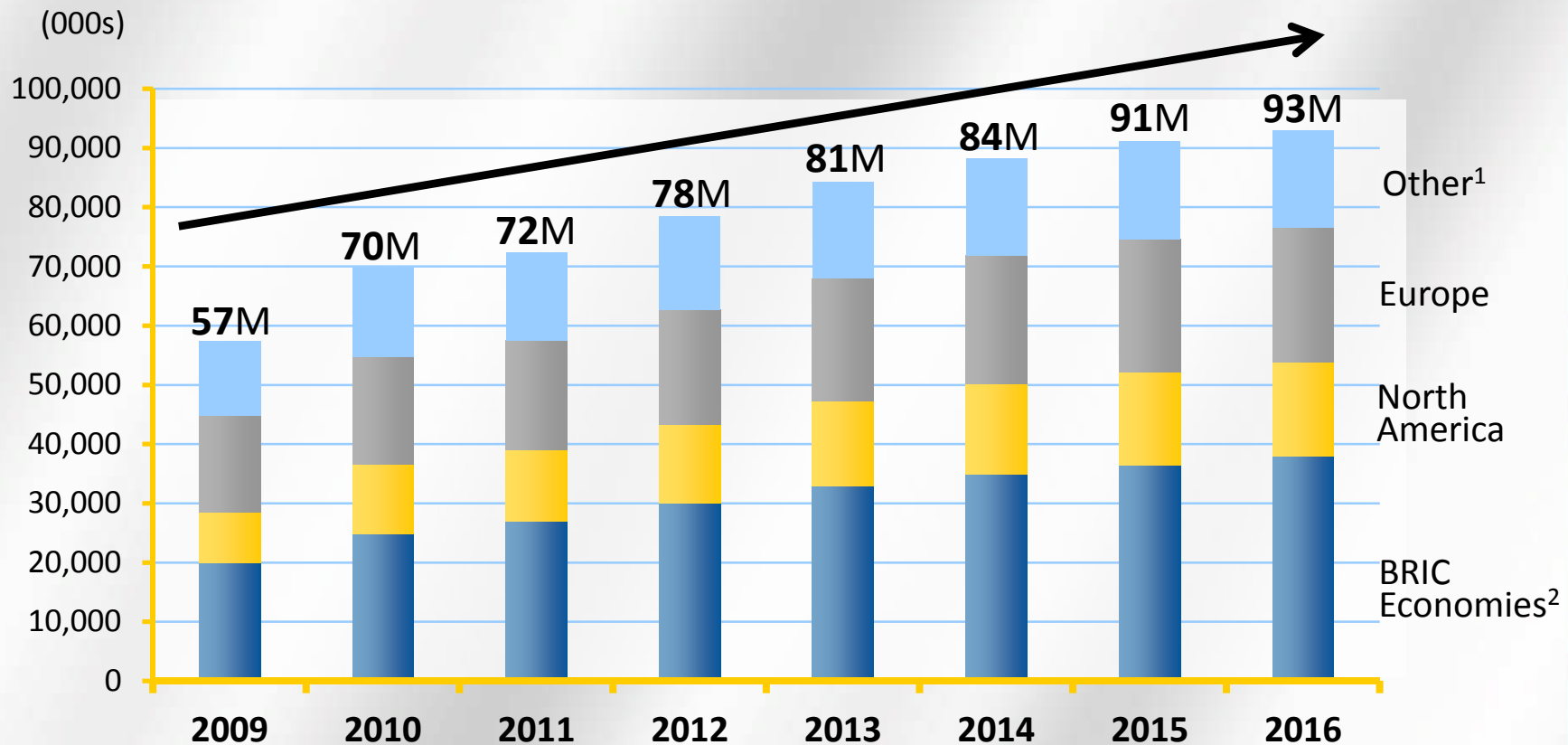
Notes: Other includes chemical and petroleum catalysts, jewellery (excluding China), and other minor uses of palladium





# Palladium Market: Demand

## Global Light Vehicle Production



Source: CSM Worldwide Inc., Oct. 2010

1. Other includes: Japan, Korea, Middle East and Africa
2. BRIC Economies include: Greater China, South America and South Asia



# Palladium Market: Demand



## Adoption of Stricter Emission Control Standards

		2005	2006	2007	2008	2009	2010	2011	2012
Europe		Euro IV				Euro V			
China	Beijing	Euro III		Euro IV					
	Nationwide	Euro II		Euro III			Euro IV		
India	Select Cities	Euro III					Euro IV		
	Nationwide	Euro II					Euro III		
Russia		Euro I	Euro II		Euro III		Euro IV		
USA		Tier 2 and LEV II							
Brazil		Prconve 3		Prconve 4		Prconve 5			

- 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



# Use of Palladium in Catalytic Converters

## Gasoline Engines

- Use +90% palladium

## Diesel Engines

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



## Hybrids & Other New Power 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>

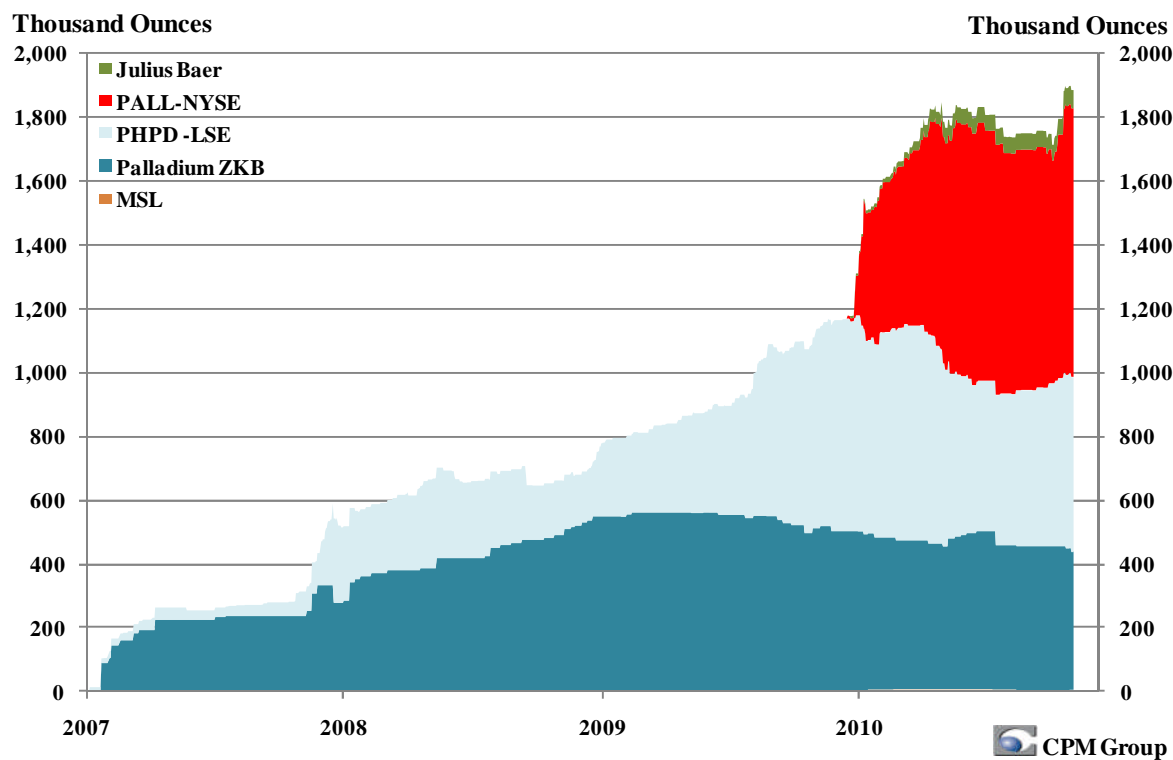
1. CPM Group, June 2010

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

ETFs: Approaching 2 M ounces

Exchange Traded Funds' Physical Palladium Holdings



Source: CPM Group, as of Nov. 8, 2010

**FIX** GROUP



*London*  
**STOCK EXCHANGE**



**TOKYO**  
STOCK EXCHANGE



**NYSE**





# Palladium Market: Increasing Value

## RECENT PERFORMANCE OF PALLADIUM



## NEAR-TERM AVERAGE ANNUAL PRICE FORECASTS

	2011	2012
CPM Group	\$700	\$752
UBS	\$625	\$700
JP Morgan	\$675	\$742
Barclays	\$554	\$600
Bank of America Merrill Lynch	\$775	\$850

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

**Current Price:** US\$660 (Nov. 17, 2010)

**Best performing precious metal of 2010**

Sources: Thomson One; CPM Group, Nov. 4, 2010; UBS, Oct. 18, 2010; JP Morgan, Jul. 2010; Barclays, Nov. 5, 2010; Bank of America Merrill Lynch, Nov. 11, 2010.