



With the setback of putting a mine on



Bill Biggar

care and maintenance, North American Palladium (TSX: PDL) found a silver lining: The Company has been able to refocus

its \$85 million capital pool on increasing the mine life at its Lac des Iles Mine. President and CEO Bill Biggar explains the plans for increased exploration on its 21,000 acre property.

Global Resource Reference: Your biggest setback last year was declining metal prices, which forced you to temporarily put on care and maintenance the Lac des Iles Mine. At what point did you decide to halt mining?

Bill Biggar: We made the decision in late October, principally because of the dramatic decline in commodity prices. We formulated the view that with all the uncertainty in the global economy, this was unlikely to be a month or two phenomenon but more extensive. The key point was that because of the potential length of the downturn we did not want to deplete our valuable resources at money-losing prices. It just didn't make sense.

We were decisive and I think one of the first companies to make a shutdown decision. Prior to the shutdown, we were producing over 250,000 ounces of palladium per year.

GRR: Meanwhile, your indicated resource estimate for just one of your zones has increased with drilling by 280%, which supports your objective of adding an additional ten years of mining life at Lac des Iles.

BB: That is correct. A scoping study released last August showed that, in addition to the two years of remaining mine life in the current underground mine, the Offset Zone had the potential to add ten more years of mining. The new resource estimate increases our confidence level in the longevity of the mine. One of the benefits of going on care and maintenance, if there is a silver lining, is that we're now able to look at how we want to shape our future and how we're going to optimize our operations when we

do restart. It's really two-fold. One is we've got an aggressive drill program at the Lac des Iles mine site. We're doing more infill drilling, which should allow us to further upgrade resources and develop an optimal mine plan for when we restart operations.

Secondly, we've got a large property position of about 21 thousand acres and most of it is under-explored, so we are going to drill some interesting targets with the objective of finding new resources.

GRR: What is your liquidity position?

BB: Fortunately we did an equity offering a little over a year ago with Merrill Lynch and raised about \$85 million. From a cash flow point of view, we also had a very profitable first two quarters in 2008. So we're debt free and as we collect on our remaining concentrates that are being processed virtually all of our working capital will become cash.

GRR: How aggressively are you spending to grow your resources?

BB: Our exploration budget is \$7 million, which is a substantial program. We're spending the bulk of that on and around the Offset Zone to upgrade the resources and move them into reserves and facilitate mine planning.

Also, the Offset Zone is open in every direction so we're drilling on the zone that sits right on top of it, which we think will add additional resources.

GRR: Are PGEs going to come back strongly when they do come back?

BB: Absolutely. We hold the view—and this is shared by leading forecasters for PGMs—that the mid to long term outlook is excellent for palladium. The reason for that is really two-fold. The supply side is unlikely to grow in the future. Global palladium production is about seven million ounces. Roughly 45% of that comes out of Russia as a by-product of Norilsk. Another 40% comes out of South Africa, where they've got infrastructure issues around electricity supply. The remaining 10-15% is primarily North American Palladium and Stillwater.

So it appears unlikely that the seven million ounces is going to grow substantially in the future.

On the demand side, about 50% of palladium supply is consumed by autocatalysts—and we know where the auto industry is at the moment. But as the world economies start to recover, the leading forecasters believe we're going to see significant growth in global auto production, particularly in emerging markets like China and India. Also, most countries have now mandated tighter exhaust emission controls, which means further demand for palladium.

GRR: What is it that gives North American Palladium an edge over others?

BB: First and foremost, we've got a terrific long-life asset in Thunder Bay. We are experienced miners located in a mining friendly jurisdiction.

We've also got an experienced entrepreneurial senior management team. I was hired here with a background in business but also have extensive experience in mining. In the late 90s, I was in charge of acquisitions with Barrick Gold, and have

also worked at Magna International. Our Vice President Operations, Dave Passfield, has over 30 years experience in open pit and underground operations, and Bill Stone, our Vice President Exploration, has over 25 years experience with major international mining companies. Trent Mell, our Vice President Corporate Development, previously worked with Barrick Gold.

My mandate at NAP is to build shareholder value in the direction of becoming a multi-billion dollar precious metals company, and there are really two ways that we're going to do that. First we're going to optimize our current operations by seeking to maximize annual production and mine life, and lower operating costs per ounce on mine restart. Secondly, through acquisitions and joint ventures, we intend to diversify away from being a single mine, largely single metal operation. From an operational point of view, that is just good business. **GRR**

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~NAP President and CEO Bill Biggar