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News Release

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North American Palladium Ltd. Announces Third Quarter 2001 Results

North American Palladium Ltd. announces results for the third quarter ended September 30, 2001.

Results of Operations

The Company incurred a net loss for the three months ended September 30, 2001 of $2,715,000 or $0.05 per share (fully diluted) on revenues of $23,225,000 compared to a net income of $16,552,000 or $0.64 per share (fully diluted) on revenue from metal sales of $29,376,000 for the corresponding period a year earlier. The decrease in revenue in the current quarter was due to the dramatic drop in the palladium price, which was in part offset by a 30% increase in palladium production.

For the nine months ended September 30, 2001 the Company reported net income of $6,275,000 or $0.12 per share on revenues of $64,606,000 compared to net income of $37,314,000 or $1.42 per share on revenues of $78,036,000 for the nine months ended September 30, 2000. Net income for the nine months ending September 30, 2001 was reduced compared to the corresponding period in 2000 as a result of an extended commissioning period for the new plant and the resulting lower than design throughput and recoveries.

During the third quarter, the new 15,000 tonne per day concentrator processed 910,509 tonnes of ore or 11,480 tonnes per day based on mill availability of 86.2% with a palladium grade of 2.003 g/t, producing 36,891 ounces of palladium. In the third quarter 2000, the old concentrator processed 227,262 tonnes of ore grading 5.250 g/t, producing 28,273 ounces of palladium. Palladium recoveries in the third quarter 2001 were 62.9% compared to 73.7% in the third quarter 2000.

The lower than anticipated throughput and recoveries in the quarter was due to difficulties with the refurbished pebble crusher, the inability of the SAG mill to reach the designed processing rate and unanticipated constraints with the flotation circuit cleaning capacity. A new, larger pebble crusher was purchased and commissioned in early October. It has been demonstrated that the feed through the SAG mill can reach and exceed the designed daily capacity of 15,000 tonnes by blending finely crushed material with the coarser ore from the primary crusher. In order to sustain throughput at the designed mill capacity the Company will initially utilize a contractor, in combination with the old crushing plant to provide the fine ore requirement. During the start-up of the new concentrator, palladium recoveries have been below expected levels, but are anticipated to increase by year-end as a result of improvements in the SAG mill throughput and by expanding the capacity in the cleaner flotation circuits. On November 5th, an available flotation circuit in the old mill was activated to provide temporary additional cleaner flotation capacity. As a result of the temporary modifications to the grinding and flotation circuits, both mill throughput and recoveries are improving. In the long-term a secondary crushing facility will be required and the flotation capacity at the new mill will be expanded. These initiatives will require up to an estimated $15 million in capital.

Production costs including overhead were $16,303,000 during the third quarter 2001 compared to $4,560,000 during the third quarter 2000. The significant increase in costs during the quarter was due to the much higher volumes of ore mined and processed in the new concentrator compared to the volume of ore mined and processed in the old plant. Ore mined during the quarter was 1,655,897 tonnes compared to 795,607 tonnes in the third quarter 2000. Of the ore mined in the third quarter, 559,652 tonnes was classified as high grade (greater than 1.49 g/t palladium), 592,137 tonnes was classified as medium grade (1.1 to 1.49 g/t palladium) and 504,108 tonnes was classified as regular grade (0.7 to 1.09 g/t palladium). The high and medium grade material added to the broken ore inventory in the third quarter was valued at a mining cost of $8.52 per tonne. It should be noted that the broken ore stockpile at the end of the quarter increased to 6.2 million tonnes grading 1.43 g/t palladium and containing approximately 284,500 ounces of palladium. The stockpile contains 1.9 million tonnes of high grade material (1.94 g/t palladium) which will be drawn down over the next several months to reduce working capital and improve cash flow.

Cash costs to produce palladium, net of other metal credits and royalties, increased to US$306 per ounce in the third quarter 2001 compared to US$274 per ounce in the second quarter 2001. The increase in unit cash costs resulted from the lower than anticipated palladium recoveries and mill throughput. Unit cash costs are expected to improve as the volume of ore processed in the new concentrator ramps up to full throughput of 15,000 tonnes per day during the fourth quarter in combination with expected improvements in palladium recoveries.

The net income for the first nine months was affected by a $5,171,000 provision for income taxes. For the first three quarters of 2000, the corporate income tax provisions were offset by the benefit of tax loss carryforwards that were recognized as the tax loss carryforwards were utilized. As a result of the mine expansion and the completion of the public equity offering, a future tax asset related to the recognition of the future benefit of the remaining unrecognized tax loss carryforwards was recorded during the fourth quarter of 2000.

Liquidity and Capital Resources

Cash flow from operations (prior to changes in non-cash working capital) was $627,000 in the third quarter 2001 and $16,558,000 for the nine months ended September 30, 2001. This compares to cash provided by operations of $22,381,000 in the third quarter 2000 and $53,952,000 for the nine months ended September 30, 2000. The reduction in cash flow was primarily due to the weaker palladium price and the increased production costs experienced during start up of the new concentrator. Changes in non-cash working capital required $7,895,000 of cash in the third quarter 2001. After allowing for non-cash working capital changes, cash provided by operations was $14,089,000 in the first nine months of 2001 compared to cash provided by operations of $27,789,000 in the first nine months of 2000.

The primary investing activity during the first nine months was the expansion project, which required $97,987,000 of cash. During this period the expansion project funding requirements were met by drawing the remaining $83,060,000 under the project term loan with the balance coming from cash resources. With a reduction in expansion project accounts payable and the build up of broken ore inventory, working capital increased to $96,115,000 at September 30, 2001, compared to $73,642,000 at June 30, 2001.

North American Palladium is currently in the final stages of completing a US$20 million revolving credit facility. The facility is intended to finance working capital requirements and the capital improvements at the Lac des Iles mine. Kaiser-Francis Oil Company, North American Palladium's largest shareholder, will provide the credit facility. The rate of interest under the facility will equal LIBOR plus a margin of 2.25%.

Production Statistics

	Third Quarter Sept. 30,		Nine Months Sept. 30,	
	2001	2000	2001	2000
Palladium (oz)	36,891	28,273	76,003	74,487
Payable Palladium (oz)	33,755	25,761	69,496	67,612
Platinum (oz)	3,347	1,741	6,328	4,531
Gold (oz)	2,829	1,520	5,996	4,196
Copper (lbs)	956,935	317,117	1,899,647	898,179
Nickel (lbs)	348,015	228,901	1,000,850	647,606
Ore Tonnes Milled	910,509	227,262	1,515,677	663,955
Ore Tonnes Mined				
High grade ore	559,652	489,677	1,548,163	1,549,637
Medium grade ore	592,137	305,930	1,233,057	406,162
Regular grade ore	504,108	-	1,611,899	-
Waste Tonnes Mined	4,758,748	287,642	14,563,190	1,915,255
Waste Strip Ratio	2.87:1	0.36:1	3.32:1	0.98:1

Exploration

During the quarter, the Company completed a deep core drilling program at the mine site and announced the discovery of a new high grade zone on September 25, 2001. From May 10, 2001 to August 15, 2001 three diamond drill rigs completed 17 holes (15,553 metres) and extended 12 previously drilled holes (2,871 metres). This drilling was focused on the down plunge extension of the Main High Grade Zone and the newly discovered Offset High Grade Zone below 560 metres. In total, 20 holes intersected the High Grade Zone, both above (Main High Grade Zone) and below (Offset High Grade Zone) the fault. The early detection of the offset led to the extension of pre-existing drill holes and ultimately the intersection of the High Grade Zone twice in 20 of these holes. This reduced exploration expenses significantly while permitting the Company to achieve its exploration goals for 2001.

The Offset High Grade Zone appears beneath a recently discovered fault and is offset approximately 250 metres west of the Main High Grade Zone. The Offset High Grade Zone has been traced from a vertical depth of 560 metres to 903 metres and has been drilled over a 300 metre strike length. This zone not only remains open to the south and at depth, but also towards surface beneath the fault. Movement on the fault is interpreted to be oblique normal, resulting in displacement of the Roby Zone towards surface. In the Offset High Grade Zone, hole 01-052 contained 54 metres grading 5.44 g/tonne palladium which includes a 10.5 metre intercept grading 10.32 g/tonne palladium. In addition hole 01-020 contains 13.3 metres grading 11.19 g/tonne palladium and hole 01-059 contains 12.90 metres grading 8.69 g/tonne palladium.

The Main High Grade Zone strike length has been extended to 390 metres. It is cut-off by the fault at depths ranging from 390 metres to the south to 625 metres to the north but remains open to the north and down plunge. In the Main High Grade Zone hole 01-055 contains 15 metres grading 7.88 g/tonne palladium and hole 01-056 contains 9 metres grading 11.87 g/tonne palladium.

These results support the possibility of an underground mining operation below the ultimate pit depth of 400 metres. A recently completed structural analysis will be followed by a resource estimate. Additional drilling will be required from surface to determine the full extent of both High Grade Zones and engineering studies will be required to assess the underground mining potential.

Surface exploration activities were completed at the Buck Lake and North Lac des Iles properties. As follow-up to the Induced Polarization EM surveys last winter, these properties were mapped and sampled. Detailed sampling and mapping of priority targets within the Mine Block Intrusion is expected to be completed during the fourth quarter. This work was conducted to prioritize drilling targets.

Revised Mining Plan

The mining activity to date for 2001 has exceeded budgeted estimates resulting in a buildup of broken ore stockpiles to 6.4 million tonnes containing approximately 284,500 ounces of palladium. In light of the broken ore stockpile, North American Palladium is revising its 2002 mine plan from 76,000 to 52,000 tonnes of ore and waste mined per day. The current stockpiles combined with the projected mining activity for 2002 will provide sufficient ore feed to sustain the mill at its rated throughput of 15,000 tonnes per day (5.475 million tonnes per annum). “In light of our continuing efforts to improve mill throughput and palladium production we are modifying our current operations and cost structure to reduce cash and total costs per ounce of palladium produced and improve profitability” said Keith Minty, President and Chief Executive Officer, North American Palladium.

NORTH AMERICAN PALLADIUM LTD.

CONSOLIDATED BALANCE SHEETS

[Canadian Funds in Thousands of Dollars]

[Unaudited]

	September 30 2001	December 31 2000
ASSETS		
CURRENT ASSETS		
Cash	$ 13,449	$ 4,503
Short-term investments	14,195	40,452
Concentrate awaiting settlement, net	48,708	49,709
Inventories	23,043	10,454
Future income tax asset	10,722	11,165
Accounts receivable and other assets	2,496	5,618
	112,613	121,901
Mining interests, net	51,844	53,954
Expansion project	219,337	154,758
Mine closure deposit	1,830	1,030
Deferred financing costs	2,959	2,989
Future income tax asset	9,372	9,372
Deferred foreign exchange loss	4,905	--
	$ 402,860	$ 344,004
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 12,033	$ 40,406
Taxes payable	2,942	1,980
Current portion of obligations under capital lease	1,523	584
	16,498	42,970
Provision for mine closure costs	890	705
Obligations under capital leases	805	1,271
Project term loan	142,099	59,039
	160,292	103,985
SHAREHOLDERS' EQUITY		
Capital stock		
Outstanding: 50,431,194 common shares (2000 - 50,028,772)	310,475	308,834
Deficit	(67,907)	(68,815)
Total shareholders' equity	242,568	240,019
	$ 402,860	$ 344,004

NORTH AMERICAN PALLADIUM LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

[Canadian Funds in Thousands of Dollars Except Share and Per Share Amounts]

[Unaudited]

	Quarter Ended September 30		Nine Months Ended September 30	
	2001	**2000**	**2001**	**2000**
Revenues from metal sales	$ 23,225	$ 29,376	$ 64,606	$ 78,036
Deduct: smelter treatment, refining and freight costs	(3,012)	(1,745)	(5,793)	(5,018)
Net revenue from mining operations	20,213	27,631	58,813	73,018
Operating expenses				
Production costs including overheads	16,303	4,560	36,036	17,306
Amortization	3,824	2,075	6,234	6,067
Administrative expenses	935	68	2,895	511
Provision for mine closure costs	109	31	185	88
Total operating expenses	21,171	6,734	45,350	23,972
Income (loss) from mining operations	(958)	20,897	13,463	49,046
Other income (expenses)				
Interest income	306	43	1,255	100
Loss on disposal of capital assets	--	--	--	(348)
Interest	(106)	(311)	(197)	(612)
Interest on long-term debt	(1,688)	(3,020)	(1,688)	(8,707)
Exploration expense	(558)	--	(1,171)	--
Amortization of deferred foreign exchange loss	--	(308)	--	(504)
Foreign exchange gain (loss)	(66)	(670)	(216)	(1,429)
Total other income (expenses)	(2,112)	(4,266)	(2,017)	(11,500)
Income (loss) before income taxes	(3,070)	16,631	11,446	37,546
Provision for income taxes	355	(79)	(5,171)	(232)
Net income (loss) for the period	(2,715)	16,552	6,275	37,314
Deficit, beginning of period	(65,192)	(108,809)	(68,815)	(129,571)
Adjustment for change in accounting policy	--	--	(5,367)	--
Deficit, end of period	$ (67,907)	$ (92,257)	$ (67,907)	$ (92,257)
Net income (loss) per share	$ (0.05)	$ 1.20	$ 0.12	$ 2.65
Fully-diluted net income (loss) per share	$ (0.05)	$ 0.64	$ 0.12	$ 1.42
Weighted average number of shares outstanding	50,426,060	12,553,352	50,352,350	12,465,781

NORTH AMERICAN PALLADIUM LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Canadian Funds in Thousands of Dollars]

[Unaudited]

	Quarter Ended September 30		Nine Months Ended September 30	
	2001	**2000**	**2001**	**2000**
Cash Provided by (used in)				
Operations				
Net Income (loss) for the period	$ (2,715)	$ 16,552	$ 6,275	$ 37,314
Operating items not involving cash				
Future income tax	(591)	-	3,864	-
Amortization	3,824	2,075	6,234	6,067
Amortization of deferred foreign exchange loss	-	308	-	504
Foreign exchange loss on interest payable	-	395	-	924
Loss on disposal of capital assets	-	-	-	348
Provision for mine closure costs	109	31	185	88
Unpaid interest expense - Kaiser-Francis Oil Company	-	3,020	-	8,707
	627	22,381	16,558	53,952
Changes in non-cash working capital	(7,895)	(7,571)	(2,469)	(26,163)
	(7,268)	14,810	14,089	27,789
Financing Activities				
Mine closure deposit	(300)	(150)	(800)	(450)
Advances on palladium settlements	-	(6,089)	-	(7,647)
Obligations under capital leases	(317)	(187)	473	(730)
Deferred financing costs	(132)	-	(168)	-
Deferred foreign exchange loss	(4,905)	-	(4,905)	-
Notes payable issued	-	(8,875)	-	-
Project term loan	48,030	43,044	83,060	43,044
Issuance of common shares	136	311	1,641	1,053
	42,512	28,054	79,301	35,270
Investing Activities				
Short term investments	(45)	-	26,257	-
Additions to plant and equipment	(6,868)	(21)	(10,142)	(36)
Expansion Project	(18,376)	(29,226)	(97,987)	(44,527)
Mining claims, exploration and development costs	(985)	(5,921)	(2,572)	(9,974)
Proceeds on disposal of plant and equipment	-	-	-	175
	(26,274)	(35,168)	(84,444)	(54,362)
Increase (decrease) in cash	8,970	7,696	8,946	8,697
Cash, beginning of period	4,479	1,158	4,503	157
Cash, end of period	$ 13,449	$ 8,854	$ 13,449	$ 8,854

Notes to the September 30, 2001 Interim Financial Statements

(in thousands of Canadian dollars except per share and per ounce amounts)

1) Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting polices as set out in the Company's audited fiscal 2000 consolidated financial statements, except as described in note 2.

These interim financial statements by their nature do not conform in all respects to the requirements of Canadian generally accepted accounting principals for annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the audited fiscal 2000 financial statements.

In the opinion of management, the unaudited interim financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position of the Company as at September 30, 2001 and the results of operations and cash flows for the three month and nine month periods ended September 30, 2001 and 2000.

2) Changes in Accounting Policy

(i) The Canadian Institute of Chartered Accountants (the "CICA") issued new accounting recommendations for the presentation and disclosure of basic and diluted earnings per share. Effective January 1, 2001, the Company adopted these new recommendations on a retroactive basis. The most significant change under the new recommendations is the use of the "treasury stock method" instead of the "imputed earnings approach" in computing diluted earnings per share. The retroactive impact of adopting the new recommendations on the nine-month period ended September 30, 2000 had no impact on earnings per share but decreased the weighted number of diluted shares by 514,192.

(ii) The CICA issued Accounting Guideline No. 11, which covers certain of the Company's exploration activities. In the past the Company has capitalized certain exploration costs on the Lac des Iles property that were not covered by feasibility studies, whereas under the new guideline the Company would be required to expense these amounts in the period incurred. Effective January 1, 2001 the Company adopted these new recommendations on a retroactive basis, but has not restated prior period comparative financial statements. The impact as at January 1, 2001 of the adoption of these new recommendations is to reduce mining interest by $8,788, increase future income tax assets by $3,421 and increase deficit by $5,367.

3) Concentrate Awaiting Settlement

The gross value of concentrate awaiting settlement represents the value of all platinum group metals and base metals from production shipped to the smelters between March 2001 and September 2001, including 50,540 ounces of palladium. Concentrate awaiting settlement was 100% from two domestic customers at September 30, 2001. Revaluations of the net realizable value of concentrate awaiting settlement are included in revenue at each reporting period and are adjusted for the effects of hedging instruments and sales contracts.

4) Expansion Project Capital Cost

At September 30, 2001, $219,337 of capital cost had been incurred on the expansion project (including $5,016 of capitalized interest) representing 97% of the forecasted capital cost. Net of accounts payable and accrued liabilities, $218,339 of cash had been expended at September 30, 2001, funded as to $142,099 (US$90,000) from the project term loan with the balance from the proceeds of the October 2000 public equity issue and cash from operations.

5) Mine Closure Plan

As part of the expansion project, the Company has established a revised mine closure plan with the Ontario Ministry of Northern Development and Mines (the "Ministry"), which requires a total amount of $7,800 to be accumulated in a Trust Fund controlled by the Ministry. At September 30, 2001, the Company had $1,830 on deposit with the Ministry and has agreed to make monthly deposits of $100.

6) Palladium Sales Contract

On April 24, 2001, the Company elected not to extend its Palladium Sales Contract with a major automobile manufacturer beyond its original term of June 30, 2005. The current contract provides for a floor price of US$325 per ounce on 100% of palladium production and a cap of US$550 per ounce on 50% of palladium production until June 30, 2005. The palladium sales contract was required as a condition to the US$90 million project term loan. As a result of not extending the sales contract, the September 30, 2006 maturity date for the project term loan has been accelerated to June 30, 2005.

7) Palladium Forward Sales Contracts

At September 30, 2001, to augment the palladium sales contract, the Company had forward sales contracts for 9,000 ounces of palladium at US$908 per ounce, 50,400 ounces of palladium at US$945 per ounce and 50,400 ounces of palladium at US$899 per ounce as a hedge against a portion of its 2001, 2002 and 2003 production respectively. Based on the September 28, 2001 London PM Fix (US$360.00 per ounce) the mark-to-market value of the palladium forward sales contracts was a positive US$58,538,000..

8) Share Capital

As at September 30, 2001, the Company had 50,431,194 common shares issued and outstanding (December 31, 2000 – 50,028,772). At September 30, 2001, the Company had 1,223,530 stock options outstanding at a weighted average exercise price of $11.34, expiring at various dates from January 19, 2002 to June 6, 2006.

North American Palladium's Lac des Iles Mine is Canada's only primary producer of platinum group metals and is one of the largest open pit bulk mineable palladium reserves in the world**. Palladium** use in the auto industry continues to be an important component in controlling exhaust emissions as mandated by more stringent hydrocarbon emissions standards for cars, particularly in the United States, Europe and Japan.

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