



North American **Palladium** Ltd.

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News Release

Website: www.napalladium.com

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FOR IMMEDIATE RELEASE

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North American Palladium Ltd. Announces 2001 RESULTS

North American Palladium Ltd. announces financial results for the year ended December 31, 2001. The Company is also pleased to report on reserves and resources estimates as of December 31, 2001.

Financial Results

For the year ended December 31, 2001 the Company reported net income of \$7,510,000 or \$0.15 per share (diluted) on revenues of \$121,496,000 compared to net income of \$61,543,000 or \$2.00 per share (diluted) on revenues of \$109,495,000 for the year ended December 31, 2000. The Revenue from metal sales in the Consolidated Statement of Operations and Deficit has been separated into three distinct categories to provide greater clarity. Total 2001 revenue consists of revenue from palladium sales of \$108,750,000, a downward price adjustment related to palladium settled and awaiting settlement of (\$5,831,000) and other metal sales of \$18,577,000. In June of 2001 the Company commissioned a new expanded mining and milling operation at Lac des Iles in northwestern Ontario. The ramp-up to full capacity has taken longer than first expected however the operation is making steady progress in improving ore throughput and palladium recovery.

Effective January 1, 2001 the Company adopted, on a retroactive basis, the new CICA recommendations for foreign currency translation. Previously, the Company deferred and amortized unrealized exchange gains and losses on long-term monetary items on a straight-line basis over the remaining life of the asset or liability. By following the new recommendations, the Company records the unrealized exchange gains and losses on long-term monetary items in the consolidated statements of operations and deficit in the period in which they occur. The impact of the change in accounting policy on the year ended December 31, 2001 was to increase foreign exchange loss by \$6,067,000 and decrease net income and net income per share by \$4,823,000 and \$0.10 respectively.

The Company achieved a net income for the three months ended December 31, 2001 of \$1,235,000 or \$0.03 per share (diluted) on revenues of \$56,890,000 compared to a net income of \$23,442,000 or \$0.50

per share (diluted) on revenues of \$31,459,000 for the three months ended December 31, 2000. The results for the fourth quarter 2001 include a write-down of \$4,636,000 pertaining to old plant and equipment which was removed from service with the commissioning of the new 15,000 tonne per day concentrator in June 2001. The results for the fourth quarter of 2000 include the recognition of a future income tax recovery in the amount of \$15,015,000.

Cash provided by operations (prior to changes in non-cash working capital) was \$17,795,000 for the fourth quarter of 2001 and \$34,353,000 for the year ended December 31, 2001. This compares with cash provided by operations (prior to changes in non-cash working capital) of \$11,842,000 for the fourth quarter 2000 and \$65,794,000 for the year ended December 31, 2000.

The Company made the first quarterly installment payment under its Project Term Loan facility in December 2001 in the amount of \$6,724,000. The Company has scheduled principal payments under this facility in 2002 in the amount of \$33,620,000.

	Fourth Quarter		Year Ended	
	<u>December 31,</u>		<u>December 31,</u>	
	(thousands of Canadian Dollars, except per share amounts)			
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue from Metal Sales	56,890	31,459	121,496	109,495
Income from Operations	9,910	14,040	23,373	63,586
Net Income	1,235	23,442	7,510	61,543
Operating Cash Flow*	17,795	11,842	34,353	65,794
Net Income per Share - Diluted	0.03	0.50	0.15	2.00

*Prior to changes in non-cash working capital

Reserves and Resources Update

North American Palladium Ltd. is pleased to announce the final results of the 2001 exploration program at the Company's Lac des Iles mine located 85 kilometres northwest of Thunder Bay, Ontario. The program consisted of 36 new core drill holes and the extension of 12 previously drilled holes for a total of 28,607 metres of core drilling.

The focal point of the 2001 drill campaign was to test deep drill targets beyond the maximum pit depth of 400 metres. The deep drill program successfully identified additional resources and more importantly, the discovery of a new zone. As a result of the deep drill program the new Offset High Grade zone was discovered 250 metres west of the Main High Grade zone at a vertical depth ranging from 560 metres to 903 metres below surface.

On a consistent basis, at December 31, 2001, the total reserves and measured and indicated resources had increased to 159 million tonnes averaging 1.55 grams of palladium per tonne containing 7.956 million ounces of palladium. This compares to 146 million tonnes averaging 1.57 grams of palladium per tonne containing 7.376 million ounces of palladium at the end of 2000.

In addition, the inferred resource category increased to 73 million tonnes averaging 1.57 grams of palladium per tonne. This estimate includes 6.1 million tonnes of inferred resource grading 5.20 grams of palladium per tonne, containing approximately 1.0 million ounces of palladium, in the newly discovered Offset High Grade zone. This compares with 19.7 million tonnes of inferred resource grading 1.69 grams of palladium per tonne at the end of 2000.

Lac des Iles Project
Statement of Mineral Reserves & Resources⁽¹⁾⁽²⁾⁽³⁾
December 31, 2001

	<i>Tonnes (000)</i>	<i>Palladium (g/tonne)</i>	<i>Platinum (g/tonne)</i>	<i>Gold (g/tonne)</i>	<i>Copper (%)</i>	<i>Nickel (%)</i>	<i>Palladium (oz)</i>	<i>Platinum (000 oz)</i>
Reserves								
Proven	59,940	1.50	0.17	0.12	0.06	0.05	2,892	326
Probable	33,561	1.58	0.17	0.12	0.05	0.05	1,709	182
Total Proven and Probable	93,501	1.53	0.17	0.12	0.06	0.05	4,601	508

Resources (In addition to Reserves)

Measured	29,034	1.69	0.20	0.12	0.05	0.06	1,576	183
Indicated	36,888	1.50	0.15	0.10	0.05	0.05	1,780	180
Total Measured and Indicated	65,922	1.58	0.17	0.11	0.05	0.05	3,355	364

Inferred Resources	72,999	1.57	0.15	0.10	0.05	0.05	3,683	364
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-) The resources which are not reserves, do not have demonstrated economic viability and are below the maximum depth of the pit. The Company will be completing a scoping study to determine the viability of an underground operation. See 2000 Annual Report, page 8 for definitions.
-) Mineral Reserves and Resources calculated at a cut-off grade of 0.7 grams of palladium per tonne.
-) C. Turek, P.Eng., prepared the reserve estimate calculation and M. Lavigne supervised the 2001 exploration program. D. Kim and D. Redmond prepared the resource estimate calculation. Messrs. Turek, Lavigne, Kim and Redmond are Qualified Persons and are employees of the Company.

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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Forward-Looking Statements - Some statements contained in this release are forward-looking and, therefore, involve uncertainties or risks that could cause actual results to differ materially. Such forward-looking statements include comments regarding mineral reserve and resource statements and exploration program performance. Factors that could cause actual results to differ materially include metal price volatility, economic and political events affecting metal supply and demand, fluctuations in ore grade, ore tons milled, geological, technical, mining or processing problems, exploration programs and future results of exploration programs at the Lac des Iles Mine, future profitability and production. The Company disclaims any obligation to update forward-looking statements.

North American Palladium Ltd.
Consolidated Balance Sheets

(Canadian funds in thousands of dollars)

	<i>December 31</i>	
	<u>2001</u>	<u>2000</u> (restated)
Assets		
Current Assets		
Cash	\$ 1,775	\$ 4,503
Short term investments	4,999	40,452
Concentrate awaiting settlement, net	82,534	49,709
Inventories	23,269	10,454
Future income tax asset	10,830	11,165
Accounts receivable and other assets	<u>2,626</u>	<u>5,618</u>
	126,033	121,901
 Mining interests, net	 272,831	 208,712
Mine closure deposit	2,232	1,030
Deferred financing costs	2,870	2,989
Future income tax asset	<u>8,700</u>	<u>9,372</u>
	<u>\$ 412,666</u>	<u>\$ 344,004</u>
 Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 17,255	\$ 40,406
Taxes payable	3,539	1,980
Current portion of obligations under capital lease	1,003	584
Current portion of project term loan	<u>33,620</u>	<u>-</u>
	55,417	42,970
 Provision for mine closure costs	 1,020	 705
Obligations under capital leases	1,053	1,271
Project term loan	103,100	59,039
Kaiser-Francis credit facility	<u>7,964</u>	<u>-</u>
	<u>168,554</u>	<u>103,985</u>
 Shareholders' Equity		
Capital stock		
Common shares outstanding: 50,447,630	310,784	308,834
Deficit	<u>(66,672)</u>	<u>(68,815)</u>
Total shareholders' equity	<u>244,112</u>	<u>240,019</u>
	<u>\$ 412,666</u>	<u>\$ 344,004</u>

North American Palladium Ltd.

Consolidated Statements of Operations and Deficit

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

	Year ended December 31		
	2001	2000	1999
		(restated)	(restated)
Revenue from metal sales			
Palladium	\$ 108,750	\$ 78,604	\$ 31,158
Adjustments for mark to market	(5,831)	17,194	3,336
Other metals	18,577	13,697	10,070
	121,496	109,495	44,564
Deduct: smelter treatment, refining and freight costs	(11,140)	(7,571)	(5,387)
Net revenue from mining operations	110,356	101,924	39,177

Operating Expenses			
Production costs including overhead	66,405	22,512	24,169
Amortization	11,515	8,147	7,898
Write-down of mining interests	4,636	4,965	-
Administrative expenses	4,112	2,589	1,014
Environmental costs – Quebec	-	7	300
Provision for mine closure costs	315	118	118
Total operating expenses	86,983	38,338	33,499
Income from mining operations	23,373	63,586	5,678
Other income (expenses)			
Interest income	1,560	1,078	80
Gain on palladium forward contracts	-	-	302
Loss on disposal of capital assets	(14)	(304)	(3)
Interest	(226)	(1,147)	(535)
Interest on long-term debt	(3,406)	(9,167)	(9,087)
Exploration expense	(927)	-	-
Foreign exchange gain (loss)	(6,765)	(6,417)	6,019
Total other income (expenses)	(9,778)	(15,957)	(3,224)
Income before income taxes	13,595	47,629	2,454
Provision for recovery of Income taxes	6,085	(13,914)	116
Net income for the year	7,510	61,543	2,338
Deficit, beginning of year			
As previously reported	(68,815)	(129,571)	(124,421)
Change in accounting policy	(5,367)	(787)	(8,275)
As restated	(74,182)	(130,358)	(132,696)
Deficit, end of year	\$ (66,672)	\$ (68,815)	\$ (130,358)
Net income per share	\$ 0.15	\$ 2.80	\$ (0.22)
Diluted net income per share	\$ 0.15	\$ 2.00	\$ (0.22)
Weighted average number of shares outstanding - basic	50,375,690	20,425,466	12,135,310
Weighted average number of shares outstanding - diluted	50,543,134	30,761,072	12,135,310

North American Palladium Ltd.

Consolidated Statements of Cash Flows
(Canadian funds in thousands of dollars)

	Year ended December 31		
	2001	2000	1999
		(restated)	(restated)
Cash Provided by (used in) Operations			
Net income for the year	\$ 7,510	\$ 61,543	\$ 2,338
Operating items not involving cash			
Future income tax expense (recovery)	4,428	(15,015)	-
Amortization of mining interests	11,120	8,147	7,898
Amortization of deferred financing costs	395	-	-
Accrued interest on mine closure deposit	(102)	-	-
Write-down of mining interests	4,636	4,965	-
Foreign exchange loss (gain)	6,037	5,401	(5,990)
Foreign exchange loss on interest payable	-	331	36
Loss on disposal of capital assets	14	304	3
Provision for mine closure costs	315	118	118
Gain on palladium forward contracts	-	-	(302)
Unpaid interest expense			
-Kaiser-Francis Oil Company	-	-	8,842
	34,353	65,794	12,943
Changes in non-cash working capital	(31,410)	(25,999)	(28,065)
	2,943	39,795	(15,122)

Financing Activities

Mine closure deposit	(1,100)	(600)	(150)
Advances on palladium settlements	-	(15,946)	15,946
Obligations under capital leases	(1,043)	(868)	(952)
Deferred financing costs	(276)	(2,989)	-
Notes payable – Kaiser-Francis Oil Company	7,819	(125,462)	3,510
Increase in project term loan	78,513	59,039	-
Repayment of project term loan	(6,724)	-	-
Issuance of common shares	1,950	222,538	298
	<u>79,139</u>	<u>135,712</u>	<u>18,652</u>

Investing Activities

Short term investments	35,453	(40,452)	-
Additions to plant and equipment	(116,704)	(120,398)	(2,509)
Mining claims, exploration and development costs	(3,590)	(10,539)	(6,702)
Proceeds on disposal of plant and equipment	31	228	3
Proceeds on palladium forward contracts	-	-	4,869
	<u>(84,810)</u>	<u>(171,161)</u>	<u>(4,339)</u>

Increase (decrease) in cash	(2,728)	4,346	(809)
Cash, beginning of year	<u>4,503</u>	<u>157</u>	<u>966</u>
Cash, end of year	<u>\$ 1,775</u>	<u>\$ 4,503</u>	<u>\$ 157</u>