



North American **Palladium** Ltd.

News Release

FOR IMMEDIATE RELEASE

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Symbols: TSX: PDL
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North American Palladium Commences Development of an Underground Mine at Lac des Iles

Toronto, Ontario — North American Palladium Ltd. (“NAP”) is pleased to announce that its Board of Directors has approved the development of an underground mine at the Company’s Lac des Iles operations. The decision to proceed with an integrated open pit and underground mine project was based on a full feasibility study prepared by Roscoe Postle Associates Inc. of Toronto, Ontario.

NAP currently operates an open pit mine and mill at Lac des Iles with a design capacity of 15,000 tonnes per day. In late 2003, the Company commissioned a full feasibility study in response to scoping studies and a pre-feasibility study that indicated a higher grade sub-vertical ore body located directly beneath the open pit mine was a viable underground mine. The underground feasibility study defines, as its base case, a nominal 2,000 tonnes per day mechanized longhole stope mine accessed through a portal in the Lac des Iles open pit with an initial mine plan containing 3,542,000 tonnes of Proven and Probable Reserves. These underground reserves contain approximately 6.62 grams of palladium per tonne at a cut-off grade of 4.5 grams per tonne. In addition, these reserves contain approximately 0.40 grams of platinum, 0.34 grams of gold, 0.07 percent copper, and 0.08 percent nickel per tonne. The integrated production plan for the expanded Lac des Iles mine calls for the blending of higher grade underground ore with that of the open pit to generate a 7-year mine life at an average annual production rate of slightly over 300,000 ounces of palladium.

The underground feasibility study’s base case generates approximately C\$92 million of cumulative pre-tax cash flow at a palladium price of US\$325 per ounce and projected operating costs of approximately US\$152 per ounce of palladium after by-product metal credits. Capital costs for the underground development are estimated at C\$40 million for direct and indirect costs and working capital. Mining equipment accounts for an additional C\$15 million of capital costs and the Company plans to finance this equipment through a vendor lease program.

Construction of the underground mine is planned to commence in May 2004 with first ore production expected in the third quarter of 2005. The underground operation will operate together with the open pit operations and when fully operational it will contribute approximately 750,000 tonnes of mill feed per year.

The Company's Board of Directors also approved a secondary crusher installation for the Lac des Iles mill designed to maintain the fourth quarter 2003 throughput rate and reduce processing costs in the mill circuit. The estimated capital cost of this project is approximately C\$10 million. NAP plans to finance a portion of the C\$50 million total capital cost for the underground mine and secondary crusher projects with operating cash flow and is reviewing financing options for the balance.

André Douchane, NAP's President and CEO commented, "The integrated open pit and underground mine project at Lac des Iles, which has all necessary approvals in place to commence construction, will increase our production profile at the Lac des Iles mine."

NAP is an expanding palladium producer with mining operations in Northwestern Ontario and exploration projects and activities mainly in Canada. The Company produces palladium and significant amounts of platinum, gold, nickel and copper at its wholly-owned Lac des Iles mine.

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