



North American **Palladium** Ltd.

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NEWS RELEASE

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North American Palladium Ltd. Announces Second Quarter 2004 Results

Results of Operations

The Company realized net income for the three months ended June 30, 2004 of \$2,834,000 or \$0.06 per share on revenues from metal sales of \$51,712,000 compared to net income of \$10,361,000 or \$0.20 per share on revenue from metal sales of \$44,631,000 for the corresponding period a year earlier. These results include a foreign exchange loss of \$264,000 in the current quarter compared to a foreign exchange gain of \$6,210,000 in the second quarter of 2003, which primarily relates to the Company's US dollar denominated long-term debt.

For the six months ended June 30, 2004 the Company reported net income of \$8,955,000 or \$0.17 per share on revenue of \$104,868,000 compared to net income of \$18,751,000 or \$0.37 per share on revenues of \$89,751,000 for the six months ended June 30, 2003. The results for the six month period include a foreign exchange loss of \$1,046,000 compared to a foreign exchange gain of \$14,861,000 in the six months ended June 30, 2003.

During the second quarter, the mill processed 1,445,445 tonnes of ore, or an average of 15,884 tonnes per day, with a palladium grade of 2.22 g/t, producing 75,970 ounces of palladium at a recovery rate of 73.5%. This compares with the second quarter of 2003, when the mill processed 1,154,965 tonnes of ore, or 12,692 tonnes per day, with a palladium grade of 2.08 g/t, producing 59,069 ounces of palladium at a recovery rate of 76.6%. The improvement in palladium production in the second quarter was directly related to the 25% improvement in mill throughput along with a 7% improvement in feed head grade.

Production costs including overheads but excluding non-cash amortization were \$27,489,000 during the second quarter 2004 compared to \$24,009,000 during the second quarter 2003. The higher production costs in the current quarter primarily relate to major repairs to mine loading and haul equipment and increased volumes of secondary crushed mill feed, which is currently provided by a contractor. Smelter treatment, refining and freight costs increased by 61% to

\$7,321,000 in the quarter compared to the second quarter of 2003. The increase in these costs was primarily the result of a 52% increase in the volume of concentrate treated. Additionally, costs were incurred in the quarter for transportation fuel surcharges and penalties related to concentrate quality.

Total unit cash costs to produce palladium (production costs including overhead and smelter treatment, refining and freight costs, net of by-product credits and royalties) decreased to US\$158 per ounce in the second quarter 2004 compared to US\$256 per ounce in the second quarter 2003. The increased production of platinum, gold, nickel and copper and the improvement in the prices for these by-product metals in the second quarter of 2004 made a significant contribution to operations and resulted in a reduction of the unit cash costs for palladium by US\$202 per ounce compared to a reduction of US\$155 per ounce in the second quarter of 2003. The decrease in unit cash costs was primarily due to a 29% increase in palladium production, which in part was offset by increased production costs.

At the end of the first quarter, the Company held an unusually high level of concentrate in inventory at the mine site as a result of the labour strike at the Falconbridge operations in Sudbury, Ontario. During the second quarter the Company was able to reduce the back-log of concentrate held in inventory by nearly 900 tonnes containing 7,151 ounces of palladium and other by-product metals. Approximately \$4,350,000 was recognized as revenue from metal sales in the second quarter pertaining to this material.

Non-cash amortization expense increased to \$8,885,000 during the quarter compared to \$4,834,000 in the second quarter 2003. The higher amortization amount is attributable to the 29% increase in palladium production and an increase in the unit of production amortization rate due to the restatement of reserves at June 30, 2003.

As a result of the reduction in outstanding long-term debt, interest expense on long-term debt reduced to \$411,000 in the current quarter compared to \$657,000 in the second quarter of 2003. During the quarter, the Company repaid the project term loan from the proceeds of a new senior credit facility. Deferred financing costs relating to the project term loan in the amount of \$788,000 were written off in the three months ended June 30, 2004. Exploration expense was \$518,000 in the second quarter of 2004 compared to \$778,000 in the corresponding 2003 period.

Cash Flow and Financial Position

Cash flow from operations, prior to changes in non-cash working capital, was \$13,769,000 in the second quarter 2004 compared to \$12,406,000 in the second quarter 2003. After allowing for working capital changes, cash provided by operations was \$20,150,000 in the second quarter of 2004 compared to \$20,823,000 in the second quarter of 2003. Cash flow from operations, prior to changes in non-cash working capital, was \$33,250,000 in the first six months of 2004 compared to \$23,767,000 in the first six months of 2003. After allowing for working capital changes, cash provided by operations was \$32,428,000 in the first six months of 2004 compared to \$31,182,000 in the first six months of 2003.

Investing activity in the second quarter required \$4,019,000 of cash, with the main capital spending activities being the completion of the next phase of open pit pre-stripping, completion of the first phase of construction of the underground mine access portal and decline ramp and major rebuilds to mine equipment. In addition, the Company completed site preparation and has begun foundation work for a new secondary crusher designed to improve mill throughput.

The Company expects to have the secondary crusher operational in the fourth quarter after which its milling costs will be reduced by about \$2.00 per tonne.

The Company further strengthened its balance sheet during the quarter. Outstanding long-term debt, including current and long-term portions was reduced by a net amount of \$5,992,000, resulting in a long-term debt balance of \$42,224,000 (US\$31,500,000) at quarter end. During the quarter, the Company issued 215,492 common shares for total consideration of \$2,374,000, the majority of which was from the exercise of stock options. At June 30, 2004, the Company had cash and cash equivalents of \$24,832,000.

During the quarter the Company negotiated a new US\$20 million and C\$10 million senior credit facility with a leading equipment finance company. The credit facility was used to repay the Company's existing bank loan totaling approximately US\$19 million and will be used to purchase additional equipment, which is required as part of the mine expansion. The new facility will permit the Company to utilize free cash flow to finance the Lac des Iles underground mine and secondary crusher projects. The new credit facility is a five-year amortizing loan with an interest margin of 2-1/2% over LIBOR or Bankers Acceptances. The credit facility allows in certain circumstances, full repayment of outstanding loans any time during the term of the facility.

The Company also extended the term of its US\$20 million subordinated loan from its affiliate, Kaiser Francis Oil Company, to June 30, 2006, of which US\$11.5 million is outstanding under this loan facility, and interest on the facility will be 2-1/2% over LIBOR.

Subsequent to the end of the quarter the Company received \$7,148,000 as an interim payment against a claim filed with its insurance company relating to losses incurred in connection with the failure of the primary crusher in 2002. The Company will include this insurance recovery in income from mining operations in the third quarter.

Production Statistics

	Second Quarter June 30		Six Months June 30	
	2004	2003	2004	2003
Palladium (oz)	75,970	59,069	167,231	117,860
Payable Palladium (oz)	69,399	54,354	152,766	107,682
Platinum (oz)	6,319	5,216	13,302	10,501
Gold (oz)	6,249	5,050	14,004	9,614
Copper (lbs)	2,103,948	1,574,906	4,245,703	2,971,061
Nickel (lbs)	1,060,318	915,977	2,381,519	1,688,522
Ore Tonnes Milled	1,445,445	1,154,965	2,794,224	2,351,224
Ore Tonnes Mined	1,305,529	1,527,756	2,958,196	2,921,725
Waste Tonnes Mined	2,848,833	2,108,737	5,074,933	4,579,622
Waste Strip Ratio	2.18:1	1.38:1	1.72:1	1.57:1

Exploration & Development

During the second quarter of 2004, the Company entered into an agreement to complete a private placement of flow-through common shares for gross proceeds of \$4,050,000 by issuing

270,000 common shares. This transaction closed on July 7, 2004 and the funds will be used for the upcoming diamond drill programs on various exploration projects as well as to fund exploration on new acquisitions currently being pursued.

The Company was active on several projects during the second quarter of 2004. Nine holes totaling 1,347 meters were drilled on the Shebandowan and Roaring River projects. Drilling at Shebandowan returned the following intersections: 2.34m @ 2.28% Cu, 0.17% Ni from hole SP-04-02 and 10.8m @ 0.32% Ni, 0.506 g/t PGE from hole SP-04-01.

Fieldwork consisting of geological mapping, prospecting and ground geophysics commenced on the Shebandowan properties late in the second quarter. The immediate focus will be selected airborne anomalies associated with ultramafic bodies, which are the host lithologies for the adjoining, past producing, Shebandowan nickel mine. Additional drilling on the project is scheduled for later this summer.

At the Lac Des Iles mine site the Magnetotellurics and 3D Magnetic Inversion data were remodeled. This new information, as well as various geochemical, geophysical (detailed airborne magnetics and resistivity, ground gravity) will provide greater target definition for a fourth quarter drill program.

Outlook

As we progress into the third quarter of 2004, production from the Lac des Iles mine continues to be ahead of budget owing to favorable palladium ore grades and mill throughput. Additionally, we are progressing well on our secondary crusher and underground projects. The secondary crusher is on schedule and we expect this facility to be operational during the fourth quarter. Construction of the access ramp at the underground mine is on track for an expected production ramp-up in the fourth quarter of 2005.

While metal prices were softer in the second quarter of 2004, continued weakness in the U.S. dollar and strong fundamentals has spurred renewed investor interest in precious and base metals. Platinum and palladium have found support at levels around US\$820 and US\$220 respectively, but continue to trade in a narrow range. Providing support for both metals is the continued concern about the viability of planned mine expansions and new projects as the South African rand to the U.S. dollar exchange rate goes below 6 to 1. The world's leading platinum producer, Anglo Platinum, has warned that it may be forced to curtail its expansion plans further due to the continued rand strength.

André J. Douchane, President & CEO commented: "While we constantly stay on top of the safety, operational, and construction progress at Lac des Iles, we are shifting more and more of our corporate effort toward the growth of our business. We are pleased with our performance thus far in 2004 and our continued progress in strengthening our financial position. Continued focus on enhancing our operations and financial position remain our top priority as we move forward with our growth strategy."

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. In addition to palladium, the Company earns substantial revenue from by-product nickel, platinum, gold and copper. **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. **Palladium** is also used in the dental, electronics, jewelry and chemical sectors.

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Forward-Looking Statements – Certain statements included in this news release are forward-looking statements which are made pursuant to the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. They include estimates and statements that describe the Company’s future plans, objectives and goals, including words to the effect that the Company or management expects a stated condition or result to occur. When used herein, words such as “estimate”, “expect”, “intend”, and other similar expressions are intended to identify forward-looking statements. In particular statements relating to estimated cash flows, capital costs, ore production, mine life, financing and construction are forward-looking statements. Such forward-looking statements involve inherent risks and uncertainties and are subject to factors, many of which are beyond our control, that may cause actual results or performance to differ materially from those currently anticipated in such statements. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include among others metal price volatility, economic and political events affecting metal supply and demand, fluctuations in ore grade, ore tonnes milled, geological, technical, mining or processing problems, future profitability and production, and availability of financing on acceptable terms. For a more comprehensive review of risk factors, please refer to the Company’s most recent Annual Report under “Management’s Discussion and Analysis of Financial Results” and Annual Information Form under “Risk Factors” on file with the U.S. Securities and Exchange Commission and Canada provincial securities regulatory authorities. The Company disclaims any obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise. Readers are cautioned not to put undue reliance on these forward-looking statements.

North American Palladium Ltd.
Consolidated Balance Sheets
(Canadian funds in thousands of dollars)

	June 30 2004 (Unaudited)	December 31 2003
	<hr/>	<hr/>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 24,832	\$ 11,950
Short-term investments	1,116	1,813
Concentrate awaiting settlement, net – Note 3	97,122	94,610
Inventories	8,584	9,141
Crushed and broken ore stockpiles – Note 4	8,278	6,251
Future tax asset	--	84
Accounts receivable and other assets	1,768	1,387
	<hr/>	<hr/>
	141,700	125,236
 Mining interests, net	 237,919	 247,116
Mine closure deposit – Note 5	5,333	4,733
Deferred financing costs	267	1,290
Crushed and broken ore stockpiles – Note 4	3,230	5,983
Future tax asset	6,505	9,334
	<hr/>	<hr/>
	\$ 394,954	\$ 393,692
	<hr/>	<hr/>
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 15,521	\$ 16,041
Taxes payable	2,561	1,311
Future tax liability	61	216
Current portion of obligations under capital leases	1,196	1,070
Current portion of senior credit facility – Note 6	5,362	34,538
	<hr/>	<hr/>
	24,701	53,176
 Mine closure obligation	 7,446	 7,300
Obligations under capital leases	1,812	1,015
Senior credit facility – Note 6	21,447	7,272
Kaiser-Francis credit facility – Note 6	15,415	14,866
Future tax liability	10,318	10,108
	<hr/>	<hr/>
	81,139	93,737
 Shareholders' Equity		
Capital stock – Note 8	318,166	313,489
Contributed surplus	228	--
Deficit	(4,579)	(13,534)
	<hr/>	<hr/>
Total shareholders' equity	313,815	299,955
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	\$ 394,954	\$ 393,692
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These financial statements have been prepared by Management of North American Palladium Ltd. and the prior year financial statements have not been reviewed by the auditor of North American Palladium Ltd.

North American Palladium Ltd.
Consolidated Statements of Earnings and Deficit
(Canadian funds in thousands of dollars, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenue from metal sales – Note 10	\$ 51,712	\$ 44,631	\$ 104,868	\$ 89,751
Deduct: smelter treatment, refining and freight costs	(7,321)	(4,549)	(12,652)	(8,048)
Net revenue from mining operations	<u>44,391</u>	<u>40,082</u>	<u>92,216</u>	<u>81,703</u>
Operating expenses				
Production costs including overhead	27,489	24,009	52,487	52,228
Amortization	8,885	4,834	18,731	9,715
Administrative expenses	1,072	692	2,289	1,610
Provision for mine closure costs	223	127	466	259
Total operating expenses	<u>37,669</u>	<u>29,662</u>	<u>73,973</u>	<u>63,812</u>
Income from mining operations	<u>6,722</u>	<u>10,420</u>	<u>18,243</u>	<u>17,891</u>
Other income (expenses)				
Interest on long-term debt	(411)	(657)	(898)	(1,725)
Exploration expense	(518)	(778)	(947)	(1,101)
Foreign exchange gain (loss)	(264)	6,210	(1,046)	14,861
Derivative income – Note 2(c) and 11(d)	(257)	--	213	--
Write-off of deferred financing costs	(788)	--	(788)	--
Loss on disposal of capital assets	(491)	(2,710)	(623)	(2,710)
Interest income	67	71	114	145
Interest expense	(1)	--	(11)	--
Total other income (expenses)	<u>(2,663)</u>	<u>2,136</u>	<u>(3,986)</u>	<u>9,470</u>
Income before income taxes	4,059	12,556	14,257	27,361
Provision for income taxes – Note 7	<u>1,225</u>	<u>2,195</u>	<u>5,302</u>	<u>8,610</u>
Net income for the period	2,834	10,361	8,955	18,751
Deficit, beginning of period	<u>7,413</u>	<u>43,147</u>	<u>13,534</u>	<u>51,537</u>
Deficit, end of period	\$ 4,579	\$ 32,786	\$ 4,579	\$ 32,786
Net income per share	\$ 0.06	0.20	0.18	\$ 0.37
Diluted net income per share	\$ 0.06	0.20	0.17	\$ 0.37
Weighted average number of shares outstanding – basic	<u>51,254,953</u>	<u>50,744,304</u>	<u>51,114,948</u>	<u>50,711,677</u>

North American Palladium Ltd.
Consolidated Statements of Cash Flows
(Canadian funds in thousands of dollars)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Cash provided by (used in)				
Operations				
Net income for the period	\$ 2,834	\$ 10,361	\$ 8,955	\$ 18,751
Operating items not involving cash				
Future income tax expense	464	2,048	3,261	7,959
Amortization	8,885	4,834	18,731	9,715
Foreign exchange loss (gain)	(217)	(7,674)	549	(15,627)
Loss on disposal of capital assets	491	2,710	623	2,710
Write-off of deferred financing costs	788	--	788	--
Provision for mine closure costs	223	127	466	259
Stock-based compensation	44	--	90	--
Derivative income – Note 2(c) and 11(d)	257	--	(213)	--
	13,769	12,406	33,250	23,767
Changes in non-cash working capital – Note 9	6,381	8,417	(822)	7,415
	20,150	20,823	32,428	31,182
Financing Activities				
Repayment of project term loan	(32,584)	(11,545)	(41,810)	(24,310)
Increase in senior credit facility	26,809	--	26,809	--
Issuance of common shares	2,374	222	4,677	465
Mine closure deposit	(300)	(300)	(600)	(600)
Obligations under capital leases	(673)	(273)	(876)	(524)
	(4,374)	(11,896)	(11,800)	(24,969)
Investing Activities				
Short-term investments	704	(34)	697	(62)
Additions to mining interests	(5,144)	(7,485)	(8,894)	(10,397)
Proceeds on disposal of capital assets	421	108	451	108
	(4,019)	(7,411)	(7,746)	(10,351)
Increase (decrease) in cash and cash equivalents	11,757	1,516	12,882	(4,138)
Cash and cash equivalents, beginning of period	13,075	5,882	11,950	11,536
Cash and cash equivalents, end of period	\$ 24,832	\$ 7,398	\$ 24,832	\$ 7,398

North American Palladium Ltd.
Notes to the June 30, 2004 Consolidated Financial Statements
(in thousands of Canadian dollars except per share and per ounce amounts)
(Unaudited)

1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared using disclosure standards appropriate for interim financial statements and do not contain all the explanatory notes, descriptions of accounting policies or other disclosures required by Canadian generally accepted accounting principles for annual financial statements. Such notes, descriptions of accounting policies and other disclosures have been included in the Company's audited annual consolidated financial statements included in the Company's annual report to shareholders for the year ended December 31, 2003. Accordingly, these consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for 2003.

2. Changes in Accounting Policies

(a) Stock-based Compensation

As discussed in the audited annual consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for stock options from the intrinsic value method to one that recognizes as an expense the cost of stock-based compensation based on the estimated fair value of new stock options granted to employees and directors. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model. An expense of \$44 was recorded in the three months ended June 30, 2004 (three months ended June 30, 2003 – nil) and \$90 in the six months ended June 30, 2004 (six months ended June 30, 2003 – nil).

(b) Asset Retirement Obligations

Also, as disclosed in the audited annual consolidated financial statements, effective January 1, 2003, the Company adopted a new accounting standard of the Canadian Institute of Chartered Accountants ("CICA") for asset retirement obligations which harmonizes the accounting with Generally Accepted Accounting Principles in the U.S. This standard significantly changed the method of accounting for future site restoration costs. Under this new standard, asset retirement obligations are recognized when incurred and recorded as liabilities at fair value. The amount of the liability is subject to re-measurement at each reporting period. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and depreciated over the estimated life of the mine. This change in accounting policy was applied retroactively and, accordingly, the consolidated financial statements of prior periods were restated. An expense of \$223 and \$466 was recorded in the three months and six months ended June 30, 2004 respectively for accretion of the mine closure obligation and amortization of mining interests. This change in accounting policy did not have a material impact on the financial statements for the six months ended June 30, 2003.

(c) Hedging Relationships

In 2003, the CICA finalized amendments to Accounting Guideline AcG-13, "Hedging Relationships" that clarified certain of the requirements in AcG-13 and provided additional

documentation and application guidance. AcG-13 is applicable for the Company's 2004 fiscal year. As a result of AcG-13, the Company has marked to market its forward foreign exchange contracts beginning January 1, 2004. The impact of this change was a decrease to derivative income of \$257 in the three months ended June 30, 2004 and an increase to derivative income of \$213 in the six-months ended June 30, 2004.

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 for up to a seven month period prior to the balance sheet date. At June 30, 2004, concentrate awaiting settlement included 155,025 ounces of palladium (December 31, 2003 – 147,570). Concentrate awaiting settlement was entirely from two domestic customers at June 30, 2004 and December 31, 2003. 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, sales contracts and foreign exchange.

4. Crushed and Broken Ore Stockpiles

Crushed and broken ore stockpiles are valued at the lower of average production cost and estimated net realizable value. The amount of stockpiled ore that is not expected to be processed within one year is shown as a long-term asset.

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 June 30, 2004, the Company had \$5,333 on deposit with the Ministry and has agreed to make monthly deposits of \$100.

6. Long-Term Debt

During the quarter the Company negotiated a new US\$20 million and C\$10 million senior credit facility with a leading equipment finance company. The credit facility was used to repay the Company's existing project term loan totaling approximately US\$19 million. The new credit facility is a five-year amortizing loan with an interest margin of 2-1/2% over LIBOR or Bankers Acceptances. The lender received a first priority security interest in all of the Company's existing and future assets excluding its production leases and claims. The credit facility allows in certain circumstances, full repayment of outstanding loans any time during the term of the facility.

The Company also extended the term of its US\$20 million subordinated loan from its affiliate, Kaiser Francis Oil Company, to June 30, 2006. US\$11.5 million is outstanding under this loan facility, and interest on the facility will be 2-1/2% over LIBOR.

The Company's long-term debt, comprising its senior credit facility and Kaiser-Francis credit facility, is denominated in US dollars. At June 30, 2004, the outstanding long-term debt, including current and long-term portions was \$42,224 (US\$31,500) compared to \$56,676 (US\$43,844) at December 31, 2003.

7. Income Taxes

The variance between the income taxes as computed at the combined statutory rate and the effective rate for the Company is reconciled as follows:

	Six Months Ended June 30 2004	Six Months Ended June 30 2003
Income tax provision using statutory income tax rates	\$ 5,489	\$ 11,114
Increase (decrease) in taxes resulting from:		
Resource allowance	(1,459)	(1,924)
Non-taxable portion of capital gains	(899)	(1,625)
Changes in income tax rates and laws	--	(539)
Federal large corporations tax	430	396
Ontario mining taxes	1,468	1,379
Other	273	(191)
Income tax expense	\$ 5,302	\$ 8,610

8. Capital Stock

	June 30, 2004		June 30, 2003	
	Shares	Amount	Shares	Amount
Common shares issued, beginning of period	50,895,338	313,489	50,647,955	311,983
Common shares issued				
Pursuit to stock options exercised	394,223	4,215	--	--
To Group RRSP participants	39,037	462	105,485	465
Common shares issued, end of period	51,328,598	318,166	50,753,440	312,448

At June 30, 2004, the Company had 890,276 options outstanding at a weighted average exercise price of \$9.69, expiring at various dates from March 3, 2005 to June 23, 2012. In the second quarter of 2004 the Company granted 287,300 options to directors, officers and employees at an exercise price of \$11.90 per share. The fair market value of the options grant was \$5.48 per option and has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.7%, expected dividend yield of nil, expected volatility of 55% and expected option life of 4 years. The estimated fair value of the options is being expensed over the three-year option vesting period.

9. Changes in Non-Cash Working Capital

	Three Months Ended June 2004	2003	Six Months Ended June 30 2004	2003
Decrease (increase) in:				
Concentrate awaiting settlement	\$ 3,478	\$ 4,349	\$ (2,512)	\$ 3,578
Inventories and stockpiles	1,366	(330)	1,283	1,519
Accounts receivable and other assets	(452)	527	(168)	639
	4,392	4,546	(1,397)	5,736
Increase (decrease) in:				
Accounts payable and accrued liabilities	2,094	4,143	(520)	1,570

Taxes payable	(105)	(272)	1,095	109
	1,989	3,871	575	1,679
Changes in non-cash working capital	\$ 6,381	\$ 8,417	\$ (822)	\$ 7,415

10. Revenue from Metal Sales

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Palladium (a)	\$ 31,423	\$ 22,593	\$ 63,146	\$ 46,801
Palladium forward contracts (b)	--	9,803	--	20,437
Adjustments for mark to market	786	1,483	3,098	685
Nickel	7,029	4,077	13,258	7,925
Platinum	6,227	3,317	11,761	7,461
Gold	2,398	1,863	5,704	3,478
Copper	3,104	1,283	6,016	2,564
Other metals	745	212	1,885	400
	\$ 51,712	\$ 44,631	\$ 104,868	\$ 89,751

- (a) The Company entered into a Palladium Sales Contract with a major automobile manufacturer, which 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 delivered by June 30, 2005. Palladium revenue includes the impact of the Palladium Sales Contract.
- (b) The Company entered into palladium forward contracts in 2001 for 100,800 ounces of palladium at an average price of US\$922 per ounce, the revenue from which was fully realized by June 30, 2003. The effect of palladium forward contracts represents the difference between the fixed price realized under the palladium forward contracts and the palladium price at the time of revenue recognition.

11. Commitments

The Company enters into forward contracts from time to time to hedge the effects of changes in the prices of metals it produces and foreign exchange on the Company's revenues. Gains and losses realized on derivative financial instruments used to mitigate metal price risk are recognized in revenue from metal sales when the hedge transaction occurs.

(a) Platinum Forward Contracts

At June 30, 2004, the Company had forward sales contracts for 8,140 ounces of platinum at an average price of US\$769 per ounce maturing at various dates through December 2004. As at June 30, 2004, the fair value of these forward sales contracts approximated their carrying value.

(b) Nickel Swap Contracts

At June 30, 2004, the Company had swap contracts for 1,190,000 lbs. of nickel at an average fixed price of US\$5.67 per lb. maturing at various dates through December 2004. As at June 30, 2004, the fair value of these swap contracts was below their carrying value by \$552.

(c) Copper Swap Contracts

At June 30, 2004, the Company had swap contracts for 2,645,000 lbs. of copper at an average fixed price of US\$1.16 per lb. maturing at various dates through December 2004. As at June 30, 2004, the fair value of these swap contracts was above their carrying value by \$10.

(d) Forward Foreign Exchange Contracts

At June 30, 2004, the Company had forward foreign exchange contracts outstanding for US\$30,000,000 at an average exchange rate of \$1.35 maturing at various dates through December 31, 2004. At June 30, 2004, the fair value of these contracts was \$353, of which \$140 was included in revenue from metal sales as a mark to market adjustment for concentrate awaiting settlement, and \$213 was recorded as derivative income.

12. Subsequent Events**(a) Insurance Recovery**

Subsequent to the end of the quarter the Company received \$7,148 as an interim payment against a claim filed with its insurance company relating to losses incurred in connection with the failure of the primary crusher in 2002. The Company will include this insurance recovery in income from mining operations in the third quarter.

(b) Flow Through Financing

On July 7, 2004, the Company completed a private placement of flow-through common shares for gross proceeds of \$4,050 by issuing 270,000 common shares.