



North American **Palladium** Ltd.

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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North American Palladium Ltd. Announces Third Quarter 2004 Results

Results of Operations

The Company realized net income for the three months ended September 30, 2004 of \$6,598,000 or \$0.13 per share on revenues from metal sales of \$45,154,000 compared to net income of \$3,535,000 or \$0.07 per share on revenue from metal sales of \$42,585,000 for the corresponding period a year earlier. The results for the third quarter 2004 include an insurance recovery of \$7,148,000 (net of tax - \$4,352,000) relating to losses incurred in connection with the failure of the primary crusher in 2002.

For the nine months ended September 30, 2004 the Company reported net income of \$15,553,000 or \$0.30 per share on revenue of \$150,022,000 compared to net income of \$22,286,000 or \$0.44 per share on revenues of \$132,336,000 for the nine months ended September 30, 2003. The results for the latest nine month period include a foreign exchange loss of \$930,000 (net of tax - \$828,000) compared to a foreign exchange gain of \$15,909,000 (net of tax - \$11,175,000) in the nine months ended September 30, 2003 which primarily relates to the Company's US dollar denominated long-term debt. After adjusting for the insurance recovery and foreign exchange, the adjusted net income was \$12,029,000 or \$0.24 per share for the nine months ended September 30, 2004 compared to adjusted net income of \$11,111,000 or \$0.22 per share for the nine months ended September 30, 2003.

During the third quarter, the mill processed 1,301,378 tonnes of ore, or an average of 14,145 tonnes per day, with a palladium grade of 2.53 grams per tonne, producing 79,174 ounces of palladium at a recovery rate of 74.8%. This compares with the third quarter of 2003, when the mill processed 1,307,822 tonnes of ore, or 14,215 tonnes per day, with a palladium grade of 2.47 grams per tonne, producing 76,729 ounces of palladium at a recovery rate of 74.0%. Production in the current quarter was affected by a scheduled mill shutdown, which was done to accommodate the new secondary crusher facility tie-in.

Production costs including overheads but excluding non-cash amortization were \$25,020,000 during the third quarter 2004 compared to \$22,927,000 during the third quarter 2003. The

higher production costs in the current quarter primarily relate to a 29% increase in tonnes of ore and waste mined and a higher ratio of secondary crushed mill feed.

Total unit cash costs to produce palladium (production costs including smelter treatment and refining costs, net of by-product credits and royalties) were US\$135 per ounce in the third quarter 2004 compared to US\$138 per ounce in the third quarter 2003. The production of platinum, gold, nickel and copper and the significant improvement in the prices for these by-product metals in the third quarter of 2004 made a significant contribution to operations and resulted in a reduction of the unit cash costs for palladium by US\$216 per ounce compared to a reduction of US\$176 per ounce in the third quarter of 2003.

Non-cash amortization expense increased to \$9,411,000 during the quarter compared to \$8,753,000 in the third quarter 2003. Exploration expense was \$366,000 in the third quarter of 2004 compared to \$470,000 in the corresponding 2003 period. With the increased activities on the company's exploration projects, future exploration expenses are anticipated to be significantly higher.

As a result of the reduction in outstanding long-term debt, interest expense on long-term debt reduced to \$410,000 in the current quarter compared to \$855,000 in the third quarter of 2003.

Cash Flow and Financial Position

Cash flow from operations, prior to changes in non-cash working capital, was \$17,851,000 in the third quarter 2004 compared to \$14,243,000 in the third quarter 2003. After allowing for working capital changes, cash provided by operations was \$29,783,000 in the third quarter of 2004 compared to \$11,020,000 in the third quarter of 2003. Cash flow from operations, prior to changes in non-cash working capital, was \$51,101,000 in the first nine months of 2004, a 34.4% improvement compared to the first nine months of 2003. The improvement in the nine month operating cash flow was driven by a 27% improvement in palladium production and much stronger by-products prices, offset in part by the impact of 25,200 ounces of palladium production priced at US\$899 per ounce in the year-earlier period. After allowing for working capital changes, cash provided by operations was \$62,211,000 in the first nine months of 2004 compared to \$42,202,000 in the first nine months of 2003.

Investing activity in the third quarter required \$8,392,000 of cash, with the main capital spending activities being the construction of the secondary crusher facility, ongoing underground mine development and the expansion of the tailings management facility. Final construction of the crusher plant is progressing as scheduled and the Company expects to commission the crusher by the end of November after which milling costs are expected to be reduced by about \$2.00 per tonne.

Long-term debt, including current and long-term portions was reduced by \$3,675,000 in the third quarter as a result of repayments of \$1,264,000 and a foreign exchange gain of \$2,411,000, resulting in a long-term debt balance of \$38,549,000 (US\$30,500,000) at quarter end. During the quarter, the Company issued 300,519 common shares for total consideration of \$4,091,000, the majority of which was from a flow-through share private placement. At September 30, 2004, the Company had cash and cash equivalents of \$48,328,000 of which approximately \$32 million was invested in short-term deposits.

During 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 has included this insurance recovery in income from mining operations in the third quarter. The Company is pursuing the balance of its insurance claim and will record any additional recovery in income if and when received.

Production Statistics

	Third Quarter September 30		Nine Months September 30	
	2004	2003	2004	2003
Palladium (oz)	79,174	76,729	246,405	194,589
Payable Palladium (oz)	72,221	70,207	224,987	177,889
Platinum (oz)	6,352	5,887	19,654	16,388
Gold (oz)	6,745	6,200	20,749	15,814
Copper (lbs)	1,986,471	1,877,355	6,232,174	4,848,416
Nickel (lbs)	1,090,932	976,533	3,472,451	2,665,055
Ore Tonnes Milled	1,301,378	1,307,822	4,095,602	3,659,046
Ore Tonnes Mined	1,356,158	1,068,416	3,538,041	3,074,569
Waste Tonnes Mined	2,842,785	2,176,945	8,694,031	7,672,139
Waste Strip Ratio	2.10:1	2.04:1	2.46:1	2.50:1

Exploration & Development

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

Drilling commenced on the Shebandowan Project late in the third quarter. Approximately 3,000 metres of drilling are planned to test selected airborne geophysical targets associated with ultramafic bodies, which have the same rocks hosting the adjoining past producing, Shebandowan nickel mine. In addition, a high-grade palladium bearing breccia occurrence and a gold bearing quartz-vein, discovered during the course of last year's prospecting program, will also be drilled.

At the Lac des Iles mine site, the Company is advancing its 2004 exploration program with a deep hole to test the extension of the High-Grade Offset Zone. The drilling program will be conducted at a vertical depth of 1,500 metres or approximately 600 metres down dip from the nearest existing drill intercepts, which delineate the one million plus ounce palladium inferred resource in the High-Grade Offset Zone. A second drill rig is scheduled to move onto the mine site to start a 5,000-metre drill program to evaluate several targets within the Lac des Iles Intrusive Complex including the Creek, Baker and South-East Roby Zones.

Management's Outlook

Production from the Lac des Iles Mine continued to be ahead of budget in the third quarter of 2004, which the Company expects to result in the total year's production also being better than planned. Both the new secondary crusher construction and the underground mine development continue to progress on schedule. The construction of our new crusher progressed as planned during the third quarter and as a result we look forward to a successful start-up later this month. The new secondary crusher is forecast to reduce our annual milling costs by about \$2.00 per tonne. The underground mine continues to advance on schedule in good and stable ground conditions. Excavation of the ventilation raise and secondary escape passageway will begin during fourth quarter of 2004.

Palladium metal prices continued to remain in a narrow trading range during the third quarter and are expected to remain as such in the short-term until consumer demand improves. However, of note, China has purchased 19.4 tonnes of palladium during the first 9 months of this year, signaling the re-emergence of palladium jewelry demand. Palladium prices are forecast to remain in the \$210 to \$220 per ounce range for the rest of the year and not subject to any significant activity until the first quarter of 2005. With the US dollar remaining weak and the South African Rand remaining strong, we expect to see continued delays in the development of planned South African platinum/palladium projects.

Management continues to focus on mine operations, corporate growth, and improving the Company's financial position. We are pleased to have improved our financial position from one of considerable net debt a year ago, to having more cash on hand than debt at September 30, 2004.

Reconciliation Between Net Income in Accordance with Canadian GAAP and Adjusted Net Income

The adjusted net income reported in this release has not been calculated in accordance with Canadian GAAP, the accounting principles under which our consolidated financial statements are prepared, and there is no standard definition in such principles for such adjusted net income or loss. Accordingly, it is unlikely that comparisons can be made among different companies in terms of such adjusted results reported by them.

The following table provides a reconciliation between our adjusted net income and net income as reported in accordance with Canadian GAAP for the nine month periods ended September 30, 2004 and September 30, 2003:

(in thousands except per share amounts)

	Net Income Nine Months Ended September 30		Basic Net Income Per Share Nine Months Ended September 30	
	2004	2003	2004	2003
Canadian GAAP net income as reported	\$15,553	\$22,286	\$ 0.30	\$ 0.44
Foreign exchange (gain) loss net of tax	828	(11,175)	0.02	(0.22)
Insurance recovery net of tax	(4,352)	-	(0.08)	-
Adjusted net income	<u>\$12,029</u>	<u>\$11,111</u>	<u>\$ 0.24</u>	<u>\$ 0.22</u>

The Company will host its third quarter conference call at 1 p.m. EST on Wednesday, November 10, 2004. The toll-free conference call dial-in number is 1-800-769-8320 and the local and overseas dial-in number is 416-695-5259. The conference call will be simultaneously web cast and archived at www.napalladium.com in the Investor Centre under Conference Calls. A replay of the conference call will be available until November 24, 2004; toll-free at 1-866-906-2121, locally and overseas at 416-695-6385, access code 9165.

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”, “budget”, “plan”, “projection” and other similar expressions are intended to identify forward-looking statements. In particular statements relating to estimated future metal prices, cash flows, expenses, capital costs, ore production, mine life, financing, construction and commissioning 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, changes in the US/CDN dollar exchange rate, 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, availability of financing on acceptable terms and unexpected problems during the development, construction and start-up phases of the underground mine or the construction and commissioning of the new secondary crusher. 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.

For additional information on the Company’s mineral reserves and resources, see the Company’s most recent Annual Information Form.

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

	September 30 2004 (Unaudited)	December 31 2003
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 48,328	\$ 11,950
Restricted cash equivalents	1,116	1,813
Concentrate awaiting settlement, net – Note 3	84,242	94,610
Inventories	8,925	9,141
Crushed and broken ore stockpiles – Note 4	9,606	6,251
Accounts receivable and other assets	2,284	1,387
Future tax asset	155	84
	<u>154,656</u>	<u>125,236</u>
Mining interests, net	237,554	247,116
Mine closure deposit – Note 5	5,633	4,733
Crushed and broken ore stockpiles – Note 4	2,107	5,983
Future tax asset	2,542	9,334
Deferred financing costs	132	1,290
	<u>\$ 402,624</u>	<u>\$ 393,692</u>
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 15,274	\$ 16,041
Taxes payable	2,983	1,311
Future tax liability	-	216
Current portion of obligations under capital leases	1,194	1,070
Current portion of senior credit facility – Note 6	5,056	34,538
	<u>24,507</u>	<u>53,176</u>
Mine closure obligation	7,519	7,300
Obligations under capital leases	2,074	1,015
Senior credit facility – Note 6	18,958	7,272
Kaiser-Francis credit facility – Note 6	14,535	14,866
Future tax liability	10,355	10,108
	<u>77,948</u>	<u>93,737</u>
Shareholders' Equity		
Capital stock – Note 8	322,257	313,489
Contributed surplus	400	-
Retained earnings (deficit)	2,019	(13,534)
Total shareholders' equity	<u>324,676</u>	<u>299,955</u>
	<u>\$ 402,624</u>	<u>\$ 393,692</u>

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 September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Revenue from metal sales – Note 10	\$ 45,154	\$ 42,585	\$ 150,022	\$ 132,336
Deduct: smelter treatment and refining costs	(4,493)	(3,836)	(15,514)	(10,724)
Net revenue from mining operations	<u>40,661</u>	<u>38,749</u>	<u>134,508</u>	<u>121,612</u>
Operating expenses				
Production costs, excluding amortization and asset retirement costs	25,020	22,927	79,138	76,315
Insurance recovery	(7,148)	-	(7,148)	-
Amortization	9,411	8,753	28,142	18,468
Administrative	1,500	889	3,789	2,499
Exploration	366	470	1,313	1,571
Loss on disposal of capital assets	-	342	623	3,052
Asset retirement costs	236	95	702	354
Total operating expenses	<u>29,385</u>	<u>33,476</u>	<u>106,559</u>	<u>102,259</u>
Income from mining operations	<u>11,276</u>	<u>5,273</u>	<u>27,949</u>	<u>19,353</u>
Other income (expenses)				
Interest on long-term debt	(410)	(855)	(1,308)	(2,580)
Foreign exchange gain (loss)	116	1,048	(930)	15,909
Derivative income – Note 2(c) and 11(d)	-	-	213	-
Write-off of deferred financing costs	-	-	(788)	-
Interest income	168	83	282	228
Interest expense	(12)	(11)	(23)	(11)
Total other income (expenses)	<u>(138)</u>	<u>265</u>	<u>(2,554)</u>	<u>13,546</u>
Income before income taxes	<u>11,138</u>	<u>5,538</u>	<u>25,395</u>	<u>32,899</u>
Provision for income taxes – Note 7	<u>4,540</u>	<u>2,003</u>	<u>9,842</u>	<u>10,613</u>
Net income for the period	<u>6,598</u>	<u>3,535</u>	<u>15,553</u>	<u>22,286</u>
Deficit, beginning of period	<u>(4,579)</u>	<u>(32,786)</u>	<u>(13,534)</u>	<u>(51,537)</u>
Retained earnings (deficit), end of period	<u>\$ 2,019</u>	<u>\$ (29,251)</u>	<u>\$ 2,019</u>	<u>\$ (29,251)</u>
Net income per share				
- Basic	<u>\$ 0.13</u>	<u>\$ 0.07</u>	<u>\$ 0.30</u>	<u>\$ 0.44</u>
- Diluted	<u>\$ 0.13</u>	<u>\$ 0.07</u>	<u>\$ 0.30</u>	<u>\$ 0.44</u>
Weighted average number of shares outstanding – basic	<u>51,600,035</u>	<u>50,792,361</u>	<u>51,277,682</u>	<u>50,738,867</u>

North American Palladium Ltd.
Consolidated Statements of Cash Flows

(Canadian funds in thousands of dollars)
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Cash provided by (used in)				
Operations				
Net income for the period	\$ 6,598	\$ 3,535	\$ 15,553	\$ 22,286
Operating items not involving cash				
Future income tax expense	3,845	1,573	7,106	9,532
Amortization	9,411	8,753	28,142	18,468
Unrealized foreign exchange gain	(2,411)	(55)	(1,862)	(15,682)
Loss on disposal of capital assets	-	342	623	3,052
Write-off of deferred financing costs	-	-	788	-
Provision for mine closure costs	236	95	702	354
Stock-based compensation	172	-	262	-
Derivative income – Note 2(c) and 11(d)	-	-	(213)	-
	17,851	14,243	51,101	38,010
Changes in non-cash working capital – Note 9	11,932	(3,223)	11,110	4,192
	29,783	11,020	62,211	42,202
Financing Activities				
Repayment of project term loan	-	(11,626)	(41,810)	(35,936)
Increase in senior credit facility	-	-	26,809	-
Repayment of senior credit facility	(1,264)	-	(1,264)	-
Issuance of common shares	4,091	232	8,768	697
Mine closure deposit	(300)	(300)	(900)	(900)
Obligations under capital leases	(422)	664	(1,298)	140
	2,105	(11,030)	(9,695)	(35,999)
Investing Activities				
Additions to mining interests	(8,392)	(2,802)	(17,286)	(13,199)
Proceeds on disposal of capital assets	-	6	451	114
Short-term investments	-	(47)	697	(109)
	(8,392)	(2,843)	(16,138)	(13,194)
Increase (decrease) in cash and cash equivalents	23,496	(2,853)	36,378	(6,991)
Cash and cash equivalents, beginning of period	24,832	7,398	11,950	11,536
Cash and cash equivalents, end of period	\$ 48,328	\$ 4,545	\$ 48,328	\$ 4,545

North American Palladium Ltd.
Notes to the September 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 \$172 was recorded in the three months ended September 30, 2004 (three months ended September 30, 2003 – nil) and \$262 in the nine months ended September 30, 2004 (nine months ended September 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 \$236 and \$702 was recorded in the three months and nine months ended September 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 nine months ended September 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 an increase to derivative income of \$213 in the six-months ended June 30, 2004. Commencing July 1, 2004 these foreign exchange contracts were designated as a hedge of U.S. dollar revenue and are accounted for in revenue as realized.

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 prior to the balance sheet date. At September 30, 2004, concentrate awaiting settlement included 137,037 ounces of palladium (December 31, 2003 – 147,570). Concentrate awaiting settlement was entirely from two domestic customers at September 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 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, 2004, the Company had \$5,633 on deposit with the Ministry and has agreed to make monthly deposits of \$100.

6. Long-Term Debt

The Company's long-term debt, comprising its senior credit facility and Kaiser-Francis credit facility, is denominated in US dollars. At September 30, 2004, the outstanding long-term debt, including current and long-term portions was \$38,549 (US\$30,500) compared to \$56,676 (US\$43,844) at December 31, 2003. The interest rate under both facilities is LIBOR plus 250 basis points, or 4.34% at September 30, 2004. The senior credit facility is a five-year amortizing loan with a maturity of June 30, 2009 and the Kaiser-Francis facility matures on June 30, 2006.

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:

	Nine Months Ended September 30 2004	Nine Months Ended September 30 2003
Income tax provision using statutory income tax rates	\$9,777	\$13,460
Increase (decrease) in taxes resulting from:		
Resource allowance	(1,828)	(1,904)
Non-taxable portion of capital gains	(1,179)	(1,728)
Changes in income tax rates and laws	-	(545)
Federal large corporations tax	645	578
Ontario mining taxes	1,641	1,906
Other	786	(1,154)
Income tax expense	<u>\$9,842</u>	<u>\$10,613</u>

8. Capital Stock

	September 30, 2004 Shares	September 30, 2004 Amount	September 30, 2003 Shares	September 30, 2003 Amount
Common shares issued, beginning of period	50,895,338	\$ 313,489	50,647,955	\$ 311,983
Common shares issued:				
Pursuant to stock options exercised	405,380	4,253	-	-
Group RRSP participants	58,399	694	158,143	698
Private placement	270,000	3,821	-	-
Common shares issued, end of period	<u>51,629,117</u>	<u>\$ 322,257</u>	<u>50,806,098</u>	<u>\$ 312,681</u>

At September 30, 2004, the Company had 879,110 options outstanding at a weighted average exercise price of \$9.77, 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 September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Decrease (increase) in:				
Concentrate awaiting settlement	\$12,880	\$(1,161)	\$ 10,368	\$ 2,417
Inventories and stockpiles	(546)	197	737	1,716
Accounts receivable and other assets	(516)	(294)	(684)	345
	11,818	(1,258)	10,421	4,478
Increase (decrease) in:				
Accounts payable and accrued liabilities	(247)	(2,110)	(767)	(540)
Taxes payable	361	145	1,456	254
	114	(1,965)	689	(286)
Changes in non-cash working capital	\$11,932	\$ (3,223)	\$ 11,110	\$ 4,192

10. Revenue from Metal Sales

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Palladium (a)	\$27,388	\$27,685	\$90,534	\$74,486
Palladium forward contracts (b)	-	-	-	20,437
Adjustments for mark-to-market	(398)	(88)	2,700	597
Nickel	6,718	5,456	19,976	13,381
Platinum	5,622	4,860	17,383	12,321
Gold	2,761	2,827	8,465	6,305
Copper	2,598	1,636	8,614	4,200
Other metals	465	209	2,350	609
	\$45,154	\$42,585	\$150,022	\$132,336

(a) The Company has 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 September 30, 2004, the Company had forward sales contracts for 7,678 ounces of platinum at an average price of US\$806 per ounce maturing at various dates through June 2005. As at September 30, 2004, the fair value of these forward sales contracts was below their carrying value by \$119.

(b) Nickel Swap Contracts

At September 30, 2004, the Company had swap contracts for 595,000 lbs. of nickel at an average fixed price of US\$5.67 per lb. maturing at various dates through December 2004. As at September 30, 2004, the fair value of these swap contracts approximated their carrying value.

(c) Copper Swap Contracts

At September 30, 2004, the Company had swap contracts for 1,322,000 lbs. of copper at an average fixed price of US\$1.16 per lb. maturing at various dates through December 2004. As at September 30, 2004, the fair value of these swap contracts approximated their carrying value.

(d) Forward Foreign Exchange Contracts

At September 30, 2004, the Company had forward foreign exchange contracts outstanding for US\$15,000,000 at an average exchange rate of \$1.35 maturing at various dates through December 31, 2004. At September 30, 2004, the fair value of these contracts was \$1,317, of which \$1,104 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. Comparative Period Figures

Certain prior period amounts have been reclassified to conform to the classification adopted in the current period.