TORONTO, ONTARIO--(Marketwired - Aug. 4, 2016) -

All figures are in Canadian dollars except where noted.

North American Palladium Ltd. ("NAP" or the "Company") (TSX:PDL)(OTC PINK:PALDF) today announced financial and operational results for the three months ended June 30, 2016 from its Lac des Iles palladium mine ("LDI") in northwestern Ontario.

Q2 2016 Results Summary

- Produced 38,203 ounces of payable palladium at an All-Inclusive Sustaining Cost(1) ("AISC") of US$ 699 per ounce compared to 22,904 ounces of palladium in Q2 2015 at an AISC(1) of US$ 1,456 per ounce. The mill shutdown in the second quarter of 2015 due to water balance issues makes year over year comparisons less meaningful.
- Revenue of $39.9 million, increased $12.6 million or 46% compared to Q2 2015. Adjusted EBITDA(1) of $1.1 million, an increase of $5.1 million compared to ($4.0) million for Q2 2015.
- Underground mining operations produced 3,013 tonnes per day of ore at a grade of 3.8 g/t palladium, a decrease of 37% over the mining rate of 4,819 tonnes per day of ore in Q2 2015 at a grade of 4.3 g/t palladium. Surface ore stockpiles contributed 2,315 tonnes per day of ore at a grade of 1.0 g/t palladium, an increase of 13% over the production rate of 2,050 tonnes per day of ore in Q2 2015 at a grade of 1.0 g/t palladium. Underground production was lower as the mine transitions to a sub-level shrinkage method.
- The LDI mill processed 539,461 tonnes of blended feed at an average grade of 2.8 g/t palladium with an 82.9% recovery rate, compared with 336,142 tonnes at an average grade of 2.8 g/t palladium with a recovery rate of 82.8% in Q2 2015.
- Invested $29.4 million in capital expenditures year to date, principally related to the expansion of the tailings management facility and ongoing capital development underground.
- On June 30, 2016, the Company entered into an amendment of its existing secured term loan to increase available funds by US$25 million to a maximum of US$50 million under the existing terms. An advance of US$10 million was drawn on July 5, 2016. Use of proceeds is to fund the existing capital expenditure program and for working capital purposes.

Commenting on the second quarter results, Jim Gallagher, the Company's Chief Executive Officer stated, "Underground production levels were impacted by seismicity and related ground issues during the quarter which was expected as the Lac des Iles ("LDI") mine works through the transition to a sub-level shrinkage ("SLS") mining method. Conversion is on schedule and should be largely complete by year end when underground production levels are expected to return to approximately 4,500 tonnes per day of ore. The raise of the east tailings dam is now complete and the new water management facility ("WMF") will be commissioned in September. With tailings storage and water capacity issues resolved and supported by the recent rise in palladium prices we intend to return to a full mill run, from the current 2 week per month batch process, in the fourth quarter of this year."

Mr. Gallagher further added, "The site has done an excellent job of controlling costs resulting in a positive EBITDA for the quarter of $1.1 million despite low metal prices and the underground production challenges. The recent increase in the palladium price, the ramp up of the SLS mining method and the return to a full mill run in the 4th Quarter are expected to improve cash flows by year end."

Financial Update(2)

Q2 2016 Quarter-End Results

Revenue for the quarter ended June 30, 2016 was $39.9 million compared to $27.3 million in the second quarter of 2015. The increase in revenue was primarily due to the mill shutdown in Q2 2015. During the quarter, the Company realized an average palladium selling price of US$564 per ounce, compared to US$758 per ounce realized in Q2 2015.

Net loss for the quarter was $9.9 million, or $0.17 per share, compared to a net loss of $96.8 million or $98.40 per share in Q2 2015. Adjusted EBITDA(1) was $1.1 million in Q2 2016, compared to ($4.0) million in Q2 2015. The increase in Adjusted EBITDA(1) was primarily due to increased revenue and lower operating costs.

Financial Liquidity

As at June 30, 2016, the Company had cash and cash equivalents of $3.8 million and US$ 25 million available to draw under the secured term loan. Availability under the Company's US$ 60 million credit facility is dependent on a borrowing base calculation and was fully drawn at June 30, 2016. Subsequent to the quarter, US$ 10 million was drawn under the secured term loan.

Lac des Iles Operations

The Lac des Iles mine is in the midst of a transition from a large open stope blast hole mining method to a variation of sub-level cave mining where waste fill will be introduced to the top of the cave. The method is referred to as sub-level shrinkage ("SLS"). Mining operations are experiencing certain higher than normal seismic activity and difficult ground conditions related to the rib and sill pillars left behind by the previous mining method and this, as expected, has resulted in lower production levels in the quarter compared to last year. The pillars are systematically being removed in a sequence supervised by geo-mechanic engineers and the transition to SLS will largely be complete by year end at which time underground production is expected to increase to approximately 4,500 tonnes per day of ore.

The mill processed 539,461 tonnes during the quarter consisting of a blend of underground ore and surface low grade stockpiles, resulting in a blended head grade of 2.8 g/t and mill recoveries of 82.9%.

Exploration

Exploration expenditures in the second quarter of 2016 were $1.3 million. Activities were focused on conversion drilling of the B2 Zone and included 9 holes and 2,153 metres. In addition, 2,423 metres of definition drilling and 3,219 metres of conversion drilling were completed in the quarter, all of which was focused on the Offset Zone. Exploration drilling highlights will be reported in the next quarter.

The B2 Zone was initially discovered in 2014 and features average Pd grades of 3-5 g/t over several metres to several tens of metres. The B2 Zone is located approximately 50 to 150 metres to the east of previously developed stopes in the Offset Zone deposit and has been intersected over a vertical distance of 350 metres but remains open at depth and toward the surface. An initial compliant mineral resource estimate for the B2 Zone will be included in the next technical report for the LDI mine property. In addition to the B2 zone drilling, exploration activities in Q2 2016 included reconnaissance field work on the Company's greenfields properties that are located within 50 kilometres of the LDI mine. Field work will continue until October 2016.

Technical Information and Qualified Persons

Dr. Dave Peck, the Company's Vice President, Exploration and a Qualified Person under National Instrument 43-101, has reviewed and approved all technical items disclosed in this news release.

About North American Palladium

NAP is an established precious metals producer that has been operating its Lac des Iles mine ("LDI") located in Ontario, Canada since 1993. LDI is one of only two primary producers of palladium in the world, offering investors exposure to palladium. The Company's shares trade on the TSX under the symbol PDL and on the OTC Pink under the symbol PALDF.

Notes:

(1) Non-IFRS measure. Please refer to Non-IFRS Measures in the MD&A.

(2) NAP's consolidated financial statements for the quarter ended June 30, 2016 are available in the Appendix of this news release. These financial statements should be read in conjunction with the notes and management's discussion and analysis available at www.nap.com and www.sedar.com.

Cautionary Statement on Forward-Looking Information

Certain information contained in this news release constitutes 'forward-looking statements' within the meaning of the 'safe harbor' provisions of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. The words 'target', 'plan', 'should', 'could', 'estimate', 'guidance', and similar expressions identify forward-looking statements. Forward-looking statements in this news release include, without limitation: information pertaining to the Company's strategy, plans or future financial or operating performance, such as statements with respect to, long term fundamentals for the business, operating performance expectations, project timelines, production forecasts, operating and capital cost estimates, expected mining and milling rates, cash balances, projected grades, mill recoveries, metal price and foreign exchange rates and other statements that express management's expectations or estimates of future performance. Forward-looking statements involve known and unknown risk factors that may cause the actual results to be materially different from those expressed or implied by the forward-looking statements. Such risks include, but are not limited to: the possibility that metal prices and foreign exchange rates may fluctuate, the risk that the LDI mine may not perform as planned, that the Company may not be able to meet production forecasts, the possibility that the Company may not be able to generate sufficient cash to service its indebtedness and may be forced to take other actions, inherent risks associated with development, exploration, mining and processing including environmental risks and risks to tailings capacity, employment disruptions, including in connection with collective agreements between the Company and unions, the risks associated with obtaining necessary licenses and permits and uncertainty regarding the ability to consummate the Recapitalization. For more details on these and other risk factors see the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions contained in this news release, which may prove to be incorrect, include, but are not limited to: that the Company will be able to continue normal business operations at its Lac des Iles mine, that metal prices and exchange rates between the Canadian and United States dollar will be consistent with the Company's expectations, that there will be no significant disruptions affecting operations, and that prices for key mining and construction supplies, including labour, will remain consistent with the Company's expectations. The forward-looking statements are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except as expressly required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

Condensed Interim Consolidated Balance Sheets
(expressed in millions of Canadian dollars)
(unaudited)

	June 30 2016	December 31 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3.8	$ 11.2
Accounts receivable	47.4	51.4
Inventories	16.9	15.2
Other assets	2.8	3.6
Total Current Assets	70.9	81.4
Non-current Assets		
Mining interests	468.6	453.9
Total Non-current Assets	468.6	453.9
Total Assets	$ 539.5	$ 535.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	23.8	$ 23.1
Credit facility	26.5	32.4
Current portion of obligations under finance leases	6.9	4.9
Total Current Liabilities	57.2	60.4
Non-current Liabilities		
Income taxes payable	0.8	0.1
Asset retirement obligations	17.5	16.7
Obligations under finance leases	5.9	9.8
Long-term debt	32.3	-
Total Non-current Liabilities	56.5	26.6
Shareholders' Equity		
Common share capital and purchase warrants	1,313.0	1,313.0
Stock options and related surplus	10.8	10.3
Contributed surplus	8.9	8.9
Deficit	(906.9)	(883.9)
Total Shareholders' Equity	425.8	448.3
Total Liabilities and Shareholders' Equity	$539.5	$ 535.3

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(expressed in millions of Canadian dollars, except share and per share amounts)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Revenue	$ 39.9	$ 27.3	$ 72.4	$ 91.3
Mining operating expenses				
Production costs	31.5	25.6	62.8	67.2
Smelting, refining and freight costs	3.9	2.7	7.2	9.4

Royalty expense	1.7	1.0	3.0	3.5
Depreciation and amortization	7.5	4.6	16.0	13.2
Inventory pricing adjustment	0.1	-	1.0	0.5
Loss (gain) on disposal of equipment	-	(0.2)	-	(0.1)
Mine restoration and mitigation costs	-	3.7	0.1	3.7
Total mining operating expenses	44.7	37.4	90.1	97.4
Income (loss) from mining operations	(4.8)	(10.1)	(17.7)	(6.1)
Other expenses (Income)				
Exploration	1.3	1.8	2.8	4.3
General and administration	1.6	2.2	3.1	5.0
Interest and other income	-	(2.4)	(0.8)	(1.1)
Interest costs and other	1.9	81.6	2.9	93.5
Financing costs	-	7.5	0.2	7.9
Foreign exchange loss (gain)	0.3	(4.0)	(2.9)	18.4
Total other expenses, net	5.1	86.7	5.3	128.0
Loss before taxes	(9.9)	(96.8)	(23.0)	(134.1)
Income taxes	-	-	-	
Net loss and comprehensive loss	$ (9.9)	$ (96.8)	$ (23.0)	$ (134.1)
Loss per share				
Basic and Diluted	$ (0.17)	$ (98.4)	$ (0.40)	$ (136.8)
Weighted average number of shares outstanding				
Basic and diluted	58,126,526	984,226	58,126,526	980,612

Condensed Interim Consolidated Statements of Cash Flows
(expressed in millions of Canadian dollars)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Cash provided by (used in)				
Operations				
Net loss	$ (9.9)	$ (96.8)	$ (23.0)	$ (134.1)
Operating items not involving cash				
Depreciation and amortization	7.5	4.6	16.0	13.2
Inventory pricing adjustment	0.1	-	1.0	0.5
Accretion expense	-	4.3	0.2	6.3
Share-based compensation and employee benefits	0.3	0.1	0.5	0.5
Unrealized foreign exchange loss (gain)	0.3	(0.2)	(2.5)	21.7
Realized foreign exchange loss on financing activities	0.1		0.2	-
Loss on disposal of equipment	-	(0.2)	-	(0.1)
Interest expense and other	1.9	75.0	2.0	86.1
Financing costs	-	7.5	0.2	7.9
	0.3	(5.7)	(5.4)	2.0
Changes in non-cash working capital	1.2	12.1	3.2	25.1
	1.5	6.4	(2.2)	27.1
Financing Activities				
Proceeds of credit facilities	7.8	30.9	9.8	38.7
Repayment of credit facilities	(8.5)	(13.6)	(13.9)	(20.3)
Proceeds of Term Loan	18.8	-	32.5	-
Net proceeds of bridge loan	-	17.6	-	17.6
Repayment of obligations under finance leases	(1.3)	(1.2)	(2.5)	(2.3)
Interest paid	(1.4)	(14.6)	(1.9)	(23.0)
Other recoveries (costs)	(0.6)	(7.5)	(0.1)	(7.9)
	14.8	11.6	23.9	2.8
Investing Activities				
Additions to mining interests, net	(16.5)	(7.8)	(29.4)	(13.4)
Proceeds on disposal of mining interests, net	0.3	0.6	0.3	0.6
	(16.2)	(7.2)	(29.1)	(12.8)

Increase (decrease) in cash	0.1	10.8	(7.4)	17.1
Cash and cash equivalents, beginning of period	3.7	10.4	11.2	4.1
Cash and cash equivalents, end of period	$ 3.8	$ 21.2	$3.8	$ 21.2
Cash and cash equivalents consisting of:				
Cash	$ 3.8	$ 21.2	$3.8	$ 21.2
Foreign exchange included in cash balance	$ 0.6	$ 3.7	$ 0.6	$ 3.7

Contact

North American Palladium Ltd.
Investor Relations
416-360-7374
IR@nap.com