TORONTO, ONTARIO--(Marketwired - Aug 1, 2017) - 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, 2017.

Q2 2017 Results Summary

- Net income for the quarter was $7.9 million primarily due to higher palladium production and improved prices compared to a loss of $9.9 million in Q2 2016. This marks the first profitable quarter since the Company's financial restructuring in August 2015. Net income for the first half of 2017 was $4.1 million compared to a net loss of $23.0 million for the same period of 2016.
- Adjusted EBITDA(1) for the quarter was $20.5 million, compared to $1.1 million for Q2 2016.
- Revenue for the quarter was $70.3 million, an increase of $30.4 million or 76% compared to Q2 2016. This is primarily due to a 43% increase in palladium pricing and a 41% increase in payable palladium sold.
- All in sustaining costs(1) were US$644 per ounce sold in Q2 versus US$699 in Q2 2016.
- Underground production was 455,169 tonnes (5,002 tonnes per day) at an average grade of 3.9 grams per tonne, an increase of 180,963 tonnes or 66% compared to 274,206 tonnes (3,013 tonnes per day) at an average grade of 3.8 grams per tonne in Q2 2016.
- Mill production of 50,222 ounces of payable palladium in comparison to 38,203 payable ounces produced in Q2 2016.
- An updated mineral reserve and mineral resource estimate in connection with a feasibility level National Instrument 43-101 compliant life of mine ("LOM") technical report were published in the quarter.

"Our return to profitable operations in the quarter and year to date is a direct result of the focused turnaround effort underway since the financial restructuring led by Brookfield in mid-2015," stated Jim Gallagher, President and CEO.

"At just over 5,000 tonnes per day, the underground mine achieved its highest ever quarterly production. This is largely attributable to the success of the conversion to the sub-level shrinkage mining method at depth. We expect the underground production rate to increase to over 6,000 tonnes per day before the end of the year as we bring into production the new B2 zone in the upper part of the mine.

In the quarter, we received the necessary permits for our South Tailings Facility dam raise and are already well advanced in construction. This will enable the return to full mill operations in the fourth quarter. We have also started overburden removal from the small Sherriff open pit and are on track to begin production by the beginning of next year. These items will complete the operational turnaround and demonstrate the full value of the Lac des Iles mine.

We are also pleased to begin to advance our exploration strategy. We believe that NAP offers strong exploration upside which could lead to further mine life extensions, and potentially another Lac des Iles-type deposit. The Company has also been able to act opportunistically to add to our exploration portfolio, and in the second quarter we announced a definitive option agreement with Impala Platinum and Transition Metals for the Sunday Lake property.

Finally, our management team has been very active this past quarter in refining and communicating NAP's unique value proposition to shareholders, investment analysts and potential investors. We intend to continue these efforts to receive more visibility and recognition for the transformative changes that have taken place at NAP. All of these important milestones have occurred amid a backdrop of palladium prices at near record levels, driven by strong demand and constrained supply," continued Mr. Gallagher.

Financial Update

Q2 2017 Quarter-End Results

Revenue for the quarter ended June 30, 2017 was $70.3 million compared to $39.9 million in the second quarter of 2016. The higher revenue in Q2 2017 was primarily due to an increase in palladium prices and an increase in payable palladium sold. Quarterly palladium revenues were generated on sales of 53,982 ounces at an average price of US$799 per ounce, compared with sales of 38,192 ounces at an average price of US$611 per ounce in the comparable period in 2016.

All in sustaining cost ("AISC") of palladium produced decreased to US$644 per ounce for the quarter, compared to US$699 per ounce in Q2 2016. The US$55 decrease in unit cost was attributable to increased payable palladium produced combined with the weaker Canadian dollar in Q2 2017.

Sustaining capital expenditures in Q2 2017 was $6.7 compared to $3.93 in Q2 2016, whereas project capital expenditures were $2.8 and $12.6, respectively. Project capital in both periods were related the tailings management facility.

Net income for the quarter was $7.9 million or $0.14 per share, compared to a net loss of $9.9 million, or $0.17 per share in Q2 2016. Adjusted EBITDA(1) for the quarter was $20.5 million, compared to $1.1 million over Q2 2016.

Financial Liquidity

As at June 30, 2017, the Company had cash and cash equivalents of $16.8 million compared to $3.8 million, as at June 30, 2016. Availability under the Company's US$60 million revolving credit facility is dependent on a borrowing base calculation and was fully drawn at US$42.7 million at June 30, 2017. During the quarter, the Company also entered into an amendment of the credit facility to extend the maturity of such facility from December 31, 2017 to June 30, 2018, subject to the completion of definitive documentation.

As at June 30, 2017, the Company had total debt of $107.6 million compared to $71.6 million as at June 30, 2016, an increase of $36.0 million. The Company's US$50 million term loan was fully drawn as at June 30, 2017.

Proposed Offering Update

On June 19, 2017, the Company filed a $75 million base shelf prospectus and announced a proposed marketed offering of approximately $40 million common shares in the capital of the Company and approximately $10 million "flow-through" common shares in the capital of the Company for aggregate gross proceeds of approximately $50 million. The base shelf prospectus is available to the Company through to June 2019. The Company continues to evaluate all options related to the proposed offering.

Operations Update

In the quarter, the Company's LDI mine produced 50,222 ounces of payable palladium compared to 38,203 ounces of payable palladium in Q2 2016. Underground mining in the quarter produced 455,169 (5,002 tonnes per day) at a grade of 3.9 g/t palladium, compared to 274,206 tonnes (3,013 tonnes per day) at a grade of 3.8 g/t palladium in Q2 2016. May 2017 was a record production month for the underground mine, averaging 5,250 tonnes per day, due in part to the conversion to the SLS mining method.

During the quarter, a total of 580,265 tonnes of ore were milled compared to 539,461 tonnes of ore milled in Q2 2016. The production cost in Q2 2017 was $71 per tonne milled compared to $59 per tonne milled in Q2 2016. The increased unit costs in Q2 2017 resulted from a higher ratio of underground tonnes being milled and additional operating costs associated with inventory adjustments and marginally higher production costs.

Operating Metrics	Three months ended June 30	
	2017	2016
Ore mined (tones)		
Underground	455,169	274,206
Surface	201,543	210,671
Total	656,712	484,877
Mined ore grade (Pd g/t)		
Underground	3.9	3.8
Surface	1.0	1.0
Milling		
Tonnes milled (dry metric tonnes)	580,265	539,461
Palladium recoveries (%)	84.3	82.8
Palladium concentrate grade (g/t)	313	323
Tonnes of concentrate produced	5,177	3,897
Production cost per tonne milled[(1)]	$ 71	$ 59
Payable production		
Palladium sales - payable ounces	53,982	38,192
Average realized palladium price per once sold (US$)[(1)]	$ 799	$ 611
Other results[(1)]		
AISC per ounce of palladium produced (US$)[(1)]	$ 644	$ 699
Cash cost per ounce of palladium sold, net of by-product revenues (US$)[(1)]	$ 485	$ 554

During the quarter, the Company received the final construction permits for the South Tailings Facility dam raise, which will increase long-term tailing capacity. Construction has already begun and is on schedule to enable the mine to return to full mill run in Q4 2017 as planned.

Exploration

Exploration expenditures were reduced to $0.9 million for the quarter, compared with $1.3 million in Q2 2016. The year-on-year

reduced costs are attributable to deferring the restart of LDI exploration drilling until Q2 2017.

Sunday Lake Agreement

On June 20th, 2017, the Company announced the signing of a definitive option agreement with Impala Platinum and Transition Metals for the Sunday Lake property ("Sunday Lake"). Sunday Lake is located within trucking distance of the LDI mine and is host to a recently discovered platinum group element, copper, and nickel sulfide deposit. Sunday Lake was acquired as part of the Company's new comprehensive exploration strategy, which focuses on early-stage to advanced exploration opportunities near the LDI mine.

Exploration activities during the second half of the year will focus on the underground infill and extension drilling on the South Offset and Mystery zones. The Company will also begin surface drilling and geophysical surveying on the Camp Lake target and surface drilling on the Legris Lake, Tib Lake and Shelby Lake properties as well as geophysical surveys on the Sunday Lake property. Combined exploration expenditures for the third and fourth quarters are estimated at $4 million. Exploration drilling at Sunday Lake will likely commence in the fourth quarter of 2017.

Outlook

The Company's previously stated 2017 guidance of palladium production between 180,000 and 190,000 ounces of palladium at an average AISC cost of US$700-720 per ounce remains unchanged. Payable production for the six months ended June 30, 2017 was 90,474 ounces. Third quarter production will be slightly impacted by planned rehabilitation work in the underground ore bins which will reduce production over a 3 week period.

Shareholder Information

The complete Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis can be found on NAP's website at www.nap.com, and on SEDAR at www.sedar.com.

The Company invites you to join their conference call on Wednesday, August 2nd, 2017 at 8:00 a.m. EDT. To participate in the conference call, please dial toll-free 1-800-319-4610 for North America and 1-604-638-5340 for International access.

A recording of the conference call will be available within 24 hours following the call at the Company's website. As well, an audio replay of the call will be available until September 2nd, 2017 by dialing 1-855-669-9658 and entering pass code 1595 on your telephone keypad.

Notes:

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

All figures are in Canadian dollars except where noted.

Cautionary Statement on Forward-Looking Information

Certain information contained in this news release constitutes 'forward-looking statements' and 'forward-looking information' within the meaning of applicable Canadian securities laws. 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, tailings management plan, mining method change, production forecasts, operating and capital cost estimates, expected mining and milling rates, cash balances, projected grades, mill recoveries, metal price and foreign exchange rates, completion of a marketed prospectus offering 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 Management's Discussion and Analysis report and Annual Information Form on file with Canadian securities regulatory authorities on SEDAR at www.sedar.com under the heading "Risk Factors".

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.

About North American Palladium

North American Palladium Ltd. (NAP) is a Canadian company and is currently the only pure play palladium producer in the world. Operating its Lac des Iles mine northwest of Thunder Bay Ontario for more than 20 years, NAP features a unique world class ore body with modern infrastructure, including both an underground mine and an open pit mine. The Company's shares trade on the TSX under the symbol "PDL" and on the OTC Pink under the symbol "PALDF".

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

	June 30 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16.8	$ 15.0
Accounts receivable	51.5	55.0
Inventories	19.8	15.8
Other assets	2.8	5.5
Total Current Assets	90.9	91.3
Non-current Assets		
Mining interests	474.5	471.4
Total Non-current Assets	474.5	471.4
Total Assets	$ 565.4	$ 562.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 24.8	$ 25.5
Credit facility	32.3	30.7
Current portion of obligations under finance leases	5.6	6.3
Current portion of long-term debt	19.5	20.1
Total Current Liabilities	82.2	82.6
Non-current Liabilities		
Income taxes payable	0.8	0.8
Asset retirement obligations	16.2	16.1
Obligations under finance leases	5.5	5.7
Long-term debt	44.7	46.0
Total Non-current Liabilities	67.2	68.6
Shareholders' Equity		
Common share capital and purchase warrants	1,313.0	1,313.0
Stock options and related surplus	11.4	11.0
Contributed surplus	8.9	8.9
Deficit	(917.3)	(921.4)
Total Shareholders' Equity	416.0	411.5
Total Liabilities and Shareholders' Equity	$ 565.4	$ 562.7

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

	Three months ended June 30	Six months ended June 30

	2017	2016	2017	2016
Revenue	$ 70.3	$ 39.9	$ 114.6	$ 72.4
Mining operating expenses				
Production costs	41.1	31.5	73.0	62.8
Smelting, refining and freight costs	3.2	3.9	5.3	7.2
Royalty expense	3.0	1.7	5.2	3.0
Depreciation and amortization	11.2	7.5	19.3	16.0
Inventory write down (reversal)	-	0.1	(0.2)	1.0
Loss on disposal of equipment	0.2	-	0.3	-
Mine restoration and mitigation costs	-	-	-	0.1
Total mining operating expenses	58.7	44.7	102.9	90.1
Income (loss) from mining operations	11.6	(4.8)	11.7	(17.7)
Other expenses (Income)				
Exploration	0.9	1.3	1.4	2.8
General and administration	2.3	1.6	3.7	3.1
Interest and other income	(0.1)	-	(0.1)	(0.8)
Interest costs and other	2.9	1.9	5.2	2.9
Financing costs	0.2	-	0.5	0.2
Foreign exchange loss (gain)	(2.5)	0.3	(3.1)	(2.9)
Total other expenses, net	3.7	5.1	7.6	5.3
Income (loss) before taxes	7.9	(9.9)	4.1	(23.0)
Income taxes	-	-	-	-
Net income (loss) and comprehensive income (loss)	$ 7.9	$ (9.9)	$ 4.1	$ (23.0)
Income (loss) per share				
Basic and Diluted	$ 0.14	$ (0.17)	$ 0.07	$ (0.40)
Weighted average number of shares outstanding				
Basic and diluted	58,126,526	58,126,526	58,126,526	58,126,526

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Cash provided by (used in)				
Operations				
Net income (loss)	$ 7.9	$ (9.9)	$ 4.1	$ (23.0)
Operating items not involving cash				
Depreciation and amortization	11.2	7.5	19.3	16.0
Inventory write down (reversal)	-	0.1	(0.2)	1.0
Accretion expense	0.1	-	0.4	0.2
Share-based compensation and employee benefits	0.2	0.3	0.4	0.5
Foreign exchange loss (gain) on financing activities	(2.5)	0.4	(3.2)	(2.3)
Loss on disposal of equipment	0.2	-	0.3	-
Interest expense and other	2.8	1.9	4.8	2.0
Financing costs	0.2	-	0.5	0.2
	20.1	0.3	26.4	(5.4)
Changes in non-cash working capital	5.6	1.2	10.0	3.2
	25.7	1.5	36.4	(2.2)
Financing Activities				
Proceeds of credit facility	-	7.8	15.9	9.8
Repayment of credit facility	(13.4)	(8.5)	(13.4)	(13.9)
Proceeds of long-term debt	-	18.8	-	32.5
Repayment of obligations under finance leases	(1.5)	(1.3)	(6.1)	(2.5)
Interest paid	(2.4)	(1.4)	(4.7)	(1.9)
Other costs	(0.2)	(0.6)	(0.5)	(0.1)
	(17.5)	14.8	(8.8)	23.9
Investing Activities				
Additions to mining interests	(9.5)	(16.5)	(25.8)	(29.4)

Proceeds on disposal of mining interests	-	0.3	-	0.3
	(9.5)	(16.2)	(25.8)	(29.1)
Increase (decrease) in cash	(1.3)	0.1	1.8	(7.4)
Cash and cash equivalents, beginning of period	18.1	3.7	15.0	11.2
Cash and cash equivalents, end of period	$ 16.8	$ 3.8	$ 16.8	$ 3.8
Cash and cash equivalents consisting of:				
Cash	$ 16.8	$ 3.8	$ 16.8	$ 3.8
Foreign exchange included in cash balance	$ 2.6	$ 0.6	$ 2.6	$ 0.6

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