

# Production and Profits Increase at North American Palladium with the Announcement of its Third Quarter 2017 Financial Results

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TORONTO, Nov. 03, 2017 (GLOBE NEWSWIRE) -- [North American Palladium Ltd.](#) ("NAP" or the "Company") (TSX:PDL) (OTC PINK:PALDF) today announced financial and operational results for the three months ended September 30, 2017.

## *Q3 2017 Results Summary*

- Adjusted EBITDA<sup>1</sup> for the third quarter was \$22.0 million, compared to \$10.1 million for the same period in 2016 and net income was \$11.0 million compared to a loss of \$1.6 million, for the same period in 2016.
- Underground production was 500,560 tonnes (5,441 tonnes per day) at an average grade of 3.8 grams per tonne, an increase of 44% compared to 348,709 tonnes (3,790 tonnes per day) at an average grade of 3.3 grams per tonne in the third quarter of 2016.
- The Company recorded a daily production rate milestone of 8,229 tonnes of underground ore, with an overall average production rate of 6,461 tonnes per day during the month of September 2017.
- Underground mining cost per tonne delivered to the mill in the third quarter decreased to a low of \$39.68 compared to \$44.43 in the same period in 2016.
- The Company produced 53,118 ounces of payable palladium at an All-Inclusive Sustaining Cost<sup>1</sup> ("AISC") of US\$720 per ounce compared to 33,165 ounces of palladium in 2016 at an AISC of US\$784.

"We are pleased to report another profitable quarter driven by record underground production and continued strength in palladium prices. In September, we returned to full-time mill operations several weeks ahead of schedule, contributing to an additional 184,285 tonnes milled this quarter compared to the same period in 2016," said Jim Gallagher, President and CEO.

"The Company met and exceeded the targeted underground production rate of 6,000 tonnes per day, ahead of the original 2017 production plan. The higher level of output reflects the production from several additional mining areas in the upper part of the mine, including the new B2 zone, and the continued success of the sub-level shrinkage mining method in the lower part of the mine. We expect the underground production rate to remain above 6,000 tonnes per day for the remainder of the year and into 2018."

There was also significant progress made on our exploration strategy this quarter, including positive drill results from the Offset South zone. This zone is located adjacent to the low cost sub-level shrinkage mining zone and has the potential to significantly add to the resources currently being mined in that area. Further, our recent exploration initiatives have demonstrated that numerous opportunities exist for another Lac des Iles-type deposit within 30km of site.

These positive production results were achieved when the mill was still operating on a 2-week per month batch process for the majority of the quarter. As we move forward with a full-time mill run, higher underground production and a sustained strength in palladium prices, we expect to continue improving on our financial performance," continued Mr. Gallagher.

## *Operations Update*

During the quarter, the mill processed 704,287 dry metric tonnes of ore at an average head grade of 2.9 grams of palladium per tonne and a palladium recovery rate of 82.3%, producing 6,101 tonnes of concentrate with an average grade of 276 grams of palladium per tonne.

Construction continued in the quarter on the center-line raise of the Company's South Tailings Management Facility, which will be available to receive tailings in November 2017. This is expected to supplement the remaining capacity in the Company's East Tailings Management Facility and meet operating requirements well into 2018. The next phase of the tailings dam construction includes downstream raises at both the South and East Tailings Management Facility. The Lac des Iles mine has completed the required consultations and submissions and expects final permits in the near future. Stripping of the Sheriff Pit is largely complete and initial production is expected before year end.

Operating Metrics	Three months ended September 30,	
	2017	2016
Ore mined (tones)		
Underground	500,560	348,709
Surface	279,070	273,392
Total	779,630	622,101
Underground Mining Cost per Tonne	39.86	44.43
Mined ore grade (Pd g/t)		
Underground	3.8	3.3
Surface	1.0	1.0
Milling		
Tonnes milled (dry metric tonnes)	704,287	520,002
Palladium recoveries (%)	82.3	81.1
Palladium concentrate grade (g/t)	276	305
Tonnes of concentrate produced	6,101	3,524
Production cost per tonne milled <sup>1</sup>	\$ 57	\$ 59
Payable production		
Palladium – ounces	53,118	33,165
Other results <sup>1</sup>		
AISC per ounce of palladium produced (US\$) <sup>1</sup>	\$ 720	\$ 784
Cash cost per ounce of palladium sold, net of by-product revenues (US\$) <sup>1</sup>	\$ 516	\$ 603

### Third Quarter 2017 Financial Results

Net income for the quarter was \$11.0 million or \$0.19 per share, compared to a loss of \$1.6 million or \$0.03 per share in 2016. Adjusted EBITDA<sup>1</sup> for the quarter was \$22.0 million, compared to \$10.1 million in the third quarter of 2016.

Revenue for the quarter ended September 30, 2017 was \$70.7 million compared to \$48.5 million in the third quarter of 2016. The higher revenue in the quarter was primarily due to an increase in payable palladium sold. Quarterly palladium revenues were generated on sales of 52,709 ounces, compared with sales of 33,540 ounces in the comparable period in 2016.

Total production cost for the quarter was \$40.0 million compared to \$30.8 in the third quarter of 2016, whereas production per tonne milled was \$57 and \$59, respectively. Cash provided by operations prior to changes in non-cash working capital for the nine months ended September 30, 2017 was \$47.7 million compared to \$5.0 million for the same period in 2016.

The AISC per ounce of palladium produced decreased to US\$720 per ounce for the quarter, compared to US\$784 per ounce in the third quarter of 2016. The US\$64 decrease in unit cost was attributable to increased payable palladium produced and partially offset by the strengthening of the Canadian dollar.

Sustaining capital expenditures in the third quarter was \$10.9 compared to \$3.8 in 2016, whereas project capital expenditures were \$7.9 and \$9.6, respectively. The increase in sustaining capital expenditures is related to a year-over-year increase in underground development and capital equipment purchases. The majority of project capital in both periods was related to the tailings management facility.

### *Financial Liquidity*

As at September 30, 2017, the Company had cash and cash equivalents of \$12.9 million compared to \$9.0 million, as at September 30, 2016. During the quarter, the Company extended the term of its US\$60 million credit facility to June 30, 2018.

At quarter end, the Company had total debt of \$105.7 million compared to \$90.7 million for the same period of 2016, an increase of \$15.0 million. The Company's US\$50 million term loan was fully drawn as at September 30, 2017.

### *Exploration*

Exploration expenditures were \$1.3 million for the quarter, compared to \$1.0 million for the same period in 2016. The year-over-year increased costs are attributable to a moderate increase in Greenfields exploration expenditures and the addition of the Sunday Lake property. Exploration expenditures for the fourth quarter are estimated to be \$3.8 million. The increased investment in exploration reflects the Company's commitment to translating exploration opportunities into new resources on a condensed timeline.

A total of 11,000 metres of exploration drilling are planned for the fourth quarter. Eleven infill and extension drill holes have been laid out for the Offset South Zone in order to follow up on the positive results received in the third quarter. Some of these holes will extend past the Offset South Zone into untested parts of the Camp Lake block to the south of the Camp Lake fault. One surface drill will continue to test the up-dip, near-surface portion of the Camp Lake block in the vicinity of historical, copper-nickel sulfide occurrences at the south end of the mine property. At Sunday Lake, two surface drills will complete a six hole, 5,000 metre program to better establish the continuity and lateral extent of the Main Zone disseminated sulfide mineralization. Guided by surface and borehole geophysical surveys, this drilling will also begin the search for higher-grade massive sulfide mineralization within and external to the Sunday Lake intrusion. At Legris Lake, one surface drill will complete three holes on the recently delineated electromagnetic anomaly and one hole on the adjacent, high-intensity magnetic anomaly.

Further updates on exploration activities will be provided as significant, new results become available.

### *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 nine months ended September 30, 2017 was 143,592 ounces.

Management expects that cash flows from operations will be sufficient to fund capital expenditures, service debt and to repay the principle amount of US\$15 million due on December 31, 2017 under the Company's term loan.

### *Shareholder Information*

The complete condensed consolidated interim financial statements of the Company for the nine month period ending September 30, 2017 and the related management's discussion and analysis can be found on NAP's website at [www.nap.com](http://www.nap.com), and on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company invites you to join its webcast and conference call on Monday, November 6<sup>th</sup>, 2017 at 8:00 a.m. EST. To access the webcast, including the slide presentation, please click [here](#). To participate by phone, please dial toll-free 1-800-319-4610 (North America) and 1-604-638-5340 (International) five to ten minutes prior to the scheduled start time.

A recording of the conference call will be available within 24 hours following the call at the Company's website. An audio replay of the call will be available until December 6<sup>th</sup>, 2017 by dialing 1-855-669-9658 and

entering pass code 1760 on your telephone keypad.

**Notes:**

<sup>1</sup>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 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 Lac des Iles 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 and the risks associated with obtaining necessary licenses and permits. For more details on these and other risk factors see the Company's most recent management's discussion and analysis and the Company's annual information form on file with Canadian securities regulatory authorities on SEDAR at [www.sedar.com](http://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.](#) (TSX:PDL) (OTC PINK:PALDF) is a Canadian company with over 20 years of production at Lac des Iles mine, located northwest of Thunder Bay, Ontario. North American Palladium is the only pure play palladium producer in the world. With over 500 employees, Lac des Iles mine features a unique world class ore body and modern infrastructure, including both an underground mine and an open pit mine.

For further information:

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