

# North American Palladium Records a Profitable 2017 and Announces Initiation of a Strategic Alternatives Review

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TORONTO, Feb. 21, 2018 (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 and year ended December 31, 2017. The Company also announced its board of directors (the "Board") has initiated a process to explore, review and evaluate a broad range of potential strategic alternatives focused on maximizing shareholder value, including a potential sale of the Company or a secondary sale of securities.

## *Fourth Quarter and Year End Highlights*

- Adjusted EBITDA<sup>1</sup> for the quarter increased to \$36.9 million, compared to a loss of \$0.7 million for the same period in 2016. For the year ended 2017, adjusted EBITDA<sup>1</sup> was \$86.2 million, compared to \$4.7 million in 2016.
- Net income for the quarter was \$15.2 million, compared to a loss of \$12.9 million for the same period in 2016. Net income for the year ended 2017 was \$30.3 million compared to a loss of \$37.5 million in 2016.
- Revenue for the quarter increased to \$87.1 million compared to \$46.0 million for the same period in 2016, which reflects an increase of 89%. Revenue for the year-end increased 63%, to \$272.4 million compared to \$166.9 million for the same period in 2016.
- Cash provided by operations was \$94.3 million for the year, an increase of \$103.7 million over 2016. Cash employed during 2017 included \$60.5 million for capital investments and a reduction in total debt of \$23.2.
- This quarter, the Company produced 58,000 payable palladium ounces compared to 37,979 payable palladium ounces produced for the same period in 2016. The Company produced 201,592 payable palladium ounces for the year, representing a 35% increase over the 149,563 payable palladium ounces produced in 2016.
- Underground production for the quarter increased to 578,249 tonnes (6,285 tonnes per day) at an average grade of 3.5 grams per tonne compared to 405,736 tonnes (4,410 tonnes per day) at an average grade of 3.5 grams per tonne for the same period in 2016. Underground production for the year increased to 1,897,114 tonnes (5,198 tonnes per day) at an average grade of 3.9 grams per tonne compared to 1,367,458 tonnes (3,736 tonnes per day) at an average grade of 3.8 grams per tonne in 2016.
- Production cost per tonne milled for the quarter decreased to \$42, compared to \$62 for the same period in 2016. Production cost per tonne milled for the year decreased to \$57, compared to \$67 in 2016.
- The All-Inclusive Sustaining Cost ("AISC") for the quarter was US\$734 per ounce, compared to US\$780 for the same period in 2016. The AISC was US\$694 per ounce for the year, compared to US\$701 in 2016.

"2017 was a year in which the Lac des Iles mine began to demonstrate its full potential. We met and exceeded the targeted underground production rate of 6,000 tonnes per day, ahead of the original 2017 production plan. The mill returned to full time operations in the fourth quarter, at an average rate of 11,270 tonnes per day with the addition of low-grade surface stockpiles. This enabled NAP to surpass the previously stated 2017 guidance of 180,000-190,000 palladium ounces for the year," said Jim Gallagher, President and CEO of North American Palladium.

"These excellent production results, combined with strong palladium prices resulted in full year earnings of just over \$30 million and an adjusted EBITDA of over \$86 million. In 2017, we invested over \$60 million of capital in equipment, infrastructure and development, setting the operation up for long-term success. We also paid down \$23 million in debt during the year, paying attention to the balance sheet as well as operations. The fourth quarter results of \$15.2 million in earnings and \$36.9 million adjusted EBITDA are

strong indicators of the financial performance to be expected in 2018. The mill will continue to operate on a full-time basis, at a rate that is expected to rise to approximately 12,000 tonnes per day. Mill feed will come from underground production, at a rate just above 6000 tonnes per day, supplemented by the small Sheriff open pit, which has already started production, and the low-grade surface stockpiles. Guidance for 2018 is 230,000-240,000 payable ounces at an average AISC of US\$640 to US\$660 per ounce. 2018 will be the first full year where the true value of the Lac des Iles mine will be demonstrated," continued Mr. Gallagher.

| Operational Highlights                                                                | Three Months Ended<br>December 31, |         | Year Ended<br>December 31, |           |
|---------------------------------------------------------------------------------------|------------------------------------|---------|----------------------------|-----------|
|                                                                                       | 2017                               | 2016    | 2017                       | 2016      |
| Ore mined (tonnes)                                                                    |                                    |         |                            |           |
| Underground                                                                           | 578,249                            | 405,736 | 1,897,114                  | 1,367,114 |
| Surface                                                                               | 403,847                            | 206,413 | 962,060                    | 730,713   |
| Total                                                                                 | 982,096                            | 612,149 | 2,859,174                  | 2,097,827 |
| Mined ore grade (Pd g/t)                                                              |                                    |         |                            |           |
| Underground                                                                           | 3.5                                | 3.5     | 3.9                        | 3.8       |
| Surface                                                                               | 0.9                                | 1.0     | 0.9                        | 0.9       |
| Milling                                                                               |                                    |         |                            |           |
| Tonnes milled (dry metric tonnes)                                                     | 1,037,185                          | 583,420 | 2,780,119                  | 1,996,119 |
| Palladium recoveries (%)                                                              | 80.4                               | 82.7    | 80.6                       | 82.3      |
| Palladium concentrate grade (g/t)                                                     | 271                                | 294     | 286                        | 315       |
| Tonnes of concentrate produced                                                        | 7,206                              | 4,414   | 22,980                     | 15,600    |
| Production cost per tonne milled <sup>1</sup>                                         | \$ 42                              | \$ 62   | \$ 57                      | \$ 67     |
| Payable production                                                                    |                                    |         |                            |           |
| Palladium – ounces                                                                    | 58,000                             | 37,979  | 201,592                    | 149,500   |
| Other results <sup>1</sup>                                                            |                                    |         |                            |           |
| AISC per ounce of palladium produced (US\$) <sup>1</sup>                              | \$ 734                             | \$ 780  | \$ 694                     | \$ 701    |
| Cash cost per ounce of palladium sold, net of by-product revenues (US\$) <sup>1</sup> | \$ 463                             | \$ 641  | \$ 509                     | \$ 572    |

<sup>1</sup>Non-IFRS accounting measure.

| Financial Highlights<br>(C\$ millions)        | Three Months Ended<br>December 31, |            | Year Ended<br>December 31, |            |
|-----------------------------------------------|------------------------------------|------------|----------------------------|------------|
|                                               | 2017                               | 2016       | 2017                       | 2016       |
| Revenue                                       | \$ 87.1                            | \$ 46.0    | \$ 272.4                   | \$ 166.9   |
| Production costs                              |                                    |            |                            |            |
| Mining                                        | 26.8                               | 22.5       | 99.8                       | 81.9       |
| Milling                                       | 9.6                                | 8.3        | 34.5                       | 31.3       |
| General and administration                    | 6.7                                | 5.3        | 24.2                       | 20.0       |
| Smelting, refining, freight and royalty       | 7.9                                | 6.6        | 25.0                       | 22.4       |
|                                               | 43.1                               | 36.1       | 158.5                      | 133.2      |
| Inventory and other costs                     | (2.9 )                             | 2.5        | (5.3 )                     | (1.0 )     |
| Total production costs                        | 40.2                               | 38.6       | 153.2                      | 132.2      |
| Depreciation and amortization                 | 11.1                               | 7.0        | 41.3                       | 30.8       |
| Other                                         | 0.4                                | 0.2        | 0.6                        | 1.9        |
| Total mining operating expenses               | 51.7                               | 45.8       | 195.1                      | 164.9      |
| Income (loss) from mining operations          | \$ 27.5                            | \$ (6.4 )  | \$ 52.3                    | \$ (20.4 ) |
| Net Income (loss)                             | \$ 15.2                            | \$ (12.9 ) | \$ 30.3                    | \$ (37.5 ) |
| Net Income (loss) per share                   | \$ 0.26                            | \$ (0.22 ) | \$ 0.52                    | \$ (0.65 ) |
| EBITDA <sup>1</sup>                           | \$ 32.4                            | \$ (3.9 )  | \$ 86.3                    | \$ 0.1     |
| Capital investment, excluding non-cash leases | \$ 19.4                            | \$ 7.1     | \$ 60.5                    | \$ 47.5    |

<sup>1</sup>Non-IFRS accounting measure.

Revenue for the quarter increased by \$41.1 million compared to the same period in 2016. Revenue for the year increased by \$105.5 million compared to last year. The increase in revenue was primarily due to increased payable palladium sold combined with higher palladium prices. Annual palladium revenues were generated on sales of 197,311 ounces, compared with sales of 149,120 ounces in 2016.

The total production cost per tonne milled in the fourth quarter was \$42 compared to \$62 for the same period 2016. The total production cost per tonne milled for the year was \$57 compared to \$67 in 2016. The unit cost reduction was due to additional production resulting in increased operational efficiencies.

Cash provided by operations for the fourth quarter was \$42.0 million compared to cash used in operations of \$10.0 million for the same period of 2016. Cash provided by operations for 2017 was \$94.3 million compared to cash used in operations of \$9.4 million in 2016.

The AISC per ounce of palladium produced decreased to US\$694 per ounce in 2017, compared to US\$701 per ounce in 2016. The decrease in unit cost was attributable to increased payable palladium produced at a lower unit cash cost, offset by additional investments in sustaining capital in 2017 and the strengthening of the Canadian dollar.

Sustaining capital expenditures in the year were \$38.3 million compared to \$17.9 million in 2016, whereas project capital expenditures were \$24.2 million and \$32.6 million, respectively. The increase in sustaining capital expenditures is related to a year-over-year increase in underground development and infrastructure costs and capital equipment investments.

#### *Financial Liquidity*

As at December 31, 2017, the Company had cash and cash equivalents of \$11.1 million compared to \$15.0 million, as at December 31, 2016. Credit available under the Company's credit facility at year end was US\$6.8 million compared to US\$1.7 million at December 31, 2016. During the year, the Company extended the term of its US\$60 million credit facility to June 30, 2018.

At year-end, the Company had total debt of \$85.6 million compared to \$108.8 million for the same period in 2016, a reduction of \$23.2 million. The Company repaid US\$15 million towards its term loan on December 22, 2017, reducing the outstanding balance to US\$35 million.

#### *Exploration Highlights*

Exploration expenditures were \$5.8 million for the year, compared to \$4.6 million 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. The increased investment in exploration reflects the Company's commitment to translating exploration opportunities into new resources on a condensed timeline.

During the quarter, the resource delineation program at Lac des Iles reported encouraging results from both the Offset South and Mystery zone targets, including a 10.0 m intersection of 6.15 g/t Pd in one hole from the Offset South target and an 8.0m intersection of 7.01 g/t Pd in one hole from the Mystery Zone target. Both targets will see additional exploration drilling this year. Recent refinements to the Lac des Iles geological model have advanced several other targets to the initial stage of validation, supporting an expanded exploration drilling program at Lac des Iles this year.

Selected Pd, Pt, Au, Cu and Ni assay results for the October 2017 to January 2018 Offset South and Mystery Zone exploration drilling programs, Lac des Iles mine property. Reported interval lengths do not represent true widths, which have not yet been estimated for these zones.

| Zone | Hole # | From (m) | To (m) | Length (m) | Pd (g/t) | Pt (g/t) | Au (g/t) |
|------|--------|----------|--------|------------|----------|----------|----------|
|------|--------|----------|--------|------------|----------|----------|----------|

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|              |             |       |       |      |      |      |      |
|--------------|-------------|-------|-------|------|------|------|------|
| Offset South | 17-807      | 171.0 | 212.0 | 41.0 | 3.31 | 0.36 | 0.31 |
| "            | <i>inc.</i> | 174.0 | 180.9 | 6.9  | 5.30 | 0.57 | 0.44 |
| "            | <i>and</i>  | 199.0 | 209.0 | 10.0 | 6.15 | 0.66 | 0.59 |
| "            | 17-808      | 194.0 | 200.0 | 6.0  | 2.90 | 0.25 | 0.33 |
| "            | 18-901      | 136.0 | 144.0 | 8.0  | 3.57 | 0.29 | 0.12 |
| "            | <i>and</i>  | 163.0 | 230.0 | 67.0 | 1.77 | 0.17 | 0.16 |
| "            | <i>inc.</i> | 185.0 | 204.0 | 19.0 | 2.44 | 0.25 | 0.26 |
| Mystery Zone | 17-901      | 267.0 | 275.0 | 8.0  | 7.01 | 0.56 | 0.41 |
| "            | 17-904      | 342.0 | 356.4 | 14.4 | 2.72 | 0.28 | 0.14 |
| "            | <i>inc.</i> | 353.0 | 356.4 | 3.4  | 5.97 | 0.66 | 0.27 |

The Company also completed a six month field mapping and prospecting program on its Greenfields properties and commenced drilling on its Legris Lake Greenfields property. Assay results are pending. A total of 5,000m of drilling on the Greenfields properties is planned for 2018 including new programs at the Tib Lake and Shelby Lake properties, which are tentatively scheduled to begin in the third quarter.

In June 2017, the Company signed an Option Agreement with [Impala Platinum Holdings Ltd.](#) and [Transition Metals Corp.](#) for the Sunday Lake property. The Company started a six-month geophysical survey and drill program at the property and is expected to complete a total of 8,000 metres near the end of the first quarter.

A comprehensive update on all winter exploration program results will be published in the spring of 2018.

#### *Palladium Market*

Palladium was the best performing metal in 2017 with its price surging by 56% to just under US\$1100 per ounce at year-end. The palladium market has been in fundamental deficit for several years, continuing throughout 2017, whereby demand outpaced supply by more than 600,000 ounces. The structural deficit in 2017 was driven by an 8% increase in global auto catalyst consumption and a 2% decline in primary palladium production. Increasing global auto sales, increasingly stringent global emissions standards and the ongoing substitution of diesel engines for gasoline engines all contributed to the record demand. Increased recycling and withdrawals from nearly depleted investor stocks made up for the supply deficit in 2017. Demand is expected to be equally strong in 2018, with analysts' 2018 forecast average of US\$1080 per ounce of palladium (as published by the London Bullion Market Association).

#### *Outlook*

In 2018, the Company expects production of 230,000-240,000 ounces of payable palladium at a decreasing average AISC of US\$640 to US\$660 per ounce, assuming a USD/CAD exchange rate of 1.24. These costs include \$37.7 million in sustaining capital costs for mine development, infrastructure and equipment, of which the majority will be expended in the first half of the year. An additional \$27.1 in project capital will be invested towards tailings dam construction and other long-term infrastructure projects, bringing the total capital spend to \$64.8 million.

Management expects that cash flows from operations in 2018 will be sufficient to fund all capital expenditures and to reduce debt, further strengthening the Company's balance sheet.

#### *Strategic Alternatives Review*

The Company also announced today that the Board has initiated a review of strategic alternatives to maximize shareholder value, including, without limitation, a potential sale of the Company, a secondary sale by Brookfield Capital Partners Ltd. or other strategic transaction. While the Board remains confident in the Company's long-term strategic plan and the opportunity it provides to enhance value for all shareholders, it is open to exploring all strategic alternatives that are in the best interests of the Company and its stakeholders.

The Board has not set a timetable for this process, nor has it made any decisions related to strategic

alternatives at this time, and there can be no assurance that the exploration of strategic alternatives will result in any transaction or change in strategy. The Company has engaged Scotiabank as its financial advisor and Stikeman Elliott LLP as its legal advisor to assist in the process. The Company does not intend to comment further on the review unless a specific transaction is approved by the Board, the review process is concluded, or if further disclosure is required by law.

#### *Shareholder Information*

The complete consolidated financial statements of the Company for the year ending December 31, 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 Thursday, February 22, 2018 at 8:30 a.m. EST. A recording of the conference call will be available within 24 hours following the call at the Company's website. The conference call replay will be available until March 22, 2018.

#### *Conference Call and Webcast Details:*

*Date:* Thursday, February 22, 2018  
*Time:* 8:30 a.m. EST  
*Dial In:* North America: 1-800-319-4610 International: 1-604-638-5340  
*Webcast:* <http://services.choruscall.ca/links/nap20180223.html>  
*Replay:* North America: 1-604-674-8052 International: 1-855-669-9658  
*Replay Passcode:* 2021

#### *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.*

#### *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.

#### *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 process for the exploration of strategic alternatives, information pertaining to the Company's expected 2018 production of payable palladium, 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 production at or above 2017 production rates, 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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