# Financial and Operational Improvements Continue at North American Palladium in the Second Quarter of 2018

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TORONTO, Aug. 02, 2018 -- North American Palladium Ltd. ("NAP" or the "Company") (TSX:PDL)(OTC PINK:PALDF) today announced its second quarter 2018 financial and operational results for the three and six months ended June 30, 2018.

# Q2 2018 Results Summary

- Adjusted EBITDA<sup>1</sup> for the second quarter of 2018 was \$37.2 million compared to \$20.5 million for the same period in 2017. Adjusted EBITDA<sup>1</sup> for the six months ended June 30, 2018 was \$65.6 million compared to \$27.3 million for the same period in 2017.
- Net income for the quarter was \$15.4 million compared to a net income of \$7.9 million for the same period in 2017. Net income for the six months ended June 30, 2018 was \$21.0 million compared to a net income of \$4.1 million for the same period in 2017.
- The Company produced 57,652 ounces of payable palladium at an All-Inclusive Sustaining Cost<sup>1</sup>
  ("AISC") of US\$658 per ounce compared to 50,222 ounces of palladium at an AISC of US\$612 in the second quarter of 2017.
- Total tonnes milled at Lac des Iles ("LDI") continued to increase this quarter to 1,077,472 compared to 580,265 tonnes in the second quarter of 2017, which reflects the return to full-time milling, supplemented by an increased in underground production, Sheriff Pit ore and additional surface stockpile tonnage.

"We are pleased to report improved operating and financial results this quarter over the same period in 2017. Palladium production increased by 15% based on higher underground and surface ore production. Underground mining costs were under \$39 per tonne and mill costs were less than \$10 per tonne resulting in an adjusted EBITDA of \$37 million for the quarter. Our strategy of maximizing total throughput by supplementing the higher-grade underground ore from the offset zone with lower grade material from both underground and surface sources continues to lead to improvements in our business case," stated Jim Gallagher, President and CEO of North American Palladium.

"In addition to the positive operational and financial performance, we have also had some encouraging diamond drill results this quarter. These include the best drill holes to date for the underground Offset South zone and the near-surface Creek and Baker target zones, which are both located within 2 km from the mill. These and other exploration targets on the mine property demonstrate that the greatest potential for significantly extending the mine life exists within the current footprint of the LDI site. In the second half of the year, we will be focused on completing an updated NI 43-101 technical report which will outline an optimized and updated life of mine plan, and reflect the full potential of this asset," continued Mr. Gallagher.

Operating Highlights	Three months ended June 30,		
Operating Highlights	2018	2017	
Ore mined (tonnes) <sup>2</sup>			
Underground	532,865	455,169	
Surface (stockpile and open pit)	529,085	201,543	
Total	1,061,950	656,712	
Mined ore grade (Pd g/t)			
Underground	3.0	3.9	

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Surface Milling		1.0			1.0
Tonnes ore milled (dry metric tonnes) Palladium recoveries (%)		1,077,472 79.5			580,265 84.3
Palladium concentrate grade (g/t)		239			313
Tonnes of concentrate produced (dry metric tonnes)		7,753			5,177
Production cost per tonne ore milled <sup>1</sup>	\$	41		\$	68
Payable production					
Palladium – ounces Other results <sup>1</sup>		57,652			50,222
Underground cost per tonne ore mined	\$	38		\$	44
AISC per ounce of palladium produced (US\$)1	\$	658		\$	612
Cash cost per ounce of palladium sold, net of by-product revenues (US\$)¹	\$	500		\$	485
Financial Highlights	Th	ree months ended J	un	e 3	•
(expressed in millions of Canadian dollars)		2018			2017
Revenue	\$	94.1		\$	70.3
Smelting, Refining, and Freight		4.3			3.2
Royalty Expense		4.0			3.0
Net Revenue		85.8			64.1
Operating Expenses					
Production Cost					
Mining		27.0			24.9
Milling		9.9			8.6
General and Administration		7.2			5.8
Inventory and Other Cost		3.4			1.8
Total Production Costs		47.5			41.1
Depreciation and Amortization		11.8			11.2
Loss (gain) on disposal of equipment		(0.6	)		0.2
Total Mining Operating Expenses		58.7			52.5
Income from Mining Operations	\$	27.1		\$	11.6
Net Income	\$	15.4		\$	7.9
Net Income per share	\$	0.26		\$	0.14
EBITDA <sup>1</sup>	\$	31.4		\$	21.8
Capital Investment, Excluding Non-Cash Leases	\$	15.9		\$	9.5

Revenue increased this quarter to \$94.1 million compared to \$70.3 million in the second quarter of 2017. An increase in payable palladium sold and favourable palladium prices contributed to an increase in revenue, which led to higher adjusted EBITDA<sup>1</sup> and net income.

Total production cost this quarter, before inventory and other cost adjustments, was \$44.1 million (\$41 per tonne milled) compared to \$39.3 million (\$68 per tonne milled) in the second quarter of 2017. Cash provided by operations for the quarter, prior to changes in non-cash working capital, was \$32.2 million compared to \$20.1 million for the same period in 2017. The increase this quarter was primarily due to higher revenue resulting from increased palladium sales of 12% and higher palladium prices.

The AISC¹ per ounce of palladium produced was US\$658 per ounce for the quarter, compared to US\$612 per ounce in the second quarter of 2017. The increased year-over-year unit cost was due to a stronger Canadian dollar relative to the U.S. dollar, and additional investment in sustaining capital in the quarter of \$5.8 million over that in 2017.

Cash costs for the quarter were US\$500 per ounce sold, compared to US\$485 per ounce sold in the second quarter of 2017. The year-over-year increase in unit cost is attributed to a stronger Canadian dollar relative to the U.S. dollar. Cash costs for the quarter in Canadian Dollars were \$649 per ounce sold compared to \$656

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per ounce sold in the second guarter of 2017.

The Company invested \$16.4 million in capital during the quarter compared to \$10.8 million for the same period of 2017. Major expenditures during the quarter included the tailings management facility, tailings thickener, underground development and mobile equipment, demonstrating the Company's continued commitment to investing in long-term assets for the LDI mine.

#### Financial Liquidity

As at June 30, 2018, the Company had cash and cash equivalents of \$13.9 million compared to \$16.8 million as at June 30, 2017. In the quarter, the Company reduced its total debt by \$20.8 million to \$82.1 million compared to \$107.6 million as at June 30, 2017. As at July 15, 2018, the Company had availability of US\$19.9 million under the Company's credit facility.

#### Exploration

Exploration expenditures were \$2.4 million for the quarter compared to \$0.9 million for the same period in 2017. The increased costs are attributable to an increase in greenfields exploration and the continued exploration of the Sunday Lake property.

This quarter, a total of 4,446 metres of drilling was completed in 8 underground and 9 surface drill holes at LDI. Exploration highlights from the quarter include some of the best drill results to date from three separate target zones, including:

- The Offset South Zone in hole 18-805, which intersected 32 metres averaging 9.19 g/t Pd including 6 metres of 20.7 g/t Pd;
- The Creek Zone target, which is located 2 km east of the Roby pit, where hole 18-007 intersected 27 metres averaging 3.23 g/t Pd including 13 metres of 5.18 g/t Pd; and
- The Baker Zone target, which is located 1 km east of the Roby pit, where hole 18-013 returned 164 metres averaging 1.37 g/t Pd.

The Offset South Zone provides the potential for extending the underground mine life and the Creek and Baker zones provide the potential for extending mine life on surface. All of these targets are within the current footprint of the LDI site.

The Company is continuing its drilling programs in these areas.

A comprehensive update on these and other exploration drilling results at LDI will be provided later this year.

# Outlook

The Company's previously stated 2018 guidance of palladium production between 230,000 and 240,000 ounces of palladium at an average AISC <sup>1</sup> of US\$640-660 per ounce of palladium produced remains unchanged.

Update on Strategic Review Process

As previously announced on February 21, 2018, the board of directors (the "Board") continues to explore opportunities under a strategic review process (the "Process") 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. The Board engaged financial and legal advisors to assist in the Process.

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To date, the Company has executed confidentiality agreements with several parties who expressed an interest in receiving information about the Company and its business in connection with a possible transaction. There can be no certainty, however, that any potential transaction will emerge from this Process. The Process may result in a variety of outcomes or no outcome at all, and there can be no assurance that the Company will pursue or execute any specific action or transaction. The Company continues to operate in the normal course during the on-going Process.

### Shareholder Information

The complete condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018 and the related 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 its webcast and conference call on Friday, August 3, 2018 at 8:30 a.m. ET. A recording of the conference call will be available within 24 hours following the call at the Company's website.

#### Conference Call and Webcast Details:

Date: Friday, August 3, 2018

*Time:* 8:30 a.m. ET

Dial In: North America: 1-800-319-4610 International: 1-604-638-5340

Webcast: http://services.choruscall.ca/links/nap20180803.html

Replay: North America: 1-855-669-9658 International: 1-604-674-8052

Replay Passcode: 2461

#### Notes

<sup>1</sup>Non-IFRS measure. Please refer to Non-IFRS Measures in the MD&A.

<sup>2</sup>The determination of mined tonnes requires reliance upon various estimates, including estimated load factors assigned to trucks and the shaft skips, density factors assigned to the size of ore being mined, the impact of seasonal conditions, and the variability of the moisture content at the time of extraction.

All figures are in Canadian dollars except where noted.

The analyses reported in this news release were performed by ALS Global in Vancouver, British Columbia. The Company's rigorous internal quality control and quality assurance protocols are described in detail in the current Technical Report for its Lac des Iles mine (June 2017 – available on SEDAR).

# Qualified Person

The technical content of this news release was reviewed and approved by the Company's Vice-President, Exploration, Dr. Dave Peck. Dr. Peck is a Qualified Person under the meaning of National Instrument 43-101 and a registered Professional Geoscientist with the Association of Professional Geoscientists of Ontario, the Association of Professional Engineers and Geoscientists of British Columbia, and the Association of Professional Engineers and Geoscientists of Manitoba.

# 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 Process; information pertaining to the Company's strategy, strategic process, 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,

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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 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 lles 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 25 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 600 employees, Lac des Iles mine features a unique world class ore body, modern infrastructure, including both an underground mine and an open pit mine, and a world class exploration portfolio.

SOURCE: North American Palladium Ltd.

For further information:

North American Palladium Ltd. **Investor Relations** Telephone: 416-360-7374 Email: IR@nap.com

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