

# North American Palladium Reports \$167.8M in Adjusted EBITDA for 2018, Announces Quarterly Dividend

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TORONTO, Feb. 14, 2019 - [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, 2018 and announces quarterly dividend to common shareholders.

## Fourth Quarter and Year Ending Highlights

- For the year ended 2018, adjusted EBITDA<sup>1</sup> increased to \$167.8 million, compared to \$86.2 million in 2017. Adjusted EBITDA<sup>1</sup> increased to \$64.2 million for the fourth quarter in 2018, compared to \$36.9 million for the same period in 2017.
- Revenue for the year increased to \$396.8 million compared to \$272.4 million in 2017. Revenue for the quarter increased to \$122.5 million compared to \$87.1 million for the same period in 2017.
- Net income for the year ended 2018 was \$119.2 million compared to \$36.1 million in 2017. Net income for the quarter was \$77.5 million compared to \$14.3 million for the same period in 2017.
- In 2018, the Company produced a total of 237,461 ounces of payable palladium, an increase from the 201,592 ounces produced in 2017. Q4 2018 palladium production reached 65,904 payable ounces as compared to 58,000 ounces in Q4 2017.
- All-in sustaining cost ("AISC"<sup>1</sup>) per payable palladium ounce produced for the year decreased to US\$690, compared to US\$694 in 2017. AISC<sup>1</sup> per payable palladium ounce for the fourth quarter in 2018 decreased to US\$670, compared to US\$734 for the same period in 2017.
- Net debt was reduced by \$37.7 million, down to \$36.8 million as of December 31, 2018, from \$74.5 million as of December 31, 2017.

"2018 was a record year for North American Palladium and its Lac des Iles Mine," reports Mr. Jim Gallagher, President and CEO. "Highest-ever underground mine production combined with rising palladium prices have resulted in the best-ever financial results in the Company's history. With Q4 production of over 6,720 tonnes per day at a cost of \$35 per tonne mined, we are one of the largest, lowest-cost underground mines in Canada. In addition, we have started to expand the upper mine to take us to 12,000 tonnes per day over the next two years and further lower our unit costs. We are particularly proud that, with all this activity, the mine has continued to improve its safety performance and had zero lost-time accidents in 2018."

| Operating Highlights            | Three Months Ended<br>December 31 |         | Year Ended<br>December 31 |           |
|---------------------------------|-----------------------------------|---------|---------------------------|-----------|
|                                 | 2018                              | 2017    | 2018                      | 2017      |
| Ore mined (tonnes) <sup>2</sup> |                                   |         |                           |           |
| Underground                     | 618,211                           | 578,249 | 2,285,821                 | 1,897,114 |
| Sheriff open pit                | 244,835                           | -       | 696,333                   | -         |
| Surface inventory               | 303,509                           | 403,847 | 1,360,181                 | 962,060   |
| Total                           | 1,166,555                         | 982,096 | 4,342,335                 | 2,859,174 |
| Mined ore grade (Pd g/t)        |                                   |         |                           |           |
| Underground                     | 3.3                               | 3.5     | 3.2                       | 3.9       |

|                                                    |           |           |           |           |
|----------------------------------------------------|-----------|-----------|-----------|-----------|
| Sheriff Open Pit                                   | 2.1       | -         | 1.6       | -         |
| Surface                                            | 0.8       | 0.9       | 0.9       | 0.9       |
| Milling                                            |           |           |           |           |
| Tonnes milled (dry metric tonnes)                  | 1,110,754 | 1,037,185 | 4,237,734 | 2,780,119 |
| Palladium recoveries (%)                           | 80.2      | 80.4      | 80.1      | 80.6      |
| Palladium concentrate grade (g/t)                  | 226       | 271       | 234       | 286       |
| Tonnes of concentrate produced                     | 9,632     | 7,206     | 33,258    | 22,980    |
| Production cost per tonne milled                   | \$ 45     | \$ 42     | \$5       | 57        |
| Payable palladium (oz)                             | 65,904    | 58,000    | 237,461   | 201,592   |
| Other results <sup>1</sup>                         |           |           |           |           |
| Underground cost per tonne ore mined               | \$ 35     | \$ 37     | \$7       | \$ 43     |
| AISC per ounce of Pd produced (US\$) <sup>1</sup>  | \$ 670    | \$ 734    | \$90      | \$ 694    |
| Cash cost per ounce of Pd sold (US\$) <sup>1</sup> | \$ 513    | \$ 463    | \$31      | \$ 509    |

| Financial Highlights                                    | Three Months Ended |         | Year Ended  |          |
|---------------------------------------------------------|--------------------|---------|-------------|----------|
|                                                         | December 31        |         | December 31 |          |
| (expressed in millions of Canadian dollars)             | 2018               | 2017    | 2018        | 2017     |
| Revenue                                                 | \$ 122.5           | \$ 87.1 | \$ 396.8    | \$ 272.4 |
| Smelting, refining and freight costs                    | 4.9                | 3.7     | 17.4        | 12.2     |
| Royalty expense                                         | 5.4                | 4.2     | 17.0        | 12.8     |
| Net revenue                                             | 112.2              | 79.2    | 362.4       | 247.4    |
| Operating Expenses                                      |                    |         |             |          |
| Production costs                                        |                    |         |             |          |
| Mining                                                  | 30.4               | 26.8    | 116.0       | 99.8     |
| Milling                                                 | 11.6               | 9.6     | 46.0        | 34.5     |
| General and administration                              | 7.6                | 6.7     | 27.5        | 24.2     |
| Inventory and other costs                               | (3.4)              | (2.9)   | (2.4)       | (5.3)    |
| Total production costs                                  | 46.2               | 40.2    | 187.1       | 153.2    |
| Depreciation and amortization                           | 15.9               | 12.0    | 52.8        | 35.5     |
| Inventory price adjustment                              | -                  | -       | -           | (0.2)    |
| (Gain) loss on disposal of equipment                    | (0.3)              | 0.4     | (0.3)       | 0.8      |
| Total mining operating expenses                         | 61.8               | 52.6    | 239.6       | 189.3    |
| Income from mining operations                           | \$ 50.4            | \$ 26.6 | \$ 122.8    | \$ 58.1  |
| Net income                                              | \$ 77.5            | \$ 14.3 | \$ 119.2    | \$ 36.1  |
| Net income per share                                    | \$ 1.33            | \$ 0.25 | \$ 2.05     | \$ 0.62  |
| Adjusted EBITDA <sup>1</sup>                            | \$ 64.2            | \$ 36.9 | \$ 167.8    | \$ 86.2  |
| Capital investment, including non-cash financing leases | \$ 11.9            | \$ 12.7 | \$ 66.3     | \$ 62.5  |

Net income for the quarter was \$77.5 million compared to \$14.3 million for the same period in 2017. Net income for the year ended 2018 was \$119.2 million compared to \$36.1 million in 2017. Net income for 2018 included a one-time adjustment of \$43.5 million relating to the recognition of deferred tax assets derived from the LDI's previously unrecognized income tax losses.

Revenue increased to \$122.5 million in Q4 2018 compared to \$87.1 million in Q4 2017. Revenue for the year ended December 31, 2018 was \$396.8 million compared to \$272.4 million for 2017. The year-over-year increase in revenue is due to additional palladium sales combined with increased palladium prices. Palladium prices averaged at US\$1,028/oz in 2018, compared with US\$869/oz in 2017.

For the year ended 2018, adjusted EBITDA<sup>1</sup> increased to \$167.8 million, compared to \$86.2 million in 2017. Adjusted EBITDA<sup>1</sup> increased to \$64.2 million for the fourth quarter in 2018, compared to \$36.9 million for the same period in 2017.

In 2018, the Company produced a total of 237,461 ounces of payable palladium, meeting the upper half of its

2018 guidance of between 230,000 to 240,000 ounces; an increase from the 201,592 ounces in 2017. Q4 2018 palladium production reached 65,904 payable ounces, as compared to 58,000 ounces in Q4 2017.

Total production costs for the year ended 2018, before inventory and other cost adjustments, were \$189.5 million (\$45 per tonne milled) compared to \$158.5 million (\$57 per tonne milled) in 2017. Total production costs for the fourth quarter, before inventory and other cost adjustments, were \$49.6 million (\$45 per tonne milled) compared to \$43.1 million (\$42 per tonne milled) in the fourth quarter of 2017.

Cash provided by operations for 2018, prior to changes in non-cash working capital, was \$152.7 compared to \$81.2 million in 2017. Cash provided by operations for the fourth quarter, prior to changes in non-cash working capital, was \$58.4 million compared to \$33.5 million for the same period in 2017.

For the year ended 2018, AISC<sup>1</sup> per ounce of palladium produced was US\$690, a slight decrease from US\$694 for the year ended 2017. The AISC<sup>1</sup> per ounce of palladium produced was US\$670 for Q4 2018, compared to US\$734 for the same period in 2017.

Capital expenditures in 2018 totalled \$66.3 million compared to \$62.5 million in 2017. The Company invested \$11.9 million in capital during the fourth quarter, compared to \$12.7 million for the same period in 2017. Major expenditures during the quarter included the tailings management facility, underground development and mobile equipment.

#### *Financial Liquidity*

As at December 31, 2018, the Company had cash and cash equivalents of \$12.3 million compared to \$11.1 million for the same period in 2017. In the quarter, the Company reduced its total debt to \$49.1 million compared to \$85.6 million as at December 31, 2017. As at December 31, 2018, the Company had availability of US\$80.1 million under the Company's credit facility.

On December 17, 2018, the Company entered into a new US\$125.0 million, five-year revolving term credit facility, replacing its existing credit facilities. A portion of the proceeds of the initial drawdown under the credit facility was used to repay outstanding amounts under the senior secured term loan of US\$35.0 million with an affiliate of Brookfield Business Partners LP and the outstanding revolving credit facility with a Canadian chartered bank.

On December 24, 2018, the Company closed a non-brokered private placement of 714,257 common shares in relation to a flow-through equity offering. Gross proceeds to the Company were approximately \$10.0 million. All proceeds from the sale of the flow-through shares will be used to incur eligible Canadian Exploration Expenses under the Company's greenfield exploration program.

#### *Exploration*

The Company is currently focussed on a number of promising exploration targets immediately adjacent to the Lac des Iles Mine (LDI). In the fourth quarter of 2018, a total of 7,731 metres of drilling was completed in two underground drill holes and 18 surface holes.

2018 saw an increase in surface drilling at LDI due to the generation of new targets and the completion of a major geophysical survey program. The Company also completed 29 underground exploration drill holes, the majority of which were designed to extend or convert resources in the southern part of the Offset Zone. A total of 37 surface exploration drill holes were completed in 2018 between Legris Lake, Sunday Lake and LDI.

A comprehensive update on 2018 exploration results at LDI was provided in a press release on February 11, 2019 that can be found [here](#). Separate news releases discussing the Company's Sunday Lake and Legris Lake drilling programs are also available at [www.nap.com](http://www.nap.com).

#### *Palladium Market*

Palladium was one of the best-performing metals in 2018, with its price surging to almost US\$1,300 per ounce at year-end. The palladium market has been in a fundamental deficit for several years, persisting throughout 2018. The key drivers of higher palladium demand are increasingly strident emissions standards around the globe and the introduction of Real Driving Emission (RDE) standards in the European Union and China. RDE standards require outdoor driving tests taken under various conditions in addition to the existing lab-based tests. Higher palladium loadings are now required in catalytic converters to meet these elevated standards. Tests show that platinum does not perform as well as palladium, limiting the likelihood of significant substitution. Other factors driving palladium demand are increased US sales of larger vehicles, the substitution of diesel engines with gasoline engines in Europe and flat global mine supply.

### *Outlook*

In 2019, the Company expects production of between 220,000 to 235,000 ounces of payable palladium. The average head grade will drop slightly in 2019 as the mill feed will return to a blend of underground ore and lower-grade stockpile ore on surface. Mining from the Sheriff Pit was completed in Q4 2018.

AISC<sup>1</sup> for 2019 is forecasted to average between US\$785 to US\$815 per payable palladium ounce. Sustaining capital investment is estimated at \$44.0 million, while project capital is forecasted at \$40.0 million.

### *Dividend*

Giving consideration to the Company's cash flow and capital allocation alternatives, including the previously announced underground expansion project and the Company's confidence in continued, strong financial performance, the Company's Board of Directors announced a quarterly dividend of \$0.03 per share to common shareholders of record on March 1, 2019.

### *Shareholder Information*

The complete consolidated financial statements of the Company for the year ending December 31, 2018 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 Friday, February 15, 2019 at 8:00 a.m. E.T.

#### Conference Call:

Date: Friday, February 15, 2019  
Time: 8:00 a.m. ET  
Dial-In: North America: 1-800-319-4610 | International: 1-604-638-5340  
Recording: Available within 24 hours following the call at [www.nap.com](http://www.nap.com).  
Webcast: <http://services.choruscall.ca/links/nap20190215.html>  
Replay: International Toll: 1-604-674-8052 | North America Toll Free: 1-855-669-9658  
Replay Passcode: 2885 (available until March 15, 2019)

#### *Notes:*

<sup>1</sup> Non-IFRS measure. Such non-IFRS measures do not have a standardized meaning under the financial reporting framework used to prepare the Company's financial statements and may not be comparable to similar financial measures presented by other issuers. For information regarding how the non-IFRS measure provides useful information and the additional purposes for which management uses the non-IFRS measure, please refer to Non-IFRS Measures in the Company's management's discussion and analysis.

<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 (September 2018 &ndash; 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&ndash;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 Company's proposed dividend; 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, 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 pay a dividend and/or 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 Ltd.

North American Palladium (TSX: PDL) (OTC PINK: PALDF) is a Canadian company with 25 years of

production at the Lac des Iles Mine in a low-risk jurisdiction northwest of Thunder Bay, Ontario. North American Palladium is the world's only pure play palladium producer. With over 600 employees, the Lac des Iles Mine features a unique, world-class ore body and modern infrastructure, including both an underground mine and surface operations.

For further information, please contact:

North American Palladium Investor Relations at 416-360-7374 or [ir@nap.com](mailto:ir@nap.com)

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