

North American Palladium Delivers Strong Q1 2019 Financial Results, Eliminates Debt and Increases Dividend

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TORONTO, May 02, 2019 - [North American Palladium Ltd.](#) ("NAP" or the "Company") (TSX:PDL)(OTC PINK:PALDF) today announced financial and operational results for the three months ended March 31, 2019.

First Quarter Highlights

- Based on 56,775 ounces of palladium sold, revenue for the quarter increased to \$128.3 million compared to \$86.6 million for the same period in 2018; the highest quarterly revenue in the Company's history.
- Net income was \$29.5 million or \$0.50 per share, compared to \$4.6 million or \$0.08 per share reported for Q1 2018.
- Cash provided from operations was \$75.8 million; free cash flow was \$46.8 million.
- Adjusted EBITDA¹ increased to \$61.6 million up from \$28.4 million in Q1 2018.
- The Company's total cash balance on its credit facility of \$37.0 million was eliminated during the quarter.
- The Company's board of directors is pleased to announce an increase in the quarterly dividend from \$0.03 to \$0.10 per share to common shareholders of record on June 1, 2019.

"Q1 2019 was a positive quarter for North American Palladium and our Lac des Iles Mine," stated Jim Gallagher, President and CEO. "The site continues to lead in safety with another Lost Time Injury-free quarter. Good overall production combined with strong palladium prices have enabled the Company to both retire its debt and increase its dividend. While we did experience a few mechanical challenges in the mill, overall Lac des Iles operated exceptionally during the first quarter. Additionally, I want to recognize the recent successes from our exploration team, delivering positive results on multiple fronts."

Operating Results	Three months ended March 31,	
	2019	2018
Ore mined (tonnes) ²		
Underground	607,918	569,468
Sheriff Pit	1,995	127,940
Surface stockpiles	241,451	352,976
Total	851,364	1,050,384
Mined ore grade (Pd g/t)		
Underground	3.2	3.3
Sheriff Pit	2.4	1.3
Surface	0.8	0.9
Milling		
Tonnes ore milled (dry metric tonnes)	808,599	1,021,140
Head grade (grams palladium per tonne milled)	2.6	2.3
Palladium recoveries (%)	82.4	79.9
Palladium concentrate grade (g/t)	229	263
Tonnes of concentrate produced (dry metric tonnes)	7,634	7,162
Production cost per tonne ore milled ¹	\$ 63	\$ 47
Payable production		
Palladium – ounces	52,698	57,053

Other results

Underground cost per tonne mined ¹	\$ 38	\$ 39
AISC per ounce of palladium produced, net of by-product revenues (US\$) ¹	\$ 919	\$ 709
Cash cost per ounce of palladium sold, net of by-product revenues (US\$) ¹	\$ 663	\$ 567

Financial Results (expressed in millions of Canadian dollars)	Three months ended March 31,	
	2019	2018
Revenue	\$ 128.3	\$ 86.6
Smelting, Refining, and Freight	\$ 4.0	\$ 3.9
Royalty Expense	\$ 5.5	\$ 3.6
Net Revenue	\$ 118.8	\$ 79.1
Operating expenses		
Production Cost		
Mining	\$ 29.6	\$ 30.1
Milling	\$ 14.4	\$ 12.3
General and Administration	\$ 7.3	\$ 6.1
Inventory and Other Cost	\$ 3.6	\$ 10.1
Total Production Costs	\$ 54.9	\$ 48.4
Depreciation and Amortization	\$ 12.6	\$ 13.0
(Gain) loss on disposal of equipment	\$ (1.1)	\$ 0.1
Total Mining Operating Expenses	\$ 66.4	\$ 61.5
Income from mining operations	\$ 52.4	\$ 17.6
Net Income	\$ 29.5	\$ 4.6
Net Income per share	\$ 0.50	\$ 0.08
Adjusted EBITDA ¹	\$ 61.6	\$ 28.4
Capital Investment, Including Leases	\$ 20.2	\$ 16.8

Finance

Revenue for the quarter increased to \$128.3 million compared to \$86.6 million for the same period in 2018. The quarter-over-quarter increase in revenue is largely due to the increase in palladium price. Palladium revenue per ounce sold this quarter averaged US\$1,507/oz, compared to US\$1,001/oz in Q1 2018.

Total production costs for the first quarter of 2019, before inventory and other cost adjustments, were \$51.3 million or \$63 per tonne milled, compared to \$48.5 million or \$47 per tonne milled, in Q1 2018. This increase in unit cost is attributable to lower mill tonnage and associated maintenance costs.

Cash flow from operations increased by \$62.3 million to \$75.8 million in Q1 2019, compared to the same period in 2018. As a result, adjusted EBITDA increased to \$61.6 million in Q1 2019 from \$28.4 million in Q1 2018 and net income increased to \$29.5 million from \$4.6 million in Q1 2018.

Capital expenditures in Q1 2019 totalled \$20.2 million compared to \$16.8 million in Q1 2018 as per the planned underground mine expansion. Major expenditures during the quarter included underground development, mobile equipment and tailings management.

With the elimination of debt, at the end of Q1 2019 the Company had total liquidity of \$165.5 million, consisting of \$29.1 million of cash and cash equivalents and \$136.4 million or US\$102.1, million under the Company's credit facility. The Company's outstanding debt of \$10.9 million is solely related to equipment leases.

All-in sustaining costs (AISC¹) increased in the quarter to US\$919 per ounce of payable palladium produced

compared to US\$709 per ounce in Q1 2018. The increase resulted from lower ounces produced, increased sustaining capital based on the mine expansion, increased operating expenses, increased royalty expenses due to higher palladium metal prices and lower by-product revenue.

Operations

Overall positive results were reported by the Company's operations. The underground mine expansion continued in Q1 2019, with increased development rates and infrastructure upgrades to support the production target of 12,000 tonnes per day by 2021.

Underground production increased to 6,755 tonnes per day in Q1 2019 from 6,327 tonnes per day from Q1 2018 while underground costs per tonne decreased slightly to \$38 in Q1 2019 compared to a \$39 cost per tonne for the same period in 2018.

Mill recovery increased this quarter to 82.4% from 79.9% in Q1 2018. The Company produced a total of 52,698 payable ounces of palladium, a decrease from the 57,053 payable ounces produced in Q1 2018. This lower mill throughput was below expectations at 8,984 tonnes per day against the target of 12,000 tonnes per day. Mechanical issues and significant increases in fines from the underground ore are the two primary causes for this underperformance. The mill experienced two conveyor belt failures and rebuilds of both the primary and secondary crushers during the quarter, which resulted in lower tonnes milled and higher costs.

Organizational changes have been implemented to address these issues with a renewed focus on preventative maintenance. In addition, the Company is currently evaluating design changes in the conveying and grinding circuit to mitigate the challenge of increased fines and to support future throughput increases.

Exploration

Exploration expenditures for the quarter were \$6.6 million, compared to \$3.8 million in Q1 2018, and included more than 20,000 metres of diamond drilling at Sunday Lake, LDI underground and LDI surface operations.

Underground and surface drilling at LDI has yielded positive results that the Company will further communicate in the coming weeks.

At Sunday Lake, a new discovery was made (reported on April 29, 2019) within the "Big Red" Target; drill hole SL-19-026 returned a drill intersection of 41.2 m at 5.51 g/t PGM (Pt+Pd+Au) including a high-grade section of 15.8 m at 9.11 g/t PGM and 0.88% Cu. These results are beginning to outline the extent of mineralization at the base of the Sunday Lake Intrusion, further positioning Sunday Lake as a significant "blue sky" opportunity for the Company.

Based on the large number of resource gain opportunities at LDI, the Company has increased its 2019 diamond drilling budget by \$5.7M to cover both underground exploration and definition drilling.

A comprehensive update on 2018 exploration results at LDI was provided in a press release on February 11, 2019 that can be found [here](#).

Outlook

The Company reiterated its previous 2019 production guidance of 220,000 to 235,000 ounces of payable palladium at an AISC¹ of US\$785 to US\$815 per payable ounce of palladium produced.

Dividend

After giving consideration to production and price forecasts and capital requirements over the medium term,

the Company is confident it will continue to generate a cash surplus and meet its business requirements. Therefore, the Company's board of directors has increased its quarterly dividend to \$0.10 from \$0.03 per share to common shareholders of record on June 1, 2019.

Shareholder Information

The complete consolidated financial statements of the Company for the quarter ending March 31, 2019 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, May 3, 2019 at 8:00 a.m. E.T.

Conference Call Details:

Date: Friday, May 3, 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.
Webcast: <http://services.choruscall.ca/links/nap20190503.html>
Replay: International Toll: 1-604-674-8052 | North America Toll Free: 1-855-669-9658
Replay Passcode: 2885 (available until June 15, 2019)

Notes:

¹ *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.*

² *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 – 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 Company's future dividend payments; 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 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

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