

North American Palladium Reports Q3 2019 Record EBITDA¹

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TORONTO, Nov. 07, 2019 - [North American Palladium Ltd.](#) ("NAP" or the "Company") (TSX:PDL) (OTC PINK:PALDF) today announced financial and operational results for the three and nine months ended September 30, 2019.

Third Quarter Highlights

- Record revenue: Based on 59,611 ounces of palladium sold at an average palladium price of US\$1,587, revenue for the quarter increased to \$149.9 million compared to \$93.6 million for the same period in 2018. This is the highest quarterly revenue in the Company's history. Revenue for the first nine months of the year was \$413.8 million based on 172,507 payable ounces of palladium sold.
- Strong growth in net income: Net income was \$41.4 million, or \$0.70 per share, compared to \$22.9 million, or \$0.39 per share, reported for Q3 2018. Year-to-date net income was \$107.5 million, or \$1.83 per share.
- Solid free cash flow¹: Free cash flow for the quarter was \$37.3 million, an increase from \$18.2 million in Q3 2018; with year-to-date free cash flow at \$127.9 million.
- Record EBITDA: Adjusted EBITDA increased to \$82.0 million, up from \$38.0 million in Q3 2018. For the first nine months of the year, adjusted EBITDA was at \$216.6 million.
- Record production: Underground production averaged 7,410 tonnes per day ("tpd") for the quarter, the highest in the Company's history. This is a significant increase compared to the 6,144 tpd produced in Q3 2018.
- On October 7, 2019, NAP entered into a definitive arrangement agreement (the "Arrangement Agreement" with [Impala Platinum Holdings Ltd.](#) ("Implats") pursuant to which Implats will acquire 100% of NAP's issued and outstanding common shares for a total cash consideration of approximately C\$1.0 billion (the "Transaction"). A special meeting of shareholders has been called for December 4, 2019 to approve the Transaction.

"We are pleased to report a fourth consecutive quarter of record revenue, resulting in our highest-ever adjusted EBITDA of \$82 million," said Jim Gallagher, President and CEO.

"North American Palladium and our Lac des Iles Mine also set new records in Q3 2019 by marking 365 days (and still counting) without a Lost-Time Injury and winning the distinction of the President's Award for Health and Safety Excellence in Mining from Workplace Safety North. We are proud that our commitment to safety has been recognized by the industry."

Financial Results (expressed in millions of Canadian dollars)	Three months ended September 30,	
	2019	2018
Revenue	\$ 149.9	\$ 93.6
Smelting, refining, and freight	\$ 4.7	\$ 4.3
Royalty expense	\$ 6.5	\$ 4.0
Net revenue	\$ 138.7	\$ 85.3
Operating expenses		
Production cost		
Mining	\$ 31.0	\$ 28.5
Milling	\$ 15.6	\$ 12.2
General and administration	\$ 7.6	\$ 6.6
Inventory and other costs	\$ (0.4)	\$ 2.3
Total production costs	\$ 53.8	\$ 45.0
Depreciation and amortization	\$ 15.1	\$ 10.9

(Gain) loss on disposal of equipment	\$ (0.3)	\$ 0.5
Total mining operating expenses	\$ 68.6		\$ 56.4
Income from mining operations	\$ 70.1		\$ 28.9
Net income	\$ 41.4		\$ 22.9
Net income per share	\$ 0.70		\$ 0.39
Adjusted EBITDA	\$ 82.0		\$ 38.0
Capital investment, including leases	\$ 23.0		\$ 20.1

Finance

Revenue for the quarter increased to \$149.9 million, the highest in the Company's history, compared to \$93.6 million for the same period in 2018. The revenue growth is largely due to the increase in the price of palladium. Palladium revenue per ounce sold¹ this quarter averaged US\$1,587/oz compared to US\$988/oz in Q3 2018.

Cash flow from operations increased by \$25.8 million to \$61.0 million in Q3 2019, compared to the same period in 2018, despite increased operating development and mill costs.

As a result, adjusted EBITDA increased to \$82.0 million in Q3 2019 from \$38.0 million in Q3 2018 and net income increased to \$41.4 million from \$22.9 million in Q3 2018.

Total capital investment increased in Q3 2019 to \$23.0 million compared to \$20.1 million in Q3 2018 in support of the Company's continued investment in the underground mine expansion and ongoing tailings management facility construction.

Total production costs for the third quarter of 2019, before inventory and other cost adjustments, were \$53.8 million or \$54 per tonne milled, compared to \$45.0 million or \$46 per tonne milled in Q3 2018. The increase in total operating unit costs is the result of additional underground tonnes, increased operating development metres and ongoing mill optimization initiatives.

The Company remains debt-free, excluding capital leases, with total liquidity as of September 30, 2019 increased to \$190.6 million, including \$68.3 million in cash and \$122.3 million available under its current credit facility.

All-in sustaining costs ("AISC")¹ increased in the quarter to US\$802 per ounce of payable palladium produced compared to US\$733 per ounce in Q3 2018. Year-over-year royalty costs, due to higher palladium prices, rose by \$30 per ounce of palladium produced, which contributed significantly to this increase. Ongoing mine expansion efforts and continued focus on mill maintenance also played a role in the AISC increase.

Operating Results	Three months ended September 30,	
	2019	2018
Ore mined (tonnes) ²		
Underground	681,717	565,2
Sheriff Pit	–	208,7
Surface stockpiles	358,162	289,4
Total	1,039,879	1,063
Mined ore grade (Pd g/t)		
Underground	3.0	3.2
Sheriff Pit	–	1.4
Surface	0.9	0.9
Milling		
Tonnes ore milled (dry metric tonnes)	1,006,661	1,028
Head grade (grams palladium per tonne milled)	2.4	2.3

Palladium recoveries (%)	80.6	79.5
Palladium concentrate grade (g/t)	198	214
Tonnes of concentrate produced (dry metric tonnes)	9,789	8,729
Production cost per tonne ore milled ¹	\$ 54	\$ 46
Payable production		
Palladium – ounces	58,884	56,852
Other results		
Underground cost per tonne mined ¹	\$ 37	\$ 37
AISC per ounce of palladium produced, net of by-product revenues (US\$) ¹	\$ 802	\$ 733
Cash cost per ounce of palladium sold, net of by-product revenues (US\$) ¹	\$ 602	\$ 555

Operations

Positive results were reported by the Company's operations.

The underground mine expansion continues on schedule. A total of 2,941 metres of development occurred during the quarter at an average rate of 32.0 metres per day. The project remains on track to achieve its 12,000 tpd production target in 2021.

Underground production remains above budget and increased to a record average of 7,410 tpd in Q3 2019 from 6,144 tpd in Q3 2018. This is the highest quarterly underground production in the Company's history. Underground costs per tonne remained unchanged at \$37 in Q3 2019 and Q3 2018.

Mill recovery increased this quarter to 80.6% from 79.5% in Q3 2018. The Company produced a total of 58,884 payable ounces of palladium, an increase from the 56,852 payable ounces produced in Q3 2018. Mill throughput for the quarter averaged just under 11,000 tpd.

Exploration

Exploration expenditures for Q3 2019 were \$4.2 million compared to \$1.9 million in Q3 2018 as a result of significant increases in underground and surface diamond drilling at the Lac des Iles Mine (“LDI”). A total of 13,691 metres of diamond drilling was completed in the quarter, comprising 7,121 metres of underground drilling at LDI and 6,570 metres of surface drilling at LDI.

Exploration highlights for the quarter include:

- Additional, positive results for the C Zone, including 42 metres of 3.4 g/t Pd with 10 metres at 5.3 g/t in hole 19-339 and 12.6 metres of 4.8 g/t Pd in hole 19-336.
- Encouraging results for the B3 Zone extension target, including 25 metres of 4.1 g/t Pd with 13 metres of 5.2 g/t Pd in hole 19-805.
- Narrow but high-grade Pd intersected in the Mystery Zone in hole 19-327, which returned 14 metres of 8.8 g/t Pd, including 9 metres of 11.5 g/t Pd.

Plans for the fourth quarter include additional underground exploration drilling on the Camp Lake target, the B2 and B3 Zones, the Offset South Zone and the C Zone. Most of the drilling will be done from the new exploration drift on the 1,065 level of the mine. Additional surface drilling will be completed in the East Mine Block on extensions to the Baker and Creek Zones along the coincident gravity-magnetic anomaly.

Implats Acquisition

During the quarter, NAP entered into a definitive Arrangement Agreement with Implats pursuant to which Implats will acquire 100% of NAP's issued and outstanding common shares for total cash consideration of approximately C\$1.0 billion. The Transaction delivers attractive value to NAP shareholders and reflects the five years of hard work the NAP team has dedicated to realizing the potential of LDI and the Company's other exploration assets.

The Transaction will require approval by at least 66 2/3% of the votes cast by NAP shareholders present at a special meeting of NAP shareholders, which will be held on Wednesday, December 4, 2019. In connection with the Transaction, Implats has entered into customary voting support agreements with Brookfield as well as each of NAP's directors and executive officers. In addition to shareholder approval, the Transaction is subject to the receipt of certain other customary regulatory, court and stock exchange approvals.

Under the terms of the Arrangement Agreement, shareholders of NAP other than Brookfield (defined below), will receive C\$19.74 per NAP common share (the "Minority Shareholder Consideration") in cash and Brookfield Business Partners L.P. (together with its institutional partners, collectively "Brookfield"), as the majority shareholder of NAP, will receive C\$16.00 per NAP common share in cash. The Minority Shareholder Consideration represents a premium of 15% to NAP's 30-day volume-weighted average price and 23% to NAP's 60-day volume-weighted average price on the Toronto Stock Exchange ("TSX") as of October 4, 2019, the last trading day prior to the announcement of the Transaction.

Dividend

The Board has discontinued the quarterly dividend as a result of and in connection with the previously announced Transaction.

Shareholder Information

The Company's complete consolidated financial statements for the quarter ending September 30, 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 information circular in connection with the special meeting to approve the Transaction was posted on SEDAR on November 6, 2019 and will be mailed out to all shareholders on November 7, 2019.

Notes:

¹ *Non-IFRS measures. 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 measures provide useful information and the additional purposes for which management uses the non-IFRS measures, please refer to Non-IFRS Measures in the Company's management team 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 LDI (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, a Qualified Person as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects 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, 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 LDI 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 LDI, 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 over 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 700 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 ir@nap.com.

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