

# North American Palladium

The *Only* Pure Play Palladium Producer

TSX: PDL  
OTC: PALDF

Third Quarter 2018 Results  
October 31, 2018



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All dollar amounts shown are in Canadian dollars unless otherwise stated

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David Peck, P. Geo., is the Company’s qualified person for purposes of National Instrument 43-101. Mr. Peck is an employee of the Company and is not independent of the Company for purposes of National Instrument 43-101. A complete description of data verification, exploration results and other technical and scientific information related to the Lac des Iles mine (“LDI”) is contained in the report titled “Feasibility Study for Lac des Iles Mine Incorporating Underground Mining of the Roby Zone” with an effective date of July 4, 2018 and report date of October 2, 2018, which has been filed and is available at [www.sedar.com](http://www.sedar.com). Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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This presentation also contains references to estimates of mineral resources and mineral reserves. The estimation of mineral resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the LDI mine, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral resource or mineral reserve estimates may have to be re-estimated based on: (i) fluctuations in the price of platinum; (ii) results of drilling, (iii) metallurgical testing and other studies; (iv) mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses or changes to existing mining licenses.

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 presentation, 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 LDI 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 applicable law. Readers are cautioned not to put undue reliance on these forward-looking statements.

Investing in the Company’s common shares involves significant risks. Prospective investors should carefully read and consider the risk factors referenced under the heading “Risk Factors” in the AIF, and in any applicable publicly disclosed information regarding the Company, before purchasing common shares.

The Company prepares and presents its financial statements in accordance with IFRS. Certain financial measures highlighted in this presentation are financial measures that have not been prepared in accordance with IFRS. Such non-IFRS financial measures are used from time to time herein but should not be viewed as a substitute for IFRS measures of performance and others in the industry may define these measures differently.

# Today's Agenda & Management Participants



Jim Gallagher  
President and Chief  
Executive Officer



Tim Hill  
Vice President, Finance &  
Chief Financial Officer



David Peck  
Vice President, Exploration

## Agenda

1. Quarterly Highlights
2. Operational Update
3. Feasibility Study
4. Financial Update
5. Exploration
6. Outlook

# Highlights

## Health & Safety

- Total Reportable Injury Frequency – 2.6
- 475 Days – No lost time injuries
- September - Surpassed 1 million man hours without lost time injury

## Sustained Profitability this quarter

- Adjusted EBITDA - \$38.0 million
- Net Income - \$22.9 million
- Revenue - \$93.6 million

## Stable Operational Performance

- Underground production - 565,277 tonnes (6,144 tpd)
- Mill production - 1,028,361 tonnes

## Updated NI 43-101 Technical Report

- Released October 2, 2018



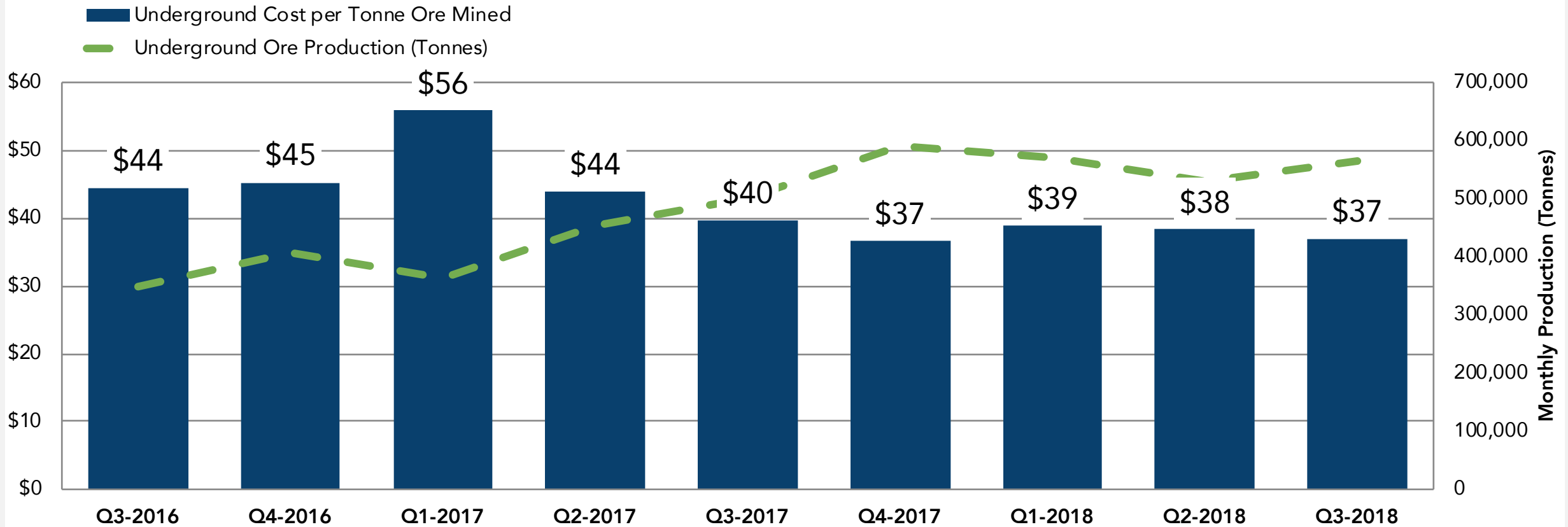
# Operating Highlights

For the three months ended September 30<sup>th</sup>, 2018

	Three Months Ended September 30 <sup>th</sup> ,	
	2018	2017
Ore Mined (tonnes)		
Underground	565,277	500,560
Surface	498,169	279,070
Total	1,063,446	779,630
Ore Mined Grade (Pd g/t)		
Underground	3.2	3.8
Surface	1.1	1.0
Payable Production – palladium (oz)	56,852	53,118
AISC (US\$/per ounce palladium produced, net of by-product revenues)	\$733	\$688

# Mining Costs

## Underground Cost Per Tonne Mined



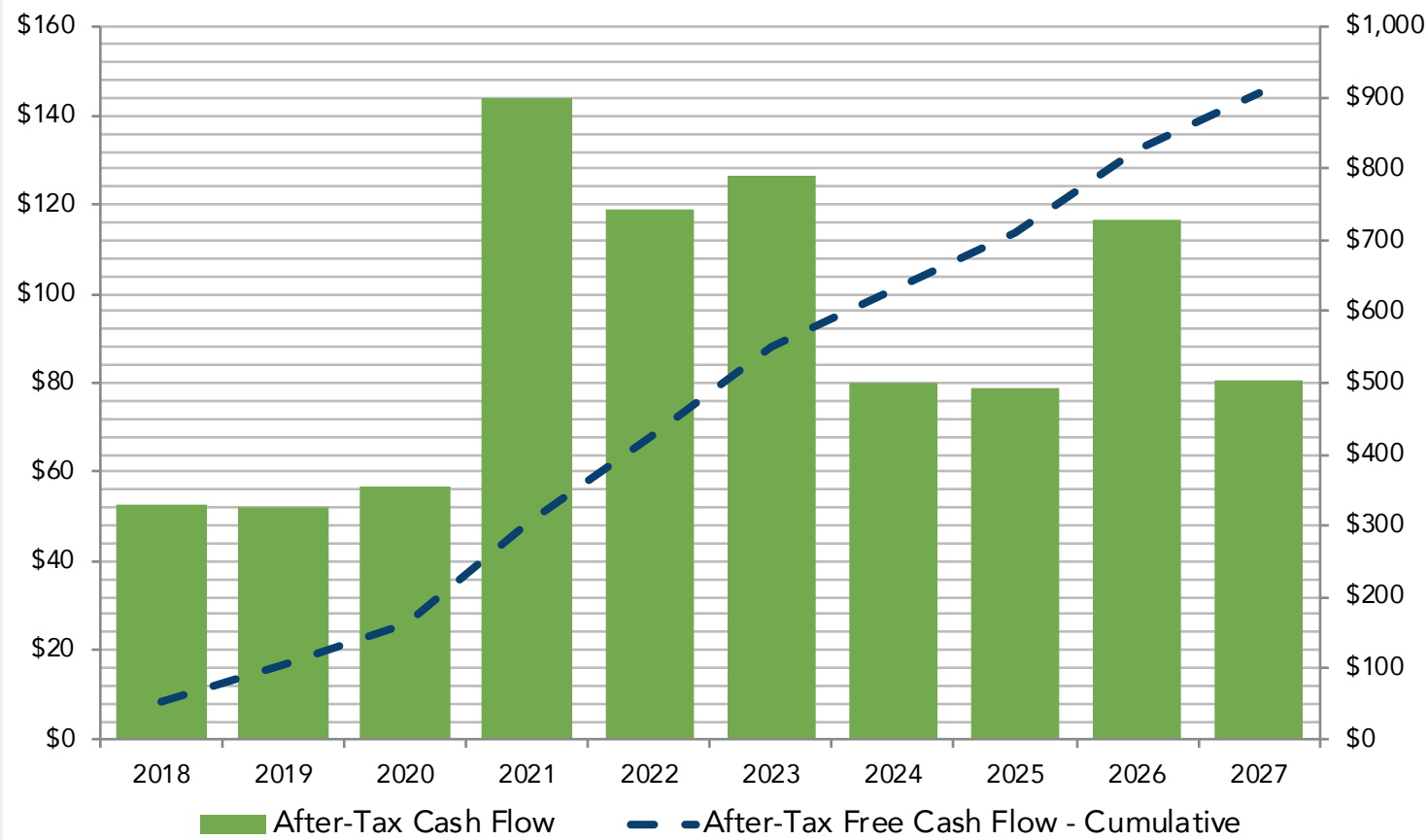
# National Instrument 43-101

Released September 2018

Palladium Reserves (Contained)	3.038 M oz
Palladium Reserve Grade	2.31 g/t
Total Ore Reserves	40.9 M tonnes
Total Underground Ore Reserves	37.1 M tonnes
Average <sup>1</sup> Mill Throughput	12,238 tpd
Average Palladium Recovery	81.3%
Total Payable Palladium Production	2.32 M oz
Average <sup>1</sup> Payable Palladium Production	255,000 oz
Mine Life	9 years
Average <sup>1</sup> Cash Costs <sup>2</sup>	US\$504 per oz
Total Capital Expenditures	\$425 M
Average <sup>1</sup> All-Inclusive Sustaining Costs <sup>2</sup>	US\$622 per oz
EBITDA	\$1,505 M
After-tax cash flow	\$909 M
After-tax NPV <sub>(8%)</sub>	\$637 M

(<sup>1</sup>Based on full production years 2019-2026. <sup>2</sup>Net of by-product revenue.)

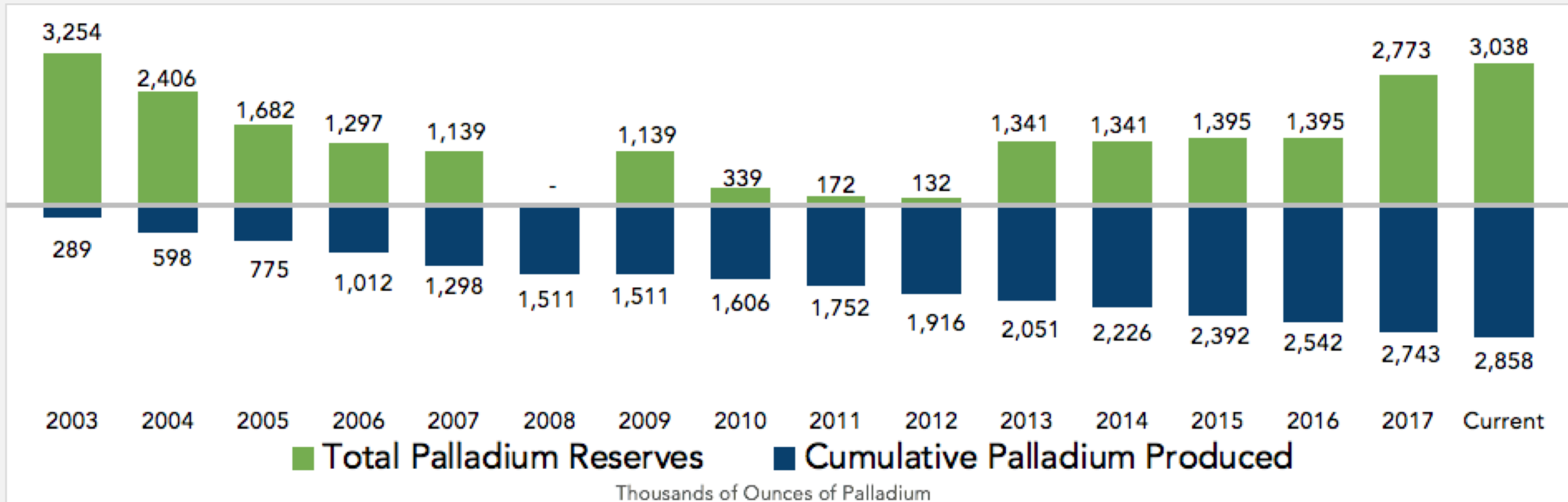
## After-tax Free Cash Flow (C\$ millions)



# Mine Life

## Reserve Replacement

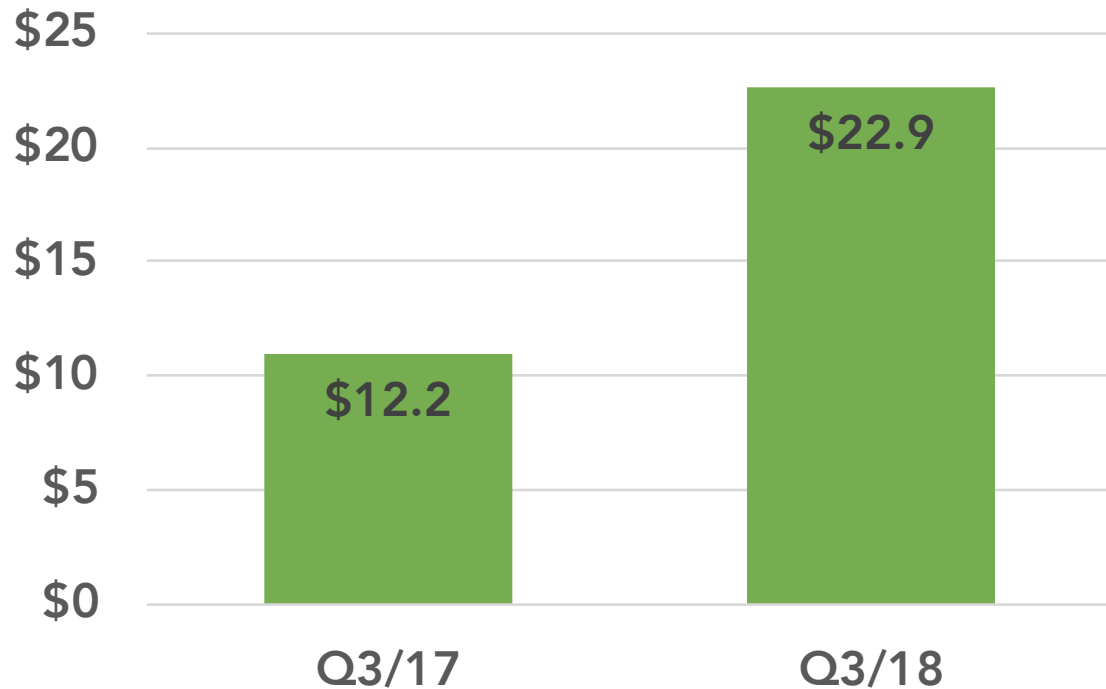
- LDI has maintained a track record of reserve replacement, growing palladium reserves above the depletion rate.
- Management expects this trend to continue with sustained investment in exploration.



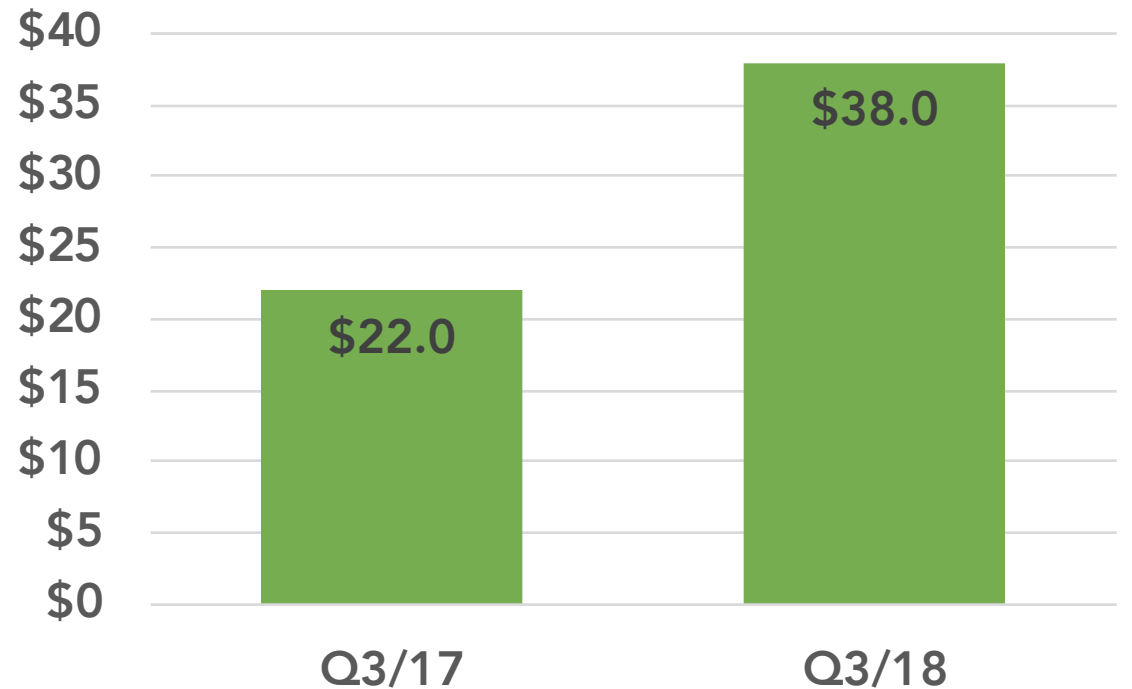
# Financial Highlights

Net Income and Adjusted EBITDA

## Net Income (C\$ in millions)

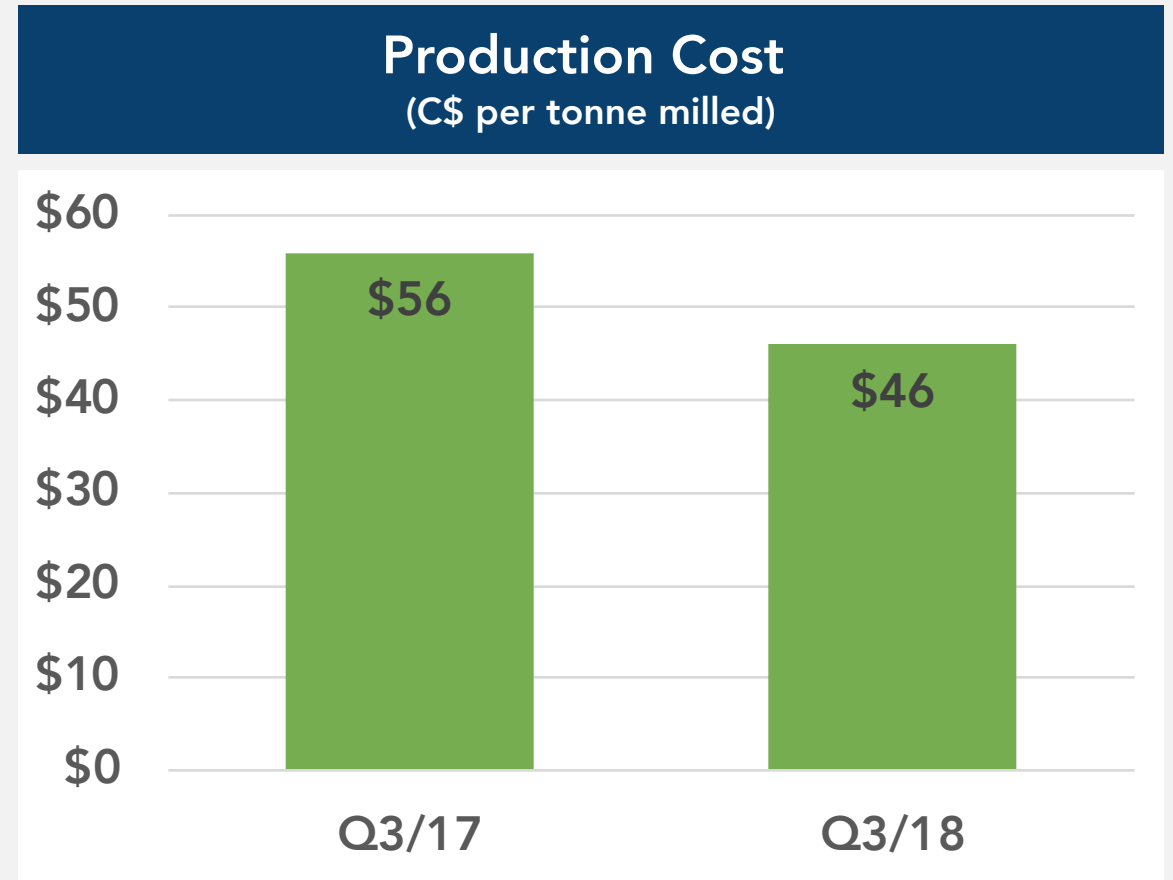
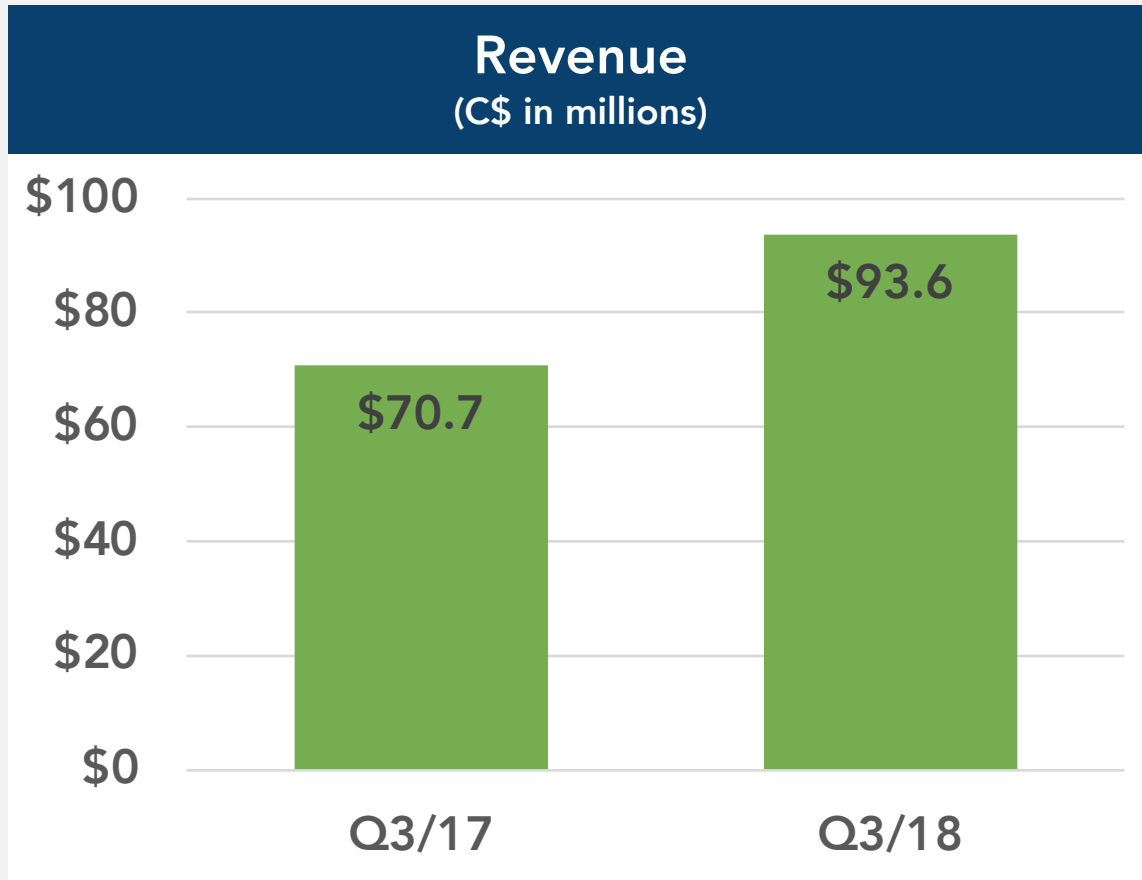


## Adjusted EBITDA (C\$ in millions)



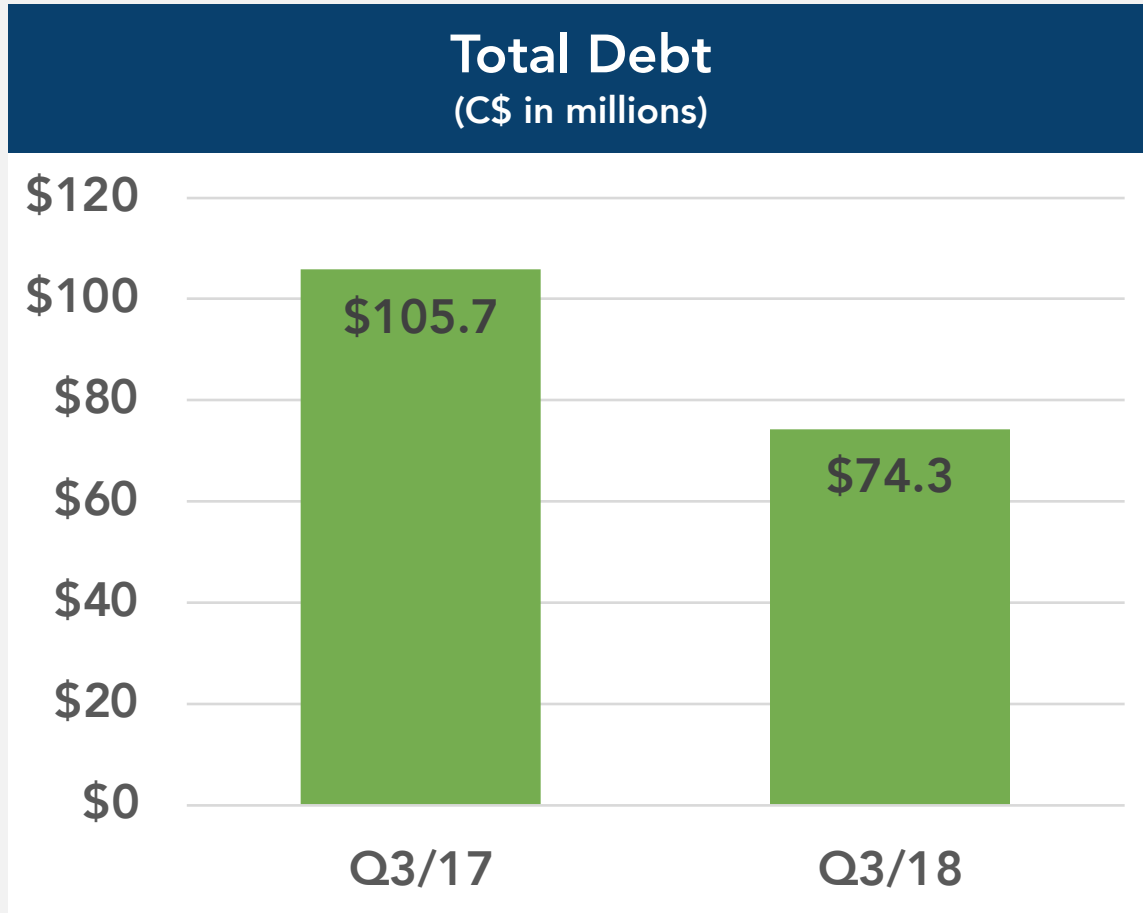
# Financial Highlights

## Revenue & Production Costs



# Financial Highlights

## Total Debt



## Financial Liquidity

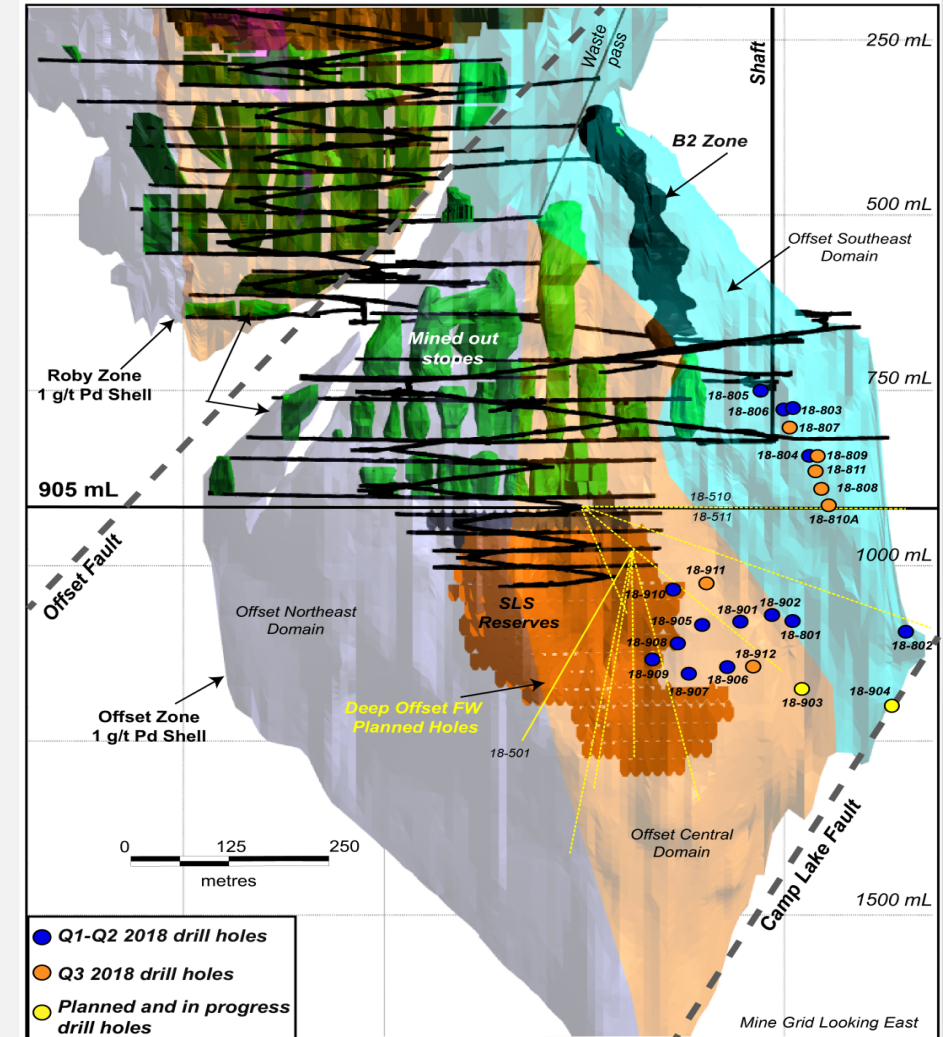
- As at September 30, 2018, the Company had cash and cash equivalents of \$20.3 million compared to \$11.1 million as at September 30, 2017.
- In the quarter, the Company reduced its total debt to \$74.3 million compared to \$105.7 million as at September 30, 2017.
- As at October 15, 2018, the Company had availability of US\$32.1 million under the Company's credit facility.
- The Company is currently in negotiations for the refinancing of its senior secured term loan and revolving credit facility.

# Lac des Iles – Underground Exploration

This quarter, a total of 5,239 metres of drilling was completed in 12 underground drill holes at LDI.

Exploration highlights from the quarter include:

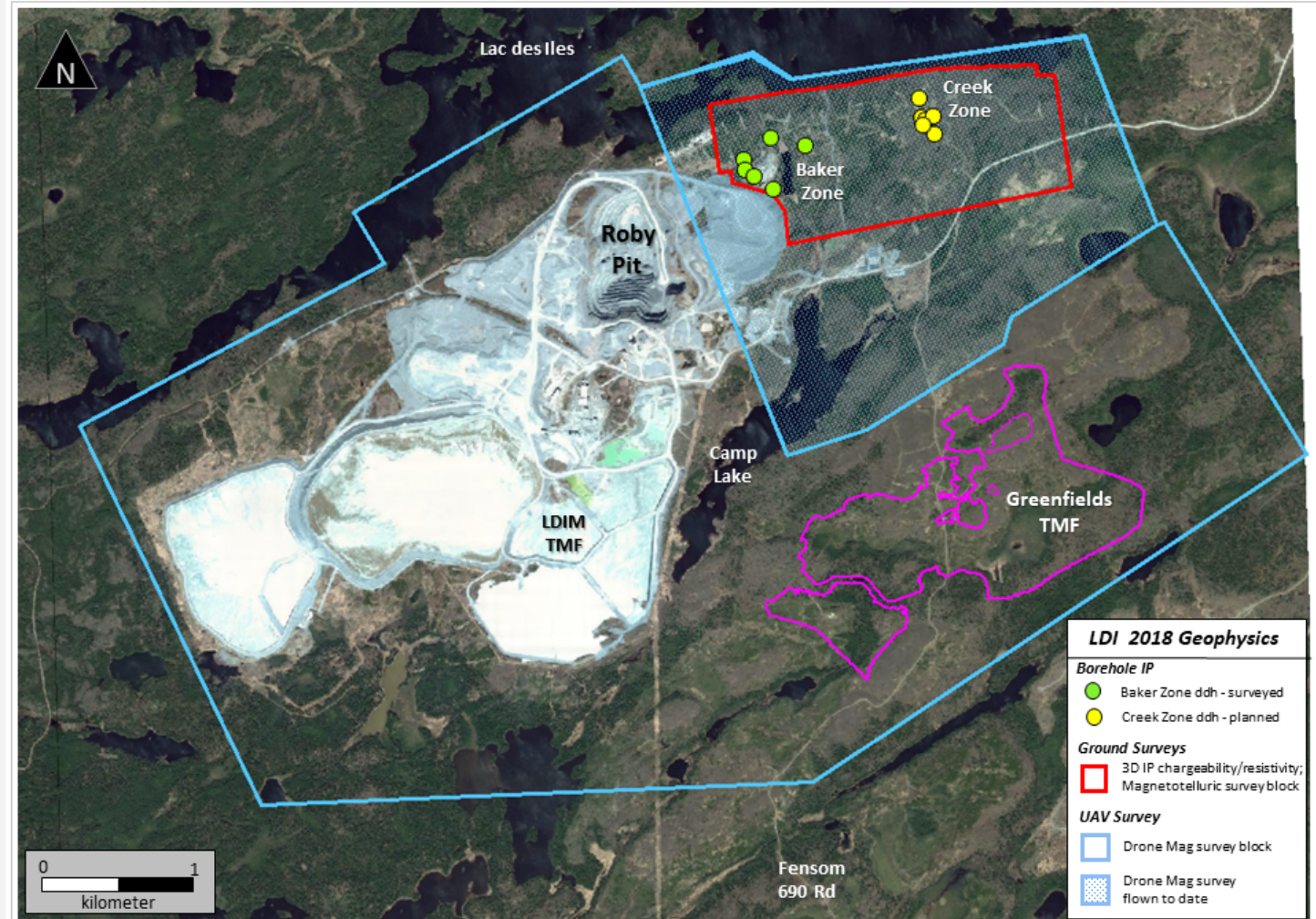
- Drill hole 18-807 intersected 36.6 metres averaging 4.0 g/t Pd in the lower part of the B3 Zone
- Drill hole 18-809 intersected 15 metres averaging 2.9 g/t Pd in the footwall to the Offset Zone deposit
- Drill hole 18-912 intersected 10.1 metres averaging 3.5 g/t Pd and 11 metres averaging 3.1 g/t Pd from the modelled, lower extension of the B2 Zone



# Lac des Iles – Surface Exploration

## A major new geophysical program is underway:

- Surface 3D Induced Polarization (IP) survey to map sulfides to ~300m depth
- Borehole IP surveys to more precisely map out high-grade mineralization
- Magnetotelluric survey to map out major fault zones (potential feeders)
- Drone-supported airborne magnetic survey to map the geology and structure
- Ground gravity to define geometry and depth limits to main feeder structures

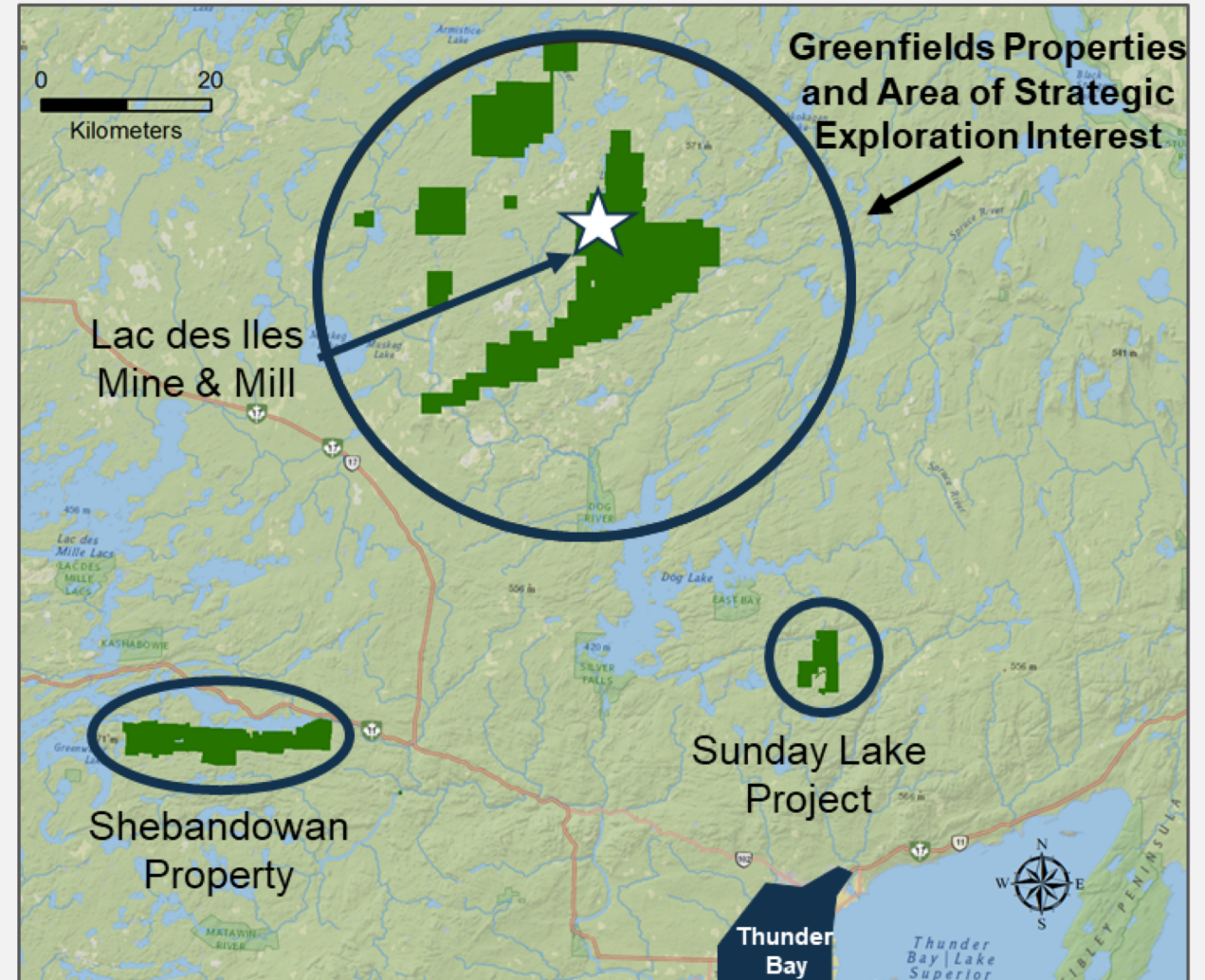


# Exploration Plans

## Looking ahead, the Company intends to:

- Increase investment into surface exploration at LDI
- Continue to test the large number of underground exploration targets at LDI
- Complete geophysical screening of greenfields properties prior to resuming drilling
- Drilling geophysical targets at Sunday Lake with a focus on higher-grade feeder structures

**A comprehensive update on 2018 LDI exploration results is planned for release before the end of the fourth quarter.**



# Outlook

## 2018 Guidance

- As a result of lower than budgeted grade, total ounces produced in 2018 will be near the lower end of the 230,000 to 240,000 ounces of payable palladium originally guidance.
- AISC, which is impacted by the lower grade and also by lower by-product metal prices will be near US\$700 per ounce, above the US\$640-US\$660 per ounce guidance.

## Strategic Alternatives Review Continues

- The Board continues to explore opportunities under a strategic review process to maximize shareholder value, without limitation, a potential sale of the Company, a secondary sale by Brookfield Capital Partners Ltd. or other strategic transaction.

## Collective Bargaining

- The 3-year collective agreement with the United Steelworkers Local 9422 ("USW"), which represents the production and maintenance workers at the Lac des Iles mine site, expired on May 31, 2018.
- The Company and USW have agreed to a mediation process commencing on November 11, 2018.



# Contact

If you would like to ask a question, please click the "Call Me" link on the left hand side of the screen

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