



Condensed Interim Consolidated Balance Sheets

(expressed in millions of Canadian dollars)
(unaudited)

	Notes	March 31 2018	December 31 2017
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 20.7	\$ 11.1
Accounts receivable	4	60.9	62.7
Inventories	5	23.3	23.0
Other assets	6	2.8	4.7
Total Current Assets		107.7	101.5
Non-current Assets			
Mining interests	7	500.5	495.9
Total Non-current Assets		500.5	495.9
Total Assets		\$ 608.2	\$ 597.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	9	\$ 30.0	\$ 43.5
Credit facility	10	43.7	29.9
Current portion of obligations under finance leases	11	9.6	9.0
Current portion of long-term debt	12	44.8	43.5
Total Current Liabilities		128.1	125.9
Non-current Liabilities			
Income taxes payable		0.8	0.8
Deferred tax liability	21	4.5	3.2
Asset retirement obligations	8	21.7	21.8
Obligations under finance leases	11	4.8	3.2
Total Non-current Liabilities		31.8	29.0
Shareholders' Equity			
Common share capital and purchase warrants		1,313.0	1,313.0
Stock options and related surplus	14(c)	11.9	11.7
Contributed surplus		8.9	8.9
Deficit		(885.5)	(891.1)
Total Shareholders' Equity		448.3	442.5
Total Liabilities and Shareholders' Equity		\$ 608.2	\$ 597.4

Nature of operations and going concern – Note 1

Commitments – Note 17

Subsequent events – Notes 10 and 23

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(expressed in millions of Canadian dollars, except share and per share amounts)
(unaudited)

	Notes	Three months ended	
		March 31	
		2018	2017
Revenue	18	\$ 86.6	\$ 44.3
Mining operating expenses			
Production costs	19	48.4	31.9
Smelting, refining and freight costs		3.9	2.1
Royalty expense		3.6	2.2
Depreciation and amortization		12.0	8.1
Inventory write down (reversal)	5	-	(0.2)
Loss on disposal of equipment		0.1	0.1
Total mining operating expenses		68.0	44.2
Income from mining operations		18.6	0.1
Other expenses (Income)			
Exploration		3.8	0.5
General and administration		2.2	1.4
Interest and other income	20	(0.1)	-
Interest costs and other costs	20	1.9	2.3
Financing costs		0.4	0.3
Foreign exchange loss (gain)		3.5	(0.6)
Total other expenses, net		11.7	3.9
Income (loss) before taxes		6.9	(3.8)
Income taxes	21	(1.3)	-
Net income (loss) and comprehensive income (loss)		\$ 5.6	\$ (3.8)
Income (loss) per share			
Basic and diluted	14(d)	\$ 0.10	\$ (0.07)
Weighted average number of shares outstanding			
Basic	14(d)	58,126,526	58,126,526
Diluted	14(d)	58,735,332	58,126,526

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Cash Flows

(expressed in millions of Canadian dollars)
(unaudited)

	Notes	Three months ended	
		2018	March 31 2017
Cash provided by (used in)			
Operations			
Net income (loss)		\$ 5.6	\$ (3.8)
Operating items not involving cash			
Depreciation and amortization		12.0	8.1
Inventory write down (reversal)	5	-	(0.2)
Accretion expense	20	0.2	0.3
Share-based compensation and employee benefits	14(e)	0.2	0.2
Foreign exchange loss (gain) on financing activities		2.4	(0.7)
Loss on disposal of equipment		0.1	0.1
Interest expense and other		1.6	2.0
Financing costs		0.4	0.3
Deferred taxes	21	1.3	-
		23.8	6.3
Changes in non-cash working capital	22	(10.3)	4.4
		13.5	10.7
Financing Activities			
Proceeds of credit facilities	10	20.1	15.9
Repayment of credit facilities	10	(7.6)	-
Repayment of obligations under finance leases	11	(1.9)	(4.6)
Interest paid		(1.6)	(2.3)
Other costs		(0.4)	(0.3)
		8.6	8.7
Investing Activities			
Additions to mining interests	7	(12.5)	(16.3)
		(12.5)	(16.3)
Increase in cash		9.6	3.1
Cash and cash equivalents, beginning of period		11.1	15.0
Cash and cash equivalents, end of period		\$ 20.7	\$ 18.1

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Shareholders' Equity

(expressed in millions of Canadian dollars, except share amounts)
(unaudited)

	Notes	Number of shares	Capital stock	Stock options	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2017		58,126,526	\$ 1,313.0	\$ 11.0	\$ 8.9	\$ (921.4)	\$ 411.5
Stock-based compensation	14(e)	-	-	0.2	-	-	0.2
Net loss and comprehensive loss for the period ended March 31, 2017		-	-	-	-	(3.8)	(3.8)
Balance, March 31, 2017		58,126,526	\$ 1,313.0	\$ 11.2	\$ 8.9	\$ (925.2)	\$ 407.9
Balance, January 1, 2018		58,126,526	\$ 1,313.0	\$ 11.7	\$ 8.9	\$ (891.1)	\$ 442.5
Stock-based compensation	14(e)	-	-	0.2	-	-	0.2
Net income and comprehensive income for the period ended March 31, 2018		-	-	-	-	5.6	5.6
Balance, March 31, 2018		58,126,526	\$ 1,313.0	\$ 11.9	\$ 8.9	\$ (885.5)	\$ 448.3

See accompanying notes to the condensed interim consolidated financial statements



Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of Canadian dollars, except per share amounts and metal prices)
(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

North American Palladium Ltd. ("NAP") is domiciled in Canada and was incorporated on September 12, 1991 under the Canada Business Corporations Act. The address of the company's registered office is One University Avenue, Suite 402, Toronto, Ontario, Canada, M5J 2P1. The company's 100%-owned subsidiary is Lac des Iles Mines Ltd. ("LDI").

NAP operates the LDI palladium mine, located northwest of Thunder Bay, Ontario, which started production in 1993. The LDI mine uses both a ramp and a shaft to access underground. The underground mine currently employs both long hole open stope and sub-level shrinkage mining methods. Ore from the underground mine is blended with ore mined from the Sheriff Pit and low grade stockpiles on surface to feed the mill. The mill operates on a 24-hour schedule, 7 days a week ("full-time"), transitioning from a 14-day on and 14-day off ("batch processing") schedule in September 2017.

The condensed interim consolidated financial statements for NAP include the company and its subsidiary (collectively referred to as the "Company").

Collectively, Brookfield Business Partners LP and its affiliates ("Brookfield") indirectly hold approximately 53.5 million common shares of the Company, representing approximately 92% of the issued and outstanding common shares of NAP.

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had net income of \$5.6 and positive cash flow from operations of \$13.5, nevertheless the Company presents negative working capital of \$20.4 as at March 31, 2018, which included cash balances of \$20.7 at March 31, 2018. The Company currently has one available source of financing, a credit facility (note 10), which matures on December 31, 2018. The Company utilizes its credit facility for working capital and general corporate purposes. The Company's credit facility contains several financial covenants, which, if not met could result in an event of default. As at March 31, 2018, the Company was in compliance with all its covenants under the credit facility. The Company closely monitors compliance with its covenants, as any breach of covenant could result in an event of default under the credit facility, which, if not addressed, would entitle the lender to demand immediate repayment. Availability under the credit facility is subject to a borrowing base calculation that relies on certain levels of inventory and accounts receivable balances. Repayments are required in circumstances where the borrowing base is reduced relative to existing debt drawn.

The senior secured term loan (note 12) was fully drawn as at March 31, 2018. The remaining principal balance of US\$35.0 matures on December 31, 2018. While management forecasts that cash flows from operations will be sufficient to fund capital expenditures, service debt and to repay the credit facility at maturity, the Company's cash and liquidity position and covenant compliance are sensitive to a number of variables that cannot be predicted with certainty. In the near term, these include, but are not limited to, meeting production targets, metal prices, foreign exchange rates, operational costs and capital expenditures. In addition, the Company's liquidity position beyond the end of 2018 is dependent on the renegotiation of the credit facility agreement or the Company's success in finalizing additional financing arrangements. Adverse changes in any of these variables may have a material impact on the Company's liquidity position. These circumstances represent material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The condensed interim consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Notes to the Condensed Interim Consolidated Financial Statements

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2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of these financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for year ended December 31, 2017, which have been prepared in accordance with IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2017 have been applied consistently by all Company entities for all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated below.

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of NAP and its wholly-owned subsidiary.

Adoption of New Accounting Standards

The following new accounting standards have been adopted by the Company.

IFRS 2 Share-based payment

IFRS 2 has been amended to address certain issues related to the accounting for cash-settled awards and the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. The amendment is effective for annual reporting periods beginning on or after January 1, 2018. The Company does not have any share-based arrangements that are impacted by this amendment. As a result, this amendment did not have a material impact on the condensed interim consolidated financial statements of the Company.

IFRS 15 Revenue from contracts with customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This new standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. The new standard is effective for annual reporting periods beginning on or after January 1, 2018.

Overall, the Company's review of its smelter contracts, provisional pricing policy, and related disclosures did not identify any significant issues which could result in material quantitative financial impacts in its condensed interim consolidated financial statements. Note disclosures required under IFRS 15 have been included in notes 4 and 18 and the Company's accounting policy for its revenue and accounts receivable under IFRS 15 is detailed below.

Revenue from the sale of metals in the course of ordinary activities is measured at the fair value of the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, net of volume adjustments. Consideration is also given to the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Revenue is recognised when a customer obtains control of the goods or services. The timing of the transfer of control of the goods or services requires the Company to exercise judgement, taking into consideration all of the facts and circumstances of the relevant contracts with their customers. These facts include the nature, timing of the satisfaction of performance obligations, and significant payment terms applicable under the individual terms of the contract.

Notes to the Condensed Interim Consolidated Financial Statements

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Revenue from the sale of palladium and by-product metals from the LDI mine is provisionally recognized based on quoted market prices upon the delivery of concentrate to the smelter or designated shipping point, which is when customers obtain control of the concentrate. Invoices are generated and revenue is recognised at that point in time. The total consideration for the concentrate sold is allocated to each of the payable metals contained in the concentrated based on the assays, metal accountabilities, and quoted market prices for each respective metal under the contract. The Company's smelter contracts provide for final prices to be determined by quoted market prices in a period subsequent to the date of concentrate delivery. Variations from the provisionally priced sales are recognized as revenue adjustments until final pricing is determined. Accounts receivable is recorded net of estimated treatment and refining costs which are subject to final assay adjustments. Subsequent adjustments to provisional pricing amounts due to changes in metal prices and foreign exchange are recorded in revenues.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The Company's review of its financial instruments affected by the application of IFRS 9 has not identified any significant issues which result in material quantitative financial impacts in its condensed interim consolidated financial statements.

Although IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through other profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

There has been no change to the Company's classification of its financial liabilities under IFRS 9. However, other assets reported on the condensed interim consolidated balance sheets that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

In December 2016, IFRIC 22 Foreign Currency Transactions and Advance Consideration was issued which clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The interpretation is applicable for annual periods beginning on or after January 1, 2018. The adoption of IFRIC 22 did not have a material impact on the condensed interim consolidated financial statements of the Company.

Notes to the Condensed Interim Consolidated Financial Statements

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New standards and interpretations not yet adopted

The following new standards are not yet effective for the three month period ended March 31, 2018 or have otherwise not yet been adopted by the Company.

IFRS 16 Leases

IFRS 16 is a new standard that will replace IAS 17 Leases and related interpretations. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting in IFRS 16 substantially unchanged from its predecessor, IAS 17.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company expects to adopt IFRS 16 for the annual period beginning January 1, 2019. In Q1 2018, the Company initiated a review its existing finance and operating leases for classification under IFRS 16. Lease contracts were examined to identify potential lease terms which may indicate control and the 'right of use' of underlying assets. As at March 31, 2018, the overall impact of adoption of the standard on the Company's condensed interim consolidated financial statements has not yet been determined.

IFRIC 23 Uncertainty over Income Tax Treatments

On June 7, 2017, IFRIC 23 Uncertainty over Income Tax Treatments was issued. The interpretation seeks to bring clarity to the accounting for income taxes that have yet to be accepted by tax authorities and provides requirements, in addition to the requirements in IAS 12 Income Taxes, by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The impact of IFRIC 23 on the Company's condensed interim consolidated financial statements has not yet been determined.

Notes to the Condensed Interim Consolidated Financial Statements

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4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	March 31 2018	December 31 2017
Accounts receivable	\$ 58.1	\$ 62.7
Fair value of derivative financial contracts	2.8	-
Total	\$ 60.9	\$ 62.7

The Company periodically manages the market risk of its accounts receivables from smelters using forward derivative financial contracts. Both the amounts receivable from smelters and the fair value of unrealized gains on derivative financial contracts are recorded as accounts receivable, while the fair value of unrealized losses on derivative financial contracts are reported in accounts payable. Refer to notes 9 and 15.

Accounts receivable

Accounts receivable represents the value of all platinum group metals (“PGMs”), gold and certain base metals contained in LDI’s concentrate shipped for smelting and refining, using the March 31, 2018 (2017 - December 31, 2017) forward metal prices and foreign exchange rates applicable for the month of final settlement, and for which significant risks and rewards have transferred to third parties.

All of the accounts receivable are due from two customers at March 31, 2018 (December 31, 2017 – two customers). A reserve for doubtful accounts has not been established, as in the opinion of management, the amount due will be fully collected. The Company is not economically dependent on its customers. Please refer to note 18.

First priority security of accounts receivable has been pledged as security against the credit facility described in note 10.

Fair value of derivative financial contracts

As at March 31, 2018, 45,250 ounces of past palladium production, delivered and sold to a smelter, was priced using forward prices for the month of final settlement at an average price of US\$1,019 per ounce (December 31, 2017 – 67,850 ounces of past palladium production, delivered and sold to a smelter, was priced using forward prices for the month of final settlement at an average price of US\$949 per ounce).

As at March 31, 2018, the Company had forward foreign exchange contracts to convert US\$30.0 of the proceeds on settlements into Canadian dollars at an average exchange rate of 1.29 over the period to May 17, 2018. The fair value of these contracts at March 31, 2018 represented a liability of \$0.1. As at December 31, 2017, the Company did not have any forward foreign exchange contracts to convert U.S. dollar proceeds on settlements into Canadian dollars.

5. INVENTORIES

Inventories consist of the following:

	March 31 2018	December 31 2017
Supplies ¹	\$ 14.0	\$ 13.8
Concentrate inventory ¹	6.2	5.4
Crushed and broken ore stockpiles ^{1,2}	3.1	3.8
Total	\$ 23.3	\$ 23.0

¹ This portion of inventories has been pledged as security in respect of the Company’s credit facility. Refer to note 10.

² Crushed and broken ore stockpiles represent coarse ore that has been extracted from the mine and is available for further processing.

During the three month period ended March 31, 2018, no revaluations were recorded for concentrate inventory or crushed and broken ore stockpile inventories.

In comparison, during the three month period ended March 31, 2017, concentrate inventory previously written down was revalued in the amount of \$0.2 as a result of a positive movement in market pricing. No revaluations were recorded for crushed and broken ore stockpile inventories during the three month period ended March 31, 2017.

Notes to the Condensed Interim Consolidated Financial Statements

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6. OTHER ASSETS

Other assets consist of the following:

	March 31 2018	December 31 2017
Prepaid expenses	\$ 2.2	\$ 3.4
HST receivable	0.4	1.1
Other	0.2	0.2
	\$ 2.8	\$ 4.7

7. MINING INTERESTS

Mining interests are comprised of the following:

	Plant and equipment	Underground mine development	Equipment under finance lease	Mining leases and claims, royalty interest, and development	Total
Carrying amounts					
As at December 31, 2017	\$ 126.4	\$ 342.1	\$ 18.2	\$ 9.2	\$ 495.9
Additions ¹	6.3	6.2	4.3	-	16.8
Revaluation of ARO assets	(0.2)	-	-	-	(0.2)
Transfers ²	(1.4)	0.8	0.6	-	-
Disposals	-	(0.1)	-	-	(0.1)
Depreciation for the period	(3.5)	(7.0)	(1.2)	(0.2)	(11.9)
As at March 31, 2018	\$ 127.6	\$ 342.0	\$ 21.9	\$ 9.0	\$ 500.5

¹ Additions represent the gross cost of additions to mining interests during the year. The gross additions of \$16.8 for 2018 include non-cash amounts of \$4.3 relating to assets acquired under finance leases. The net cash used of \$12.5 is reported as additions to mining interests on the condensed interim consolidated statements of cash flows. Also refer to notes 11 and 22.

² During the three month period ending March 31, 2018, capital equipment and parts were transferred from plant and equipment for use as replacement parts on underground and leased equipment.

Depreciation and amortization

The technical report for the LDI mine, which was filed to SEDAR on June 7, 2017, provided additional reserves and resources for the LDI mine. As a result, the Company recognized a 16% increase to its estimate of in-situ ounces of palladium used as the denominator for depreciation and amortization of certain assets under the unit-of-production method. The revised estimate was based on the inclusion of the proven and probable reserves and measured resources expected to be converted to reserves based on prior conversion rates. This change in estimate has been prospectively applied for all depreciation and amortization calculations effective June 1, 2017.

Asset restrictions and contractual commitments

The Company's assets are subject to certain restrictions on title and property, plant and equipment. Substantially, all assets are pledged as security under the Company's credit facility and debt agreements. See notes 10 and 12.

Notes to the Condensed Interim Consolidated Financial Statements

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8. ASSET RETIREMENT OBLIGATIONS AND RECLAMATION DEPOSITS

The changes in ARO during the three months ended March 31, 2018 are as follows:

Notes			
Asset retirement obligations, beginning of year		\$	21.8
Change in discount rate			(0.2)
Accretion expense	20		0.1
Asset retirement obligations, end of year		\$	21.7

The ARO was comprised of the following as at March 31, 2018:

Property	Expected timing of cash flows	Asset retirement obligation	Mine closure plan requirement	Letter of credit outstanding	Undiscounted asset retirement obligation	
LDI mine ¹	2026	\$ 21.7	\$ 20.8	\$ 21.2	\$	26.2

¹ Including a letter of credit for Shebandowan West project, the total letters of credit outstanding are \$21.5 for asset retirement obligations. Refer to notes 10 and 17.

The key assumptions applied for determination of the ARO are as follows:

	March 31 2018	December 31 2017
Inflation	2.00%	2.00%
Market risk	5.00%	5.00%
Discount rate	2.05%	1.99%

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable consist of the following:

	March 31 2018	December 31 2017
Accounts payable and accrued liabilities	\$ 29.9	\$ 34.4
Fair value of derivative financial contracts	0.1	9.1
Total	\$ 30.0	\$ 43.5

The Company periodically manages the market risk of its accounts receivables from smelters using forward derivative contracts. Both the amounts receivable from smelters and the fair value of unrealized gains on derivative financial contracts are recorded as accounts receivable, while the fair value of unrealized losses on those contracts are reported in accounts payable. Refer to notes 4 and 15.

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10. CREDIT FACILITY

The Company has a credit facility with a Canadian chartered bank which was scheduled to mature on June 30, 2018. On March 9, 2018, the term of the credit facility was amended to extend the maturity to December 31, 2018. The credit facility is comprised of a series of short-term LIBOR loans, renewed monthly based on availability under a borrowing base calculation, which is to be used for working capital and general corporate purposes. The maximum available credit that can be utilized under the facility is the lesser of US\$60 and an amount determined by a borrowing base calculation. The credit facility contains a financial covenant regarding a minimum current ratio requirement.

Failure to satisfy the covenants would result in an event of default. The credit facility also includes other covenants, including material adverse change provisions and cross-default provisions. Certain events of default result in the credit facility becoming immediately due, while other events of default entitle the lender to demand immediate repayment. As at March 31, 2018, the Company was compliant with all covenants.

Under the credit facility, as of March 31, 2018, the Company utilized \$23.1 (US\$17.9) for letters of credit, primarily for reclamation deposits (December 31, 2017 - \$23.1 (US\$18.4)), and had \$43.7 (US\$33.9) in borrowings outstanding (December 31, 2017 - \$29.9 (US\$23.9)).

A first priority charge of the accounts receivable and inventories of the Company and second priority charge on the property, plant and equipment of the Company have been pledged as security in connection with the credit facility. Refer to notes 4, 5, and 7. In addition, a first priority charge on non-leased mobile equipment was assigned during Q2 2017 as part of the agreement related to an additional \$6.2 letter of credit related to amendments to the Company's mine closure plan. Refer to notes 8 and 17(c).

The changes in the Company's credit facility during the three months ended March 31, 2018 are as follows:

		US\$		CDN\$
Credit facility, beginning of period	\$	23.9	\$	29.9
Drawdown of principal		16.0		20.1
Principal repayment		(6.0)		(7.6)
Interest expense		0.4		0.5
Interest paid		(0.4)		(0.4)
Foreign exchange adjustments		-		1.2
Credit facility, end of period	\$	33.9	\$	43.7

On April 4, 2018, the Company repaid US\$8.0 in principal outstanding on its credit facility, while the update to the borrowing base calculation on April 15, 2018 increased the borrowing availability to US\$14.0.

Notes to the Condensed Interim Consolidated Financial Statements

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11. LEASES

At the respective reporting dates, the Company was party to the following lease arrangements:

FINANCE LEASES (OBLIGATIONS UNDER FINANCE LEASES)

The Company leases production equipment under a number of finance lease agreements. The leased equipment secures the lease obligations. The net carrying amount of leased equipment at each reporting date is summarized in the mining interests under the category of equipment under finance lease. Refer to note 7.

The following is a schedule of future minimum lease payments under finance leases together with the present value of the net lease payments at each reporting date:

	March 31, 2018			December 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 10.0	\$ 0.4	\$ 9.6	\$ 9.4	\$ 0.4	\$ 9.0
Between one and five years	4.9	0.1	4.8	3.3	0.1	3.2
Total	\$ 14.9	\$ 0.5	\$ 14.4	\$ 12.7	\$ 0.5	\$ 12.2

The changes in the Company's finance leases during the three months ended March 31, 2018 are as follows:

Finance leases, beginning of period	\$ 12.2
Additions	4.1
Principal repayment	(1.9)
Interest expense	0.1
Interest paid	(0.1)
Finance leases, end of period	\$ 14.4

OPERATING LEASES

The Company occasionally enters into leasing arrangements for production and other equipment under operating leases. These leases are generally short-term in nature and subject to cancellation clauses. The Company periodically reviews the nature of these leases to identify if there have been any significant changes to the terms and use of the items under operating lease which would require reclassification as a finance lease. Any required reclassification is applied prospectively from the date the revised lease terms become effective.

The following schedule provides the future minimum lease payments under non-cancellable operating leases outstanding at each of the reporting dates:

	March 31 2018	December 31 2017
Less than one year	\$ 0.3	\$ 0.3
Between one and five years	0.5	0.6
Total	\$ 0.8	\$ 0.9

Notes to the Condensed Interim Consolidated Financial Statements

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The total minimum lease payments recognized in expense during each of the stated three month periods ended are as follows:

	March 31 2018	March 31 2017
Minimum lease payments expensed	\$ 0.6	\$ 0.3

12. LONG-TERM DEBT

Long-term debt is comprised of the following:

	March 31 2018	December 31 2017
Senior secured term loan	\$ 44.8	\$ 43.5
Less: current portion	44.8	43.5
Long-term portion	\$ -	\$ -

Senior secured term loan

The senior secured term loan financing with Brookfield provided for the availability of a US\$50.0 term loan (“Brookfield Term Loan”) which bears interest at 10% per annum. A balance of US\$15.0 maturing at December 31, 2017 was repaid on December 22, 2017. The remaining balance of US\$35.0 matures on December 31, 2018. The loan is secured by first priority charge on the Company’s property, plant and equipment, excluding non-leased mobile equipment assigned under the Company’s credit facility, and second priority charge on the Company’s accounts receivable and inventory. The loan is repayable at any time, in whole or in part, without penalty and does not contain any financial covenants. The loan includes certain cross-default provisions with the Company’s available credit facility. Refer to note 10.

The loan is measured at amortized cost, net of transaction costs of US\$0.3, and is being amortized at an effective interest rate of 10.9%.

The changes in the Company’s senior secured term loan during the three ended March 31, 2018 are as follows:

	US\$	CDN\$
Senior secured term, beginning of period	\$ 34.7	\$ 43.5
Interest expense	0.9	1.1
Accretion expense	0.1	0.1
Interest paid	(0.9)	(1.1)
Foreign exchange adjustments	-	1.2
Senior secured term, end of period	\$ 34.8	\$ 44.8

As at March 31, 2018, the senior secured term loan financing with Brookfield was fully drawn.

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13. RELATED PARTY TRANSACTIONS

In addition to compensation paid to its key management personnel, during the three month period ended March 31, 2018, the Company recognized amounts related to its senior secured term loan payable to Brookfield. Refer to note 12 for the summary of interest payments made to Brookfield during the period.

14. SHAREHOLDERS' EQUITY

(a) Authorized and Issued Capital Stock

The authorized capital stock of the Company consists of an unlimited number of common shares.

(b) Group Registered Retirement Savings Plan

The Company has a group registered retirement savings plan ("RRSP"), in which eligible employees can participate in at their option. Union employees are entitled to an employer contribution of either: (a) \$1.00 for each \$1.00 contribution up to a maximum of 5% of base salary for employees who have been employed for 6-18 months (maximum \$2,500 per year); or (b) \$2.00 for each \$1.00 contribution up to a maximum of 10% of base salary for employees who have been employed for greater than 18 months (maximum \$5,000 per year). Non-union employees are entitled to an employer contribution equal to 3% of base salary plus an employer matching contribution of up to a maximum of 2% of base salary for employees who have been employed for greater than 90 days. The Company contributions are made either in cash or treasury shares of the Company on a quarterly basis. If the matching contribution is made in treasury shares, the price per share issued is determined based upon the 5-day volume weighted average trading price of the common shares on the Toronto Stock Exchange ("TSX") preceding the end of the quarter.

During the three month period ended March 31, 2018, the Company elected to settle \$0.4 of RRSP contributions and did not contribute any shares (2017 - \$0.3 in cash settlements, respectively, with no contribution of shares).

(c) Corporate Stock Option Plan

The Company maintains a stock option plan pursuant to which a maximum of 5,000,000 common shares or 8.60% of the current issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The stock options have a term of ten (10) years, with one-fifth of the grant vesting every twelve (12) months from grant day. Under the terms of the Stock Option Plan 3,500,000 common shares or 6.02% of the current issued and outstanding common shares of the Company remain available for future grants.

The following summary sets out the activity in outstanding common share purchase options:

	At March 31, 2018		At December 31, 2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,500,000	\$ 5.94	1,085,000	\$ 5.97
Granted	-	\$ -	450,000	\$ 5.86
Cancelled/forfeited	-	\$ -	(35,000)	\$ 5.87
Outstanding, end of period	1,500,000	\$ 5.94	1,500,000	\$ 5.94
Vested and exercisable, end of period	515,000	\$ 5.95	450,000	\$ 5.97

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(d) Basic and Diluted Income (Loss) Per Share:

The reconciliation for basic and diluted income (loss) per share is as follows for each of the respective three month periods ending:

	March 31 2018	March 31 2017
Net income (loss) available to common shareholders	\$ 5.6	\$ (3.8)
Effect of dilutive securities	-	-
Adjusted net loss available to common shareholders	\$ 5.6	\$ (3.8)
Weighted average number of shares outstanding	58,126,526	58,126,526
Effect of dilutive securities	608,806	-
Weighted average diluted number of shares outstanding	58,735,332	58,126,526
Basic and diluted net income (loss) per share	\$ 0.10	\$ (0.07)

For the three month period ended March 31, 2018, the dilutive effects of all stock options have been included in the determination of diluted earnings per share. For the three month period ended March 31, 2017, the dilutive effects of stock options were not included because to do so would be anti-dilutive.

(e) Summary of Share-based Compensation and Employee Benefits

For the three month period ended March 31, 2018, share-based compensation expense consisted of \$0.2 (2017 - \$0.2).

15. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, currency risk, interest rate risk, commodity price risk and liquidity risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company limits credit risk by entering into business arrangements with credit worthy counterparties.

The Company's exposure arises from its cash and cash equivalents and accounts receivable. The Company invests its cash and cash equivalents primarily with major Canadian banks and sells its products to large international companies with strong credit ratings.

Financial contracts are entered into with counterparties that are Canadian chartered banks. As a result, credit risk exposure is considered to be minimal.

Historically, the Company has not experienced any losses related to individual customers or financial contracts and no allowance for bad debt has been recorded by the Company at March 31, 2018.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	March 31 2018	December 31 2017
Cash and cash equivalents		\$ 20.7	\$ 11.1
Accounts receivable	4	58.1	62.7
Fair value of derivative financial contracts	4	2.8	-
		\$ 81.6	\$ 73.8

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of Canadian dollars, except per share amounts and metal prices)
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Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate, and commodity price risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk is related to the portion of the Company's business transactions denominated in currencies other than Canadian dollars. The Company is exposed to fluctuations in exchange rates due to revenues and accounts receivable, debt, and payables to foreign based suppliers being in foreign currencies. The Company's primary exposure is based upon the movements of the U.S. dollar against the Canadian dollar. To mitigate the Company's foreign exchange risk, from time to time, management employs the use of foreign currency forward contracts to fix exchange rates. As at March 31, 2018, the Company had forward foreign exchange contracts to convert US\$30.0 of the proceeds on settlements into Canadian dollars at an average exchange rate of 1.29 over the period to May 17, 2018. The fair value of these contracts at March 31, 2018 represented a liability of \$0.1. As at December 31, 2017, the Company did not have any forward foreign exchange contracts to convert U.S. dollar proceeds on settlements into Canadian dollars.

For the Company's foreign exchange transactions, fluctuations in the respective exchange rates relative to the Canadian dollar will create volatility in the Company's cash flows and the reported amounts for revenue, operating costs, and exploration costs on a year-to-year basis. Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in currencies other than Canadian dollars at the rates of exchange at each reporting date, the impact of which is reported as a separate component of revenue or foreign exchange gain or loss in the condensed interim consolidated statements of operations and comprehensive income (loss).

The Company is exposed to the following currency risk on cash, accounts receivable, accounts payable and borrowings at March 31, 2018.

	Notes	US\$
Cash		\$ 12.1
Accounts receivable	4	45.1
Unrealized gain on financial contracts	9	2.1
Credit facility	10	(33.9)
Senior secured term loan	12	(35.0)
		\$ (9.6)

A 1% strengthening or weakening of the Canadian dollar against the U.S. dollar, assuming that all other variables remained the same, would have resulted in a \$0.1 decrease or increase, respectively, in the Company's statement of operations and comprehensive income (loss) for the three month period ended March 31, 2018 as a result of the impact on financial instruments.

The Company's revenue is affected by currency exchange rates, such that a weakening in the Canadian dollar relative to the U.S. dollar will result in additional revenues and a strengthening in the Canadian dollar will result in reduced revenues.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not enter into derivative financial instruments for speculative purposes. The Company does not hold any specific hedging instruments, nor does it hold any short term investments that would be significantly impacted from fluctuations in interest rates.

Based on the outstanding balance at March 31, 2018, a 1% increase or decrease in the floating interest rate applied to the Company's credit facility would have resulted in a \$0.1 decrease or increase, respectively, in the Company's statement of income (loss) and comprehensive income (loss) for the year ended March 31, 2018. The senior secured term loan contains provisions for a fixed interest rate and therefore is not subject to risk from potential movements in interest rates.

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Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Company is particularly exposed to fluctuations in commodity prices from its sale of metals. From time to time the Company may enter into forward commodity sales contracts to hedge the effect on revenues of changes in the price of metals it produces. The Company does not use hedge accounting for these instruments. The contracts are recorded at fair value on the balance sheet with changes in fair value recorded in earnings as they occur. Gains and losses on derivative financial instruments used to mitigate metal price risk are recorded on the condensed interim consolidated statements of operations and comprehensive income (loss) in revenue from metal sales.

The Company periodically enters into financial contracts to mitigate provisional pricing exposure to declining palladium prices and an appreciating Canadian dollar for produced metal delivered and sold under smelter contracts. As at March 31, 2018, 45,250 ounces of past palladium production, delivered and sold to a smelter, was priced using forward prices for the month of final settlement at an average price of US\$1,019 per ounce (December 31, 2017 – 67,850 ounces of past palladium production, delivered and sold to a smelter, was priced using forward prices for the month of final settlement at an average price of US\$949 per ounce). The palladium financial contracts are being recognized on a mark-to-market basis as an adjustment to revenue. During the three months ended March 31, 2018, net derivative gains of \$3.8 (three months ended March 31, 2017 - net derivative loss of \$6.3), relating to pricing and foreign exchange adjustments for each respective period, were recorded in reported revenues. The fair value of these contracts at March 31, 2018 was a net asset value of \$2.7 (December 31, 2017 - liability value of \$9.1). Refer to notes 4, 9, and 18.

As at March 31, 2018, the Company's exposure to commodity price is limited to accounts receivable associated with provisional pricing of metal concentrate sales; particularly palladium and outstanding financial contracts. A 1% strengthening or weakening of metal prices at March 31, 2018 would have resulted in an approximate \$0.4 decrease or increase, respectively, in the Company's income (loss) and comprehensive income (loss) for the period ended March 31, 2018.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity may be adversely affected by operating performance, a downturn in capital market conditions impacting access to capital markets, or entity-specific conditions. The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, by having adequate available credit facilities, by preparing and monitoring detailed budgets and cash flow forecasts for mining, exploration and corporate activities, and by monitoring developments in the capital markets. Forecasting takes into account the Company's debt financing, covenant compliance and the maturity profile of financial assets and liabilities and purchase obligations. Refer to note 1.

The table below analyzes the Company's financial liabilities which will be settled into relevant maturity groupings based on the remaining balances at March 31, 2018 to the contractual maturity date.

	Notes	Total	Between		
			In less than 1 year	1 year and 3 years	More than 3 years
Accounts payable and accrued liabilities	9	\$ 29.9	\$ 29.9	\$ -	\$ -
Unrealized loss on financial contracts	9	0.1	0.1	-	-
Credit facility	10	43.7	43.7	-	-
Obligations under finance leases	11	14.4	9.6	4.8	-
Senior secured term loan	12	44.8	44.8	-	-
		\$ 132.9	\$ 128.1	\$ 4.8	\$ -

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The Company also has asset retirement obligations in the amount of \$21.7 that would become payable at the time of the closure of its LDI mine. As the Company issued letters of credit of \$21.2 related to these obligations, \$0.5 additional funding is required prior to or upon closure of these properties. The letter of credit obligation is not included in the table above. Refer to notes 8 and 10 for additional disclosures regarding these amounts. The majority of the asset retirement costs are expected to be incurred within one year of mine closure. Refer also to note 17.

Fair Values

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, credit facility, obligations under finance leases and long-term debt.

Cash and cash equivalents and accounts receivable are stated at fair value. The carrying value of other assets and trade accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The carrying value of the amount outstanding under the credit facility approximates its fair value due to short-term LIBOR loans included in the facility, which may be extended from March 31, 2018 to maturity on December 31, 2018, provided the Company maintains compliance with its lending covenants.

The carrying value of the amount outstanding for financial leases approximates fair value, as interest rates have not changed significantly over the terms of the agreements.

Derivatives

From time to time, the Company may enter into forward exchange contracts. The fair value of such contracts is based on listed market prices, if available. If a listed market price is not available, then fair value is estimated by discounting the underlying currency cash flows for the residual maturity of the contract using risk-free interest rates applicable for the respective currencies. Fair values of the derivative contracts are adjusted to reflect the credit risk to the parties involved when appropriate.

The Company periodically enters into financial contracts to mitigate smelter agreements' provisional pricing exposure to declining palladium prices and an appreciating Canadian dollar (relative to the U.S. dollar) for produced metal delivered and sold to a smelter. For substantially all of the palladium delivered to customers under smelter agreements, the quantities and timing of settlement specified in the financial contracts matches final pricing settlement periods. The palladium financial contracts are being recognized on a mark-to-market basis and reported as revenue.

Other non-derivative financial liabilities

The fair values of the senior secured term loan and finance leases, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the estimated market rate of interest at the reporting date. For finance leases the estimated market rate of interest is determined by reference to similar lease agreements.

The fair values of the non-derivative financial liabilities are comprised of the following as at each reporting date:

	Notes	March 31 2018	December 31 2017
Finance leases	11	\$ 14.4	\$ 12.2
Senior secured term loan	12	46.7	44.2

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Fair Value Hierarchy

The table below details the carrying values and fair values of the assets and liabilities at March 31, 2018:

		Quoted Prices					
		in Active	Significant	Significant			
		Markets for	Other	Unobservable			
		Identical	Observable	Inputs	Inputs		
		Assets	(Level 2)	(Level 3)			
		(Level 1)					
	Notes	Carrying Value					Aggregate Fair Value
Financial assets							
Cash and cash equivalents		\$ 20.7	\$ 20.7	\$ -	\$ -	\$ -	\$ 20.7
Accounts receivable	4	58.1	-	58.1	-	-	58.1
Unrealized gain on financial contracts ¹		2.8	-	2.8	-	-	2.8
Financial liabilities							
Unrealized loss on financial contracts ¹	9	(0.1)	-	(0.1)	-	-	(0.1)
Credit facility	10	(43.7)	(43.7)	-	-	-	(43.7)
Finance leases	11	(14.4)	-	(14.4)	-	-	(14.4)
Senior secured term loan ²	12	(44.8)	-	(46.7)	-	-	(46.7)
Net carrying value		\$ (21.4)	\$ (23.0)	\$ (0.3)	\$ -	\$ -	\$ (23.3)

¹ As detailed in notes 4 and 9, the asset or liability relating the mark-to-market on financial contracts is included in the carrying value of accounts receivable or accounts payable and accrued liabilities, respectively, on the condensed interim consolidated balance sheets.

² The fair value of the senior secured term loan is based upon face value of the debt while the carrying value is based on amortized cost using the effective interest rate method.

The table below details the carrying values and fair values of the assets and liabilities at December 31, 2017:

		Quoted Prices					
		in Active	Significant	Significant			
		Markets for	Other	Unobservable			
		Identical	Observable	Inputs	Inputs		
		Assets	(Level 2)	(Level 3)			
		(Level 1)					
	Notes	Carrying Value					Aggregate Fair Value
Financial assets							
Cash and cash equivalents		\$ 11.1	\$ 11.1	\$ -	\$ -	\$ -	\$ 11.1
Accounts receivable	4	62.7	-	62.7	-	-	62.7
Unrealized loss on financial contracts ¹	4	-	-	-	-	-	-
Financial liabilities							
Unrealized loss on financial contracts ¹	9	(9.1)	-	(9.1)	-	-	(9.1)
Credit facility	10	(29.9)	(29.9)	-	-	-	(29.9)
Finance leases	11	(12.2)	-	(12.2)	-	-	(12.2)
Senior secured term loan ²	12	(43.5)	-	(44.2)	-	-	(44.2)
Net carrying value		\$ (20.9)	\$ (18.8)	\$ (2.8)	\$ -	\$ -	\$ (21.6)

¹ As detailed in notes 4 and 9, the asset or liability relating the mark-to-market on financial contracts is included in the carrying value of accounts receivable or accounts payable and accrued liabilities, respectively, on the condensed interim consolidated balance sheets.

² The fair value of the senior secured term loan is based upon face value of the debt while the carrying value is based on amortized cost using the effective interest rate method.

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16. CAPITAL DISCLOSURE

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as the Company's total shareholders' equity and any outstanding debt. The board of directors does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth.

In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt or replace existing debt with different characteristics.

17. COMMITMENTS

(a) PGM Royalties Ltd. ("PGMR") Commitment

The Company is required to pay a 5% net smelter royalty to PGMR from mining operations at LDI. This obligation is recorded as royalty expense as amounts become payable.

(b) Operating Leases and Other Purchase Obligations

As at March 31, 2018, the Company had outstanding operating lease commitments of \$0.8 (December 31, 2017 – \$0.9), the majority of which had maturities of less than five years (refer to note 11).

(c) Letters of Credit

As at March 31, 2018 and December 31, 2017, the Company had outstanding letters of credit of \$23.1, consisting primarily of \$21.5 for various mine closure deposits.

18. REVENUE FROM METAL SALES

	Total	Palladium	Platinum	Gold	Copper	Other Metals
2018						
Three months ended March 31						
Revenue – before pricing adjustments	\$ 86.5	\$ 70.8	\$ 5.1	\$ 5.9	\$ 4.7	\$ -
Pricing adjustments:						
Commodities	(1.7)	(1.4)	(0.1)	-	(0.2)	-
Foreign exchange	1.8	1.5	0.1	0.1	0.1	-
Revenue – after pricing adjustments	\$ 86.6	\$ 70.9	\$ 5.1	\$ 6.0	\$ 4.6	\$ -
2017						
Three months ended March 31						
Revenue – before pricing adjustments	\$ 42.2	\$ 34.0	\$ 2.5	\$ 3.8	\$ 1.7	\$ 0.2
Pricing adjustments:						
Commodities	2.5	1.9	0.2	0.2	0.1	0.1
Foreign exchange	(0.4)	(0.3)	(0.1)	-	-	-
Revenue – after pricing adjustments	\$ 44.3	\$ 35.6	\$ 2.6	\$ 4.0	\$ 1.8	\$ 0.3

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Pricing adjustments include realized and unrealized losses on derivative financial contracts for past palladium production for each of the respective three month periods ending:

	March 31	March 31
	2018	2017
Derivative pricing adjustments:		
Commodities	\$ 4.6	\$ (6.4)
Foreign exchange	(0.8)	0.1
Net derivative pricing adjustments	\$ 3.8	\$ (6.3)

During the three month period ending March 31, 2018, the Company delivered all of its concentrate to two customers under the terms of the respective agreements (2017 – two customers). Revenues on the sale of concentrate to domestic smelters are recognized at the time of delivery, while revenues from foreign sales are recognized at the time of shipment. The respective allocation of revenue from concentrate sales between domestic and foreign customers for each of the three month periods ended is as follows:

	March 31	March 31
	2018	2017
Domestic customer revenue	\$ 76.4	\$ 38.3
Foreign customer revenue	10.2	6.0
Revenue – after pricing adjustments	\$ 86.6	\$ 44.3

All sales contracts, effective for the 2017 and 2018 years, include provisions for advance payments within two months of delivery and final settlement, based on quotational pricing, within four months.

Although the Company sells its bulk concentrate to a limited number of customers, it is not economically dependent upon any one customer as there are other markets throughout the world for the Company's concentrate.

19. PRODUCTION COSTS

Production costs are as follows for each of the respective three month periods ending:

	March 31	March 31
	2018	2017
Surface operations costs	\$ 8.0	\$ 3.6
Underground operations costs	22.1	20.3
Milling costs	12.3	6.8
General and administrative costs	6.1	5.9
Inventory adjustments	(0.1)	(4.7)
	\$ 48.4	\$ 31.9

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(expressed in millions of Canadian dollars, except per share amounts and metal prices)
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20. INTEREST EXPENSE AND OTHER COSTS AND OTHER INCOME

Interest expense and other costs and other income are as follows for each of the respective three month periods ending:

Notes	March 31 2018	March 31 2017
Interest expense and other costs		
Interest on finance leases	\$ 0.1	\$ 0.2
Asset retirement obligation accretion	8 0.1	0.1
Accretion expense on long-term debt	0.1	0.2
Interest expense	1.6	2.1
Other expenses	-	(0.3)
	\$ 1.9	\$ 2.3
Other income		
Interest income	\$ (0.1)	\$ -
	\$ (0.1)	\$ -
	\$ 1.8	\$ 2.3

21. INCOME TAXES

During the three month period ended March 31, 2018, the Company recognized a \$1.3 increase in its provision for deferred Ontario mining tax, reporting a net deferred tax liability of \$4.5 on its condensed interim consolidated balance sheet. The Company did not recognize any deferred taxes during the three month period ended March 31, 2017. The deferred tax liability reported on its condensed interim consolidated balance sheet at December 31, 2017 was recognized in the fourth quarter of 2017.

22. OTHER DISCLOSURES

Statement of Cash flows

The net changes in non-cash working capital balances related to operations are as follows for each of the respective three month periods ending:

	March 31 2018	March 31 2017
Cash provided by (used in):		
Accounts receivable	\$ 1.8	\$ 1.8
Inventories	(0.2)	(5.3)
Other assets	1.8	2.2
Accounts payable and accrued liabilities ¹	(13.7)	5.7
	\$ (10.3)	\$ 4.4

¹ The net change in accounts payable and accrued liabilities for the three months ended March 31, 2017 includes a \$7.8 adjustment relating to the settlement of capital costs which had been accrued at December 31, 2016. Those cash outflows have been added to cash used for additions to mining interests in investing activities reported on the consolidated statements of cash flows.

23. SUBSEQUENT EVENTS

In April 2018, the Company entered into forward commodity price derivative contracts for 21,400 ounces of previous palladium production, delivered and sold to a smelter during the three month period ended March 31, 2018. These derivative contracts were priced using forward prices for the month of final settlement at an average price of US\$952 per ounce.