All figures are in Canadian dollars except where noted.

TORONTO, ONTARIO--(Marketwired - May 5, 2016) - 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, 2016 from its Lac des Iles palladium mine ("LDI") in northwestern Ontario.

Q1 2016 Results Summary

- Produced 40,216 ounces of payable palladium at an All-Inclusive Sustaining Cost(1) ("AISC") of US$ 643 per ounce compared to 45,129 ounces of palladium in Q1 2015 at an AISC(1) of US$ 797 per ounce.
- Revenue of $32.5 million, decreased $31.5 million or 49% compared to Q1 2015. Adjusted EBITDA(1) of ($5.8) million, a decrease of $15.6 million compared to $9.8 million for Q1 2015.
- Underground mining operations produced 338,807 tonnes (3,723 tonnes per day) at a grade of 4.3 g/t palladium, a decrease of 56,245 tonnes or 14% over the mining rate of 4,389 tonnes per day in Q1 2015 at a grade of 4.0 g/t palladium.
- The LDI mill processed 353,601 tonnes of blended feed at an average grade of 4.0 g/t palladium with an 83.8% recovery rate, compared with 751,420 tonnes at an average grade of 2.5 g/t palladium in Q1 2015 with a recovery rate of 83.0%. The significant reduction in tonnes milled is primarily due to the suspension of processing of the low grade surface stockpile due to low commodity prices.
- Total debt decreased to $58.1 million as at March 31, 2016 compared to $305.7 million as at March 31, 2015 improving the Company's debt to equity ratio to 0.13:1.

Revenues for the first quarter of 2016 were significantly impacted by lower metal prices as compared to Q1 2015 with the realized price for palladium being US$ 509 per ounce versus US$ 786 per ounce in 2015. In addition to the impact that low metal prices had on the quarterly results, the Company also took the decision to cease processing low-grade ore stockpiles on surface. This resulted in a net decrease in total ounces produced. The company's significant efforts in cost reductions implemented in late 2015 and earlier this year have shown positive results with the cash cost per ounce sold dropping to US$ 507 from US$ 589 in Q1 2015 despite the lower palladium production. Moving forward, NAP will report against the AISC metric as per the practice of most precious metal producers. For Q1, the AISC was US$ 643 per ounce palladium produced compared with US$ 797 in Q1 2015.

"Good progress was made on our three key priorities for the first quarter which included lowering our operating costs, continuing both the engineering and underground development necessary for the conversion to a sub-level shrinkage mining method and building out long-term tailings and water management capacity" said Jim Gallagher, Chief Executive Officer. "With most analysts still bullish on the long-term price for palladium we are positioning ourselves to increase payable palladium production and reduce unit operating costs" added Mr. Gallagher.

Financial Update(2)

Q1 2016 Quarter-End Results

Revenue for the quarter ended March 31, 2016 was $32.5 million compared to $64.0 million in the first quarter of 2015. The decrease in revenue was primarily due to lower metal prices and reduced sales volumes, partially offset by a weaker Canadian dollar. During the quarter, the Company realized an average palladium selling price of US$509 per ounce, compared to US$786 per ounce realized in Q1 2014.

Net loss for the quarter was $13.1 million or $0.23 per share compared to a net loss of $37.3 million or $38.18 per share in Q1 2015. Adjusted EBITDA(1) was ($5.8) million in Q1 2016, compared to $9.8 million in Q1 2015. The primary reason for the negative EBITDA was decreased revenue due to lower metal prices.

Financial Liquidity

As at March 31, 2016, the Company had cash and cash equivalents of $3.7 million and US$ 15 million available to draw under its Senior Secured Term Loan. Availability under the Company's US$ 60 million credit facility is dependent on a borrowing base calculation and was fully drawn at March 31, 2016. Subsequent to the quarter, an additional draw on the credit facility of $7.8 million was made as a result of an increase in the borrowing base and the remaining US$ 15 million of the Senior Secured Term Loan was drawn.

Lac des Iles Operations

Q1 2016 Production

In the first quarter of 2016, the Company's LDI mine produced 40,216 ounces of payable palladium at a total cash cost of US$507 per ounce(1) compared to 45,626 ounces of payable palladium at a cash cost of US$589 in Q1 2015. The decrease in cash cost in Q1 2016 was primarily due to a reduction in production, smelting, refining, freight and royalty costs and a weaker Canadian dollar.

During the first quarter, the LDI mill processed 353,601 tonnes of feed at an average palladium grade of 4.0 grams per tonne and an 83.8% palladium recovery rate. The year-on-year head grade increase of 1.5 g/t palladium was primarily due to the discontinuance of processing stockpiled low-grade ore.

Production costs per tonne milled in Q1 2016 were $89 compared to $55 in Q1 2015. The increased unit cost was primarily due to the suspension of low-grade stockpile processing leading to fewer tonnes milled.

Underground mining in Q1 2016 produced 338,807 tonnes (3,723 tonnes per day) at an average grade of 4.3 g/t palladium compared to 395,052 tonnes (4,389 tonnes per day) at an average palladium grade of 4.0 g/t in Q1 2015. During Q1 2016, 40,270 tonnes of tailings at an average grade of 1.3 g/t palladium was processed compared to 391,248 tonnes of low-grade surface stockpile ore and tailings at an average grade of 1.0 g/t in Q1 2015.

Production from underground mining operations in Q2 will decline slightly as the Company transitions from blast hole stopes to the new sub-level shrinkage method (SLS). Initial slot blasting for SLS will commence late in Q2 with the first full production blasts scheduled for early in Q3 2016.

Exploration

In Q1 2016, the Company incurred $1.5M in exploration expenditures and completed 1,206 meters of underground exploration drilling. The Company also completed approximately 7,100 meters of underground definition drilling targeting the central and northern parts of the Offset Zone. The 2016 exploration program is focused on the B2 Zone (formerly referred to as the Upper Offset southeast extension). A five month greenfield surface exploration comprising geological mapping, prospecting and geophysical target validation will commence later this month.

The following table includes selected underground drilling results from the Q1 2016 exploration program at Lac des Iles. Intersection lengths do not represent true widths, which are expected to range from 50% to 90% of the reported interval lengths.

HOLE #	ZONE	From (m)	To (m)	Length (m)	Pd (g/t)
15-712	B2	66.5	72.0	5.5	3.6
"	"	88.0	98.4	10.4	3.4
"	"	304.0	309.0	5.0	7.0
16-701	"	67.0	74.0	7.0	3.3
"	"	102.3	121.0	18.7	4.1
16-702	"	52.0	68.8	16.8	3.1
"	"	114.0	118.6	4.6	3.5
"	"	136.1	140.0	3.9	3.4

Technical Information and Qualified Persons

Dr. Dave Peck, the Company's Vice President, Exploration and a Qualified Person under National Instrument 43-101, has reviewed and approved all technical items disclosed in this news release.

About North American Palladium

NAP is an established precious metals producer that has been operating its Lac des Iles mine ("LDI") located in Ontario, Canada since 1993. LDI is one of only two primary producers of palladium in the world, offering investors exposure to palladium. The Company's shares trade on the TSX under the symbol PDL and on the OTC Pink under the symbol PALDF.

Notes:

(1) Non-IFRS measure. Please refer to Non-IFRS Measures in the MD&A.

(2) NAP's consolidated financial statements for the quarter ended March 31, 2016 are available in the Appendix of this news release. These financial statements should be read in conjunction with the notes and management's discussion and analysis available at www.nap.com, www.sedar.com and www.sec.gov.

Cautionary Statement on Forward-Looking Information

Certain information contained in this news release constitutes 'forward-looking statements' within the meaning of the 'safe harbor' provisions of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. 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 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, 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 LDI 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 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, the risks associated with obtaining necessary licenses and permits and uncertainty regarding the ability to consummate the Recapitalization. For more details on these and other risk factors see the Company's most recent Annual Information Form / Form 40-F on file with Canadian provincial securities regulatory authorities and the SEC.

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.

Condensed Interim Consolidated Balance Sheets
(expressed in millions of Canadian dollars)

	Notes	March 31 2016	December 31 2015
ASSETS			
Current Assets			
Cash and cash equivalents		$ 3.7	$ 11.2
Accounts receivable	4	50.4	51.4
Inventories	5	16.3	15.2
Other assets	6	2.9	3.6
Total Current Assets		73.3	81.4
Non-current Assets			
Mining interests	7	458.9	453.9
Total Non-current Assets		458.9	453.9
Total Assets		$ 532.2	$ 535.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 25.8	$ 23.1
Credit facility	9	27.4	32.4
Current portion of obligations under finance leases	10	7.3	4.9
Total Current Liabilities		60.5	60.4
Non-current Liabilities			
Income taxes payable		0.1	0.1
Asset retirement obligations	8	17.1	16.7
Obligations under finance leases	10	6.2	9.8
Long-term debt	11	12.9	-
Total Non-current Liabilities		36.3	26.6
Shareholders' Equity			
Common share capital and purchase warrants	13	1,313.0	1,313.0
Stock options and related surplus		10.5	10.3
Contributed surplus		8.9	8.9

Deficit	(897.0)	(883.9)
Total Shareholders' Equity	435.4	448.3
Total Liabilities and Shareholders' Equity	$ 532.2	$ 535.3

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(expressed in millions of Canadian dollars, except share and per share amounts)

		Three months ended March 31	
	Notes	2016	2015
Revenue	17	$ 32.5	$ 64.0
Mining operating expenses			
Production costs		31.3	41.6
Smelting, refining and freight costs		3.3	6.7
Royalty expense		1.3	2.5
Depreciation and amortization		8.5	8.6
Inventory pricing adjustment	5	0.9	0.5
Loss on disposal of equipment		-	0.1
Mine restoration and mitigation costs		0.1	-
Total mining operating expenses		45.4	60.0
Income (loss) from mining operations		(12.9)	4.0
Other expenses (Income)			
Exploration		1.5	2.5
General and administration		1.5	2.7
Interest and other income	18	(0.8)	-
Interest costs and other	18	1.0	13.3
Financing costs		0.2	0.4
Foreign exchange loss (gain)		(3.2)	22.4
Total other expenses, net		0.2	41.3
Loss before taxes		(13.1)	(37.3)
Income taxes		-	-
Net loss and comprehensive loss		$ (13.1)	$ (37.3)
Loss per share			
Basic and Diluted	13(d)	$ (0.23)	$ (38.18)
Weighted average number of shares outstanding			
Basic and diluted	13(d)	58,126,526	976,957

Condensed Interim Consolidated Statements of Cash Flows
(expressed in millions of Canadian dollars)

		Three Months Ended March 31	
	Notes	2016	2015
Cash provided by (used in)			
Operations			
Net loss		$ (13.1)	$ (37.3)
Operating items not involving cash			
Depreciation and amortization		8.5	8.6
Inventory pricing adjustment	5	0.9	0.5
Accretion expense	18	0.2	2.1
Share-based compensation and employee benefits	13(e)	0.2	0.4
Unrealized foreign exchange loss (gain)		(2.8)	21.9
Realized foreign exchange loss on financing activities		0.1	-

Loss on disposal of equipment		-	0.1
Interest expense and other		0.1	11.2
Financing costs		0.2	0.4
		(5.7)	7.9
Changes in non-cash working capital	20	2.0	12.8
		(3.7)	20.7
Financing Activities			
Proceeds of credit facility	9	2.0	7.7
Repayment of credit facilities	9	(5.4)	(6.7)
Proceeds of long term debt	11	13.7	-
Repayment of obligations under finance leases	10	(1.2)	(1.1)
Interest paid		(0.5)	(8.3)
Other recoveries (costs)		0.5	(0.4)
		9.1	(8.8)
Investing Activities			
Additions to mining interests, net	7	(12.9)	(5.6)
		(12.9)	(5.6)
Increase (decrease) in cash		(7.5)	6.3
Cash and cash equivalents, beginning of year		11.2	4.1
Cash and cash equivalents, end of year		$ 3.7	$ 10.4
Cash and cash equivalents consisting of:			
Cash		$ 3.7	$ 10.4
Foreign exchange included in cash balance		$ 0.3	$ 1.2

Contact

North American Palladium Ltd.
Investor Relations
416-360-7374
IR@nap.com