

All figures are in Canadian dollars except where noted.

[North American Palladium Ltd.](#) ("NAP" or the "Company") (TSX:PDL)(OTC PINK:PALDF) today announced financial and operational results for the year ended December 31, 2015 from its Lac des Iles palladium mine ("LDI") in northwestern Ontario.

2015 Results Summary

- Produced 166,785 ounces of payable palladium, a 4% decrease compared to 2014, at a cash cost per ounce⁽¹⁾ of US\$557.
- Revenue of \$193.6 million, decreased \$26.5 million or 12% compared to 2014. Adjusted EBITDA⁽¹⁾ of \$13.5 million, a decrease of \$36.5 million compared to \$50 million for 2014.
- Underground mining operations produced 1,532,050 tonnes (4,197 tonnes per day) at a grade of 4.4 g/t palladium, an increase of 306,503 tonnes or 25% over the mining rate of 3,358 tonnes per day in 2014.
- The LDI mill processed 2,135,915 tonnes of blended feed at an average grade of 3.2 g/t palladium with an 82.8% recovery rate, compared with 2,684,782 tonnes at an average grade of 2.7 g/t palladium in 2014.
- Total debt decreased to \$47.1 million as at December 31, 2015 compared to \$281.7 million as at December 31, 2014 improving the Company's debt to equity ratio to 0.11:1.

"2015 was a year of change at North American Palladium" stated Jim Gallagher, Chief Executive Officer. "The financial restructuring that occurred in August resulted in a substantial reduction in debt on our balance sheet and Brookfield Asset Management taking a 92% equity position in the Company. The Company's workforce, partly in response to lower overall metal prices, was reduced both at the corporate office and at the LDI site. The management team is now focused on operational performance at LDI. With ongoing financial support from Brookfield, the site is in the first phase of an expansion of the long-term tailings and water management facility that will remove current production rate restrictions. The underground mine is currently transitioning to a sub-level shrinkage mining method that is expected to improve production reliability and rate. We expect these changes should lower our unit costs over the life-of-mine and will enable NAP to fully realize the benefit of improved metal prices should they occur later in 2016".

Financial Update⁽²⁾

2015 Year-End Results

Revenue for the year ended December 31, 2015 was \$193.6 million compared to \$220.1 million in the prior year. The 12% year-over-year decrease in revenue was primarily due to declining metal prices and lower sales volumes, partially offset by a weaker Canadian dollar and higher mill feed grades. During the year, the Company realized an average palladium selling price of US\$718 per ounce, compared to US\$802 per ounce realized in 2014.

Net loss for the year was \$216.4 million or \$9.39 per share compared to a net loss of \$66.7 million or \$78.74 per share in 2014. The increase in the net loss is primarily due to: the \$26.5 million reduction in revenue; a \$66.8 million change in fair value of the senior secured term loan that was settled as part of the recapitalization transaction that closed in August 2015; \$28.3 million non-cash loss relating to the fair value of the Company's common shares having a higher value than the carrying value of the debt that was settled at the time of recapitalization; the impact of a \$39.5 million increased foreign exchange loss related to US\$ denominated debt; an increase in production costs of \$11.8 million primarily due to increased mining and milling costs associated with increased power consumption, reagent use and contractor costs; and, \$5.5 million of mine restoration and mitigation costs relating to the water balance event that occurred in May 2015.

Adjusted EBITDA⁽¹⁾ was \$13.5 million in 2015, compared to \$50 million in 2014.

Financial Liquidity

As at December 31, 2015, the Company had cash and cash equivalents of \$11.2 million compared to \$4.1 million as at December 31, 2014.

As at December 31, 2015, the Company had total debt of \$47.1 million compared to \$281.7 million as at December 31, 2014, a decrease of \$234.6 million. The Company's debt to equity ratio improved to 0.11:1 as compared to 1.26:1, as at December 31, 2014.

2015 Production

In 2015, the Company's LDI mine produced 166,785 ounces of payable palladium at a total cash cost of US\$557 per ounce⁽¹⁾ compared to 174,194 ounces of payable palladium at a cash cost of US\$513 in 2014. The increase in cash cost in 2015 was mostly due to increased production costs and decreased by-product metal revenue impacted by decreased sales volumes and declining metal prices.

During 2015, the LDI mill processed 2,135,915 tonnes of ore at an average palladium grade of 3.2 grams per tonne and at an 82.8% palladium recovery rate. The 19% year-over-year grade increase was primarily due to reduced blending of stockpiled low-grade ore.

Production costs per tonne milled in 2015 were \$67 compared to \$49 in 2014. The increase was primarily due to the suspension of low-grade stockpile processing leading to fewer tonnes milled as well as increases in labour, contractor and consultant costs, reagent use and increased power costs.

Underground mining in 2015 produced 1,532,050 tonnes (4,197 tonnes per day) at an average grade of 4.4 g/t palladium compared to 1,225,547 tonnes (3,358 tonnes per day) at an average palladium grade of 4.4 g/t in 2014. During 2015, 779,937 tonnes of the low-grade surface stockpile and tailings at an average grade of 1.1 g/t palladium was processed compared to 1,411,476 tonnes at an average grade of 1.1 g/t in 2014.

The following table includes quarterly results for 2015 and full year results to demonstrate some of the key trends in the Company:

	March 31 2015	June 30 2015	September 30 2015	December 31 2015	2015 Full Year
Revenue (\$ millions)	\$ 64.0	\$ 27.3	\$ 64.7	\$ 37.6	\$ 193.6
Palladium production - payable oz	45,626	22,904	57,914	40,341	166,785
US\$ cash cost per palladium oz sold	\$ 589	\$ 750	\$ 522	\$ 472	\$ 557
Underground mining - tonnes	395,052	438,555	356,680	341,763	1,532,050
Underground mining - tonnes per day	4,389	4,819	3,877	3,715	4,197
Surface mining - tonnes	391,248	186,538	86,632	115,519	779,937
Tonnes of ore milled	751,420	336,142	659,817	388,536	2,135,915
Milling - palladium head grade (g/t)	2.5	2.8	3.6	4.3	3.2
Milling - palladium recovery (%)	83.0	82.8	83.4	81.8	82.8
Adjusted EBITDA (\$ millions)	\$ 9.8	\$ (4.0)	\$ 9.1	\$ (1.4)	\$ 13.5

From May 8 to June 26, 2015 the mill was shut down due to a temporary lack of capacity in our water management facilities following spring runoff which had a detrimental effect on total annual production. In the fourth quarter, the mill operated on a 14-day on/14-day off schedule only as a result of the suspension of processing of low-grade stockpile material in response to lower metal prices. The daily rate of underground mining decreased in the latter half of 2015 due to changes to the stope sequence and increased seismic activity in the underground workings. Since this seismic activity was first experienced, additional monitoring equipment has been installed and stope sequencing has been modified to address the issue. Improvement head grade to the mill in the latter half of 2015 was a result of suspending low-grade ore feed from surface.

Exploration

In 2015, the Company incurred \$8 million in exploration expenditures compared to \$8.3 million in 2014. The 2015 exploration program focused on deep drilling in the lower part of the Offset zone to the south of the Camp Lake fault, extension drilling in the upper Offset southeast extension zone, and surface exploration that was primarily focused on extending higher-grade palladium resources in the northern part of the Sheriff zone, including the Powerline zone. Of particular interest is the initial intersection of what is interpreted to be the extension of the south-plunging Offset zone to the south of the Camp Lake fault, opening up the potential for a new resource at the bottom of the Offset zone. The Upper Offset southeast extension zone continues to deliver positive results and has now been traced for approximately 350m vertically starting at a depth of 350 metres below surface. In addition, the higher-grade portion of the Sheriff Zone (Powerline zone) has been traced to surface and continues to deliver encouraging results. Selected drilling results are provided in the table, below. As the Company is in the process of transitioning to a different mining method, namely sub-level shrinkage, it expects that its mineral reserve and resource estimate following the implementation will be materially different than what is currently published. As a result, it will not produce an updated estimate in the first quarter of 2016 as has been the past practice. The next estimates will be provided in Q1 2017 when the engineering and resource calculations have been completed.

The following table includes selected drilling results from the September - December 2015 exploration drilling 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 #	COLLAR	ZONE	FROM (m)	TO (m)	LENGTH (m)	Pd (g/t)
15-011	Surface	Upper Offset SE Extension	491.0	600.6	109.6	5.0
"	"	including	521.0	539.0	18.0	10.8
15-707	Underground	Upper Offset SE Extension	280.0	315.0	35.0	5.3
15-102	Surface	Sheriff Zone	92.0	98.0	6.0	4.7
15-106	Surface	Sheriff Zone	53.3	74.0	20.7	4.1
15-108	Surface	Sheriff Zone	133.0	141.0	8.0	16.1
15-113	Surface	Sheriff Zone	8.0	45.0	37.0	3.7
15-14-918extW1	Underground	Camp Lake Block	1460.6	1467.8	7.2	3.5

Outlook

Payable palladium production for 2016 is expected to be between 160,000 and 175,000 ounces versus the 166,785 ounces achieved in 2015. The business plan for 2016 includes a slight increase in underground production but assumes no processing of the low-grade surface stockpiles due to the current low metal price environment.

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 year ended December 31, 2015 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, tailings management plan, mining method change, production forecasts, operating and capital cost estimates, expected mining and milling rates, cash balances, projected grades, mill recoveries, metal price and foreign exchange rates and other statements that express management's expectations or estimates of future performance. Forward-looking statements involve known and unknown risk factors that may cause the actual results to be materially different from those expressed or implied by the forward-looking statements. Such risks include, but are not limited to: the possibility that metal prices and foreign exchange rates may fluctuate, the risk that the 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.

Consolidated Balance Sheets

(expressed in millions of Canadian dollars)

	December 31 2015	December 31 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11.2	\$ 4.1
Accounts receivable	51.4	75.4
Inventories	15.2	14.9
Other assets	3.6	3.6
Total Current Assets	81.4	98.0
Non-current Assets		
Mining interests	453.9	452.8
Total Non-current Assets	453.9	452.8
Total Assets	\$ 535.3	\$ 550.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23.1	\$ 28.8
Credit facility	32.4	36.8
Current portion of obligations under finance leases	4.9	4.6
Current portion of long-term debt	-	7.3
Total Current Liabilities	60.4	77.5
Non-current Liabilities		
Income taxes payable	0.1	0.1
Asset retirement obligations	16.7	15.8
Obligations under finance leases	9.8	14.2
Long-term debt	-	218.8
Total Non-current Liabilities	26.6	248.9
Shareholders' Equity		
Common share capital and purchase warrants	1,313.0	866.4
Stock options and related surplus	10.3	9.7
Equity component of convertible debentures, net of issue costs -		6.9
Contributed surplus	8.9	8.9
Deficit	(883.9)	(667.5)
Total Shareholders' Equity	448.3	224.4
Total Liabilities and Shareholders' Equity	\$ 535.3	\$ 550.8

Consolidated Statements of Operations and Comprehensive Loss

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

	2015	2014
Revenue	\$ 193.6	\$ 220.1
Mining operating expenses		
Production costs	142.5	130.7
Smelting, refining and freight costs	21.4	19.0
Royalty expense	7.7	9.1

Depreciation and amortization	31.0	37.7
Inventory pricing adjustment	0.5	-
Loss on disposal of equipment	0.2	1.7
Mine restoration and mitigation costs	5.5	-
Total mining operating expenses	208.8	198.2
Income (loss) from mining operations	(15.2	) 21.9
Other expenses (Income)		
Exploration	8.0	8.3
General and administration	11.5	9.6
Interest and other income	(1.1	) (4.7)
Interest costs, prepayment fee and other	104.0	49.6
Financing costs	11.0	7.5
Foreign exchange loss	39.5	18.3
Loss on recapitalization	28.3	-
Total other expenses, net	201.2	88.6
Loss before taxes	(216.4	) (66.7)
Income tax recovery	-	-
Loss and comprehensive loss for the year	\$ (216.4	) \$ (66.7)
Loss per share		
Basic	\$ (9.39	) \$ (78.74)
Diluted	\$ (9.39	) \$ (78.86)
Weighted average number of shares outstanding		
Basic	23,050,059	847,045
Diluted	23,050,059	848,361

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

	Notes	2015	2014
Cash provided by (used in)			
Operations			
Loss from continuing operations for the year		\$ (216.4)	\$ (66.7)
Operating items not involving cash			
Depreciation and amortization		31.0	37.7
Inventory pricing adjustment	8	0.5	-
Accretion expense	18	10.6	3.2
Share-based compensation and employee benefits	13(h)	1.0	2.0
Unrealized foreign exchange loss		5.6	15.7
Realized foreign exchange loss on financing activities		31.5	-
Loss on disposal of equipment		0.2	1.7
Interest expense and other		92.3	40.6
Financing costs		11.0	7.5
Loss on recapitalization		28.3	-
		(4.4	) 41.7
Changes in non-cash working capital	21	18.1	(53.2)
		13.7	(11.5)
Financing Activities			
Issuance of common shares and warrants, net of issue costs	13(c)	49.6	-
Issuance of convertible debentures, net of issue costs	11	-	61.2
Proceeds of credit facilities	9	54.4	22.0
Repayment of credit facilities	9	(34.6	) (6.1)
Proceeds of bridge loan	11	31.4	-
Repayment of bridge loan	11	(31.4	) -
Settlement of palladium warrants	11	-	(1.1)

Repayment of obligations under finance leases	10	(4.8	) (3.4	)
Interest paid		(27.8	) (41.4	)
Other financing costs		(11.8	) (1.8	)
		25.0	29.4	
Investing Activities				
Additions to mining interests, net	7	(32.2	) (23.8	)
Proceeds on disposal of mining interests, net		0.6	0.2	
		(31.6	) (23.6	)
Increase (decrease) in cash		7.1	(5.7	)
Cash and cash equivalents, beginning of year		4.1	9.8	
Cash and cash equivalents, end of year		\$ 11.2	\$ 4.1	
Cash and cash equivalents consisting of:				
Cash		\$ 11.2	\$ 4.1	
Foreign exchange included in cash balance		\$ 0.2	\$ 0.3	

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