

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, 2016 from its Lac des Iles palladium mine ("LDI") in northwestern Ontario.

2016 Results Summary

- Produced 149,563 ounces of payable palladium, a 10% decrease compared to 2015 as the underground mine transitioned to the new sub-level shrinkage (SLS) mining method. Cash cost per ounce⁽¹⁾ of payable palladium was US\$572 compared to US\$558 in 2015.
- Revenue of \$166.9 million, decreased \$26.7 million or 14% compared to 2015 reflecting lower production and lower metal prices. Palladium revenue averaged US\$634 per ounce in 2016 compared to US\$659 per ounce in the prior year.
- Adjusted EBITDA⁽¹⁾ of \$5.0 million for 2016 compared with \$13.5 million for 2015. Capital expenditures of \$50.5 million focused on the construction of long term tailings management infrastructure, underground mine development supporting the SLS conversion and mining equipment.
- Underground mining operations produced 1,367,458 (3,736 tonnes per day) at a grade of 3.8 g/t palladium in 2016 compared to 1,532,050 tonnes (4,197 tonnes per day) at a grade of 4.4 g/t palladium in 2015. Underground production rates averaged 4,410 tonnes per day in Q4 as the mine began its transition to the SLS methods, removing bottlenecks that hampered production earlier in the year.
- Underground exploration identified a separate ore zone, the B2 zone, near existing mine infrastructure that is under development for production in 2017 as a supplement to the deeper SLS mining.

"2016 was a transition year for the Lac des Iles mine site as we implemented a number of significant initiatives to set the operation up for long-term success," said Jim Gallagher, President and CEO. "With the continued support of Brookfield Business Partners LP (together, with its affiliates, "Brookfield"), we were able to fund a significant long term capital investment toward both our underground and surface operations. The recent change in mining method is already showing the intended results and the discovery of the B2 Zone will add ounces to an upcoming mineral reserve and resource report expected in the first quarter of 2017. We intend to follow this with an updated life-of-mine plan to be published in the second quarter of 2017 which will incorporate a number of additional improvements and opportunities."

Financial Update⁽²⁾

2016 Year-End Results

Revenue for the full year 2016 was \$166.9 million compared to \$193.6 million in the prior year. The decrease of \$26.7 million or 14% compared to 2015 was primarily due to lower production and lower metal prices. Palladium revenue averaged US\$634 per ounce in 2016 compared to US\$659 per ounce in the prior year.

LDI site operating costs were \$132.2 million, \$10.3 million lower than in 2015. Despite lower production and sales volumes, unit costs at the LDI were unchanged at \$67 per tonne milled. Exploration expenditures were reduced to \$4.6 million during the year, compared with \$8.0 million in 2015, but with a narrow focus that resulted in the B2 zone discovery. Corporate general and administration expenses were reduced by 50% to \$5.8 million.

Net loss for the year was \$37.5 million or \$0.65 per share of the Company. Depreciation expense of \$30.8 million was unchanged on a year over year basis. Net interest and financing expense was \$6.8 million in 2016. The prior period's interest and finance expense was not comparable as the Company completed a recapitalization transaction in 2015 involving a debt for equity exchange and a subsequent consolidation of common shares. The net loss in 2015 was \$216.4 million or \$9.39 per share.

Adjusted EBITDA⁽¹⁾ was \$5.0 million in 2016, compared to \$13.5 million in 2015.

Financial Liquidity

As at December 31, 2016, the Company had cash and cash equivalents of \$15.0 million compared to \$11.2 million, as at December 31, 2015.

As at December 31, 2016, the Company had total debt of \$108.8 million compared to \$47.1 million as at December 31, 2015, an increase of \$61.7 million. The addition to debt was primarily due to a senior secured term loan provided by Brookfield in the amount of \$66.1 million. All other debt had a net decrease of \$4.4 million.

Operations Update

In 2016, the Company's LDI mine sold 149,120 ounces of payable palladium at a total cash cost of US\$572 per ounce compared to 169,448 ounces of payable palladium at a cash cost of US\$558 in 2015. The increase in the cash unit in 2016 was due to reduced ounces produced compared to 2015. Total cash costs in 2016 were reduced by \$7.4 million over that in 2015.

Underground mining in 2016 produced 1,367,458 tonnes (3,736 tonnes per day) at an average grade of 3.8 g/t palladium compared to 1,532,050 tonnes (4,197 tonnes per day) at an average grade of 4.4 g/t palladium in 2015. During the year a total of 730,746 tonnes of low grade surface ore and tailings with a grade of 0.9 g/t palladium compared with 779,937 tonnes at an average grade of 1.1 g/t palladium in 2015.

Mill throughput totaled 1,996,484 tonnes of blended underground and surface ore at an average grade of 3.0 g/t with an 82.3 % palladium recovery rate.

Site wide unit production costs per tonne milled were unchanged in 2016 at \$67 per tonne as costs saving initiatives were able to offset lower production volumes.

	Year ended December 31	
	2016	2015
Ore mined (tonnes)		
Underground	1,367,458	1,532,050
Surface	730,746	779,937
Total	2,098,204	2,311,987
Mined ore grade (Pd g/t)		
Underground	3.8	4.4
Surface	0.9	1.1
Milling		
Tonnes milled (dry metric tonnes)	1,996,484	2,135,915
Palladium head grade (g/t)	3.0	3.2
Palladium recoveries (%)	82.3	82.8
Palladium concentrate grade (g/t)	315	278
Tonnes of concentrate produced	15,608	20,784
Production cost per tonne milled ¹	\$ 67	\$ 67
Payable production		
Palladium sales - payable ounces	149,120	169,448
Palladium revenue per ounce sold (US\$) ¹	\$ 634	\$ 659
Other results ¹		
AISC per ounce of palladium produced (US\$) ¹	\$ 728	\$ 771
Cash cost per ounce of palladium sold, net of by-product revenues (US\$) ¹	\$ 572	\$ 558

Exploration

In 2016, the Company incurred \$4.6 million in exploration expenditures compared to \$8.0 million in 2015. The 2016 exploration program focused on underground resource conversion drilling targeting both the Lower Offset zone and the B2 zone. Results from the Lower Offset zone drilling are provided below. Results for the B2 zone were previously reported in the Company's news release on November 3, 2016. The Company also completed a four-month reconnaissance field exploration program focused on its existing Greenfields properties.

The following table includes selected results from the Q4 2016 conversion drilling program at Lac des Iles. All holes intersected the Lower Central Offset Zone at depths below surface ranging from 1000 meters to 1400 metres. Intersection lengths do not represent true widths, which are expected to range from 50% to 90% of the reported interval lengths. The location of the reported conversion drill holes is illustrated in the figure below.

Drillhole	FROM	TO	LENGTH	Pd	Pt	Au
Number	(m)	(m)	(m)	(g/t)	(g/t)	(g/t)

16-811	33.9	147.0	113.1	3.19	0.28	0.17
including	121.0	147.0	26.0	4.57	0.40	0.20
and	158.4	180.0	21.6	8.17	0.57	0.47
16-816	34.0	41.8	7.8	5.01	0.46	0.20
and	51.6	182.4	130.8	4.57	0.35	0.34
including	107.0	179.0	72.0	6.04	0.42	0.46
with	151.0	170.0	19.0	11.3	0.63	0.88
16-817	175.0	272.0	97.0	5.22	0.33	0.46
16-818	155.0	201.0	46.0	3.79	0.32	0.50
including	164.0	182.0	18.0	5.12	0.48	0.63
16-819	325.0	411.0	86.0	3.66	0.25	0.32
including	362.0	411.0	49.0	4.76	0.32	0.38
with	380.0	389.0	9.0	8.64	0.59	0.98

To view the location of the reported conversion drill holes, please visit the following link:
<http://media3.marketwire.com/docs/1086682Figure.pdf>.

Outlook

Palladium Market Conditions

Strong auto catalyst demand, which accounts for over 70% of palladium consumption, combined with flat or slightly declining global primary mine supply, has resulted in the majority of analysts forecasting higher palladium prices over the next several years as compared with average metal prices in 2016. Strong auto sales in North America and China led to year over year global increases of approximately 2 million vehicles, or 2%, in 2016. In addition, air quality concerns in China, India and Europe, all of which made headlines last year, are expected to pressure regulators in these regions to establish higher emission standards for gasoline-fueled automobiles and reduce market share of diesel vehicles. This should lead to more vehicles being produced with palladium based catalytic converters at potentially higher palladium loadings.

Life of Mine Study

The Company intends to file an updated Life of Mine Plan (LOM), which will be published as a 43-101 compliant Technical Report early in the second quarter of 2017. The plan will incorporate the new SLS mining method with a higher mining recovery factor that approaches 100% compared to the previous open stoping method that leaves behind unrecovered ore in sills and pillars. In addition, this project team has also been optimizing the opportunities to mine additional surface material using open pit methods that were identified in previous studies.

The additional underground diamond drilling completed over the last two years has added reserves and resources and upgraded a significant amount of the previous resource to the indicated category. An update to the Company's mineral reserve and mineral resource estimates for the Lac des Iles mine property is expected to be published before the end of March. This will be followed by the LOM a short time later.

Exploration

Over the past several years, the Company has acquired a dominant land position within a 50 km of the LDI mine that comprises approximately 38,000 hectares of mineral claims. Further work has identified a significant number of geophysical and geochemical anomalies that match the signature of the original LDI intrusion, which is host to the existing Roby, Offset and B2 ore bodies. The Company intends to spend \$2 million in 2017 to pursue a number of priority targets, including 2,000 metres of drilling.

2017 Guidance

The conversion of the underground to the SLS mining method is expected to be complete by mid-year, resulting in more reliable and lower cost ore production. Expanded tailings facility construction should be sufficiently advanced by the fourth quarter to facilitate a return to a full-time mill run from the current two week per month batch process. At that time, it is planned to augment underground ore production with additional of feed from the low grade surface stockpile and supplemental underground ore from the B2 zone.

In 2017, the Company expects production of between 180,000 and 190,000 ounces of palladium at an average AISC cost of US\$700-720/oz of palladium. The AISC for H2 2017 is expected to drop to US\$550-560 /oz of palladium produced.

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, 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, 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 2016	December 31 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15.0	\$ 11.2
Accounts receivable	55.0	51.4
Inventories	15.8	15.2
Other assets	5.5	3.6
Total Current Assets	91.3	81.4
Non-current Assets		
Mining interests	471.4	453.9

Total Non-current Assets	471.4	453.9
Total Assets	\$ 562.7	\$ 535.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 25.5	\$ 23.1
Credit facility	30.7	32.4
Current portion of obligations under finance leases	6.3	4.9
Current portion of long-term debt	20.1	-
Total Current Liabilities	82.6	60.4
Non-current Liabilities		
Income taxes payable	0.8	0.1
Asset retirement obligations	16.1	16.7
Obligations under finance leases	5.7	9.8
Long-term debt	46.0	-
Total Non-current Liabilities	68.6	26.6
Shareholders' Equity		
Common share capital and purchase warrants	1,313.0	1,313.0
Stock options and related surplus	11.0	10.3
Contributed surplus	8.9	8.9
Deficit	(921.4)	(883.9)
Total Shareholders' Equity	411.5	448.3
Total Liabilities and Shareholders' Equity	\$ 562.7	\$ 535.3

Consolidated Statements of Operations and
Comprehensive Loss

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

	2016	2015
Revenue	\$ 166.9	\$ 193.6
Mining operating expenses		
Production costs	132.2	142.5
Smelting, refining and freight costs	15.6	21.4
Royalty expense	6.8	7.7
Depreciation and amortization	30.8	31.0
Inventory write down	1.2	0.5
Loss on disposal of equipment	0.6	0.2
Mine restoration and mitigation costs	0.1	5.5
Total mining operating expenses	187.3	208.8
Income (loss) from mining operations	(20.4)	(15.2)
Other expenses (Income)		
Exploration	4.6	8.0
General and administration	5.8	11.5
Interest and other income	(1.0)	(1.1)
Interest costs and other	6.3	104.0
Financing costs	1.5	11.0
Foreign exchange loss	(0.1)	39.5
Loss on recapitalization	-	28.3
Total other expenses, net	17.1	201.2
Loss before taxes	(37.5)	(216.4)
Income taxes	-	-
Loss and comprehensive loss for the year	\$ (37.5)	\$ (216.4)
Loss per share		
Basic and diluted	\$ (0.65)	\$ (9.39)
Weighted average number of shares outstanding		
Basic and diluted	58,126,526	23,050,059

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

	2016	2015
Cash provided by (used in)		

Operations		
Net loss	\$ (37.5)	\$ (216.4)
Operating items not involving cash		
Depreciation and amortization	30.8	31.0
Inventory write down	1.2	0.5
Accretion expense	0.6	10.6
Share-based compensation and employee benefits	0.7	1.0
Foreign exchange loss on financing activities	0.7	37.1
Loss on disposal of equipment	0.6	0.2
Interest expense and other	5.5	92.3
Financing costs (recovery)	(0.1)	11.0
Loss on recapitalization	-	28.3
	2.5	(4.4)
Changes in non-cash working capital	(11.9)	18.1
	(9.4)	13.7
Financing Activities		
Issuance of common shares, net of issue costs	-	49.6
Proceeds of credit facilities	16.3	54.4
Repayment of credit facilities	(17.2)	(34.6)
Net proceeds of term loan	65.0	-
Proceeds of bridge loan	-	31.4
Repayment of bridge loan	-	(31.4)
Repayment of obligations under finance leases	(5.6)	(4.8)
Interest paid	(5.6)	(27.8)
Other recoveries (costs)	(0.5)	(11.8)
	52.4	25.0
Investing Activities		
Additions to mining interests	(39.7)	(32.2)
Proceeds on disposal of mining interests	0.5	0.6
	(39.2)	(31.6)
Increase in cash	3.8	7.1
Cash and cash equivalents, beginning of year	11.2	4.1
Cash and cash equivalents, end of year	\$ 15.0	\$ 11.2
Cash and cash equivalents consisting of:		
Cash	\$ 15.0	\$ 11.2
Foreign exchange included in cash balance	\$ 2.5	\$ 0.2

Contact

[North American Palladium Ltd.](#)

Investor Relations

416-360-7374

IR@nap.com