

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 three months ended March 31, 2017 from its Lac des Iles palladium mine ("LDI") in northwestern Ontario.

Q1 2017 Results Summary

- Revenue of \$44.3 million, increased \$11.8 million or 36% compared to Q1 2016 despite lower concentrate shipments. This reflected a significant recovery in the palladium price and other by-product metals. Quarterly palladium revenues were generated on sales of 33,297 ounces at an average realized price of US\$737 per ounce, compared with sales of 37,768 ounces at an average realized price of US\$509 per ounce in the comparable period in 2016.
- Underground mining production increased 8% to 4,035 tonnes per day at a grade of 4.4 grams per tonne during the quarter compared with 3,723 tonnes per day at a grade of 4.3 grams per tonne in the comparable quarter last year, reflecting the initial impact of a change in the principle mining method initiated late in 2016.
- Adjusted EBITDA⁽¹⁾ of \$6.8 million for Q1 2017, an increase of \$12.6 million over Q1 2016. Capital expenditures of \$13.1 million focused on underground mine development supporting the conversion in mining method and the acquisition of additional mining equipment.
- Mill production of 40,252 ounces of payable palladium was comparable to 40,216 payable ounces produced in Q1 2016.
- An updated mineral reserve and mineral resource along with a feasibility level 43-101 compliant life of mine study will be published in Q2 2017.

"The transition to the new mining method has gone well," stated Jim Gallagher, President and CEO. "The sublevel shrinkage method now accounts for the majority of our underground production and we expect to be able to achieve 5,000 tonnes per day on a consistent basis later this year. In addition to increased throughput, the other intended benefits of this change are lower unit costs, higher production reliability and more uniformity in the size of the broken ore available for handling. With most analysts forecasting higher prices for palladium over the next few years reflecting improved market fundamentals, we remain positive for the continuing improvements to our operating results."

Financial Update⁽²⁾

Q1 2017 Quarter-End Results

Revenue for the quarter ended March 31, 2017 was \$44.3 million compared to \$32.5 million in the first quarter of 2016. The higher revenue in Q1 2017 was primarily due to increased metal prices, offset by lower sales volumes. Quarterly palladium revenues were generated on sales of 33,297 ounces at an average realized price of US\$737 per ounce, compared with sales of 37,768 ounces at an average realized price of US\$509 per ounce in the comparable period in 2016.

LDI site operating costs were \$36.6 million, an increase of \$3.4 million over Q1 2016 reflecting a higher underground production rate. Exploration expenditures were reduced to \$0.5 million for the quarter, compared with \$1.5 million in Q1 2016, whereas corporate general and administration expenses were reduced by 6% to \$1.4 million.

All in sustaining cost ("AISC") per ounce produced in Q1 2017 was US\$772/oz, compared to US\$643/oz in Q1 2016. The increased unit costs are a result of additional up front expenditures for mine development and drilling related to the ongoing conversion of the underground mining operations to the sublevel shrinkage mining method. The SLS mining method will achieve steady state production later this year and combined with the return to a full time mill run we expect AISC to be in the US\$550 to US\$560 per ounce range.

Net loss for the quarter was \$3.8 million or \$0.07 per share, compared to a net loss of \$13.1 million, or \$0.23 per share in Q1 2016. Adjusted EBITDA⁽¹⁾ of \$6.8 million for Q1 2017, an improvement of \$12.6 million over the loss of \$5.8 million incurred in Q1 2016.

Financial Liquidity

As at March 31, 2017, the Company had cash and cash equivalents of \$18.1 million compared to \$3.7 million, as at March 31, 2016. Availability under the Company's US\$60 million credit facility is dependent on a borrowing base calculation and at March

31, 2017, was fully drawn.

As at March 31, 2017, the Company had total debt of \$123.3 million compared to \$53.8 million as at March 31, 2016, an increase of \$69.5 million. The Company's US\$50 million term loan was fully drawn as at March 31, 2017.

Operations Update

In Q1 2017, the Company's LDI mine produced 40,252 ounces of payable palladium compared to 40,216 ounces of payable palladium in Q1 2016. Underground mining in Q1 2017 produced 363,136 (4,035 tonnes per day) at a grade of 4.4 g/t palladium in Q1 2017 compared to 338,807 tonnes (3,723 tonnes per day) at a grade of 4.3 g/t palladium in Q1 2016.

During the quarter, a total of 458,382 tonnes of ore were milled, including 77,600 tonnes of low grade surface ore, compared to 353,601 tonnes of ore milled in Q1 2016 which included 40,270 tonnes of low grade ore and tailings. The year-on-year increase of 104,781 tonnes milled resulted in a 21% reduction in site-wide unit production costs from \$89/tonne in Q1 2016 to \$70/tonne in Q1 2017.

Construction permits for initial 2017 work at the tailings management facility ("TMF") were received and activity has commenced for the next phase of TMF construction, which will increase long-term tailings capacity. This work is on track to allow the mill to return to a full time mill run, from the current 14 day on/ 14 day off schedule, by the last quarter of 2017.

	Three months ended March 31	
	2017	2016
Ore mined (tonnes)		
Underground	363,136	338,807
Surface	77,600	40,270
Total	440,736	379,077
Mined ore grade (Pd g/t)		
Underground	4.4	4.3
Surface	1.0	1.3
Milling		
Tonnes milled (dry metric tonnes)	458,382	353,601
Palladium recoveries (%)	82.6	83.8
Palladium concentrate grade (g/t)	295	331
Tonnes of concentrate produced	4,496	3,773
Production cost per tonne milled ¹	\$ 70	\$ 89
Payable production	40,252	40,216
Palladium sales - payable ounces	33,297	37,768
Average realized palladium price per ounce sold (US\$) ¹	\$ 737	\$ 509
Other results ¹		
AISC per ounce of palladium produced (US\$) ¹	\$ 772	\$ 643
Cash cost per ounce of palladium sold, net of by-product revenues (US\$) ¹	\$ 627	\$ 504

Exploration

In Q1 2017, the Company incurred \$0.5 million in exploration expenditures compared to \$1.5 million in Q1 2016. Exploration activities were focused on target selection for the greenfields program and drill hole planning for the 2017 LDI exploration program.

Outlook

The conversion of the underground mining operations to the SLS mining method is expected to be complete by mid-year, resulting in more reliable and lower cost ore production at an average operating rate of 5,000 tonnes per day. Following the resumption of construction at the TMF, a full time production schedule is anticipated for milling operations from the current two week per month batch process.

The Company's previous 2017 guidance of palladium production of between 180,000 and 190,000 ounces of palladium at an average AISC cost of \$700-720 per ounce remains unchanged. The AISC for the second half of 2017 is expected to drop to US\$550-560 per ounce.

The Company intends to update its mineral reserve and mineral resource estimates for the LDI mine property in conjunction with the filing of a new National Instrument 43-101 Technical Report in Q2 2017. The Technical Report will incorporate a new Life of Mine plan anchored by underground production from the Offset Zone resources and including several additional sources of underground and surface mill feed. The new plan will be optimized to support a return to full-time mill operations that are planned to commence later this year.

Exploration

Underground exploration drilling at LDI will resume in May with an initial focus on the southern part of the Offset Zone. Greenfields exploration will also resume in May. Initial efforts will focus on mapping, geochemical surveying and bedrock sampling on recently generated targets on existing NAP greenfields exploration properties.

The budget for the 2017 exploration program involves expenditures of \$5.5 million, of which \$3.6 million is expected to be invested in minesite exploration with the balance going toward a regional greenfields program to examine a number of properties within 50 kilometre radius of the minesite.

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, 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.

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

	March 31 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18.1	\$ 15.0
Accounts receivable	53.2	55.0
Inventories	22.1	15.8
Other assets	3.3	5.5
Total Current Assets	96.7	91.3
Non-current Assets		
Mining interests	475.1	471.4
Total Non-current Assets	475.1	471.4
Total Assets	\$ 571.8	\$ 562.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23.4	\$ 25.5
Credit facility	46.5	30.7
Current portion of obligations under finance leases	4.9	6.3
Current portion of long-term debt	20.0	20.1
Total Current Liabilities	94.8	82.6
Non-current Liabilities		
Income taxes payable	0.8	0.8
Asset retirement obligations	16.4	16.1
Obligations under finance leases	6.4	5.7
Long-term debt	45.5	46.0
Total Non-current Liabilities	69.1	68.6
Shareholders' Equity		
Common share capital and purchase warrants	1,313.0	1,313.0
Stock options and related surplus	11.2	11.0
Contributed surplus	8.9	8.9
Deficit	(925.2)	(921.4)
Total Shareholders' Equity	407.9	411.5
Total Liabilities and Shareholders' Equity	\$ 571.8	\$ 562.7

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

	Three months ended March 31	
	2017	2016
Revenue	\$ 44.3	\$ 32.5
Mining operating expenses		
Production costs	31.9	31.3
Smelting, refining and freight costs	2.1	3.3
Royalty expense	2.2	1.3
Depreciation and amortization	8.1	8.5
Inventory write down	(0.2)	0.9
Loss on disposal of equipment	0.1	-
Mine restoration and mitigation costs	-	0.1
Total mining operating expenses	44.2	45.4

Income (loss) from mining operations	0.1	(12.9)
Other expenses (Income)		
Exploration	0.5	1.5
General and administration	1.4	1.5
Interest and other income	-	(0.8)
Interest costs and other	2.3	1.0
Financing costs	0.3	0.2
Foreign exchange gain	(0.6)	(3.2)
Total other expenses, net	3.9	0.2
Loss before taxes	(3.8)	(13.1)
Income taxes	-	-
Net loss and comprehensive loss	\$ (3.8)	\$ (13.1)
Loss per share		
Basic and Diluted	\$ (0.07)	\$ (0.23)
Weighted average number of shares outstanding		
Basic and diluted	58,126,526	58,126,526

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

	Three Months Ended March 31	
	2017	2016
Cash provided by (used in)		
Operations		
Net loss	\$ (3.8)	\$ (13.1)
Operating items not involving cash		
Depreciation and amortization	8.1	8.5
Inventory write down (recovery)	(0.2)	0.9
Accretion expense	0.3	0.2
Share-based compensation and employee benefits	0.2	0.2
Foreign exchange loss (gain) on financing activities	(0.7)	(2.7)
Loss on disposal of equipment	0.1	-
Interest expense and other	2.0	0.1
Financing costs	0.3	0.2
	6.3	(5.7)
Changes in non-cash working capital	4.4	2.0
	10.7	(3.7)
Financing Activities		
Proceeds of credit facilities	15.9	2.0
Repayment of credit facilities	-	(5.4)
Proceeds of long term debt	-	13.7
Repayment of obligations under finance leases	(4.6)	(1.2)
Interest paid	(2.3)	(0.5)
Other recoveries (costs)	(0.3)	0.5
	8.7	9.1
Investing Activities		
Additions to mining interests	(16.3)	(12.9)
	(16.3)	(12.9)
Increase (decrease) in cash	3.1	(7.5)
Cash and cash equivalents, beginning of period	15.0	11.2
Cash and cash equivalents, end of period	\$ 18.1	\$ 3.7
Cash and cash equivalents consisting of:		
Cash	\$ 18.1	\$ 3.7
Foreign exchange adjustments included in cash balance	\$ 2.0	\$ 0.3

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