North American Palladium Ltd.

Management's Responsibility

for Financial Statements

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). Financial statements include certain amounts based on estimates and judgments. When an alternative method exists under IFRS, management has chosen that which it deems most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects, in accordance with IFRS. The financial information presented elsewhere in the annual report of the Company is consistent with that in the consolidated financial statements.

The Company maintains adequate systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that transactions are properly authorized and recorded, the Company's assets are appropriately accounted for and adequately safeguarded and that the financial information is relevant and reliable.

The board of directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis. The board of directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the board of directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors of the Company to discuss internal controls, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee also reviews the consolidated financial statements, management's discussion and analysis, the external auditors' report, examines the fees and expenses for audit services, and considers the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the board of directors for its consideration when approving the consolidated financial statements for issuance to the shareholders. KPMG LLP, the external auditors, have full and free access to the Audit Committee.

Toronto, Canada

February 22, 2017

Jim Gallagher	Tim Hill
President and Chief Executive Officer	Vice President, Finance and Chief Financial Officer

KPMG LLP
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of North American Palladium Ltd.

We have audited the accompanying consolidated financial statements of North American Palladium Ltd., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of North American Palladium Ltd. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that North American Palladium Ltd.'s cash and liquidity position may not be sufficient to repay debt balances as they mature in 2017. This condition, along with other matters as set forth in note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about North American Palladium Ltd.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
February 22, 2017
Toronto, Canada

Consolidated Balance Sheets

(expressed in millions of Canadian dollars)

	Notes	**December 31 2016**	December 31 2015
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 15.0**	$ 11.2
Accounts receivable	**4**	**55.0**	51.4
Inventories	**5**	**15.8**	15.2
Other assets	**6**	**5.5**	3.6
Total Current Assets		**91.3**	81.4
Non-current Assets			
Mining interests	**7**	**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	**9**	**30.7**	32.4
Current portion of obligations under finance leases	**10**	**6.3**	4.9
Current portion of long-term debt	**11**	**20.1**	-
Total Current Liabilities		**82.6**	60.4
Non-current Liabilities			
Income taxes payable		**0.8**	0.1
Asset retirement obligations	**8**	**16.1**	16.7
Obligations under finance leases	**10**	**5.7**	9.8
Long-term debt	**11**	**46.0**	-
Total Non-current Liabilities		**68.6**	26.6
Shareholders' Equity			
Common share capital and purchase warrants	**13**	**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

Nature of operations and going concern – Note 1

Commitments and contingencies – Notes 16

Subsequent events – Notes 9 and 21

See accompanying notes to the consolidated financial statements

On Behalf of the Board of Directors

J. Peter Gordon, Director

Dean Chambers, Director

North American Palladium Ltd.

Consolidated Statements of Operations and Comprehensive Loss

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

	Notes	2016	2015
Revenue	**17**	**$ 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	**5**	**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	**18**	**(1.0)**	(1.1)
Interest costs and other	**18**	**6.3**	104.0
Financing costs		**1.5**	11.0
Foreign exchange loss		**(0.1)**	39.5
Loss on recapitalization	**13(b)**	**-**	28.3
Total other expenses, net		**17.1**	201.2
Loss before taxes		**(37.5)**	(216.4)
Income taxes	**19**	**-**	-
Loss and comprehensive loss for the year		**$ (37.5)**	$ (216.4)
Loss per share			
Basic and diluted	**13(f)**	**$ (0.65)**	$ (9.39)
Weighted average number of shares outstanding			
Basic and diluted	**13(f)**	**58,126,526**	23,050,059

See accompanying notes to the consolidated financial statements

North American Palladium Ltd.

Consolidated Statements of Cash Flows

(expressed in millions of Canadian dollars)

	Notes	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	**5**	**1.2**	0.5
Accretion expense	**18**	**0.6**	10.6
Share-based compensation and employee benefits	**13(g)**	**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	**20**	**(11.9)**	18.1
		(9.4)	13.7
Financing Activities			
Issuance of common shares, net of issue costs	**13(c)**	**-**	49.6
Proceeds of credit facilities	**9**	**16.3**	54.4
Repayment of credit facilities	**9**	**(17.2)**	(34.6)
Net proceeds of term loan	**11**	**65.0**	-
Proceeds of bridge loan	**13(b)**	**-**	31.4
Repayment of bridge loan	**13(b)**	**-**	(31.4)
Repayment of obligations under finance leases	**10**	**(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	**7**	**(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

See accompanying notes to the consolidated financial statements

North American Palladium Ltd.

Consolidated Statements of Shareholders' Equity

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

	Notes	Number of shares	Capital stock	Stock options	Equity component of convertible debentures	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2015		386,514,777	$ 866.4	$ 9.7	$ 6.9	$ 8.9	$ (667.5)	$ 224.4
Common shares issued:								
Pursuant to conversion of debts payable to Brookfield Capital Partners Ltd. ("Brookfield")	**13(b)**	18,214,401,868	364.3	-	-	-	-	364.3
Pursuant to conversion of 2012 convertible debentures	**13(b)**	1,181,002,018	30.5	-	(6.9)	-	-	23.6
Pursuant to conversion of 2014 convertible debentures (Series 1 & 2)	**13(b)**	12,151,926	1.8	-	-	-	-	1.8
Pursuant to conversion of restricted share units	**13(g)**	2,274,717	0.1	-	-	-	-	0.1
Share consolidation (400:1)	**13(b)**	(19,748,767,244)	-	-	-	-	-	-
Pursuant to rights offering, net of issue costs	**13(c)**	8,630,870	49.6	-	-	-	-	49.6
Stock based compensation:								
Stock-based compensation	**13(d)(g)**	1,917,594	0.3	0.6	-	-	-	0.9
Net loss and comprehensive loss for the period ended December 31, 2015		-	-	-	-	-	(216.4)	(216.4)
Balance, December 31, 2015		58,126,526	$ 1,313.0	$ 10.3	$ -	$ 8.9	$ (883.9)	$ 448.3
Balance, January 1, 2016	**11, 13(b)**	58,126,526	$ 1,313.0	$ 10.3	$ -	$ 8.9	$ (883.9)	$ 448.3
Stock based compensation:								
Stock-based compensation	**13(d)(g)**	-	-	0.7	-	-	-	0.7
Net loss and comprehensive loss for the period ended December 31, 2016		-	-	-	-	-	(37.5)	(37.5)
Balance, December 31, 2016		58,126,526	$ 1,313.0	$ 11.0	$ -	$ 8.9	$ (921.4)	$ 411.5

See accompanying notes to the consolidated financial statements

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 *Canadian Business Corporations Act* (CBCA). 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 producing palladium in 1993. The Company has transitioned the LDI underground mine from mining via ramp access to mining via shaft while utilizing bulk mining methods. The underground mine is currently transitioning to a sub-level shrinkage mining method.

The consolidated financial statements for the Company 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, representing approximately 92% of the issued and outstanding common shares of NAP.

These 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 currently has one committed source of financing, a credit facility (note 9), which had remaining credit of US$1.7 available as at December 31, 2016 and which matures on December 11, 2017. The US$50.0 senior secured term loan (note 11) was fully drawn as at December 31, 2016. The Company utilizes its credit facility as needed to both supplement shortfalls in cash flow from operations and to fund certain capital expenditures. The Company's credit facility contains several financial covenants, which, if not met could result in an event of default. As at December 31, 2016, the Company was in compliance with all its covenants under the credit facility agreement. The Company closely monitors compliance with its covenants, as any breach of covenant could result in an event of default under the credit facility agreement, which, if not addressed, would entitle the lender to demand 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. Furthermore, under the US$50.0 senior secured term loan, US$15.0 matures on December 31, 2017 and, based on current projections, management does not expect that cash flows from operations will be sufficient to repay this principal amount. Management has developed a plan to increase production and cash flows from operations and is presently evaluating potential financing options to satisfy address any additional funding or refinancing requirements that may be required necessary in 2017. The Company's cash and liquidity position and covenant compliance is therefore sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting production targets, metal prices, foreign exchange rates, operational costs and capital expenditures. Adverse changes in any of these variables may have a material impact on the Company's liquidity position. These circumstances have resulted in a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The 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.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of these financial statements, including IAS 1, Presentation of Financial Statements.

These consolidated financial statements were authorized for issuance by the board of directors of the Company on February 22, 2017.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the following items in the consolidated balance sheet:

(i) Accounts receivable are measured at fair value.
(ii) Financial instruments, at fair value through profit or loss, are measured at fair value.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency. All financial information is expressed in millions of Canadian dollars, except share and per share amounts.

Use of Judgments and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant estimates and assumptions relate to recoverability of mining operations and mineral exploration properties. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

(a) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following note:

Note 8 – Asset retirement obligations and reclamation deposits

(b) Key estimates and assumptions

Certain assumptions are dependent upon reserves, which represent the estimated amount of ore that can be economically and legally extracted from the Company's properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period they are determined and in any future periods affected.

Because the economic assumptions used to estimate reserves change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including, but not limited to the following:

(i) The Company's estimates of recoverable amounts of mining interests may be affected due to changes in estimated future cash flows;
(ii) Depreciation and amortization charged in the statement of operations may change or be impacted where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all of the Company's entities for all periods presented in these consolidated financial statements, unless otherwise indicated.

Basis of Consolidation

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

(a) Subsidiaries

Subsidiaries are entities controlled by NAP. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Transactions eliminated on consolidation

Inter-company balances and transactions and any unrealized income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency Translations

The reporting and functional currency of the Company and its subsidiaries is the Canadian dollar. Accordingly, the Company translates monetary assets and liabilities denominated in foreign currency at the rate of exchange prevailing at the consolidated balance sheet dates, non-monetary assets and liabilities denominated in foreign currency at the rate in effect at the date the transaction occurred and revenues and expenses denominated in foreign currency at the exchange rate in effect during the applicable accounting period. All resulting foreign exchange gains and losses are recorded in the Consolidated Statements of Operations and Comprehensive Loss.

Financial Instruments

(a) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are measured on initial recognition at fair value plus, in the case of instruments other than those classified as "fair value through profit and loss", directly attributable transaction costs.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. These financial instruments are measured at fair value, and changes therein are recognized in the Consolidated Statements of Operations and Comprehensive Loss. The Company's accounts receivable from the sale of palladium and by-product metals from the LDI mine primarily represent the material financial instruments which have been recorded at fair value through profit or loss (see note 4).

Cash and cash equivalents are stated at fair value and include cash on account less outstanding cheques, demand deposits and short-term guaranteed investments with original maturities of three months or less. Financial assets classified as loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method, less any impairment losses. The Company's loans and receivables are included in other assets (see note 6).

(b) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: long-term debt, finance leases, bank overdrafts, credit facilities, and trade and other payables.

Long-term debt is initially recognized at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities measured at amortized cost using the effective interest method.

Finance leases are initially recorded at the lesser of fair value and the present value of minimum lease payments ("FVMLP").

Bank overdrafts, credit facilities, and trade and other payables are recorded at fair value.

(c) Derivative financial instruments

The Company periodically holds derivative financial instruments to minimize its foreign currency and market price exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value and any associated transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

Other derivatives

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

Inventories

Concentrate, crushed and broken ore stockpiles are valued at the lower of average production cost (including an allocation of the depreciation of production related assets) and net realizable value. Crushed and broken ore stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. The amount of stockpiled ore that is not expected to be processed within one year, if any, is shown as a long-term asset. Supplies inventory is valued at the lower of average cost and net realizable value.

Mining Interests

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Where funds used to finance a major project form part of general borrowings, the Company capitalizes interest on those borrowings proportionate to the project funds used.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or major components of property, plant and equipment.

Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Exploration costs relating to properties are charged to earnings in the year in which they are incurred. When it is determined that a mining property can be economically developed as a result of reserve potential and subsequent exploration, expenditures are capitalized. Determination as to reserve potential is based on the results of studies, which indicate whether production from a property is economically feasible. Upon commencement of commercial production of a development project these costs are amortized using the unit-of-production method over the proven and probable reserves. Capitalized exploration costs, net of salvage values, relating to a property that is later abandoned or considered uneconomic for the foreseeable future, are written off in the period the decision is made. No amortization is provided in respect of mine development expenditures until commencement of commercial production. Any production revenue earned prior to commercial production, net of related costs, is offset against the development costs.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within mining operating expenses.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized at the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(c) Depreciation and amortization

Mining interests relating to plant and equipment, mining leases and claims, royalty interests, and other development costs are recorded at cost with depreciation and amortization provided on the unit-of-production method over the estimated remaining ounces of palladium to be produced based on the proven and probable reserves or, in the event that the company is mining resources, an appropriate estimate of the resources mined or expected to be mined.

Mining interests relating to small vehicles and certain machinery with a determinable expected life are recorded at cost with depreciation provided on a straight-line basis over their estimated useful lives, ranging from three to seven years, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Straight-line depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Significant components of individual assets are assessed and, if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately using the unit-of-production or straight-line method as appropriate. Costs relating to land are not amortized.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

The carrying amounts of the Company's non-financial assets, excluding inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is assessed at the level of a cash generating unit ("CGU"). An impairment loss is recognized in the Consolidated Statements of Operations and Comprehensive Loss for any excess of carrying amount over the recoverable amount.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or groups of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

The recoverable amount of an asset or CGU is the greater of its "value in use", defined as the discounted present value of the future cash flows expected to arise from its continuing use and its ultimate disposal, and its "fair value less costs to sell", defined as the best estimate of the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the Consolidated Statements of Operations and Comprehensive Loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss on non-financial assets other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Mining Interests - Open Pit Mining Costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs generate a future economic benefit by providing (i) access to ore to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and (iii) increases the productive capacity or extends the productive life of the mine (or pit). For production phase stripping costs that are expected to generate a future economic benefit, the current period stripping costs are capitalized as open pit mine development costs.

Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs were incurred, unless these costs are expected to provide a future economic benefit.

Capitalized open pit mine development costs are depreciated once the open pit has entered production and the future economic benefit is being derived. Capitalized open pit mine development costs are depreciated using the unit of production method over the life of the ore body to which accessibility has been improved by the stripping activity.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render services are discounted to their present value.

Compensation Agreements

Share-based payment transactions

Prior to August 6, 2015, the Company had a stock option plan (the "Stock Option Plan"). The grant date fair value of equity-classified share-based payment awards granted to employees was recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense was adjusted to reflect the number of awards for which the related service were expected to be met, such that the amount ultimately recognized as an expense was based on the number of awards that did meet the related service and non-market performance conditions at the vesting date.

On March 24, 2016 the Company adopted a new 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.

Prior to August 6, 2015, the Company had a Restricted Share Unit ("RSU") plan under which eligible directors, officers and key employees of the Company were entitled to receive RSUs. Each RSU was equivalent in value to the fair market value of a common share of the Company on the date of the award and a corresponding liability was established on the balance sheet. The value of each award was charged to compensation expense over the period of vesting. At each reporting date, the compensation expense and liability were adjusted to reflect the changes in market value of the liability based on the fair values of RSUs for each vesting period determined using the Black-Scholes model.

Share-based payment arrangements in which the Company issues its own equity instruments as consideration for goods or services are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(a) Asset Retirement Obligations

In accordance with Company policies, asset retirement obligations ("ARO") relating to legal and constructive obligations for future site reclamation and closure of the Company's mine sites are recognized when incurred and a liability and corresponding asset are recorded at management's best estimate. Estimated closure and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs.

The amount of any liability recognized is estimated based on the risk-adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows. When the liability is initially recorded, a corresponding asset retirement cost is recognized as an addition to mining interests and amortized using the unit of production method.

The liability for each mine site is accreted over time and the accretion charges are recognized as an interest cost in the Consolidated Statements of Operations and Comprehensive Loss. The liability is subject to re-measurement at each reporting date based on changes in discount rates and timing or amounts of the costs to be incurred. Changes in the liability, other than accretion charges, relating to mine rehabilitation and restoration obligations, which are not the result of current production of inventory, are added to or deducted from the carrying value of the related asset retirement cost in the reporting period recognized. If the change results in a reduction of the obligation in excess of the carrying value of the related asset retirement cost, the excess balance is recognized as a recovery through profit or loss in the period.

(b) Production Obligations

A provision for an obligation based on achieving specific production targets is recognized when the Company, based on estimates of recoverable minerals and planned production in the current mine plan for each property, determines the production target expected to be achieved.

Revenue and Accounts Receivable

Revenue from the sale of metals in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of volume adjustments. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

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 title transfers and significant rights and obligations of ownership pass. 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 included in revenues on the Consolidated Statements of Operations and Comprehensive Loss and disclosed in the notes to the consolidated financial statements.

Interest expense and other costs and other income

Interest expense and other costs are comprised of interest expense on borrowings, accretion expense, and changes in the fair value of financial assets or liabilities at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Other income is comprised of interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets or liabilities at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Income and mining taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
(ii) temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
(iii) temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income or mining taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per common share ("EPS") is computed by dividing the income (loss) for the period by the weighted average number of common shares outstanding during the reporting period.

Diluted EPS is computed using the treasury stock method whereby the weighted average number of shares outstanding is increased to include additional common shares from the assumed exercise of stock options. The number of additional common shares is calculated by assuming that outstanding equity instruments were exercised and that proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. These common equivalent shares are not included in the calculation of the weighted average number of shares outstanding for diluted loss per common share when the effect would be anti-dilutive.

For convertible financial instruments classified as debt, the consolidated comprehensive net income (loss) is adjusted to reflect the profit or loss which would have been reported in the period if the debt instrument had been converted immediately at the beginning of the period. These adjustments to profit or loss and the equivalent shares realizable on conversion are not included in the diluted earnings per share calculation when the effect would be anti-dilutive.

Adoption of New Accounting Standards

The following new accounting standard has been adopted by the Company for the year ended December 31, 2016.

IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

This pronouncement amends IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets to (i) clarify that the use of a revenue-based depreciation method is not appropriate for property, plant and equipment, and (ii) provide a rebuttable presumption for intangible assets. The amendment is effective for years beginning on or after January 1, 2016. This amendment did not have an impact on the consolidated financial statements of the Company.

New standards and interpretations not yet adopted

The following new standards are not yet effective for the year ended December 31, 2016 or have otherwise not yet been adopted by the Company. The Company is evaluating the impact, if any; adoption of the standards will have on the disclosures in the Company's consolidated financial statements:

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 would be impacted by this amendment. As a result, this amendment is not expected to have a material impact on the consolidated financial statements of the Company.

IFRS 15 Revenue from contracts with customers

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 amendment is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the potential impact of applying IFRS 15, primarily analyzing its concentrate sale agreements. The Company expects to report more detailed information, including estimated quantitative financial impacts, if material, in its 2017 consolidated financial statements.

IAS 7 Statement of Cash Flows – Disclosures Related to Financing Activities

IAS 7 has been amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments to IAS 7 are effective for annual reporting periods beginning on or after January 1, 2017. The Company's investing activities primarily include cash flows related to its credit facility and senior secured term loan which are denominated in the U.S. currency and are subject to drawdown and repayment. As a result, the Company expects to provide additional disclosures under this amendment in 2017 to reconcile movements within these liabilities during the respective reporting periods.

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, with early adoption permitted. The Company has made progress in its implementation of IFRS 9, however, has not yet determined the extent of the impact of the new standard on its consolidated financial statements. The Company expects to report more detailed information, including estimated quantitative financial impacts, if material, in its 2017 consolidated financial statements.

.

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 IFRS 16's approach to lessor accounting 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. The extent of impact of adoption of the standard has not yet been determined.

IAS 12 Income Taxes – Deferred Taxes

IAS 12 has been amended to address certain issues related to the recognizing of deferred tax assets on unrealized losses, deferred tax where an asset is measured at a fair value below the asset's tax base and other aspects of accounting for deferred taxed assets. These amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted. The Company presently provides disclosures regarding its deferred tax assets in the notes to its consolidated financial statements. However, the Company has determined that the probability of use of unused credits is not sufficient to recognize any deferred assets on its consolidated balance sheets. As a result, this amendment is not expected to have a material impact on the consolidated financial statements of the Company.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	At December 31 2016	At December 31 2015
Accounts receivable	**$ 53.9**	$ 51.4
Unrealized gain (loss) on financial contracts[1]	**1.1**	-
Accounts receivable	**$ 55.0**	$ 51.4

[1] *As at December 31, 2016, 35,300 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$693 per ounce and the Company also had forward foreign exchange contracts to convert US$18.0 of the proceeds on settlements into Canadian dollars at an average exchange rate of 1.35 (December 31, 2015 – no past palladium production was priced using forward prices for the month of final settlement and no forward foreign exchange contracts were in effect). Refer to note 14.*

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 December 31, 2016 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 three customers at December 31, 2016 (December 31, 2015 – three 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 also refer to note 17.

A first priority charge on the accounts receivable of the Company has been pledged as security against the credit facility described in note 9.

5. INVENTORIES

Inventories consist of the following:

	At December 31 2016	At December 31 2015
Supplies[1]	**$ 12.7**	$ 12.1
Concentrate inventory[1]	**0.6**	0.1
Crushed and broken ore stockpiles[1,2]	**2.5**	3.0
Total	**$ 15.8**	$ 15.2

[1] *This portion of inventories has been pledged as security in connection with the Company's credit facility. Refer to note 9.*
[2] *Crushed and broken ore stockpiles represent coarse ore that has been extracted from the mine and is available for further processing.*

During the year-ended December 31, 2016, write-downs to concentrate inventory of $1.2 were recorded to reflect net realizable value (December 31, 2015 - $0.5). No write-downs were recorded for crushed and broken ore stockpile inventories in 2016 or 2015.

Supplies inventory of $34.5 were recognized as an expense during the year ended December 31, 2016 (2015 - $33.0). During the year ended December 31, 2016 the Company recognized a write-down of obsolete supplies inventory in the amount of $0.6 (2015 - $0.2).

6. OTHER ASSETS

Other assets consist of the following:

	At December 31 2016	At December 31 2015
Prepaid expenses	**$ 2.6**	$ 2.7
HST receivable	**2.8**	0.1
Other	**0.1**	0.8
	$ 5.5	$ 3.6

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
Cost or deemed cost					
Balance at January 1, 2015	**$ 87.1**	**$ 425.7**	**$ 24.7**	**$ 15.9**	**$ 553.4**
Additions of physical assets	16.2	16.4	0.9	-	33.5
Revaluation of ARO assets	0.6	-	-	-	0.6
Other reclassifications	(0.9)	0.9	-	-	-
Disposals	(1.1)	(0.4)	(0.1)	-	(1.6)
Balance at December 31, 2015	**$ 101.9**	**$ 442.6**	**$ 25.5**	**$ 15.9**	**$ 585.9**
Additions of physical assets[1]	36.9	10.6	3.0	-	50.5
Revaluation of ARO assets	(0.8)	-	-	-	(0.8)
Other reclassifications	-	-	-	-	-
Disposals	(1.2)	(0.1)	(0.6)	-	(1.9)
Balance at December 31, 2016	**$ 136.8**	**$ 453.1**	**$ 27.9**	**$ 15.9**	**$ 633.7**
Depreciation and impairment losses					
Balance at January 1, 2015	**$22.8**	**66.9**	**6.1**	**4.8**	**100.6**
Depreciation for the year	5.5	22.2	3.6	0.6	31.9
Other reclassifications	(0.5)	0.5	-	-	-
Disposals	(0.2)	(0.2)	(0.1)	-	(0.5)
Balance at December 31, 2015	**27.6**	**89.4**	**9.6**	**5.4**	**132.0**
Depreciation for the year	5.7	21.1	3.7	0.5	31.0
Other reclassifications	-	-	-	-	-
Disposals	(0.6)	(0.1)	-	-	(0.7)
Balance at December 31, 2016	**32.7**	**110.4**	**13.3**	**5.9**	**162.3**
Carrying amounts					
As at December 31, 2015	**$ 74.3**	**$ 353.2**	**$ 15.9**	**$ 10.5**	**$453.9**
As at December 31, 2016	**$ 104.1**	**$ 342.7**	**$ 14.6**	**$ 10.0**	**$471.4**

[1] *Additions of physical assets represent the gross cost of additions to mining interests during the year. The gross costs of $50.5 include non-cash amounts relating to $3.0 of assets acquired under finance leases and $7.8 of accrued capital cost. The resulting net cash used of $39.7 is reported as additions to mining interests on the Consolidated Statements of Cash Flows. Also refer to note 20.*

Depreciation and amortization

As a result of the finalization of the technical report for the LDI mine, which was filed on March 27, 2015 (amended on April 20, 2015), the Company had revised 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 was prospectively applied for all depreciation and amortization calculations effective February 1, 2015. No revisions were made to the estimated in-situ ounces denominator during the year ended December 31, 2016.

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, lease agreements and debt agreements. See notes 9 and 11.

8. ASSET RETIREMENT OBLIGATIONS AND RECLAMATION DEPOSITS

At December 31, 2016, the changes in ARO are as follows:

Asset retirement obligations, beginning of year	**$ 16.7**
Change in discount rate and estimated closure costs (note 7)	**(0.8)**
Accretion expense (note 18)	**0.2**
Asset retirement obligations, end of year	**$ 16.1**

ARO comprised the following as at December 31, 2016:

Property	**Expected timing of cash flows**	**Asset retirement obligation**	**Mine closure plan requirement**	**Letter of credit outstanding**	**Undiscounted asset retirement obligation**
LDI mine[1]	2029	$ 16.1	$ 14.6	$ 14.6	$ 20.1

[1] *Including a letter of credit for Shebandowan West project, the total in letters of credit outstanding is $14.9 for asset retirement obligations. Refer to notes 10 and 17.*

ARO comprised the following as at December 31, 2015:

Property	**Expected timing of cash flows**	**Asset retirement obligation**	**Mine closure plan requirement**	**Letter of credit outstanding**	**Undiscounted asset retirement obligation**
LDI mine[1]	2029	$ 16.7	$ 14.6	$ 14.6	$ 20.3

[1] *Including a letter of credit for the Shebandowan West project, the total letters of credit outstanding are $14.9 for asset retirement obligations. Refer to notes 9 and 16.*

The key assumptions applied for determination of the ARO obligation are as follows as at December 31, 2016:

	At December 31 2016	At December 31 2015
Inflation	**2.00%**	2.00%
Market risk	**5.00%**	5.00%
Discount rate	**1.71%**	1.39%

The ARO may change materially based on future changes in operations, costs of reclamation and closure activities, and regulatory requirements.

9. CREDIT FACILITIES

Bank Facility

The Company has secured a credit facility with a Canadian chartered bank, maturing December 11, 2017. 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 liquidity and general corporate purposes. The maximum that can be utilized under the facility is the lesser of US$60 and an amount determined by a borrowing base calculation. As at December 31, 2016, the credit facility contained certain financial covenants, including a minimum current ratio, the requirement of minimum earnings before interest, taxes, depreciation and amortization ("EBITDA"), and senior debt to EBITDA ratios.

On February 17, 2017, the Company's credit facility agreement was amended to replace the senior debt to EBITDA covenant with a minimum EBITDA covenant and to modify the current ratio covenant for the 2017 fiscal year.

Failure to satisfy these covenant requirements would result in an event of default. The loan 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 repayment. As at December 31, 2016, the Company was compliant with all covenants.

Under the credit facility, as of December 31, 2016, the Company utilized $16.5 (US$12.3) for letters of credit, primarily for reclamation deposits (December 31, 2015 - $16.7 (US$11.9)), and had $30.7 (US$22.8) in borrowings outstanding (December 31, 2015 - $32.4 (US$23.4)). Subsequent to year-end, the Company utilized an additional $0.5 for a letter of credit as security against an existing finance lease arrangement.

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.

Brookfield Interim Facility

On April 15, 2015, the Company entered into a US$25 interim credit facility (the "Interim Facility") with Brookfield and utilized the full balance of the available credit. A commitment fee of 3% of the Interim Facility amount had been capitalized to the principal and interest had been accrued at the Interim Facility rate of 16% per annum. On August 6, 2015, all amounts owing relating to the Interim Facility were consolidated and settled as part of the amounts owing to Brookfield for the purposes of conversion under the Recapitalization. Refer to note 13(b).

10. 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. Some leases provide the Company with the option to purchase the equipment at a beneficial price. 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 minimum lease payments at each reporting date:

	At December 31, 2016			At December 31, 2015		
	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	**$ 6.7**	**$ 0.4**	**$ 6.3**	$ 5.6	$ 0.7	$ 4.9
Between one and five years	**5.9**	**0.2**	**5.7**	10.4	0.6	9.8
	$ 12.6	**$ 0.6**	**$ 12.0**	$ 16.0	$ 1.3	$ 14.7
Less current portion			**6.3**			4.9
Long term portion			**$ 5.7**			$ 9.8

OPERATING LEASES

The Company, from time to time, enters into leasing arrangements for production and other equipment under a number of 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:

	At December 31 2016	At December 31 2015
Less than one year	**$ 0.3**	$ 0.9
Between one and five years	**0.5**	1.3
	$ 0.8	$ 2.2

The total minimum lease payments recognized in expense during each of the stated years are as follows:

	December 31 2016	December 31 2015
Minimum lease payments expensed	**$ 1.7**	$ 3.0

11. LONG-TERM DEBT

Long-term debt is comprised of the following as at each reporting date:

	At December 31 2016	At December 31 2015
Senior secured term loan	**$ 66.1**	$ -
Less current portion	**20.1**	-
	$ 46.0	$ -

Senior secured term loan

The senior secured term loan financing with Brookfield provides for the availability of US$50.0 pursuant to a US$25.0 term loan ("Brookfield Term Loan"), which was amended to include an additional US$25.0. The Brookfield Term Loan bears interest at 10% per annum and includes an option to the Company to extend the term of the loan to December 31, 2017, provided that there has been no event of default or material adverse effect, as defined in the loan agreement. A fee based on a percentage of the loan amount is payable at the time the option to extend is exercised by the Company. The loan is secured by first priority charge on the Company's plant and equipment 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 Bank Facility. Refer to note 9.

On January 26, 2016, the Company drew the first advance of US$10.0.

On May 2, 2016, the Company drew the second advance of US$15.0.

On June 30, 2016, the Company entered into an amendment to its existing secured term loan with Brookfield to increase available funds by US$25.0 to US$50.0.

The Company made draws against the amended term loan on July 5, 2016 (US$10.0), October 13, 2016, (US$5.0), and December 8, 2016 (US$10.0).

On November 29, 2016, the Company exercised its option to extend the maturity of the secured term loan to December 31, 2017. At the time of exercise, an amount of $0.5 was paid and has been included in financing costs on the consolidated statement of operations and comprehensive loss. The Company also entered into an amendment to its existing secured term loan with Brookfield to further extend the maturity date on US$35.0 of the principal balance to December 31, 2018.

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 11.3%.

As at December 31, 2016, the senior secured term loan financing with Brookfield was fully drawn.

12. RELATED PARTY TRANSACTIONS

Brookfield Business Partners LP ("BBU") is a limited partnership publicly listed on the New York Stock Exchange (NYSE) and the TSX whose general partner is a wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM"). An approximate 21% economic interest in BBU by way of limited partnership units was spun off to shareholders of BAM on June 20, 2016 as a special dividend, with subsidiaries of BAM retaining the remaining limited partnership interest in BBU. Collectively, Brookfield indirectly holds approximately 53.5 million common shares, representing approximately 92% of the issued and outstanding common shares of NAP. Prior to June 1, 2016, NAP's parent company was Brookfield Capital Partners Ltd. ("BCP"), a 100% wholly-owned subsidiary of BAM.

On June 18, 2015 the Company entered into a recapitalization transaction (the "Recapitalization") with Brookfield**,** aimed at reducing the Company's debt and enhancing the Company's liquidity.

The Company has senior secured term loan financing of US$50.0 with Brookfield (the "Brookfield Term Loan"); therefore, all borrowings and related interest relating to the senior secured term loan are related party transactions. Refer to note 11.

The Brookfield Term Loan and all matters related thereto were reviewed and approved separately by the independent directors in conjunction with approval by the board of directors of the Company.

Transactions with Directors and key management personnel

Directors and key management personnel compensation

The Company, prior to the Recapitalization, provided non-cash benefits to directors and executive officers and contributed to a defined contribution plan on their behalf in addition to regular salaried amounts. Managers and executive officers are entitled to receive stock-based compensation on an annual basis through participation in the Company's group registered retirement savings plan ("RRSP"). Prior to August 6, 2015, directors and executive officers were also entitled to incentives issued under the Company's Stock Option Plan and RSU plan. Refer to note 14.

Summary of directors and key management personnel compensation

	December 31 2016	December 31 2015
Short-term employee benefits	**$ 2.3**	$ 3.7
Post employment benefits	**0.1**	0.1
Termination benefits	**0.2**	3.0
Share-based payments (note 13(e))	**2.0**	-
	$ 4.6	$ 6.8

13. SHAREHOLDERS' EQUITY

(a) Authorized and Issued Capital Stock

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

(b) Recapitalization

On June 18, 2015, the Company entered into the Recapitalization with Brookfield. On July 30, 2015, the Recapitalization received shareholder approval and was completed on August 6, 2015, resulting in the cancellation of all outstanding options and warrants of the Company and the conversion of all amounts owing to Brookfield, except for a bridge loan that had been advanced to the Company; the 2012 and 2014 convertible debentures; and outstanding RSUs.

A fair value of $0.02 per common share was determined for accounting purposes based on the closing price of the Company's common shares in the market for the days immediately preceding and up to the closing date of the Recapitalization. At the time of the Recapitalization, the Company issued 19,404,572,359 common shares with a fair value of $388.1 to settle debt amounts with an aggregate carrying value of $359.8, resulting in a loss on recapitalization of $28.3 being recorded in the Consolidated Statements of Operations and Comprehensive Loss. A total of 19,798,262,900 common shares were outstanding after the Recapitalization on August 6, 2015.

Immediately subsequent to the issuance of common shares under the Recapitalization, all of the common shares issued and outstanding were consolidated on the basis of one common share in the capital of the Company for every 400 existing common shares. On August 6, 2015, subsequent to the share consolidation, the Company had 49,495,656 common shares outstanding, not including common shares issued in relation to the Rights Offering (as defined below).

As a result of the Recapitalization, Brookfield acquired 92% of the issued and outstanding common shares of the Company on August 6, 2015.

On September 18, 2015, the US$25.0 outstanding balance of the bridge loan plus accrued interest, was settled in cash, with the exception of a nominal balance settled separately at a later date.

(c) Rights Offering and Backstop Agreement

On September 15, 2015, the Company completed a rights offering. Pursuant to the terms and conditions of the rights offering (the "Rights Offering"), each shareholder of record at the close of business on August 20, 2015 received one right (the "Right") for each common share then held. An aggregate of 49,495,656 Rights were distributed to shareholders pursuant to the Rights Offering. Every 5.91 Rights entitled the holder thereof to purchase one common share at an exercise price of $5.97 per common share thereof to acquire up to 8,379,613 common shares for gross proceeds of $50.0.

The Company also entered into a backstop agreement with Brookfield pursuant to which Brookfield and another third party had, subject to certain terms and conditions, agreed to purchase, in aggregate, all of the common shares which remained unsubscribed for by the holders of the Rights at the expiry of the Rights Offering. The Company incurred fees relating to the backstop (the "Backstop Fees") in the amount of $1.5 that were recognized as transactions costs and which were netted against common share capital and share purchase warrants on the consolidated balance sheets. On closing of the Rights Offering, the Company settled the liability relating to the Backstop Fees with the issuance of 226,131 common shares to Brookfield and 25,126 common shares to the other third party, representing a conversion price of $5.97 per common share.

On September 15, 2015, the Company issued 8,630,870 common shares pursuant to the exercise of the Rights for cash proceeds of $49.6, net of transaction costs.

Upon completion of the Rights Offering, and related transaction costs, a total of 58,126,526 common shares were issued and outstanding.

(d) Group Registered Retirement Savings Plan

The Company has a group registered retirement savings plan (RRSP), in which eligible employees can participate 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 through the issuance of shares from treasury on a quarterly basis. If the matching contribution is made in treasury shares, the price per share issued is computed using the 5-day volume weighted average trading price of the common shares on the TSX preceding the end of the quarter.

During the year ended December 31, 2016, the Company made RRSP contributions in cash of $1.7 and did not make any share contributions to the RRSP. During the year ended December 31, 2015, the Company made cash contributions of $1.4 and contributed 4,794 shares with a fair value of $0.3 (original issue of 1,917,594 shares consolidated at 400:1 per note 14 (b), which was equal to the market value of the shares on the contribution date).

(e) Corporate Stock Option Plan

Until August 6, 2015, the Company had a corporate stock option plan (the "Old Stock Option Plan"); under which eligible directors, officers, employees and consultants of the Company could receive Company options ("Options") to acquire common shares. The completion of the Recapitalization on August 6, 2015 resulted in the cancellation of all outstanding Options and the termination of the existing Old Stock Option Plan. Refer to note 13(b).

On March 24, 2016 the Company adopted a new stock option plan (the "New 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 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 New Plan 3,875,000 common shares or 6.67% 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 Options:

	December 31, 2016		December 31, 2015	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Outstanding, beginning of period	**-**	**-**	5,371,142	$ 0.99
Granted	**1,125,000**	**$ 5.97**	100,000	$ 0.16
Cancelled/forfeited	**(40,000)**	**$ 5.97**	(5,463,642)	$ 0.96
Expired	**-**	**-**	(7,500)	$ 8.87
Outstanding, end of period	**1,085,000**	**$ 5.97**	-	$ -
Vested and exercisable, end of period	**225,000**	**$ 5.97**	-	$ -

No options were exercised during the years ended December 31, 2016 or December 31, 2015.

The fair value of Options granted during the years ended December 31, 2016 and December 31, 2015 have been estimated at the date of grant using the Black Scholes option pricing model with the following weighted average assumptions:

	December 31 2016	December 31 2015
Awards granted	**1,125,000**	100,000
Weighted average fair value of awards	**$ 1.82**	$ 0.10
Pre-vest forfeiture rate	**26%**	27%
Grant price	**$ 5.97**	$ 0.16
Market price	**$ 5.11**	$ 0.17
Volatility[1]	**50%**	78%
Risk free rate	**0.66%**	1.08%
Dividend yield	**0%**	0%
Expected life (in years)	**4.41**	3.52

[1] *Expected volatility is estimated by considering historic average share price volatility based on the average expected life of the options.*

(f) Reconciliation of the diluted number of shares outstanding:

	December 31 2016	December 31 2015
Net loss available to common shareholders	**$ 37.5**	$ 216.4
Effect of dilutive securities	**-**	-
Adjusted net loss available to common shareholders	**$ 37.5**	$ 216.4
Weighted average number of shares outstanding	**58,126,526**	23,050,059
Effect of dilutive securities	**-**	-
Weighted average diluted number of shares outstanding	**58,126,526**	23,050,059
Diluted net loss per share	**$ 0.65**	$ 9.39

For the year ended December 31, 2016, the outstanding Options have not been included in the determination of diluted loss per share because to do so would be anti-dilutive. As a result of the Recapitalization completed on August 6, 2015, no convertible debentures, warrants, RSU's or Options remained. Therefore, no dilutive effects existed relating to these instruments at December 31, 2015.

(g) Summary of Share-based compensation and employee benefits

The following table details the components of share-based compensation expense:

	Year ended December 31, 2016	Year ended December 31, 2015
Shares contributed to Group Registered retirement savings plan	**$ -**	$ 0.3
Common share stock options	**0.7**	0.6
	$ 0.7	$ 0.9

14. 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 December 31, 2016.

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

	At December 31 2016	At December 31 2015
Cash and cash equivalents	**$ 15.0**	$ 11.2
Accounts receivable	**53.9**	51.4
Financial contracts	**1.1**	-
	$ 70.0	$ 62.6

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, debt and payables to foreign based suppliers being in foreign currencies. The Company's primary exposure is based upon the movement of the US dollar against the Canadian dollar. The Company's foreign exchange risk management includes, from time to time, the use of foreign currency forward contracts to fix exchange rates on certain foreign currency exposures. At December 31, 2016, the Company had forward foreign exchange contracts to convert USD$18.0 of the proceeds on settlements of metal sales into Canadian dollars at an average exchange rate of 1.35 (December 31, 2015 – no forward foreign exchange contracts were in effect).

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 balance sheet date, the impact of which is reported as a separate component of revenue or foreign exchange gain or loss in the consolidated statements of operations and comprehensive loss.

The Company is exposed to the following currency risk related to the following financial instruments denominated in U.S. dollars at December 31, 2016.

	US$
Cash	$ 7.2
Accounts receivable	40.1
Financial contracts	0.8
Credit facility	(22.8)
Current and long-term debt	(66.1)
	$ (40.8)

A 1% strengthening or weakening of the Canadian dollar against the US dollar, assuming that all other variables remained the same, would have resulted in a $0.4 decrease or increase, respectively, in the Company's statement of loss and comprehensive loss for the year ended December 31, 2016.

The Company's revenue is affected by currency exchange rates, such that a weakening in the Canadian dollar relative to the US 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 December 31, 2016, a 1% increase or decrease in the interest rate on the Company's credit facility would have resulted in a $0.3 decrease or increase, respectively, in the Company's statement of loss and comprehensive loss for the year ended December 31, 2016. 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.

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 economically hedge the effect on revenues from 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 statement of operations in revenue from metal sales.

The Company enters into financial contracts to mitigate smelter agreements' provisional pricing exposure to rising or declining palladium prices and an appreciating Canadian dollar for past production already sold. As at December 31, 2016, 35,300 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 USD$693 per ounce. (December 31, 2015 – no past palladium production was priced using forward prices for the month of final settlement). 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 as an adjustment to revenue. The fair value of these contracts at December 31, 2016 was an asset value of $1.1 (December 31, 2015 - $nil). Refer to note 4.

As at December 31, 2016, 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 would have resulted in an approximate $0.5 decrease or increase, respectively, in the Company's loss and comprehensive loss for the year ended December 31, 2016.

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 December 31, 2016 to the contractual maturity date.

	Notes	Total	In less than 1 year	Between 1 year and 3 years	More than 3 years
Accounts payable and accrued liabilities		$ 25.5	$25.5	$ -	$ -
Credit facility	9	30.7	30.7	-	-
Obligations under finance leases	10	12.0	6.3	5.7	-
Senior secured term loan[1]	11	66.1	20.1	46.0	-

The Company also has asset retirement obligations in the amount of $16.1 that would become payable at the time of the closure of its LDI mine. As the Company issued letters of credit of $14.9 related to these obligations, $1.5 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 disclosure 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 16.

Fair Values

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, its 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 can be extended from December 31, 2016 to maturity on December 11, 2017, provided the Company maintains compliance with lending covenants.

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 underling currency cash flows for the residual maturity of the contract using risk-free interest rates applicable for the respective currencies.

Fair values reflect the credit risk and include adjustments to take into account the credit risk of the Company entity and counterparty 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 US dollar) for past production 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 which is classified with 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:

	At December 31 2016	At December 31 2015
Senior secured term loan	**$ 66.1**	$ -
Finance leases	**12.0**	14.7

Fair Value Hierarchy

The table below details the carrying values and fair values of the assets and liabilities at December 31, 2016:

	Notes	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
Financial assets						
Cash and cash equivalents		$ 15.0	$ 15.0	$ -	$ -	$ 15.0
Accounts receivable	4	53.9	-	53.9	-	53.9
Fair value of financial contracts[1]	4	1.1	-	1.1	-	1.1
Financial liabilities						
Credit facility		(30.7)	(30.7)	-	-	(30.7)
Senior secured term loan[2]		(66.1)	-	(66.1)	-	(66.1)
Finance leases		(12.0)	-	(12.0)	-	(12.0)
Net carrying value		$ (38.8)	$ (15.7)	$ (23.1)	$ -	$ (38.8)

[1] As detailed in note 4, the asset relating to the mark-to-market on financial contracts is included in the carrying value of accounts receivable on the balance sheet.

[2] The fair value of the senior secured term loan approximates the carrying value of the debt.

The table below details the fair values of the assets and liabilities at December 31, 2015:

	Notes	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
Financial assets						
Cash and cash equivalents		$ 11.2	$ 11.2	$ -	$ -	$ 11.2
Accounts receivable	4	51.4	-	51.4	-	51.4
Financial liabilities						
Credit facility		(32.4)	(32.4)	-	-	(32.4)
Finance leases		(14.7)	-	(14.7)	-	(14.7)
Net carrying value		$ 15.5	$ (21.2)	$ 36.7	$ -	$ 15.5

15. 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.

16. COMMITMENTS

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

The Company is required to pay a 5% net smelter royalty to PGMR from mining operations at the LDI mine. The royalty had been previously payable to Sheridan Platinum Group of Companies ("SPG"). This obligation is recorded as royalty expense.

(b) Operating Leases and Other Purchase Obligations

As at December 31, 2016, the Company had outstanding operating lease commitments and other purchase obligations of \$0.8 and \$1.2 respectively (December 31, 2015 – \$2.2 and \$1.2 respectively) the majority of which had maturities of less than five years (see also note 11).

(c) Letters of Credit

As at December 31, 2016, the Company had outstanding letters of credit of \$16.5, consisting of \$14.9 for various mine closure deposits and \$1.6 for a regulated energy supplier (December 31, 2015 - \$16.5 outstanding letters of credit, consisting of \$14.9 for various mine closure deposits and \$1.6 for a regulated energy supplier).

17. REVENUE FROM METAL SALES

	Total	Palladium	Platinum	Gold	Nickel	Copper	Other Metals
2016							
Year ended December 31							
Revenue – before pricing adjustments	**\$ 164.0**	**\$ 123.0**	**\$ 13.2**	**\$ 16.0**	**\$ 6.6**	**\$ 5.1**	**\$ 0.1**
Pricing adjustments:							
Commodities	4.5	4.3	(0.1)	0.2	0.1	-	-
Foreign exchange	(1.6)	(1.3)	(0.2)	(0.1)	-	-	-
Revenue – after pricing adjustments	**\$ 166.9**	**\$ 126.0**	**\$ 12.9**	**\$ 16.1**	**\$ 6.7**	**\$ 5.1**	**\$ 0.1**
2015							
Year ended December 31							
Revenue – before pricing adjustments	\$ 198.4	\$ 148.3	\$ 16.9	\$ 15.7	\$ 9.2	\$ 8.2	\$ 0.1
Pricing adjustments:							
Commodities	(15.7)	(13.5)	(1.5)	-	(0.5)	(0.2)	-
Foreign exchange	10.9	8.3	1.2	0.7	0.4	0.3	-
Revenue – after pricing adjustments	\$ 193.6	\$ 143.1	\$ 16.6	\$ 16.4	\$ 9.1	\$ 8.3	\$ 0.1

During 2016, the Company delivered all of its concentrate to four customers, including one that received a bulk sample, under the terms of their respective agreements (2015 – five customers, including two customers that received bulk samples).

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.

18. INTEREST EXPENSE AND OTHER COSTS AND OTHER INCOME

	Note	2016	2015
Interest expense & other costs			
Interest on finance leases		**$ 0.7**	$ 0.9
Asset retirement obligation accretion	**8**	**0.2**	0.3
Accretion expense on long-term debt		**0.4**	10.3
Interest expense		**5.0**	25.5
Other expenses		**-**	-
Change in fair value of convertible debentures		**-**	0.2
Increase in carrying value of senior secured term loan[1]		**-**	66.8
		$ 6.3	$ 104.0
Other income			
Change in fair value of warrants		**-**	(0.7)
Interest income		**(0.1)**	(0.4)
Other recoveries		**(0.1)**	-
Reduction in carrying value of senior secured term loan[2]		**(0.8)**	-
		(1.0)	(1.1)
		$ 5.3	$ 102.9

[1] *On June 18, 2015 the Company entered into the Recapitalization with Brookfield aimed at significantly reducing the Company's debt and enhancing the Company's liquidity. Refer to note 13(b). In applying the effective interest method in the three months ended June 30, 2015, the Company reassessed its estimated cash flows under the senior secured term loan and recorded an adjustment to the carrying value of the debt of $66.8 to reflect the present value of accelerated interest expense, primarily related to the expected settlement of the prepayment fee payable under the debt agreement.*

[2] *As a result of amendments to the senior secured term loan, the Company recognized a reduction in its carrying value due to the effect discounting the principal due at the extended maturity dates. Refer to note 11.*

19. INCOME TAXES

Rate Reconciliation

The provision for income and mining taxes differs from the amount that would have resulted by applying the combined Canadian federal and Ontario statutory income tax rates of approximately 26.5% (2015 – 26.5%):

	December 31 2016	December 31 2015
Income tax recovery using statutory income tax rates	**$ (9.9)**	$ (57.3)
Increase (decrease) in taxes resulting from:		
Change in unrecognized temporary differences	**9.9**	45.2
Statutory permanent differences	**0.4**	12.5
Difference in statutory tax rates	**(0.4)**	(0.4)
Income tax (recovery) expense	**$ -**	$ -

Deferred tax liabilities

Deferred income tax liabilities have been offset by deferred income tax assets as follows:

	December 31 2016	December 31 2015
Deferred tax liabilities		
Mining Interests	**$ (6.7)**	$ (8.6)
Deferred tax assets		
Non-capital loss carryovers	**$ 6.7**	$ 8.6
Net deferred tax liabilities	**$ -**	$ -

Unrecognized deferred tax assets

Deferred income tax assets have not been recognized in respect of the following items:

	December 31 2016	December 31 2015
Loss carry forwards	**$ 81.7**	$ 71.2
Deductible temporary differences, income taxes	**$ 24.8**	$ 28.4
Deductible temporary differences, mining taxes	**$ 4.1**	$ 4.6

The tax losses not recognized expire as per the amount and years noted below. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from.

Income tax attributes

As at December 31, 2016, the Company had the following approximate income tax attributes to carry forward:

	Amount	Expiry Date
Non-capital losses	**$ 349.2**	2027 - 2036
Capital losses	**$ 1.7**	Indefinite
Undepreciated capital cost allowance	**$ 114.6**	Indefinite
Tax basis of mining interests	**$ 300.3**	Indefinite

20. OTHER DISCLOSURES

Statement of Cash flows

The net changes in non-cash working capital balances related to operations are as follows:

	2016	2015
Cash provided by (used in):		
Accounts receivable	**$ (3.6)**	$ 24.0
Inventories	**(1.7)**	-
Other assets	**(1.8)**	0.9
Accounts payable and accrued liabilities[1]	**(5.5)**	(6.8)
Taxes payable	**0.7**	-
	$ (11.9)	$ 18.1

[1] *The net change in accounts payable and accrued liabilities excludes the non-cash amount of $7.8 relating to accrued capital costs, which have been netted against cash used for additions to mining interests in investing activities reported on the Consolidated Statements of Cash Flows. Also refer to note 7.*

21. SUBSEQUENT EVENTS

In January 2017, the Company entered into forward commodity price derivative contracts for 31,500 ounces of 2016 palladium production, delivered and sold to a smelter, priced using forward prices for the month of final settlement at an average price of US$740 per ounce. The Company has not entered into any additional forward foreign exchange contracts in 2017.