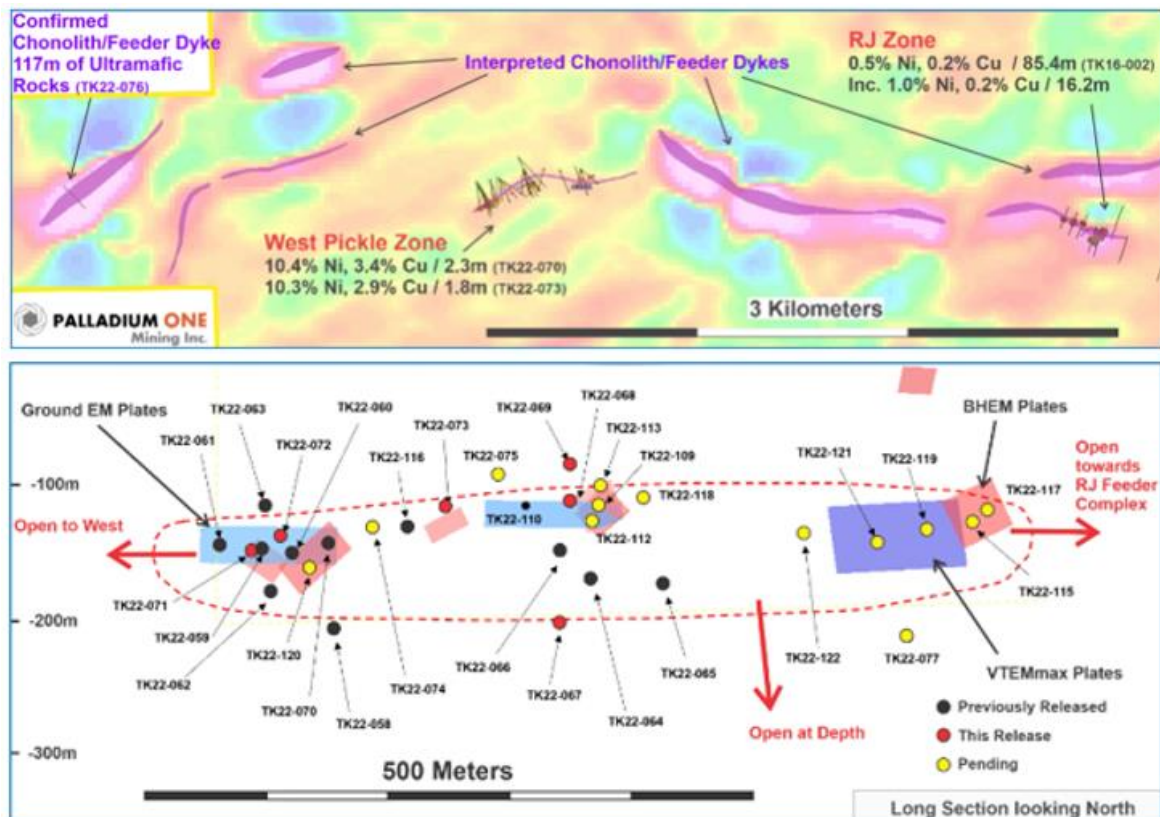


Ticker: PDM CN **Cash:** ~C\$11m **Project:** LK Project / Tyko
Market cap: C\$34m **Price:** C\$0.10/sh **Country:** Finland / Canada, ON
REC. (unc): BUY **TARGET (-5c):** C\$0.50/sh **RISK RATING (unc):** HIGH

Today's headline hits demonstrate again the success of geophysics to get 'on the nickel' quickly. With four out of the sixteen drilled holes intercepting significant mineralization, the team is still putting the pieces of the puzzle together, but the drilling is over a substantial area, so infill here should be able to hone in on higher grade zones. The headline **2.6m @ 8.2% NiEq** at West Pickle follows the previous best hit of 2.3m @ 12.8% NiEq there. Interestingly the belt is proving to have 'many cherries' over a large area, with Pickle being 20km from last year's Smoke Lake discovery (3.8m @ 10.2% NiEq) and 3km from the historic RJ deposit (16m @ 1.2% NiEq). Geologically today's results are similar to Smoke Lake, with massive sulphides potentially remobilized from a larger source, including five feeders (~100m each strike length) so far. For now, **we maintain our BUY rating and lower our PT C\$0.55/sh to C\$0.50/sh** to account for the recent raise, with our valuation based on 0.35xNAV^{7%-200Pd} of a 2.7Moz @ 1.2g/t PdEq mining inventory in Finland. However, Tyko project, which we only hold at a nominal C\$10m, is clearly the key driver forward now in our view. Next steps are simple: step out drilling, and drilling on more conductors, here and on other targets at Tyko, with potential to connect West Pickle and RJ zones as well.

Figure 1. (A) Tyko regional map with geophysics background and (C) West Pickle long section



Source: Palladium One

Tyko drilling hits 2.6m @ 8.2% NiEq; C\$11m in treasury ahead of 2023 exploration program

Drill highlights from the West Pickle target on the Tyko Ontario project included **2.6m @ 8.2% NiEq** (incl. 1.8m @ 11.7%) and **4.1m @ 2.4% NiEq** (incl. 1.5m @ 5.9%) both from 138-149m down the hole. This lies 2.7km from the historic RJ deposit where previous drilling returned 85.4m @ 0.6% NiEq, including 16.2m @ 1.2%. To date, 32 holes totalling 6,766 meters have been drilled within the West Pickle discovery, with a current strike length defined > 500m. Also, high-resolution magnetic survey is scheduled for 1Q23, while planning for 2023 field season is on-going. **Raise (Dec 23, 2022):** In December 2022, PDM closed a

financing package totalling raising C\$4.95m, with C\$4.2m brokered 20c flow funding and C\$750k 15c hard equity.

Why we like Palladium One

1. Existing 4.0Moz @ 1.43g/t PdEq (spot, 5Moz @ 1.7g/t AuEq) in Finland, cheap power / 20% tax
2. SCPe +2-4Moz on Kaukua East and Haukiaho East, flyer on Kaukua West and Haukiaho deeps
3. Emerging high-grade 'domestic' nickel province in Ontario
4. Multiple high-grade discoveries made with future multi-line conductors to test

Catalysts

1. CY23: Drilling at Tyko project in Ontario
2. 1H23: SCPe PEA timing for Kaukua

Research

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Ticker: PDM CN	Price / mkt cap: C\$0.1/sh, C\$28m	Project PNAV today: 0.07x	Asset: LK Project
Authors: B Salier, E Magdzinski	Rec / 0.35xNAV PT: BUY, C\$0.5/sh	1xNAV_{3Q24} FF FD: C\$1.06/sh	Country: Finland

Commodity price	CY21A	CY22E	CY23E	CY24E	SPOT
Palladium price	2,000	2,000	2,000	2,000	2,312
Platinum Price	1,100	1,100	1,100	1,100	931
Gold price	1,850	1,850	1,850	1,850	1,720
Nickel Price	17,632	17,632	17,632	17,632	22,000
Copper Price	8,926	8,926	8,926	8,926	7,685

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
Ungeared @ build start (3Q23)	353.8	100%	1.00x	1.08
SCPe Pro-forma Cash 4Q22	11.4	100%	1.00x	0.03
Cash from options + warrants	14.4	100%	1.00x	0.04
SCPe resources ex invty @ US\$50/oz	86	100%	1.00x	0.26
Tyko nominal upside (C\$m)	10.0	100%	1.00x	0.03

Asset NAV 7% US\$2000/oz Pd	476			1.45
*Shares diluted for options mine build Market P/NAV _{7%3Q22} 0.07x				

Asset value: 1xNPV project @ build start (C\$m, ungeared)*

Project NPV (C\$m)	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	146	278	403	633	853
Discount rate: 7%	195	339	476	730	974
Discount rate: 5%	253	412	564	846	1,119
Ungeared project IRR:	11%	16%	21%	29%	36%

Project NPV (C\$/sh)	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	0.45	0.85	1.23	1.93	2.60
Discount rate: 7%	0.59	1.03	1.45	2.23	2.97
Discount rate: 5%	0.77	1.26	1.72	2.58	3.42

*Project NPV, ex fin. costs and cent G&A, discounted to build start

Group NAV over time^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
LK Project NPV (C\$m)	336	458	815	768	674
G&A and finance costs (C\$m)	(89)	(86)	(78)	(57)	(41)
Net cash prior qtr (C\$m)	8	(12)	(264)	(164)	(49)
Cash from options (C\$m)	14.4	14.4	14.4	14.4	14.4
NAV FF FD (C\$m)	269	374	487	561	599
Shares in issue (m)	328	375	375	530	530
1xNAV 7%/sh FF FD (C\$/sh)*	0.82	1.00	1.30	1.06	1.13

G geared NAV at first con, diluted for build, net G&A and fin. costs^

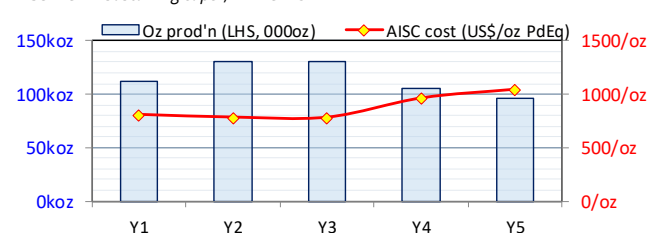
NAV at first con (C\$m)	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	225	369	510	776	1,039
Discount rate: 7%	258	411	561	846	1,127
Discount rate: 5%	296	460	622	928	1,232
G geared project IRR:	9%	14%	18%	26%	33%

NAV at first con (C\$/sh)*	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	0.26	0.58	0.91	1.58	2.25
Discount rate: 7%	0.34	0.69	1.06	1.78	2.50
Discount rate: 5%	0.44	0.83	1.23	2.01	2.79

^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity

Production	Y1	Y2	Y3	Y4	Y5
PdEq production (000oz)	112	130	130	105	96
AISC cost (US\$/oz PdEq)	806	780	780	961	1,043

AISC = C1 + sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	PdEq Grade	PdEq oz	AuEq oz
Kaukua Area+ Murtolampi	69	1.44g/t	3202koz	3865koz
Haukiahohi	18.9	1.38g/t	839koz	1012koz
Total	87.9	1.43g/t	4041koz	4878koz
SCP inventory @ 80% conv.	70.3	1.19g/t	2701koz	2921koz

Project: USES	Funding: SOURCES
Pre-DFS exploration / G&A: C\$5m	Cash + pre first Au op.: C\$25m
Build capex: C\$387m	Pre-build equity: C\$5m
Fin. cost + WC over DFS: C\$16m	Build equity @ 0.6xNAV: C\$135m
TOTAL USES: C\$408m	65% geared debt @ 8%: C\$252m
Buffer / drill budget: C\$9m	TOTAL SOURCES: C\$416m

Share data	Basic	FD with options	FD for build
Basic shares (m)	283.8	327.6	530

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	274.0	499.2	530.0	530.0	530.0
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	20.2	34.9	41.6	(5.8)	313.0
FCF yield (%)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	-	-	-	-	-

D&A, attrib (C\$m)	-	(0.4)	0.0	-	-
G&A + sh based costs (C\$m)	1.3	2.3	3.0	4.3	4.5
Finance cost (C\$m)	3.7	8.3	6.6	4.6	7.7
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(5.0)	(10.7)	(9.6)	(8.9)	(12.2)

Cash flow, attrib.	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(1.3)	(2.3)	(3.0)	(4.3)	(4.5)
Add back D&A (C\$m)	-	(0.4)	0.0	-	-
Less tax + net interest (C\$m)	3.7	8.3	6.6	4.6	7.7
Net change in wkg cap (C\$m)	0.5	0.9	(1.3)	(0.2)	-
Other non-cash (C\$m)	(8.4)	(18.0)	(10.4)	(8.1)	(14.9)
Cash flow ops (C\$m)	(5.5)	(11.5)	(8.0)	(8.1)	(11.7)

PP&E - build + sust. (C\$m)	0.5	0.0	2.2	80.0	307.1
PP&E - expl'n (C\$m)	-	-	-	-	-
Cash flow inv. (C\$m)	(0.5)	(0.0)	(2.2)	(80.0)	(307.1)

Share issue (C\$m)	7.9	19.4	4.7	135.5	-
Debt draw (repay) (C\$m)	-	-	-	-	251.6
Cash flow fin. (C\$m)	7.9	19.4	4.7	135.5	251.6
Net change in cash (C\$m)	1.9	7.8	(5.5)	47.3	(67.2)
EBITDA (C\$m)	(4.9)	(11.0)	(10.8)	(8.9)	(4.5)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	7.2	15.1	11.4	58.8	(8.4)
Acc rec., inv, prepaid (C\$m)	0.3	0.2	0.2	-	-
PP&E + other (C\$m)	0.1	0.5	(0.4)	79.6	386.7
Total assets (C\$m)	7.6	15.7	11.2	138.3	378.2
Debt (C\$m)	-	-	-	-	251.6
Accounts payable (C\$m)	1.0	0.4	1.2	1.2	1.2
Others (C\$m)	0.0	1.6	0.5	0.5	0.5
Total liabilities (C\$m)	1.0	2.0	1.7	1.7	253.3
Issued capital (C\$m)	20.0	37.7	43.2	179.2	179.8
Retained earnings (C\$m)	(13.3)	(24.0)	(33.6)	(42.5)	(54.8)
Liabilities + equity (C\$m)	7.6	15.7	11.2	138.3	378.2

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Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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