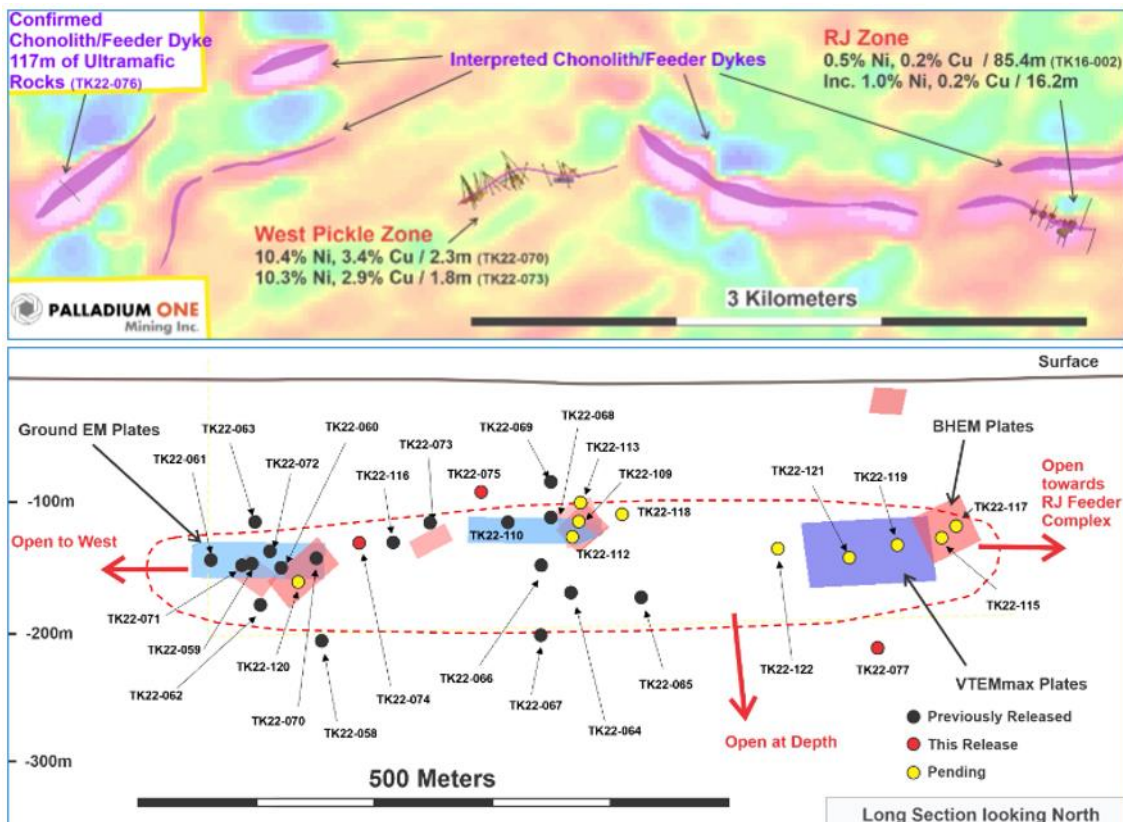


Ticker: PDM CN **Cash:** ~C\$11m **Project:** LK Project / Tyko
Market cap: C\$26m **Price:** C\$0.09/sh **Country:** Finland / Canada, ON
REC. (unc): BUY **TARGET (unc):** C\$0.50/sh **RISK RATING (unc):** HIGH

Today's headline hit from Tyko (i.e **2m @ 5.3% NiEq**) is impressive and good follow on to previous hits (2-3m @ 8.0-12.8%) which shows continuity between EM targets. Exciting today, whilst assays pending, the visuals for the eastern step out hole show massive Ni-Cu sulphides within a broader 5.5m of disseminated mineralization >100m from previous drilling, taking the strike of mineralization to 600m now on first 32 holes (45 holes pending assays). Stepping back, the 'runway' here is exceptional with 30,000ha of belt control never before consolidated or systematically explored. The belt now already proved to have 'high-grade cherries' spread out over a large area, and first visuals 4.7km away from RJ Zone (85.4m @ 0.6% NiEq) validating the interpreted Feeder Dyke / Chonolith structure model, we think PDM's geological model is holding up nicely. In our view, the opportunity in this year's program will be to drill test the potential feeder targets for the bulk style mineralization similar to RJ, which should complement the high-grade zones discovered to date nicely. For now, **we maintain our BUY rating and C\$0.50/sh PT** with our valuation based on $0.35 \times \text{NAV}_{7\%-2000\text{Pd}}$ 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.

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



Source: Palladium One

Tyko drilling hits 2m @ 5.3% NiEq; Strike extensions (+100m East) massive sulphide visuals

Drill results from the West Pickle Zone on the Tyko project in Ontario, returned an intercept of **2m @ 5.3% NiEq (spot) including** a sub-interval of **0.9m @ 9.9%** from 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%. Visual

results from the most easterly hole drilled at West Pickle Zone show massive Ni-Cu sulphides (incl pentlandite) within 5.5m of disseminated sulphides with pending assays, with mineralization now to be traced over 600m in length (from 500m previously). In 2022 70 holes (13,038m) were drilled, with 45 holes pending assay results. A high-resolution magnetic geophysical survey was completed as part of the 2023 exploration program. This year's exploration program will be focused on drill testing the Feeder Dyke / Chonolith structures at Tyko.

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 Haukiahö East, flyer on Kaukua West and Haukiahö 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\$0.09/sh, C\$26m	Project PNAV today: 0.06x	Asset: LK Project
Authors: B Salier, E Magdzinski	Rec / 0.35xNAV PT: BUY, C\$0.5/sh	1xNAV_{3Q24} FF FD: C\$1.05/sh	Country: Finland

Commodity price	CY21A	CY22E	CY23E	CY24E	SPOT	Resource / Reserve	Tonnes	PdEq Grade	PdEq oz	AuEq oz
Palladium price	2,000	2,000	2,000	2,000	2,312	Kaukua Area+ Murtolampi	69	1.44g/t	3202koz	3865koz
Platinum Price	1,100	1,100	1,100	1,100	931	Haukiaho	18.9	1.38g/t	839koz	1012koz
Gold price	1,850	1,850	1,850	1,850	1,720	Total	87.9	1.43g/t	4041koz	4878koz
Nickel Price	17,632	17,632	17,632	17,632	22,000	SCP inventory @ 80% conv.	70.3	1.19g/t	2701koz	2921koz
Copper Price	8,926	8,926	8,926	8,926	7,685					

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh	Project: USES	Funding: SOURCES
Ungeared @ build start (3Q23)	353.8	100%	1.00x	1.08	Pre-DFS exploration / G&A:	C\$5m
SCPe Pro-forma Cash 4Q22	11.4	100%	1.00x	0.03	Build capex:	C\$387m
Cash from options + warrants	14.4	100%	1.00x	0.04	Fin. cost + WC over DFS	C\$16m
SCPe resources ex invty @ US\$50/oz	86	100%	1.00x	0.26	TOTAL USES:	C\$408m
Tyko nominal upside (C\$m)	10.0	100%	1.00x	0.03	Buffer / drill budget:	C\$9m
Asset NAV 7% US\$2000/oz Pd	476			1.45	TOTAL SOURCES:	C\$416m

Share data	Basic	FD with options	FD for build
Basic shares (m)	283.8	327.6	535

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	274.0	503.8	535.2	535.2	535.2
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	17.4	30.3	36.8	(10.6)	308.2
FCF yield (%)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

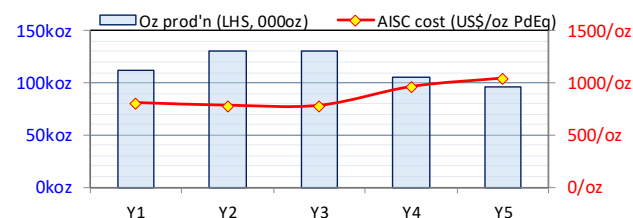
Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	-	-	-	-	-
D&A, attrib (C\$m)	-	(0.4)	0.0	-	-
G&A + sh based costs (C\$m)	1.3	2.3	3.0	4.3	4.5
Finance cost (C\$m)	3.7	8.3	6.6	4.6	7.7
Taxes (C\$m)	-	-	-	-	-
Net income (C\$m)	(5.0)	(10.7)	(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

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

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TENDER: The analyst recommends tendering shares to a formal tender offering

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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