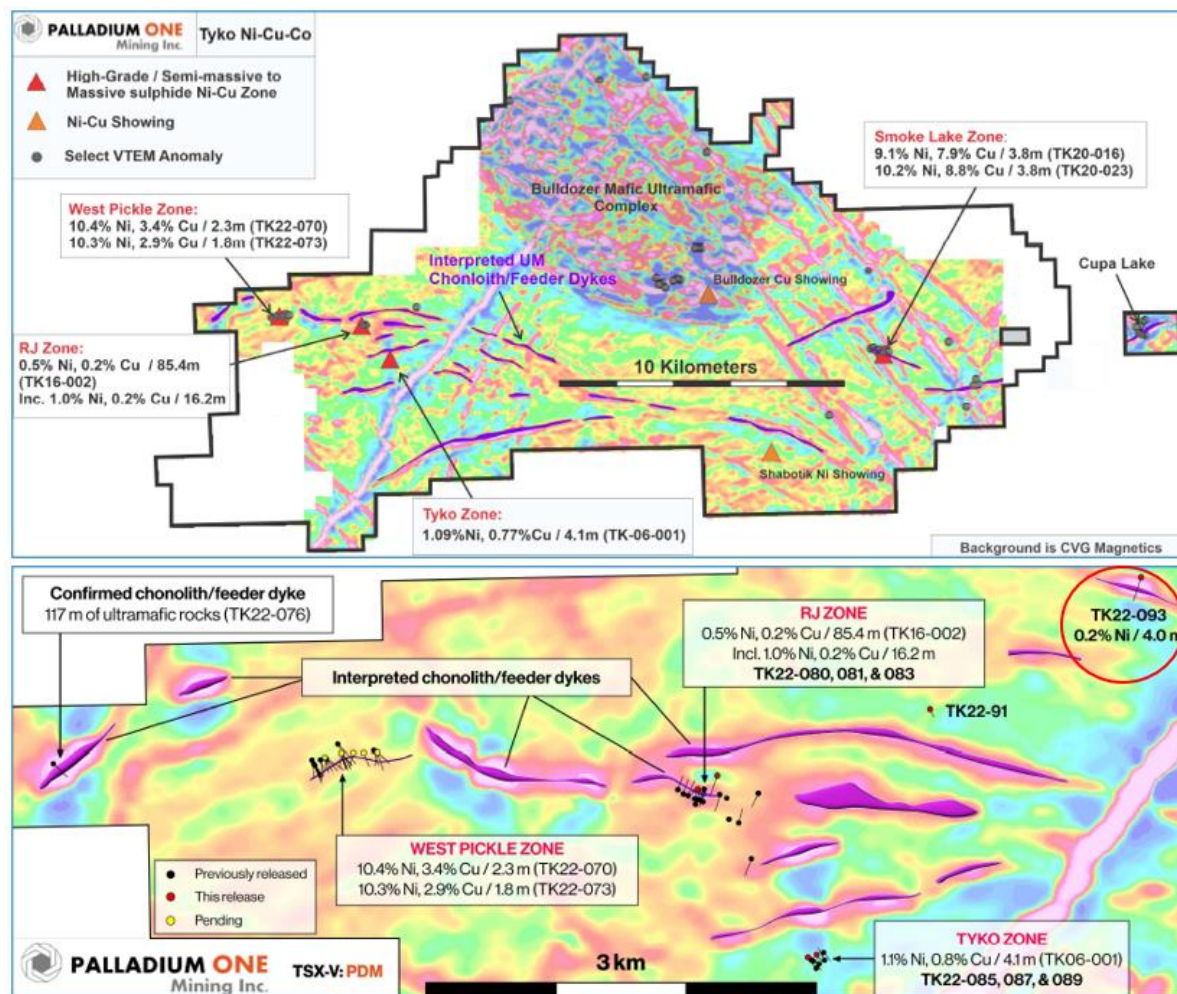


Ticker: PDM CN **Cash:** ~C\$11m **Project:** LK Project / Tyko
Market cap: C\$26m **Price:** C\$0.09/sh **Country:** Finland / Canada, ON
REC. (unc): BUY **TARGET (unc):** C\$0.50/sh **RISK RATING (unc):** HIGH

We see two takeaways from today's results: (i) drilling confirmed the existence of high-grade mineralization at depth in the Smoke Lake Zone but the exact dimensions remain unclear, so more drilling is needed here to get a rough estimate on shape, volume and grade and (ii) the geological model is holding up nicely verified by the discovery of the new chonolith / feeder structure. On face value the low-grade drives that love/hate 'encouraging', fair, but twin advantages are (a) where there is smoke there (could be) fire, and (b) bulk low-grade attracts majors, but, only if sufficient high-grade can be blended in to sweeten the concentrate. As such, the opportunity of this year's program is the drill testing of the potential feeder targets for both bulk and potential higher-grade settling zones as well. 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, the 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 MAG background and (B) Tyko plan map showing today's discovery



Source: Palladium One

New feeder dyke north of RJ Zone hits 50m @ 0.3% NiEq; with 3.4m @ 4.1%NiEq at Smoke Lake
 Reconnaissance drilling 3.5km northeast of the RJ Zone (historic 85.4m @ 0.6%NiEq), hit **50m @ 0.3%NiEq** (incl. 30m @ 0.4m% and 1m @ 2%) from 4m, leading to the discovery of a new chonolith / feeder dyke

structure. Infill drilling at Smoke Lake returned an intercept of **3.4m @ 4.1%NiEq (incl. 2.3m @ 5.8%)** from 96m. As of now, 27 out of a total of 70 holes are still pending assays. 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-targets identified 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	Haukiahio	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
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 NAV7% US\$2000/oz Pd	476			1.45
*Shares diluted for options mine build		Market P/NAV _{7%3Q22} 0.06x		

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	380	380	535	535
1xNAV7%/sh FF FD (C\$/sh)*	0.82	0.98	1.28	1.05	1.12

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

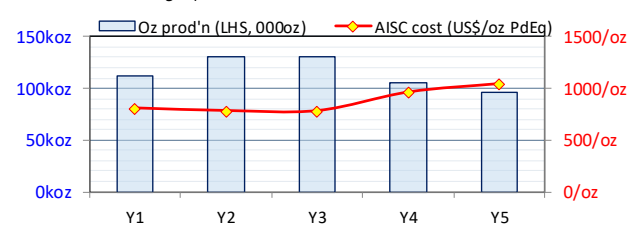
NAV at first con (C\$m)	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	225	369	510	776	1,039
Discount rate: 7%	258	411	561	846	1,127
Discount rate: 5%	296	460	622	928	1,232
Geared project IRR:	9%	14%	18%	26%	33%

NAV at first con (C\$/sh)*	\$1500oz	\$1750oz	\$2000oz	\$2500oz	\$3000oz
Discount rate: 9%	0.25	0.57	0.91	1.56	2.23
Discount rate: 7%	0.34	0.69	1.05	1.76	2.47
Discount rate: 5%	0.44	0.82	1.22	1.99	2.76

^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

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
<i>Buffer / drill budget: C\$9m</i>	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)	CY20A	CY21A	CY22E	CY23E	CY24E
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)	CY20A	CY21A	CY22E	CY23E	CY24E
Cash flow, attrib.	(5.0)	(10.7)	(9.6)	(8.9)	(12.2)
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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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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