

Pathfinder Small Cap

Quarterly Report

June 30, 2025

The Pathfinder Small Cap mandates invest in high-torque, early-stage companies that have the potential to generate superior returns.

Pathfinder Partners' Fund

The Partners' Fund had a net return of +14.5% in the second quarter of 2025. This compares to the TSX Venture Exchange which had a return of +16.7% in the second quarter. Our annualized 10-year return is +13.8% compared to the TSX Venture Exchange's return of +0.9% over the same period. The table below provides the performance summary.

Performance: June 30, 2025							
	3M	6M	1 Yr	3 Yr	5 Yr	10 Yr	Incpt. *
Pathfinder Partners' Fund ¹	14.5%	15.3%	25.7%	15.0%	17.0%	13.8%	8.8%
S&P/TSX Venture	16.7%	22.7%	28.7%	5.9%	3.4%	0.9%	-7.5%

	2024	2023	2022	2021	2020	2019	2018
Pathfinder Partners' Fund ¹	20.0%	10.5%	-20.6%	19.6%	50.6%	26.3%	-17.0%
S&P/TSX Venture	8.1%	-3.0%	-39.3%	7.3%	51.6%	3.7%	-34.5%

¹ Performance based on Class C Master series, please see disclosures below

*Inception Date: March 2011

Our top contributors for the quarter were **Eupraxia Pharmaceuticals (TSX:EPRX)** which added +4.5%, **NameSilo Technologies Corp. (TSXv: URL)** which added +4.4%, **Itafos Inc. (TSXv:IFOS)** at +1.6%, and **Nektar Therapeutics (NASDAQ:NKTR)** at +1.5%. Our main detractors were our S&P500 short (**NASDAQ:SPY**) down -1.0% and **Spectra7 Microsystems (TSXv:SEV)** down 0.6%.

We kicked off the quarter with Trump's "Liberation Day," which initially sent markets on a whipsaw ride of volatility. But as is often the case, cooler heads prevailed, "TACO" (Trump Always Chickens Out) took hold and markets stabilized before pushing higher into July. In Canada, the commodity-weighted TSX Venture



Exchange surged to three-year highs, fueled by gold's breakout to new all-time records. While the Partners' Fund maintains limited direct exposure to commodities, our fundamental-driven investment approach continues to deliver strong returns with low correlation to broader markets, which we believe positions the Fund well for navigating the current environment of heightened uncertainty.

Our biotechnology investments continue to deliver strong results. The sector remains meaningfully discounted relative to large-cap peers, and we believe this valuation gap presents a compelling opportunity. We maintain a positive outlook on the sector as M&A accelerates, even though investor sentiment remains bleak. We have been systematically trimming our positions that have outperformed and reallocating proceeds into opportunities with asymmetrical risk-reward.

Nektar Therapeutics (NASDAQ:NKTR) is a great example of the asymmetrical opportunities we look for in the biotech space. Nektar is a company we've followed since 2023. Its lead asset, Rezpegaldesleukin ("Rezpeg"), is an IL-2 agonist designed to modulate immune response in inflammatory diseases such as Atopic Dermatitis (eczema), Alopecia Areata, and others. Back in 2017, Eli Lilly partnered with Nektar to co-develop Rezpeg and conducted a series of clinical trials; however, in 2022 Lilly reported disappointing results in a Phase 1b. Rezpeg had failed to show statistical significance over a placebo, prompting a sharp decline in Nektar's share price—from \$11 to \$5 (pre-reverse split). Shortly after, Lilly terminated the collaboration and returned full rights of the drug to Nektar.

In 2023, Nektar independently re-analyzed the Phase 1b data and found that Lilly had excluded critical patient data, significantly impacting the trial's statistical power. When the full data set was reviewed, Rezpeg not only met but exceeded key efficacy endpoints. Despite this positive revision, investor confidence remained low and the market continued to discount Nektar's share price, assuming Lilly's original analysis was definitive. Nektar subsequently filed litigation against Eli Lilly and initiated its own Phase 2b trial in Atopic Dermatitis, with a readout scheduled for June 2025.

By May 2025, Nektar traded at a market capitalization of approximately US\$170 million while holding over US\$230 million in cash—implying that the market viewed Rezpeg as negative value and expected the trial to fail. Rezpeg was targeting a \$20B/yr market in eczema, and if Nektar's data were validated, the upside potential to the current share price was substantial. This created an exceptionally attractive asymmetric risk/reward profile. A failed trial would likely result in a modest decline—perhaps 20–30%—but with the company's strong cash position, the downside risk was limited. On the other hand, successful trial results would propel the stock to a 2–4x return.

Recognizing this dissonance, we initiated a position in Nektar just days before the readout at approximately \$9 per share (post 15:1 reverse split). Nektar announced their positive Phase 2b results a week later, the stock rallied, and we exited the position at ~\$25 per share. This is a clear example of our strategy in action: identifying deeply mispriced event-driven opportunities in the biotech space, particularly where companies have strong balance sheets and the market is overly pessimistic. We're confident in our investment approach and its ability to continue delivering differentiated, outsized returns for our shareholders.



Pathfinder Resource Fund

The Resource Fund had a net return of +12.5% for the second quarter of 2025. This compares to the benchmark which had a net return of +5.0% for second quarter. Since inception (July 16, 2018), the Resource Fund has returned +15.3% annualized versus the benchmark's return of +9.3%. The table below provides the performance summary.

Performance: June 30, 2025						
	3M	6M	1 Yr	3 Yr	5 Yr	Incpt. *
Pathfinder Resource Fund¹	12.5%	19.9%	33.6%	14.6%	17.5%	15.3%
Benchmark	5.0%	21.3%	25.1%	15.2%	15.5%	9.3%

	2024	2023	2022	2021	2020	2019
Pathfinder Resource Fund¹	26.9%	2.2%	-18.7%	23.6%	69.9%	15.6%
Benchmark	17.5%	-2.1%	12.0%	19.8%	6.0%	19.0%

Benchmark: 75% S&P/TSX Capped Materials Index, 25% S&P/TSX Capped Energy Index

*Inception Date: July 16, 2018

¹ Performance based on Class C Master series, please see disclosures below

Our top contributors for the quarter were **Sprott Physical Uranium Trust (TSX:U.UN)**, which added +2.6%, **Itafos Inc. (TSXv:IFOS)**, which added +2.4%, **Alphamin Resources Corp. (TSXv:AFM)** at 1.4%, and **Altius Minerals Corp. (TSX:ALS)** at 1.2%. Our main detractors were **LibertyStream Infrastructure Partners Inc. (TSXv:LIB)**, **Strikepoint Gold Inc. (TSXv:SKP)**, and **Ivanhoe Mines Ltd. (TSX:IVN)**.

Precious & base metals have performed well over since the start of the year, offering investors a safe haven throughout the recent tariff-driven market turmoil. Global instability and tariffs continue to be a short-term factor driving precious and base metal prices. Despite this noise, we believe the broader commodity sector is attractive long term, based on multiple theses across different commodities. What has changed though is the importance of critical elements that are seeing increasing demand due to national strategies and pending supply issues. Our investment strategy has always been to find out-of-favour sectors that are either starved for capital or where we see a fundamental re-positioning in the near term. Thus, our portfolio has evolved from majority weights in a select few commodities to broader diversification focusing on best-in-class management teams and assets. While precious metals are currently very topical amongst retail investors, we have taken the strategy of a diversified portfolio that is evenly balanced across gold, copper, uranium, fertilizers, battery/critical elements, platinum group metals (PGMs), drilling and royalty companies.

Uranium's spot price bottomed in April but recovered toward the end of the quarter. Our view remains unchanged on the sector. Uranium demand is inelastic, and there has been a multi-year structural deficit and secondary supply stockpiles continue to diminish. Major producers like Cameco and Kazatomprom continue to curb production due to sulfuric acid constraints, lack of contracting, and the need for higher pricing to incentivize an increase in production. Global policies are shifting towards nuclear as an increasing viable



option compared to renewables. Germany is following in France's footsteps and dropping opposition to nuclear power and the US is also looking to increase baseload electricity generation from nuclear. Over the long term, we see a fundamental shift toward increased uranium demand on the back of new policies and a movement away from less reliable renewable energy sources.

Average retail prices of fertilizers were strong quarter over quarter, remaining above the five-year average. Historically, prices are higher at this time of the year due to application and refilling of inventory; however, global uncertainty remains a driver going into the third quarter. Most recently, concerns over the closure of the Strait of Hormuz due to Israeli and Iranian escalation could have a significant effect on supply. The Strait of Hormuz represents one of the most significant global fertilizer bottlenecks. It accounts for trade flows of phosphate and sulfur amounting to as much as 25% of global ammonia exports, 20% of DAP exports, 10% of MAP exports, and an estimated 30% of global sulfur exports. If the Strait is blocked, Brazil and India would be most affected in terms of supply, but prices would increase benefitting **Itafos Inc. (TSXv:IFOS)**, one of our core positions. Outside of global conflict, we are steadfast in our supply thesis as phosphate fertilizer demand is set to rise due to increasing soil degradation requiring more nutrients to be added. In addition, competition from lithium-iron phosphate (LFP) batteries, which are being used increasingly for battery storage, will increase demand.

We see a compelling opportunity in the PGM sector (originally discussed Q324) as it demonstrates all the hallmarks of our macro investment criteria. The sector has been undercapitalized for several years with no significant projects coming online to backfill pending demand. Similarly, many producers have been operating below the cost curve and are cash flow negative resulting in lower output, further tightening supply. The geopolitical risk is high, as 40% of supply is dominated by Russia and 35% from South Africa. On the demand side, we are seeing EV adoption rates slowing compared to initial forecasts and a shift towards hybrid vehicles which consume more PGM's than internal combustion engines. As demand increases, we expect significant supply issues leading to increasing PGM prices.

Based on these factors, we are long PGM's, specifically palladium through futures, which are contracts to buy or sell a specific commodity at a predetermined price on a future date, and through companies such as **Generation Mining Ltd (TSXv:GENM)**. GENM's Marathon project is a permitted, construction ready, platinum and palladium project located in Ontario next to the Trans-Canada Highway with strong support from local government. GENM tabled a feasibility study earlier this year outlining an after-tax NPV_{6%} of C\$749 M and 21.4% IRR at current spot prices. This implies that GENM is trading at ~0.15x P/NAV. The project has strong support from the local First Nations and is backed by key shareholders such as Sibanye-Stillwater, Wheaton Precious Metals, Eric Sprott, and the Lundin Group. The company has secured the funds to build the majority of the project through non-dilutive methods. As PGM prices shore up, this is the next shovel ready PGM project in a tier one jurisdiction that offers the asymmetric reward we look for.

One thing we've learned is that you must be very patient when it comes to investing in commodity-based equities. During any positive cycle where we see significant overall gains, multiple corrections can also occur along the way reinforcing the need to invest in fundamentally sound companies. We believe our portfolio is well diversified to capture long term value in an emerging commodity cycle across many different sectors based on shifts in global policy and the growing need for countries to secure supply of critical elements.



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Disclosure

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are an insider of companies periodically mentioned in this report. Please visit www.paml.ca for disclosures.

* All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund are presented based on the Class C Master series except prior to its inception in July 2011 when the Class A Master series was used. Inception returns include the 10 months from inception in March 2011. Returns greater than one year are annualized. Returns from the Pathfinder Resource Fund are presented based on the Class C Master series since its inception in July 16, 2018. The S&P/TSX Venture Composite Index (C\$), the S&P/TSX Venture Composite Index, the S&P/TSX Capped Materials Index and the S&P/TSX Capped Energy Index provide general information and should not be interpreted as a benchmark for your own portfolio return. Further details of the Partners' Fund are available on request.

Changes in Leverage. We are increasing the liabilities ceiling to 2.0 times the market value of equity for [Pathfinder International Fund](#) and [Pathfinder Conviction Fund](#) to be consistent with [Pathfinder Partners' Fund](#) and [Pathfinder Resource Fund](#).

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