



## Southern Palladium Ltd (ASX:SPD, \$0.40. Market cap A\$35.5m) Infill drill programme completed. Next steps a new MRE, and PFS by November Positive outcome from SA elections. Power issues appear to be improving

**Investment view:** Following on from the release of an attractive scoping study for the Bengwenyama project, SPD has finalised a drill programme to allow the finalisation of an updated MRE and the completion of a pre-feasibility study by the end of 2024. Delivery of an environmental study to the DMRE within weeks will set the permitting clock running, with a Mining Right likely to be delivered during 2Q2025. We continue to view this as a special project, with drilling confirming significantly higher than average grades for the UG2 anywhere else in the Bushveld. In our view Bengwenyama is the best greenfield PGM Project globally - and one which deserves far more attention than the market is currently paying.

In this report we also look at the recently released reserves and resources for the adjacent Modikwa Mine (of Amplats and ARM) and note that mine planning is now within 2km of the boundary with the Bengwenyama property. The likely spin-out of Amplats from parent Anglo American will present a very different company with its own balance sheet and own corporate objectives.

The perception of South Africa as a “high risk investment destination” appears to be dissipating somewhat, with the formation of a Government of National Unity following the loss of a Parliamentary majority by the ANC. Importantly as well is an improving power sector with significant increases in distributed electricity during 2024.

- Last month, SPD reported the finalisation of drilling required for the completion of the prefeasibility study (PFS) for the Bengwenyama study, scheduled for completion in 4Q24.
- A total of 82 drillholes have been completed for a total of 30.7km of drilling. These included some 50 deflections of parent holes which are necessary to understand the grade variability for resource grade estimation.
- Over a sampled width of 67cm the 4E grade for the UG2 reef averaged an impressive 8.25g/t (7E at 9.88g/t). Prill splits hold equivalent proportions of Pt and Pd with lesser but material levels of Rh, Ir. At just under 30%, chrome will be an important by-product. We note that the average grade for the full suite of intercepts is a little higher than was reported in October 2023 for the first 39 intercepts released in October (8.25g/t vs 8g/t).

	UG2 sampled width (cm)	Pt (g/t)	Pd (g/t)	Rh (g/t)	Ir (g/t)	Os (g/t)	Ru (g/t)	Au (g/t)	3PGE+Au (g/t)	6PGE+Au (g/t)	Ni (%)	Cu (%)	Cr <sub>2</sub> O <sub>3</sub> (%)
Weighted Average	67.0	3.67	3.71	0.75	0.25	0.17	1.22	0.12	8.25	9.88	0.16	0.04	29.90
(3PGE+Au) Prill Split (%)		44.5	45	9.1				1.4	100				
(6PGE+Au) Prill Split (%)		37.1	37.5	7.6	2.5	1.7	12.4	1.2		100			

- Compare this with the mining inventory used in the scoping study. We feel quite comfortable that grades for the new MRE will be comparable to the earlier resource statement.

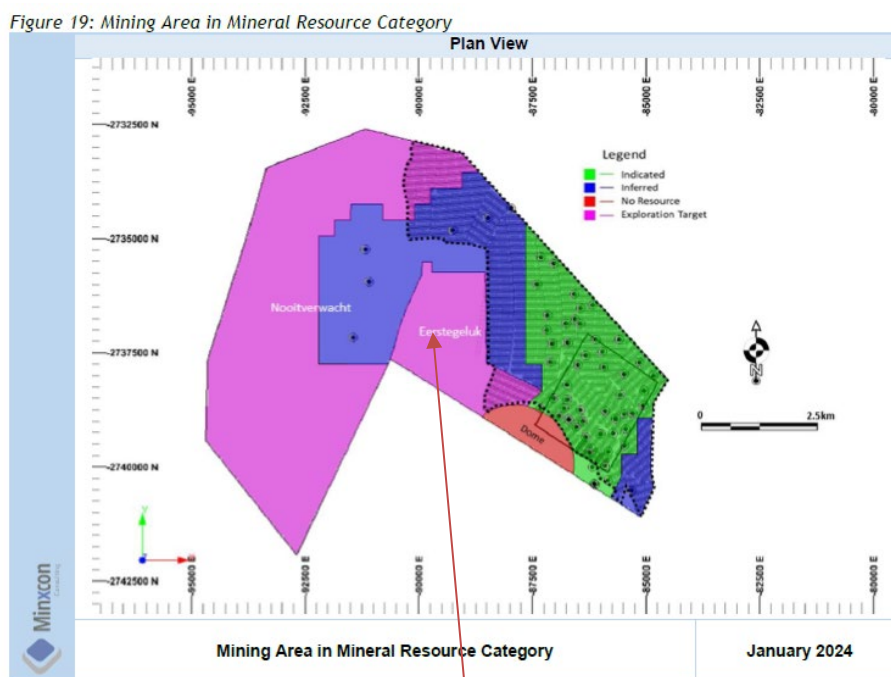
*Table 6: Mining Inventory*

Mining Inventory	Tonnes Mt	Grade 4E g/t	Grade 7E g/t	Content 4E Koz	Content 7E Koz	Contribution %
Indicated	28.04	5.36	6.47	4,837	5,830	54%
Inferred	19.69	5.50	6.66	3,481	4,215	38%
Exploration Target	4.17	5.43	6.59	724	883	8%
<b>Total</b>	<b>51.90</b>	<b>5.42</b>	<b>6.55</b>	<b>9,042</b>	<b>10,928</b>	<b>100%</b>

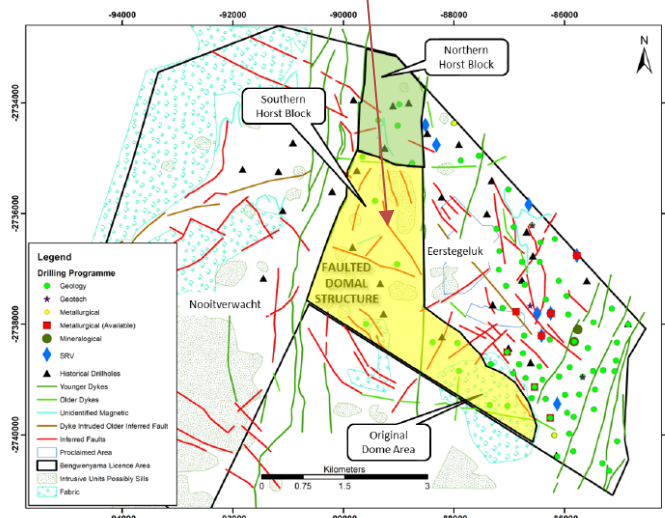
Source: Bengwenyama Scoping Study 2024

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- A new mineral resource estimate (MRE) remains scheduled for 3Q24. We would not expect much change from the 10Moz of Indicated and Inferred (7E), shown above, but would expect a significant increase in the proportion of Indicated. This will enable consultants, Minxcon, to declare a maiden reserve for the project, an outcome of the pre-feasibility study. Note that the PFS is to be reviewed by independent consultants SRK.
- The new MRE will pave the way for the completion of the PFS in 4Q24. Much of the groundwork has already been completed. Outstanding information to be collected includes the completion of a geotechnical study for key items of infrastructure and additional work on metallurgical recoveries of the chrome by-product.
- What we also learned from the recent release and discussions with the company is that the so-called Horst Block, the western section of Eerstegeluk is less prospective than originally thought. A dome structure, already known in the south of the main ore block has now been defined within the southern section of the Horst Block. So what was an exploration target, has now been excluded.
- The following plan shows resource blocks from the 2023 MRE.



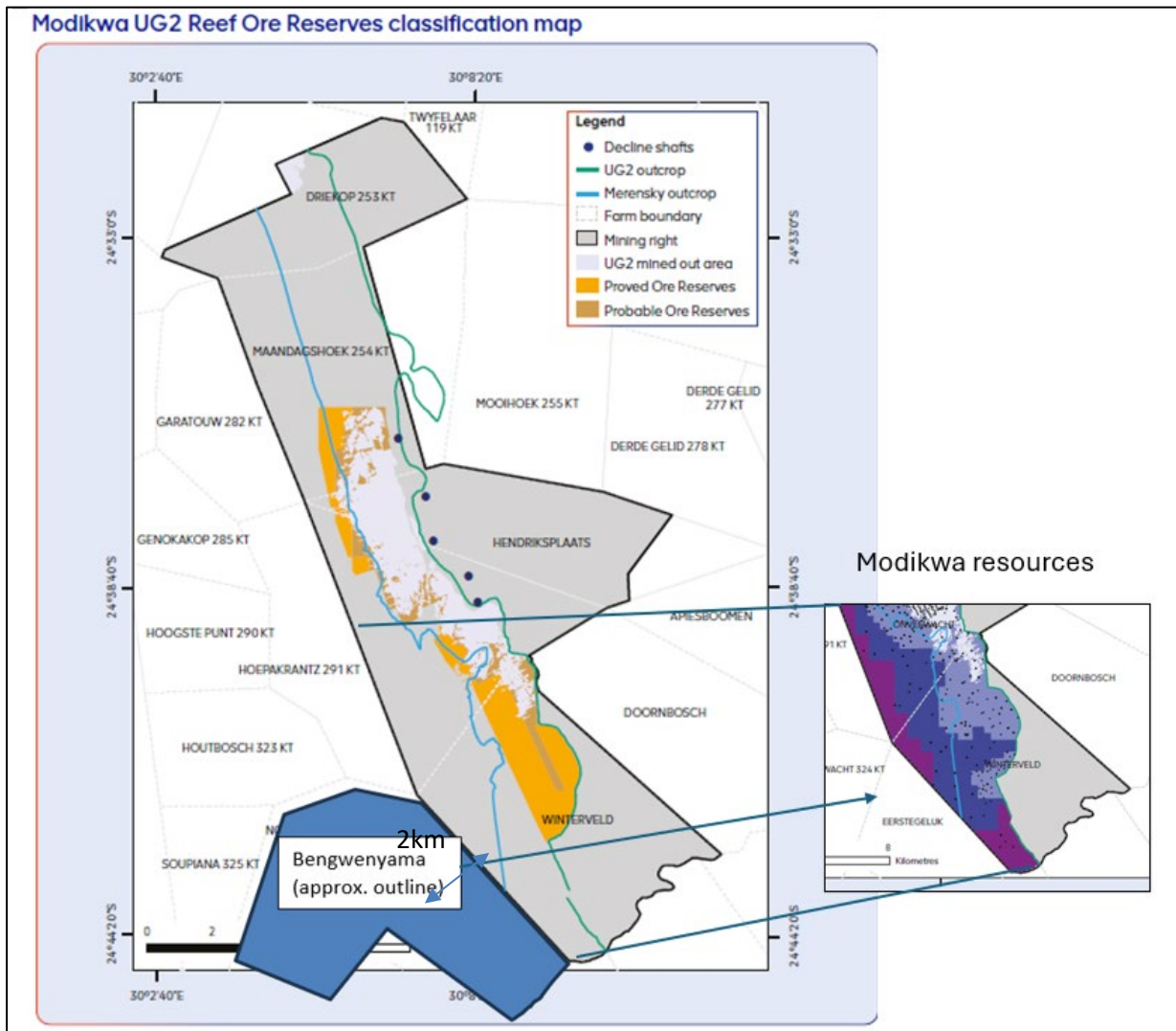
- Subsequent drilling has now removed the southern section of the Horst Block. But importantly the main resource block, which will provide the bulk of the ounces, remains intact.



- It isn't possible to speculate as to the proportion of total resource which will have been converted to Indicated. This is important as under JORC definition only Measured and Indicated Resources can be elevated to Reserves. In the table above some 53% of the total 4E resource was of Indicated status. We'd be surprised if this figure winds up less than 60%. Assuming no increase to the 9Moz 4E resource (and we are not expecting much of an increase), 60% would represent 5.4Moz of resources at an Indicated status. Assuming that a significant proportion of Indicated resources are translated into Reserves, this would represent a substantial uplift to the targeted 2Moz Probable Reserve within the 2021 Prospectus. This should easily be achieved.
- A Mining Right Application (MRA) was lodged in October 2023. The environmental scoping phase, including a formal public participation process ("PPP") was completed with the final Environmental Scoping Report submitted in December 2023. The final Environmental Assessment report is due to be submitted to the DMRE in a few weeks and the PPP has been initiated under the control of independent consultants. It is hoped that final environmental approval will be obtained during 4Q24.
- It is hoped that the Mining Right approval will be concluded in mid-2025. This will allow SPD to complete exploration and pre-development drilling, detailed metallurgical studies and other inputs to allow the project to move to FID, probably in late 2025.

**Comparison with nearby PGM projects. Bengwenyama must represent an attractive target for Amplats**

- Release of results from SPDs final drill programme coincided with the publication of 2023 resource/reserves report from next-door neighbours, Amplats, and its 50%-owned Modikwa mine. Modikwa's UG2 reserves at 31/12/23 were 37.8Mt at a grade of 4.22g/t (4E) for 5.1 4E Moz, still a significant resource but well down on peak reserves of 6.6Moz in 2018.



Source: AngloAmerican Platinum Reserves and Resource Report for 2023 (May 2024)

- Based on 87% met recoveries, this implies a remaining mine life at Modikwa of under 17 years at the current production rate of around 260kozpa 4E.
- What interests us is that the reserve blocks for the Modikwa mine are creeping closer and closer to the Bengwenyama tenement boundary. As shown in the plan above, the Bengwenyama resource blocks are just 2km from the southernmost reserve blocks at Modikwa. Unsurprisingly the Modikwa resource blocks abut the SPD lease (shown on the inset plan, above. Blue shading in Measured and Indicated, purple is Inferred). Bengwenyama is simply a down dip extension of the Modikwa mine. (And as a reminder, Bengwenyama was once named Modikwa South, a block once owned by Amplats, and lost during the old order/new order mining right transition in the 1990's.)
- Modikwa's grades have averaged in the range 3.5-3.8g/t (4E), lower than the average reserve grade of 4.2g/t. This suggests to us that perhaps the Modikwa reserve grade increases toward the Bengwenyama boundary, where the average resource grade was 5.4g/t diluted to a 1.1m mining width.
- As SPD described in its January Scoping Study release, higher grades appear to be attributable to the relative absence of hanging wall chromite stringers above the UG2, which should reduce dilution for the resource/reserve estimates.
- We see Bengwenyama as a particularly attractive asset in the hands of Amplats. The likely spin-out of Amplats, as Anglo American divests non-core assets, will present a very different company with its own balance sheet and own corporate objectives.

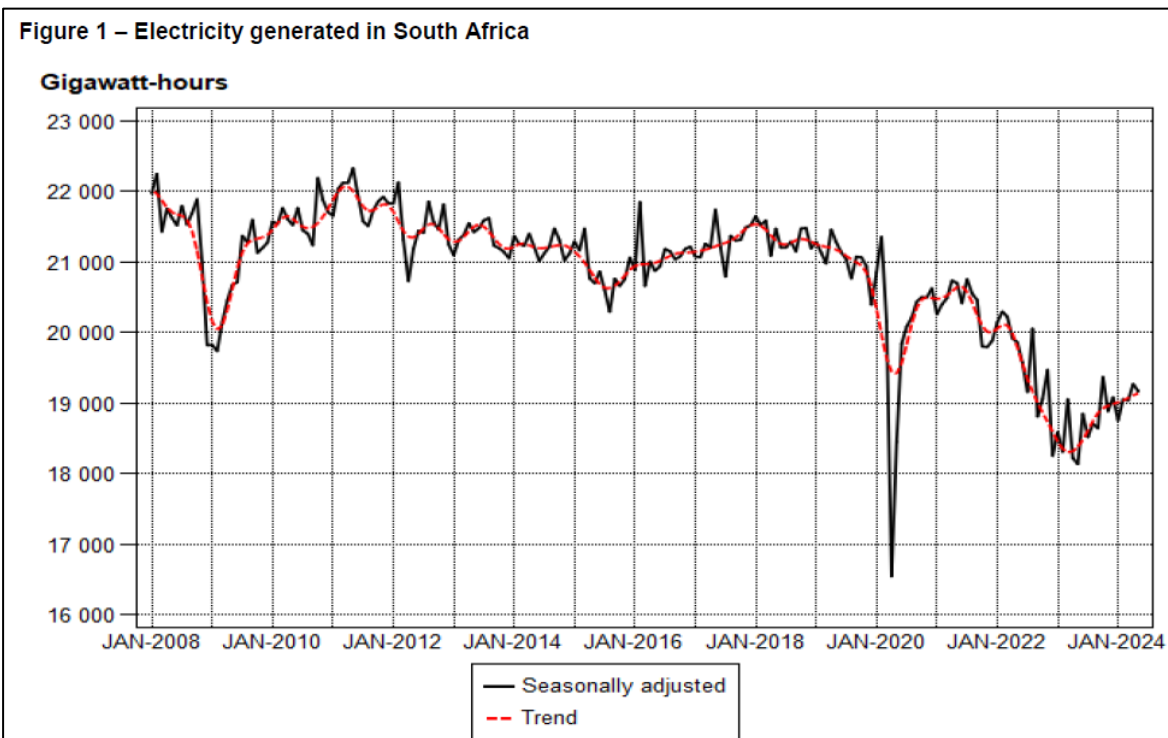
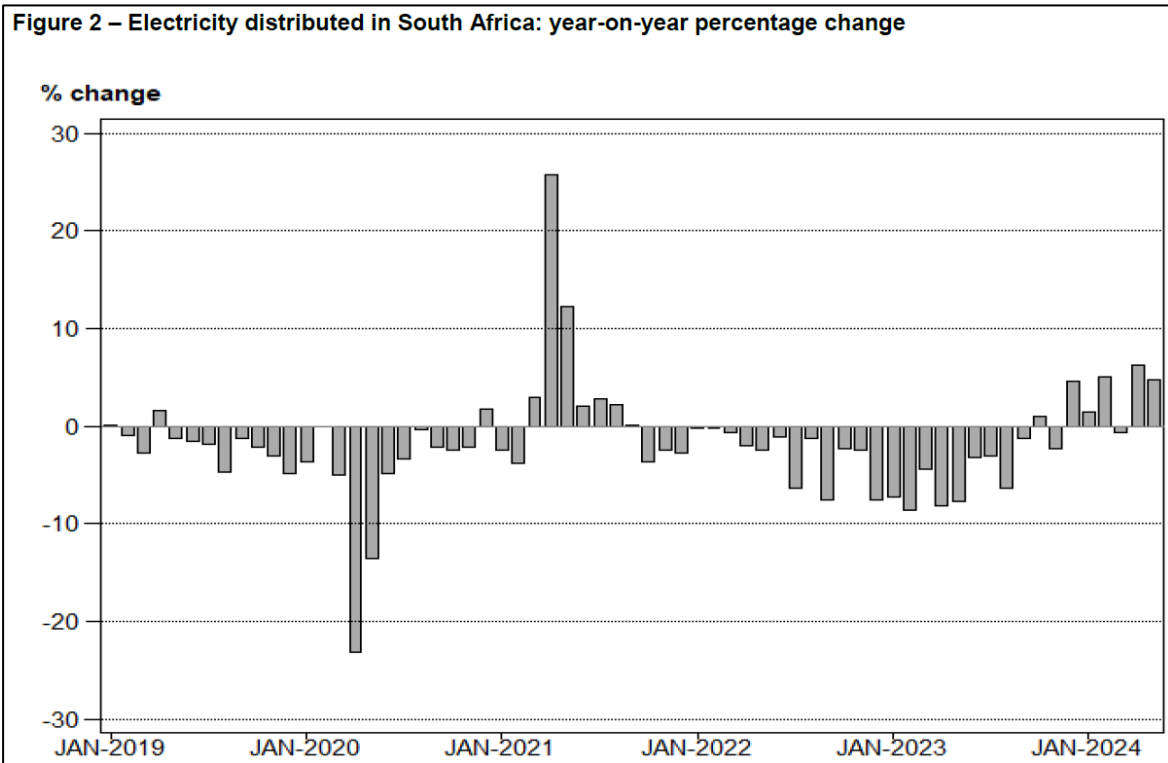
### South African elections

- There appears to be strong support for the new GNU (Government of National Unity), a mix largely of now a minority position of the ANC and the second most popular party in SA, the Democratic Alliance.
- Cyril Ramaphosa has been elected for a second term as President of the Republic.
- After a week of negotiation, Ramaphosa's new cabinet has been announced. There are a large number of Ministers (32 in total) and Deputy Ministers (42). Most commentators describe the new cabinet as 'bloated'.
- We note that the incumbent Minister of Mining and Petroleum (Mantashe) has kept his position, but Energy has been spilt from his portfolio. There will be mixed views regarding the decision to keep this position unchanged. Hopefully more progress can be made to advance this vital industry during the next 4 year term.
- There is only one chief of the vital energy portfolio and that is Electricity and Energy Minister Ramokgopa, who we understand did an excellent job as electricity minister. As we note below, the worst of South Africa's unreliable power situation appears to be behind them.
- Our recent visit to SA revealed a country with a bit more of a spring in its step than we are used to. A big win in the Rugby World Cup last year did no harm. Tourism is up strongly in the first months of the year.
- The market appears to have taken a positive view of the outcome, with the major banks, for example Standard and Rand, up over 15% since the decision in early June to form a coalition government

### Power issues

- Discussions held during our recent visit to South Arica suggested to us that the Eskom/power crisis might be steadily improving. Power disruptions are much less frequent that they were even 6 months ago.

- While 'load-shedding' is unlikely to be a thing of the past, SPD's Chairman, Roger Baxter, commented to us that an increased input from independent power producers have greatly assisted the flagging Eskom.
- The latest official statistics suggest this improvement might be sustainable. Capacity is still 10% lower than levels of 10 years ago, but at least the trend is improving. The following data are to end May 2024.





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