BRIDGE STREET
CAPITAL PARTNERS

Dr Chris Baker
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Southern Palladium Ltd (ASX:SPD, JSE:SDL $0.46/sh. Market cap A$41.4m)

Site visit confirms the quality of the Bengwenyama PGM project. Our NPV_8 now US$1.1Bn

Environmental approvals imminent. Mining Right likely in April.

We have undertaken a site visit to the emerging Tier 1 Bengwenyama Platinum Group Metals (PGM) project located on the Eastern Limb of the Bushveld Intrusive Complex. In our earlier reports we presented the case that the Eastern Limb represents an important source of PGM concentrates as the mature and high cost Western Limb projects are progressively exhausted. It is increasingly evident following discussions with industry representatives and South African analysts that one or two of the Eastern Limb mines are also under pressure, and new mines will be needed. SPD, with its low cost/long mine life 70%-owned Bengwenyama project, appears to be very well positioned.

The company is now awaiting grant of a Mining Right (MR) covering the Bengwenyama project. Environmental approvals are imminent. The MR appears likely to be granted in 2Q25 and we can see few impediments. This will be a very positive outcome and will pave the way for the start of the DFS.

We have updated our Bengwenyama model incorporating the results of the PFS and discussions with management during the site visit. This has seen our valuation move up strongly from our estimate post-scoping study to US$1.09Bn (previously US$698m NPV_8, 100% basis) using the same commodity price and currency assumptions. We conclude that Bengwenyama is one of the most attractive greenfield PGM projects globally, and with a market capitalisation of around A$40m remains particularly inexpensive.

The table on the following page presents a summary of the Bengwenyama pre-feasibility study (from October 2024) compared with our own estimates. This is based on a 6.3Moz maiden reserve estimate for a mine and mill drawing ore from and underground mine on the UG2 reef. Key points to note in the comparison are:

- Peak PGM projection is now a little over 400kozpa assisted by unusually high grades from the UG2 reef (over 6g/t,6E) not seen in other Eastern (nor Western) Limb operations. SPD's consultants are now looking to bring full production levels forward by 12-18 months, a feature now incorporated into our valuation.

- Mining costs have dropped some 30% from the scoping study estimates. This delivers all-in-sustaining costs of around US$800/oz before by-product credits. This is a project firmly in the lowest cash cost quartile.

- We have used conservative 80% payabilities for Pt and Pd in our valuation reflecting discussions held with third party concentrate suppliers. Partly offsetting this, the PFS incorporates significantly higher chromite production estimates. By-products (mainly chrome and base metals) make up a handy 18% of total revenue.

- Pre-production capex is down ~US$20m against the scoping study which delivers a sector-leading capital intensity (<US$1000/annual ounce of production), assisted by the shallowness of early access ore (<100m) and the relatively low proportion of early mine development tonnes to production tonnes.

- Bottom line: Our after tax NPV_8 is now US$1,088m (approx. A$1.55bn, 100% basis) against the SPD/PFS estimate of just over US$1bn. At spot our NPV_8 drops to ~US$700m, maintaining a respectable NPV/Capex ratio of 1.8x. There ample value in this project to more than support SPD's modest market capitalisation.

- We continue to believe that the Bengwenyama project is one of the most attractive undeveloped PGM projects globally. Northern Limb projects are being restricted by a paucity of smelting options. The large, low grade PGM/base metal projects in Australia and Brazil have yet to convince us of their viability.

- We reiterate, SPD is clearly the least expensive of the PGM pre-development plays globally, currently with a market capitalisation per reserve and resource ounce a fraction of its peer group.

Updates to the Bengwenyama PFS and our valuation model

PFS Summary

The following table summarises output from the SPD prefeasibility study, compared with our inputs. As discussed above, we have used a comparable production profile and costs (capital and operating). The differences lie with our generally higher commodity price assumptions offset by lower payabilities for third party smelting (80% against 86%).

Production Metrics	Unit	Pre-Feasibility Study	BSCP
Life of Mine	Years	29	29
Processing Rate	**ktpa**	**2,400**	**2,400**
Total 6E Oz in Mine Plan*	koz	8,876	8,958
6E Grade Delivered to Plant	g/t	6.1	6.1
6E Recovery	%	85%	85%
Total 6E Oz Recovered	koz	7,545	7,614
Peak production rate (approx)	**Kozpa**	**400-420**	**400-420**
Chromite Concentrate, total	kt	6,083	6,095
Financial Metrics			
Platinum price	US$/oz	1,200	1,250
Palladium price	US$/oz	1,100	1,250
Rhodium price	US$/oz	6,190	6,000
Chrome price	US$/t (CIF)	225	220
Exchange Rate	ZAR/USD	19.57	19.5
Payability (Pt and Pd)	**%**	**86%**	**80%**
Mining cost	US$/t	58.7	58.7
Processing cost	US$/t	20.9	20.9
Other costs	US$/t	27.7	27.7
Total C1 costs	US$/t	107.3	107.3
All In Sustaining Costs ("AISC")	USD/6E oz	800	804
Peak Funding Requirement	USD million	452	460
Total Capital, life of mine	USD million	1039	1036
NPV 8% (post-tax)	**USD million**	**1,059**	**1,088**

Resources/reserves

Ounces in the ground are not an issue for this project where Bengwenyama boasts an impressive reserve base within the UG2 reef of 6.3Moz at a 6E grade of 6.2g/t, delivering a +25 year mine life. This is based on a resource of 15.3Moz in the UG2 alone (Measured and Indicated, 6E basis) with a further 6.4Moz in Inferred (4E basis). Additional ounces in the Merensky reef take the total contained ounces for the project (M+I+I) to over 40Moz. And unlike other projects on the Eastern Limb (Modikwa of Angloplats/ARM and Two Rivers of Implats/ARM) there is no need to rely on Merensky ounces to sustain project economics.

Table 2: Ore Reserve Estimation as at 23 October 2024 (UG2 reef)

Ore Reserve Category	Tonnes	Pt	Pd	Rh	Au	Ir	Os	Ru	4E	6E	Cu	Ni	Cr_2O_3	Moz(6E)
	Mt	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(%)	(%)	(%)	
Probable	31.72	2.34	2.33	0.48	0.07	0.16	-	0.78	5.22	6.17	0.02	0.12	19.03	6.29
Total	**31.72**	**2.34**	**2.33**	**0.48**	**0.07**	**0.16**	**-**	**0.78**	**5.22**	**6.17**	**0.02**	**0.12**	**19.03**	**6.29**

Notes:

1. The Ore Reserve estimation included diluted Measured and Indicated Mineral Resources only.
2. No Inferred Mineral Resources have been included in the Ore Reserve.
3. The Ore Reserve estimation was completed using a 6E basket price (before payabilities) of USD1,557/oz over the LoM.

On our site visit, the geologists highlighted that significant allowances for ore losses and dilution that have been made in the conversion of resources to reserves. Geological losses of between 15 and 37% have been applied to the various mining blocks, to allow for losses associated with faults and potholes. (More potholes are expected closer to the SW dome structure, and allowance for these have been made). Allowance is also made for losses associated with remnant underground pillars (recoveries average 78-90%). Finally, a mine call factor of 95% has been applied across the entire orebody. In all, these look to us to be suitably conservative assumptions (and again have been independently reviewed by consultants SRK).

Production rates/mining methods

The mine plan provides for an "early access decline" in the SW of the deposit, to exploit near-to-surface UG2 ore. Subsequently the primary decline will be constructed to access the northern and NW ore blocks.

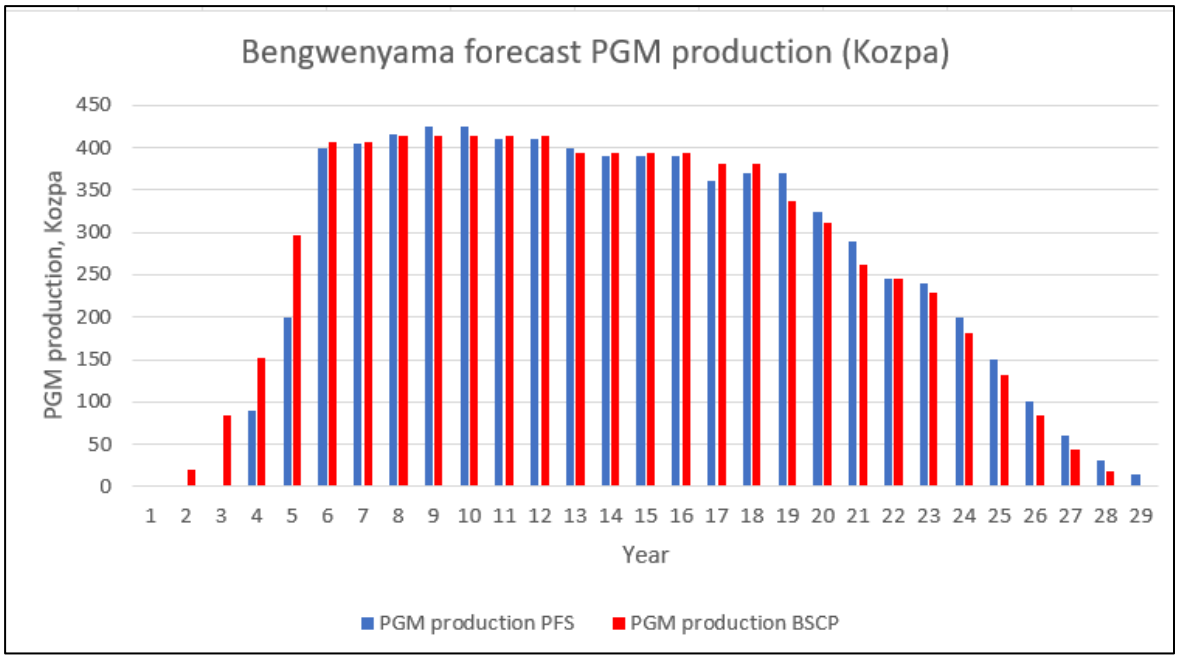
The overall **mining method** is largely unchanged from the scoping study: a hybrid of mechanised mining (for mine development) and conventional stoping over a minimum mining width of 1m (previously 1.1m). This method is employed by mines to the north of Bengwenyama, Marula (Implats) and Modikwa (Amplats/ARM). "Up-dip" mining methods are being considered, rather than "breast-stoping", to deal with minor faulting expected in the initial mining blocks.

A number of options have been evaluated to provide a likely path forward for the DFS, which should commence following the grant of the Mining Right. Other areas to be investigated include:

- The use of a single decline during the first few years of the mine development in order to reduce pre-production capex,
- A novel approach using twin haulage levels to allow more rapid transport of ore away from the face, and
- The use of mining contractors to design and construct the decline, vent shafts and surface infrastructure. This is a common approach in Australia with the likes of Barminco, Perenti, Macmahons at the forefront of underground mine development.

These were discussed in the PFS release.

It is pleasing to see that novel development options are being evaluated. In our model, we have taken an optimistic approach and assumed that production will accelerate more rapidly than that proposed in the PFS. This is shown in the following chart, which compares the production profile from the 2024 PFS with our own estimates.



In this chart, Year 1 is assumed to be 2026/7 with the start of production late in 2027/8. This, of course, is dependent on a final investment decision in mid-2026 and the success of subsequent financing.

Mining from the early access decline will require the truck transport to the plant site for perhaps the first 3-4 years of the project's life. During this period the main decline will be developed, which will incorporate conveyor transport of ore directly to the plant. The early access ore will require approval for truck movements by the local community. Given the large number of trucks already on the roads around Steelpoort and local towns, we don't see this a major issue.

Other areas to be investigated

Other areas for investigation were mentioned in the PFS release in October 2024, in addition to the mining initiatives mentioned above:

- Possible use of an idle concentrator within trucking distance of the plant. This is now looking unlikely.

- A two-stage processing plant construction with smaller initial mine and mill capacity, to balance capex and project debt capacity. We get the sense that this option is still being evaluated, but clearly it will depend on what the project economics look like at a smaller initial scale.

- The use of ore sorting to increase feed grades and reduce the size of the mill. This might be an option, but extensive test work would be required, so unlikely in the short term.

Concentrate quality and marketing.

Preliminary met. work reported in the PFS has demonstrated that high grade concentrates can be produced with attractive met. recoveries. Concentrate grades of over 100g/t are preferred by the smelters and these grades have been achieved in initial test work. More work is required to define the metallurgical response of the UG2 reef and its variability, a key part of the forthcoming DFS. (The PFS assumed 85% recoveries to achieve a 100g/t concentrate).

Regarding **concentrate off-take**, we are aware that there is a well-established downstream refining process for PGM concentrate within South Africa. Most smelters processing the concentrate from the Eastern and Western Limbs are situated in and around Rustenburg, some 400km to the west, with almost all the concentrator product in the area transported by truck to this area. The Bengwenyama PGM concentrates are expected to be processed at one of these facilities. Initial talks have been undertaken with these smelters, with expression of interest indicated. Payabilities of 86% have been employed in the PFS. Our channel checks suggest that a number closer to 80% is more likely in current markets and we have used this figure in our valuation estimates.

Permitting

The owners of Bengwenyama (70% SPD and 30% the Bengwenyama community) now need to lock in legal ownership of the deposit. This in our view is one of the important outcomes this year.

Key to the **Mining Right application** was the preparation of a production study for submission to the Department of Mineral Resources and Energy (DMRE) and, importantly, an environmental impact assessment report and a social and labour plan. These were submitted to the DMRE in September 2023 and the EIA phase triggered mid-2024. **Final EIA approvals are expected within weeks.** Seeing first-hand the devastation caused by the chrome miners in the Steelpoort area, we think there is very little risk that a Bengwenyama underground, with concentrator and tails dam won't be approved.

This should allow the DMRE to move toward final granting of the Mining Right. SPD has been guided to an April 2025 date. We understand that the project has the attention of the Mines Minister himself, who is anxious to see future mine developments in South Africa.

Prior to a final investment decision two key permits are also required, a water use licence and a waste management licence. Further drilling and hydrological studies are required following issue of the MR to progress the granting of these licences.

Other issues

- Our site visit allowed us to inspect the proposed sites for the portals for the two declines, for the plant site and for the tailing dam. Important to recall that tailings are to be dry-stacked to mitigate any risk of dam failure. This is approach is rapidly becoming a global standard.

- All infrastructure is to be located on lands owned by the Bengwenyama community.

- Importantly there are very few dwellings to be relocated. The Bengwenyama community has agreed not to

allow any new dwellings to be constructed within the areas identified for mine development.

- The Bengwenyama mine will be underground and we quizzed the engineers about the impact of blasting the UG2 reef on dwellings above. With only light blasting required to fragment the UG2, this is not thought to be an issue.

- We met with a number of the members of the Bengwenyama community, including all three directors of the subsidiary ("MUM") which holds the tenement. All remain very supportive of the project.

- During the exploration phase, SPD and its consultants chose to preferentially recruit from the local community. For example, two geologists were found within the community and staff for jobs such as security, cleaning, diesel supply and construction were readily available in the local towns and villages. Drilling activities were often undertaken within the backyards of local houses (with the landowners suitably compensated for the inconvenience). Of the 82 holes drilled, only one was relocated at the request of the landowner. Remarkable!

- Not to say we won't see the reemergence of 'carpet-baggers' with their attempts to infiltrate the company's efforts to advance this potentially world class project. We came away confident that this issue is well in hand. We had no interactions with 'opportunists' as had happened 2 years earlier.

Next Steps

- A drilling programme is scheduled to begin once the Mining Right has been granted (?April) with two objectives: (1) to obtain further samples samples for metallurgical testing and (2) geotechnical appraisal.

- Geotechnical appraisal for the plant and tailings dam site is to be undertaken using low cost surface trenching and pitting.

- This will lead into the start of the DFS, likely in 2H25. Additional funding will be sought to complete this work.

- We would also expect further updates from the company as further mine optimisation studies are completed.

- We understand SPD has appointed debt advisors to examine the options available for the project, and to ensure that the feasibility database is fit for purpose. Next steps will be to discuss other financing options.

SPD and its consultants have made impressive strides in bringing the Bengwenyama project to the completion of a very attractive PFS and to within months of the likely grant of a Mining Right. Recall, it's under 3 years since SPD listed, having raised A$19m, with a 19Moz Inferred resource and a 2 year drilling programme ahead of them. Within this timeframe SPD have successfully completed a +33,000m drill-out of the project and delivered a mining/milling study contributing to a PFS with a project value of over US$1bn. This has been a remarkable value add for shareholders. As well, comprehensive environmental, social and labour studies have been undertaken which should led to the grant of the MR within months.

The company held around A$4m in cash (at the SPD and MUM levels) as at December 2024, which will be more than sufficient to see the project into final permitting, the conclusion of mine/mill development options, initial discussions with financiers and early works on the DFS. At some point (we'd guess some time in the second half of 2025) additional equity will be required to fund the DFS, perhaps ~A$10m. No doubt the company is looking at a number of alternatives to source this relatively modest funding requirement.

Comparisons with other greenfield PGM projects

The following table compares the Bengwenyama project with other greenfield PGM projects, in South Africa, Australia and Brazil.

		Bengwenyama	Waterberg	Ivanplats (St1)	Luanga	Gonneville
		SPD (70%)	PTM (51%)	IVN (63%)	BRVO (100%	CHN (100%)
			F Zone reserves	Phase 1		High grade only
Resources						
Tonnes (M,I,I)	Mt	94.82	204.22	852	191.2	59.0
PGM Grade (4E or 3E)	g/t	7.11	2.83	3.51	1.35	2.0
Ni+Cu grade	%	0.18%	0.22%	0.48%	0.13%	0.41%
Contained ounces (4E)	Moz	21.68	18.70	94.7	8.28	3.8
Reserves						
Tonnes (M,I,I)	Mt	31.72	226.97	125.2	n/a	n/a
Grade - Reported	g/t	6.17	2.88	4.37	n/a	n/a
Ni+Cu grade	%	0.14%	0.25%	0.55%	n/a	n/a
Contained ounces	Moz	6.29	21.03	17.6	n/a	n/a
Underground or open cut		UG	UG	UG	OC?	OC
Capex, pre-production	US$m	385	781	488	n/a	1005
Caital intensity	US$K/oz PGM	939	2083	935	n/a	2138
Capex, peak	US$m	452	n/a	n/a	n/a	N/A
Production, av. annual	Koz	400-420	353	522	n/a	~470
Cash costs (AISC), excluding by-product credits	US$/oz	790	1065	895	n/a	647
Cash costs (AISC), including by-product credits	US$/oz	605	761	443	n/a	440
% of costs attributable to credits		23%	29%	51%	n/a	32%
PGM concentrate grade		100	60-100	85	80-90g/t target	10-150
Market capitalisation (at 14/2/25)	US$m	22.7	141.3	22185.3	152.7	291.8
Project equity	%	70%	50%	63%	100%	100%
Mcap/oz Resource	US$/oz	1.50	15.11	n/r	18.44	76.78
Mcap/oc Reserve	US$/oz	5.16	13.43	n/r	n/a	n/a
Notes		6E+Au	4E	4E	4E Exploration	4E Exploration

It is beyond the scope of this report to undertake direct comparisons and evaluate the strengths and weaknesses of each project, however we make the following observations:

The Northern Limb (Platreef) projects

As a general comment, the Northern Limb projects are somewhat constrained by the availability of smelting capacity for their relatively low PGM grade, high base metal concentrates. Ivanplats (IVN TSX) has succeeded in securing capacity (with Northam) for Stage 1 concentrate volumes and part of Stage 2. This appears to have locked the Waterberg project of Platinum Group Metals (PTM TSX) out of the South African market for the time being.

- The **Ivanplats project of Ivanhoe Mines** (64%) is somewhat of a moving feast. Following completion of the fist haulage shaft (to a depth of around 950m) and an associated concentrator, the company states: "Cold commissioning started in July 2024, with water being fed through the concentrator and first ore is scheduled for 2025. The concentrator will be placed on care and maintenance until H2 2025, as Shaft 1 prioritizes the hoisting of waste from the development required to bring forward the start of Phase 2." Total capital cost for Phase 1 is estimated at US488m. Total capex of Stage 1 and 2 was estimated at US$2.9bn in the 2022 DFS.

- A revision of the Ivanplats project development plans are to be announced shortly. The company states Phase 2 of the project (to 3Mtpa then to 5.2Mtpa) is to be "optimised" and "accelerated". This study will also incorporate a PEA of a further expansion to around 10mtpa. Both options, we suspect, will require a long term smelting solution, to deal with the relatively high base metal contents of the Northern Limb ore. Capex here could be quite significant.

- Should Phase 3 of Ivanplats ever go ahead (the suggested production rate will be over 900koz PGMs per year) there would be a substantial change in the shape of the PGM cost curve. However, Phase 3 (and possibly Phase 2) will require a major smelting solution at these volumes. Base metals are a critical part of the economics for Ivanplats, contributing a $443/oz credit (or around 50%) against costs (at the DFS commodity price assumptions).

- **PTM's Waterberg project** has had a long gestation period. As Ivanplats, this is a very large, low grade deposit with a strong reliance on base metal credits for its viability. It is also a palladium dominated ore (63% in the prill split). Discussions are being held with a Middle Eastern group which is considering building smelting capacity in Saudi Arabia. A decision to go down this path relies on the ability of Waterberg to export concentrate (which is not currently undertaken, and which requires approval from the DMRE).

- An updated DFS in 2024 saw the scope of the project reduce, and with it the capital costs, now estimated at US$781m, excluding capitalised opex. Despite a drop in capex, the project's capital intensity is very high. We think that the revised study which delivered an NPV/capex ratio of under 1x should ensure Waterberg remains in the ground for some time. As shown in the table above, the project's cash costs are strongly influenced by base metal credits, some US$300/oz at DFS prices.

- **Bravo's impressive Luanga discovery** in Para State in Brazil has rightly drawn the market's attention. The project's maiden resource now totals 8.3Moz of contained PGMs but at quite low grades (~1.6g/t 4E). Wide intercepts of both oxide and primary mineralisation point to its opencut potential. Metallurgy looks encouraging, with cyanide leaching of the small oxide resource and quite reasonable recoveries from initial test work on the sulphide mineralisation. What is not year clear is the means by which PGM's from Luanga are to be monetised. We see little as yet from the company regarding the nature of the PGM concentrate and how this is to be marketed. In the meanwhile the market is prepared to value resource ounces in the ground at over US$200/oz.

- Finally, to **Chalice Mining (CHN ASX) and its excellent Gonneville discovery.** In many respects this has similarities to Luanga, large low grade with significant nickel credits. Following what we saw as an unrealistically optimistic scoping study in 2023, CHN has had its head down looking at means by which the PGMs and by-product base metals can be monetised. The focus for a PFS now seems to be selectively open pit mining the higher grade zones (Phase 1) followed by bulk open pit mining of the lower grade halo (Phase 2).

- CHN talk confidently of high value concentrates with a number of western smelters prepared to offer payabilities in the range of 70 to 96% for the PGMs, and good payabilities for the base metal co-products. Simultaneously, CHN is testing a hydrometallurgical pathway to produce a Ni-Co intermediate product with the separation of PGMs (but no method specified). We feel that Gonneville still has a way to go to establish the viability of this low grade orebody. Ounces in the ground (and just the higher grade ounces) are valued by the market at over US$70/oz.

  Note added: as we finalise this report CHN have announced (17 February) a "major metallurgical breakthrough at Gonneville" which involves refinement of the flotation flowsheet and removal of the high capex hydromet. circuit. We have yet to review the detail. On the face of it, finally some positive news for CHN. But we are still keen to understand the potential commercial terms attached to the sale of PGM-bearing nickel (and copper) concentrates to the global smelter pool.

- In our view, these comparatives underscore the value proposition offered by Southern Palladium and its 70%-owned Bengwenyama project. Its strength lies with the fact that the UG2 reserves are simply an extension – but a high grade extension - of Angloplat's Modikwa mine to the North. The deposit is shallow (with underground mining to start at under 100m vertical depth). Mining methods are conventional and are employed throughout the Bushveld. Furthermore, UG2 concentrates are well known and should achieve quite attractive payabilities from the numerous smelting options in South Africa. A 6.3Moz reserve position (for a +25 year mine life) understates the reserve potential of the project. Based on the results of the PFS (which were audited by consultants SRK) the project offers low costs (US$800/oz) without the reliance on base metal credits. These drop to ca. US$600/oz after chrome and base metal credits, we estimate. The product mix is diverse, with roughly equal proportions of Pt, Pd and Rh and healthy (but not disproportionate) contributions from chrome and the minor PGMs.

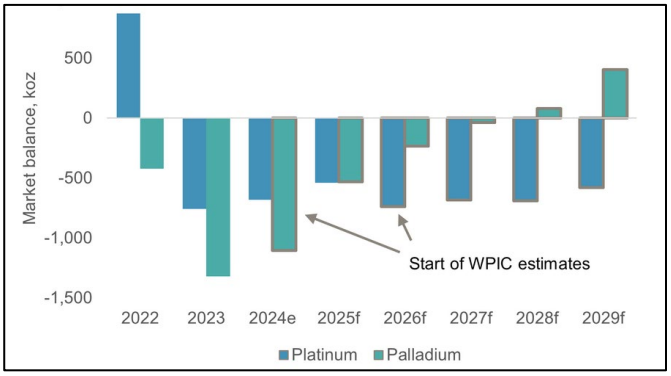
- As we've discussed in this and previous reports, the project is well located with regard to infrastructure and has strong support from its 30% owner (at the project level), the Bengwenyama community.

- **Despite these strengths, SPD's resource ounces are capitalised at one tenth that of PTM just 3% of CHN and 7% of BRVO. SPD's reserve ounces are 60% cheap than those of PTM, where funding and production seem a very long way off.**

- **SPM remains an extremely inexpensive exposure to a mature sector where there are few (in our view) obvious greenfield opportunities.**

Commodity view

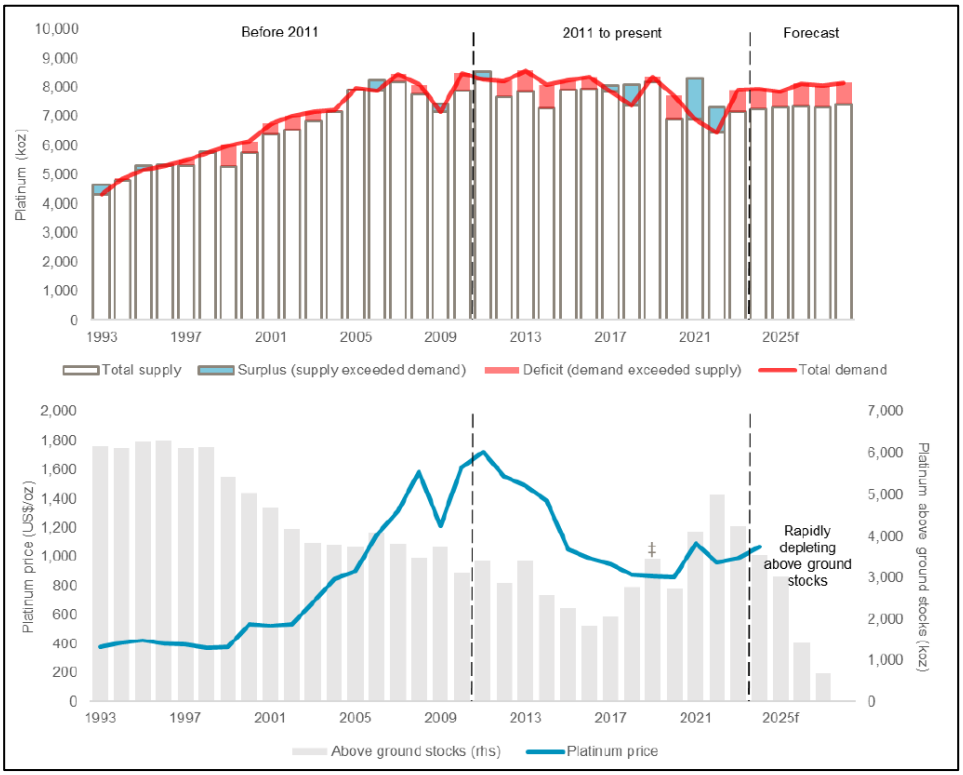
For this report we turn to the excellent research work conducted by the World Platinum Investment Council which has just released its February 2025 report. Here the WPIC continues to headline their expected platinum (and palladium) supply deficits into 2027 (and beyond for platinum).



Source: WPIC

To quote from WPIC: "In the automotive sector, slowing demand growth in light vehicle electrification is entrenched. Accordingly, we expect a long tail in automotive platinum group metals (PGM) demand, with modest erosion of -1.4% CAGR for platinum and -1.0% CAGR for palladium through 2029f. Our updated automotive outlook includes a deferred fuel cell electric vehicle ramp up. Elsewhere platinum demand is forecast to record 1% growth p.a. in both jewellery and industrial applications to 2029f, while palladium's price pull-back should incentive great use in jewellery and industrial applications over the next five years. Investment demand forecasts utilise 10-year historic averages, which suggests growth of ~150 koz off 2024 levels for platinum."

We are now in the third consecutive year of market deficits according to WPIC with Pt deficits matching levels seen a decade ago and which ultimately saw PGM prices explode. The cynics will rightly ask the question: if supply is in deficit, where is the price reaction to incentivise new production and fill demand? In our view the answer lies with above ground stocks. The following charts illustrate quite clearly (in our view) the relationship between (in this case) platinum price and the reduction in above ground stocks.



Source: WPIC

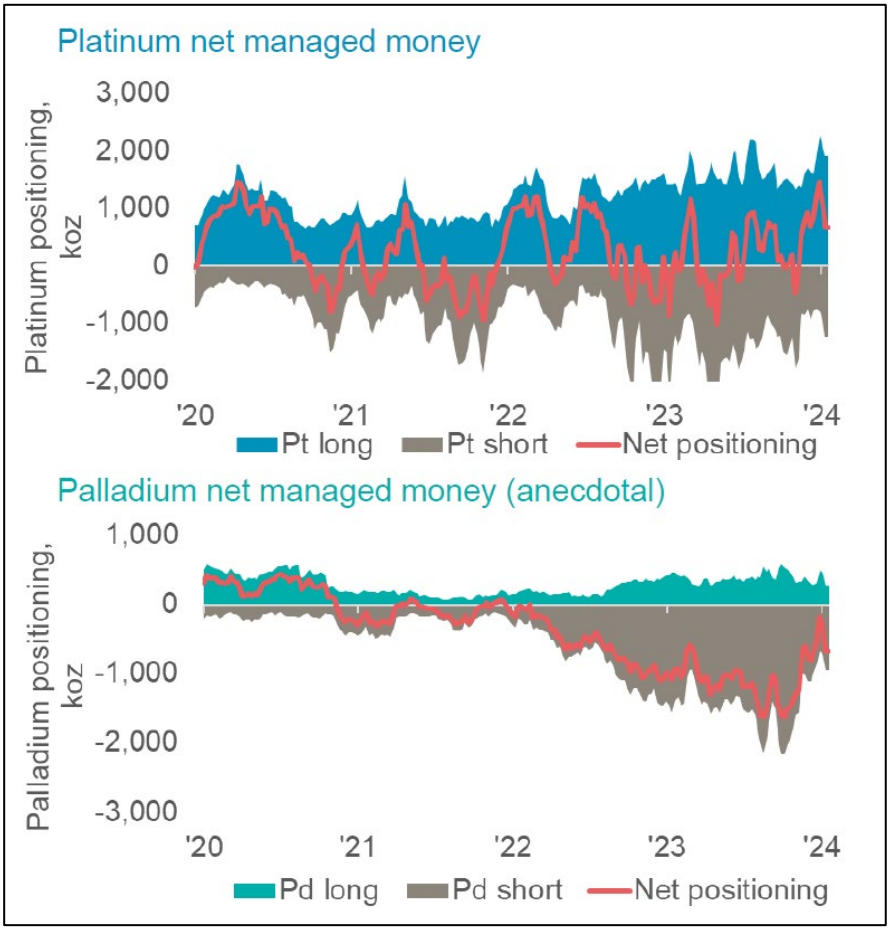
25 years ago platinum stocks were drawn down quickly, no doubt in response to rapid growth in demand from China. This saw a strong price response. The continued draw-down in stocks saw a modest price movement post-COVID, but booming palladium and rhodium prices led to a picnic day for PGM producers who accelerated production and a delivered a huge metal surplus. PGM prices have responded predictably and retraced their gains.

WPIC forecasts above ground stocks for platinum (and presumably also for palladium) to decline sharply with Pt stocks forecast to reduce to zero after 2028. Inevitably, this will see a price move, but timing is less certain. It took 5 years of deficits last decade before we saw prices begin to rally. But stocks then were not being drawn down as quickly at WPIC currently forecasts.

Wildcards include the scrapping rate from the auto sector, where greater volumes are expected as new vehicle inventories have increased (so it is easier to buy new vehicles), possibly a negative. Jewellery demand is forecast to rise, so that could be a positive. Industrial demand is forecast to remain flat to down slightly.

An improving economic outlook for South Africa might see a strengthening Rand, which would put further cost pressures on the producers. The USD/ZAR exchange rate does seem to be topping out, but it's too early to call this trend.

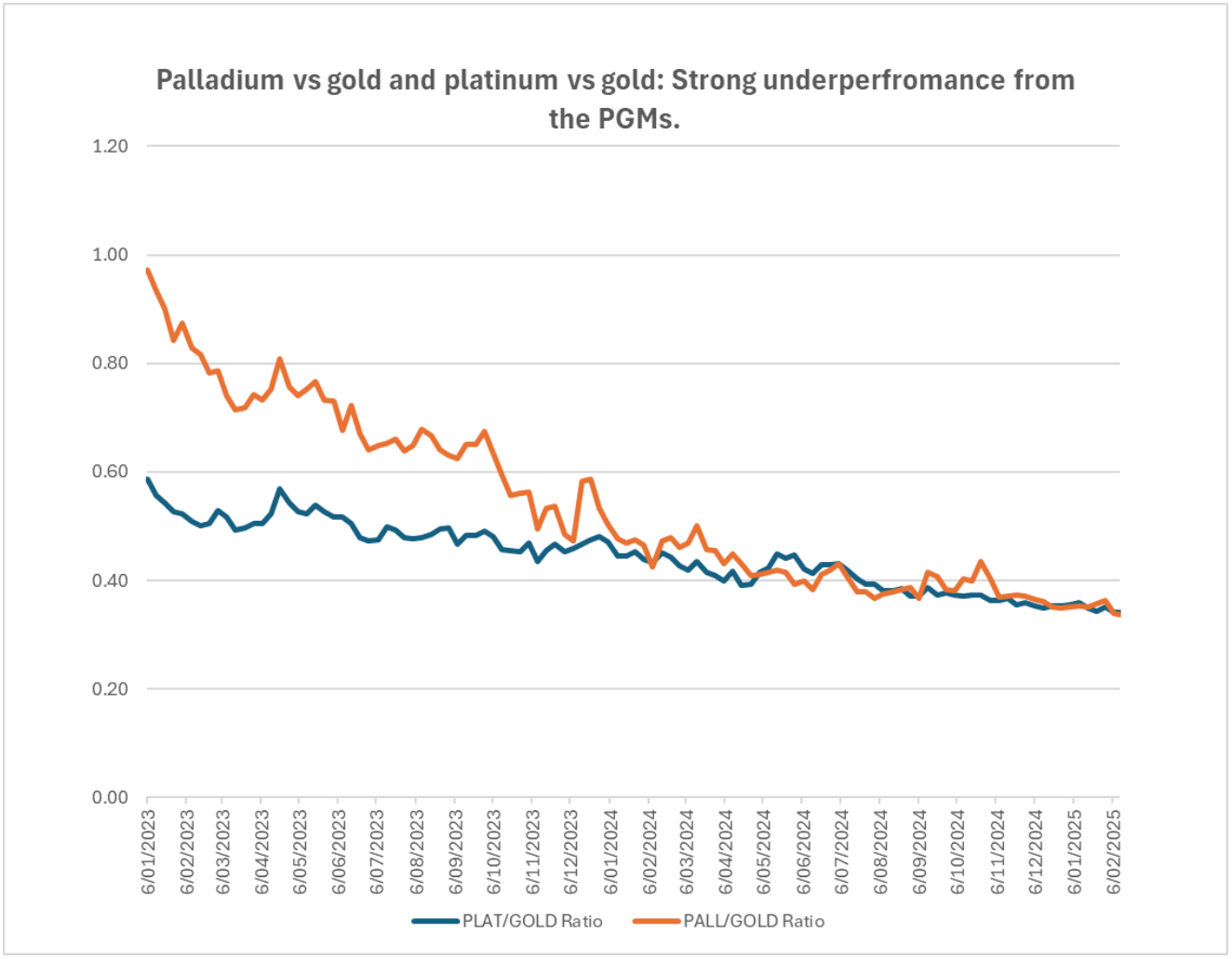
For us the real wildcard is investment demand. Palladium traders appear to be net short, but a lot less short than they were in early 2024. A modest short position in platinum has been closed out and traders now appear to be net long.



Source: WPIC

Elsewhere in the world of precious metals gold and silver are up over 40%, gold to record levels, silver to levels last seen in 2012. The underperformance of the PGMs has been spectacular, and we wonder whether the suite (palladium in particular as it is still held short by the traders) will play catch up.

The following chart shows how strongly two of the precious metals, platinum and palladium have underperformed gold.


Palladium vs gold and platinum vs gold: Strong underperfromance from the PGMs.
1.20
1.00
0.80
0.60
0.40
0.20
0.00
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PLAT/GOLD Ratio
PALL/GOLD Ratio

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