



24 January 2023

Scoping Study Confirms UG2 Reef as the Best First Stage Development Options for Bengwenyama

Highlights:

- Internal Scoping Study reviewed four scenarios for Bengwenyama PGM project undertaken by consulting firm Minxcon (Pty) Ltd.
- Study confirms the stand-alone UG2 project has the best potential with a Prefeasibility Study (PFS) now proposed. The current exploration drilling and upgrade of a proportion of the existing 18.8Moz (4E) resource to Measured and Indicated status will allow PFS to be completed.
- Results also suggest that a Mining Right Application should be submitted earlier than first planned.
- Trade-off studies, metallurgical test work, environmental studies and a social and labour plan will be initiated during the current quarter.
- 18 of the originally planned 63 drillholes at the Bengwenyama PGM project have now been completed. Importantly, three drillholes now confirm the potential of a Far East Resource Block, an area which was originally thought not to host the UG2 reef.
- Drilling for 2023 re-commenced on 12 January after the contractor returned from their December break.

Cautionary statement

The Scoping Study referred to in this announcement has been undertaken by Minxcon for the purpose of determining the outcome of 4 production scenarios. It is a preliminary technical and economic study of the potential viability of the two reefs of the Bengwenyama Project, mined in combination or separately. It is based on low level resource, technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before Southern Palladium will be in a position to estimate any ore reserves or to provide any assurance of an economic development case. Given the uncertainties involved, investors should not make any investment decisions based solely on the conclusions of the Scoping Study

Southern Palladium (ASX:SPD and JSE:SDL), 'Southern Palladium' or 'the Company' is pleased to advise that mining consultants Minxcon (Pty) Ltd has completed an internal Scoping Study on the Bengwenyama Platinum Group Metal (PGM) project ('Bengwenyama') located on the Eastern Limb of the world class Bushveld Complex, South Africa. The Scoping Study concluded that extracting the UG2 represents the best potential project development option. This excludes the unexplored potential within the current tenement area, as well as future economic potential of extracting the Merensky Reef.

Minxcon considers the UG2 project within Bengwenyama has the best potential of four development scenarios assessed, and as such, recommends completion of the drilling programme (which is fully

funded) and more definitive studies be undertaken. The shallow Merensky Reef is recommended for potential future development and may significantly extend the life of the mine in the area now earmarked for mining.

Southern Palladium's Board welcomes these findings and is continuing with its drilling programme to convert current inferred resources and the exploration target into higher category resources and proceed to the completion of a Pre-Feasibility Study (PFS) as quickly as possible. Drilling re-commenced on 12 January after the contractor returned from their December break.

Commenting on these results, Managing Director Johan Odendaal, said: *"We are pleased to report that our internal Scoping Study on the Bengwenyama Platinum Group Metal (PGM) project confirms our original analysis that UG2 has the best development potential, so much so that we firmly believe that a Mining Rights Application should be submitted sooner than first envisaged. The Scoping Study highlighted the key areas of future work focus to advance the Project, especially the decision on Reef selection and sequence of mining. It places the emphasis on the UG2 reef, but it does not exclude mining the Merensky Reef in future. The Board of SPD has taken the decision to initiate the PFS during the current quarter. This is an excellent development for Southern Palladium which further underpins the Company's value."*

Bengwenyama Project Internal Scoping Study completed

Mining consulting firm Minxcon (Pty) Ltd ("Minxcon") was engaged by Southern Palladium subsidiary Miracle upon Miracle Pty Limited ("MUM") to undertake a Scoping Study to support the development of the Bengwenyama Project. Minxcon is an experienced mining consulting company and has undertaken similar studies for various mining projects.

Four project scenarios were studied:

Scenario 1. Mining the UG2 reef alone.

Scenario 2. Mining Merensky Reef alone.

Scenario 3. Mining UG2 and Merensky simultaneously

Scenario 4. Mining UG2 to completion followed by Merensky.

The results of the Scoping Study have led to the following conclusions:

- The stand-alone UG2 project (Scenario 1), has excellent potential and is therefore recommended to proceed with a prefeasibility study.
- Scenario 2: Merensky Only may be viable but significantly less attractive than the UG2 Only scenario..
- Scenario 3: UG2 and Merensky combined may be more attractive than the UG2 Only option. This option has significant upside potential in a higher platinum price environment. The study concluded that access infrastructure and capital footprint should be designed such that Merensky could be added at any time in the future.
- Scenario 4: UG2 followed by Merensky is less attractive than UG2 and Merensky combined option.

Next Steps

The company will complete the proposed exploration programme and look to initiate a prefeasibility study during the current quarter.

The steps required to lead into the completion of the PFS include:

- Upgrading of inferred resources and exploration target to measured and indicated status. This programme is underway, and its funded;
- Immediate commencement of metallurgical studies;

- Trade-off studies should be considered;
- Initiation of a Social and Labour Plan;
- Initiation of an Environmental Scoping Study and;
- The Board to consider early Mining Right Application. Under South African Mining Legislation, there is no need to have completed full feasibility studies to lodge an Application.

Conferences

Southern Palladium will be presenting at the 121 Mining Investment Conference, Cape Town on 6-7 February 2023

Competent Person Statement

1. Uwe Engelmann

The scientific and technical information contained in this announcement has been reviewed, prepared, and approved by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, FGSSA). Mr Engelmann is a director of Minxcon (Pty) Ltd and a member of the South African Council for Natural Scientific Professions and has sufficient experience relevant to the styles of mineralisation and activities being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Engelmann has a beneficial interest in Southern Palladium through a shareholding in Nicolas Daniel Resources Proprietary Limited.

2. Daan van Heerden

The scientific and technical information contained in this announcement has been reviewed, prepared, and approved by Mr Daan van Heerden (B Eng (Min.), MCom (Bus.Admin.), MMC, Pr.Eng. No. 20050318, AMMSA, FSAIMM). Mr van Heerden is a director of Minxcon (Pty) Ltd and a Registered Professional Engineer with the Engineering Council of South Africa, a Member of the Association of Mine Managers South African Council, as well as a Fellow Member of the South African Institute of Mining and Metallurgy. Mr. van Heerden has sufficient experience relevant to the styles of mineralisation and activities being undertaken to qualify as a Competent Person, as such term is defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Heerden has a beneficial interest in Southern Palladium through a shareholding in Nicolas Daniel Resources Proprietary Limited.

For further information, please contact:

Johan Odendaal
 Managing Director
 Southern Palladium
 Phone: +27 82 557 6088
 Email: johan.odendaal@southernpalladium.com

Media & investor relations inquiries: Sam Jacobs, Six Degrees Investor Relations: +61 423 755 909



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