

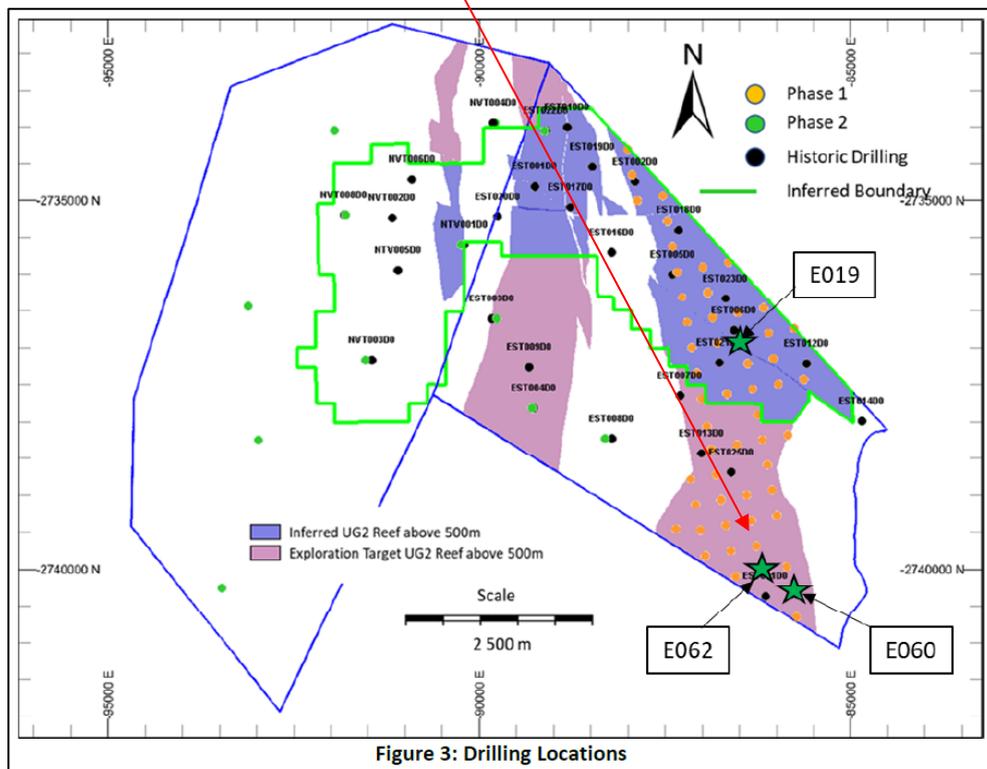


Southern Palladium Ltd (SPD, \$1.15. Market cap \$103.2m) First intercept of the UG2 Reef obtained in drilling

Good news from SPD yesterday with an announcement that the first hole (E062) at the Bengwenyama project has intersected the targeted UG2 reef.

Key points:

- UG2 interval of 87cm obtained in the first of 63 drillholes in Phase 1 of the drill-out of the Bengwenyama project. (Note the true thickness might be 75-80cm given the likely 10 degree dip of the reefs – but still to be confirmed. This compares with an average thickness of 71cm from historic drilling).
- The depth of the intercept is around 31m, so reasonably close to surface. No sign of weathering/oxidation, so that's another positive.
- We had not expected the first holes to be drilled so far to the south. This is important as there are only a very few historic holes in this area, and these holes are key to establishing the extent of the resource towards the southern extent of the lease boundary.



Source: SPD release, 5 September 2022

- The smaller of the 3 rigs are completing the shallower holes (eg E060, E062). The larger rig is currently on E019).
- Note that consultants CSA Global excluded this southern zone from the Inferred resource announced in the prospectus. So, with continued success in this southern zone, we should anticipate good conversion from exploration target to resource status (subject to ongoing exploration success).
- Next steps for this intercept are logging, cutting, then samples off to ALS in Polokwane for assay. We believe the time required for a 6E analysis is around 4-6 weeks. Pleasingly there are no capacity issues in the SA labs.

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- The hole is to be down hole logged then two deflections drilled from the mother hole to obtain further samples. (This is standard procedure in PGM exploration in the Bushveld and is aimed at testing grade variability in the reef).
- SPD has three rigs in action and announced that a further two rigs will be mobilised shortly. By our estimates this should see the full exploration programme completed by 2Q2023. Again, assuming exploration success, this should allow an early lodgement of the Mining Right Application (MRA). We were reminded at a recent presentation that the MRA can be lodged at any time, accompanied by a work programme and basic environmental and social planning reports.
- Note, the Merensky reef was not intersected in this shallow hole. It was not expected.
- We would expect that following completion of the initial 1A programme, SPD will be in a position to upgrade a section of the exploration target (as defined by CSA Global) to Inferred status and then re-release an upgraded resource for the UG2. Infill drilling (to 350x350m) will then be used to upgrade a portion of the Inferred to Indicated status. If successful, this will allow the start of mine planning for the project.

As a reminder, the total resource base of the Bengwenyama project is around 18.8Moz with the additional potential of 15 to 34Moz from the exploration target. Of this 8.4Moz is contained by the UG2 Reef with a further 8.5 to 19.5Moz within the exploration target.

Resource classification	Reef	Tonnes (Mt)	3PGE+Au		Reef width (cm)
			g/t	Moz	
Inferred	UG2	33.87	7.7	8.38	71
Inferred	Merensky	110.02	2.96	10.42	191
Total		143.89	4.07	18.80	
Notes:					
•3PGE+Au refers to platinum + palladium + rhodium + gold					
• Mineral Resource cut-off is 2.2 g/t 3PGE+Au for UG2 and 1.2 g/t 3PGE+Au for Merensky					
• Basket price used for the cut-off calculation is US\$1,126/oz for UG2 and US\$1,270/oz for Merensky					
• Geological losses of 17% for the UG2 and 10% for the Merensky have been applied					

Exploration target						
Reef	Minimum tonnes (Mt)	Maximum tonnes (Mt)	Minimum grade (g/t)	Maximum grade (g/t)	Minimum ounces (Moz)	Maximum ounces (Moz)
UG2	45	68	5.9	8.9	8.5	19.5
Merensky	88	133	2.2	3.4	6.2	14.5
Total	134	201	3.5	5.2	15.1	33.6
Note: Geological losses applied to the Exploration Target is 40% and 35% for the UG2 and Merensky, respectively.						

Source: CSA Global Independent Expert Report, Southern Palladium prospectus, 2022

Appendix 1 summarises the geology of the UG2 and its stratigraphic position within the so-called Upper Critical Zone of the Bushveld Complex. Note that in the recently completed drill hole the underlying UG1 reef (a chrome-rich unit with low levels of PGMs) was intersected some 60m below the UG2 reef.

Appendix 1. Geology of the UG2 Reef

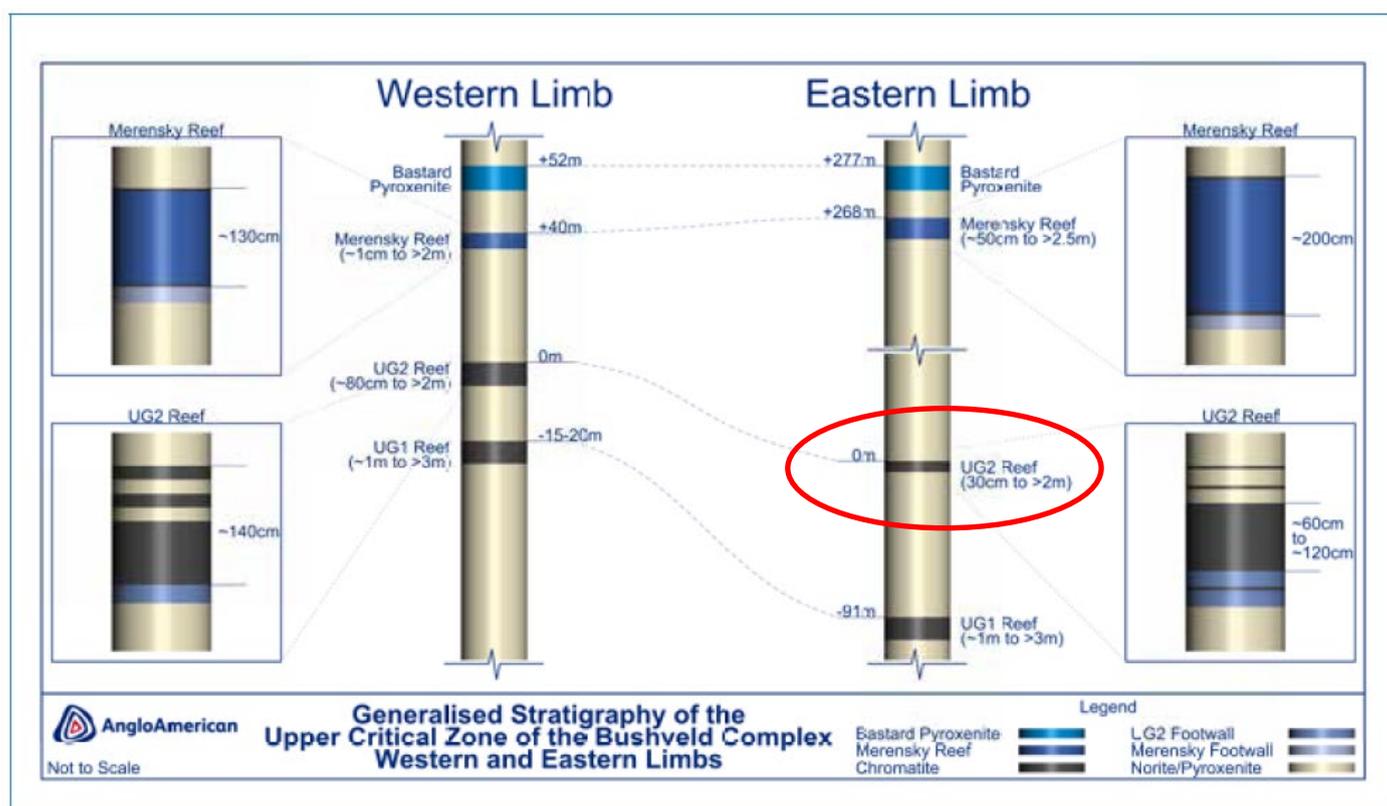
The UG2 Reef, which is consistently developed throughout the Eastern Limb (EL) and Western Limb (WL), is rich in chromitite, but with lower gold and base metal grades as compared to the Merensky Reef. In the WL, the UG2 Reef occurs between 12m and 150m vertically below the Merensky Reef and dips at 18° to 27° in a south-easterly direction (Amandelbult area). In the EL, the reef occurs between 120m and 400m vertically below the Merensky Reef and dips at 8° to 18° in a south-westerly direction.

In the WL, the UG2 normally comprises a 0.6m to 1.0m main chromitite band overlain by three chromitite bands (UG2 leaders) varying in thickness from 5cm to 30cm, separated by feldspathic pyroxenite. The immediate footwall of the UG2 is usually a pegmatoidal feldspathic pyroxenite, which varies in thickness from a few centimetres to over 1m. The separation distances between these UG2 leader chromitite bands and the UG2 main band has important implications for geotechnical considerations for mining.

In the EL, the UG2 normally comprises a main chromitite band varying in thickness from 0.3m to 1.0m, overlain by three or up to four chromitite stringers varying in thickness from 2mm to 1cm. The immediate footwall of the UG2 is usually a pegmatoidal feldspathic pyroxenite, which varies in thickness from a few centimetres to over 1m. The separation distances between these UG2 hanging wall stringers has important implications for geotechnical considerations for mining.

In the EL, south of the Steelpoort fault, the UG2 chromitite layer is an amalgamation of UG2 main chromitite with the overlying leader chromitite unit. This is overlain by a poikilitic feldspathic pyroxenite parting varying in thickness from millimetres to 15m and averaging 1m. This parting is overlain by three chromitite bands (up to 20cm thick), separated by poikilitic feldspathic pyroxenite and pegmatoidal pyroxenites commonly referred to as the 'triplets' with an average thickness of 80cm.

The Merensky Reef and UG2 Reef horizons are affected by structural and other geological features, including potholes, faults and replacement pegmatites, which result in geological losses and have an impact on Mineral Resource estimations and mine planning.



Source: Anglo American Platinum Reserves and Resources Report 2021

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