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Palladium on fire, Panton awakes

Palladium, already the best performing of the precious metals this year, could rise by another 50% next year to an almost unthinkable US\$3,500 an ounce, a rise which will boost interest in two emerging Australian palladium projects, one old and one new.



Demand for palladium as an auto-catalyst has been complemented by supply shortfalls

Commodities > Pgms

The optimistic price forecast comes from Citi, an investment bank, in its end of year commodities outlook, which also sees gold trading above \$2,000/oz next year before "unwinding" in 2022.

Comments

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But it is the predicted rise in palladium to \$3,500/oz in the third quarter of 2021 which will attract most attention because the metal has already risen 47% to \$2,328/oz since its pandemic low of \$1,583/oz in March, and 85% since early last year when it was trading at \$1,265/oz.

Strong demand for palladium as an auto-catalyst in petrol-powered engines has been complemented by supply shortfalls to supercharge the price even as its sister metal, platinum, struggles with a collapse in demand after the Volkswagen dieselgate scandal.

Citi sees the palladium run continuing largely because of sustained deficits which are not expected to ease until 2023, which is good news for mining companies in Russia and South Africa, which are the major PGM producers.

However, if the bank's forecast is correct, it will also be positive for the recently discovered Julimar palladium orebody on the outskirts of Perth in Western Australia and the almost forgotten Panton palladium and platinum project in the far north of the same state.

Since Chalice Gold (soon to be Chalice Mining) announced the discovery of Julimar earlier this year, the company has been a star performer on the Australian stock market, rising from a pre-discovery low of A14 cents to a peak price last week of A\$4.38.

Interest in Julimar is strong because of the high value cocktail of metals in the multi-layered orebody, led by palladium but including useful grades of platinum, gold, nickel, copper and cobalt.

High prices for all of those metals, and the steady flow of drilling news which continues to expand the Julimar footprint, has seen a stampede of investors into the stock and strong support for a A\$100 million share issue last week with funds earmarked for a drilling blitz.

While Julimar is earning headlines across the mining world because it has the potential to become Australia's first commercially significant palladium and platinum mine, the Panton project is also showing signs of life after almost 30 years in the doghouse.

A geological structure which has long featured in Australian textbooks, Panton (once known as the Panton Sill) was always more of a theoretical platinum group metals (PGM) deposit than a project with commercial potential.

That changed in the 1990s when a small exploration company, Platinum Australia, drilled Panton to a point where it could be shown to contain a million ounces of platinum and a 1.1Moz of palladium in ore assaying 2.3 grams a tonne of platinum and 2.4g/t of palladium.

Wildly fluctuating prices for both metals in the 1990s, plus difficult mining conditions, a remote location, plus sharp exchange-rate movements, saw Panton repeatedly returned to the too hard basket.

A deal in Australia last week could see a fresh attempt to make commercial sense of Panton with its most recent owner, the troubled nickel miner Panoramic Resources, selling it to another Australian company called Dubai 2020 which is, in turn, assigning the asset to a purpose-designed business called Great Northern Palladium.

Described as a private business, Dubai 2020 is represented by Perth-based financial services firm, CPS Capital. A spokesman for Panoramic said Dubai 2020 was not connected with the Gulf state of Dubai.

The latest attempt to breathe life into Panton is starting with the sale of an 80% stake in the deposit by Panoramic for a fee of A\$12 million, with Dubai 2020 having the right to buy the remaining 20% for A\$3 million.

The rapid re-assignment of Panton into Great Northern Palladium is a pointer to the project soon returning to the Australian stock market, where more capital might be marshalled to try and develop an asset with promise but without any luck with timing or metal prices.

Citi's view of Palladium could prove to be an important driver in the re-birth of Panton and the development of Julimar.

"We remain bullish about palladium over the next six-to-12 months and expect prices (60% indicative probability) to rise to \$3,000/oz by mid-2021 as the market is set to see a sustained deficit and higher net speculative positioning," Citi said.

"Our bull case (20% probability) is for prices to reach \$3,500/oz in mid-2021 on the back of a faster-than-anticipated recovery in global growth, faster (COVID-19) vaccine deployment and extended supply disruptions."



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