Proven Bushveld Blueprint, De-Risked PGM Delivery

Southern Palladium Ltd

We initiate coverage on Southern Palladium Ltd (ASX:SPD, JSE:SDL) with a **12-month target price** of **A$4.80/sh**, implying a **total shareholder return of 86%**.

The Bengwenyama Project is situated in South Africa's prolific Bushveld Complex, a large, multi-commodity platinum group elements (PGE) system characterised by shallow, low lying mineralisation and strong geological continuity.

Investment Thesis

Premier ASX PGM torque (with conservative pricing): One of few ASX-listed, reserve-backed PGM developers with meaningful leverage to the PGM basket; our valuation embeds material discounts to spot (up to ~40%+), preserving upside if spot pricing holds.

Material valuation dislocation vs CHN (closest ASX proxy): SPD screens materially cheaper on both headline valuation and unit metrics (EV/NPV and EV/contained oz), implying an execution/jurisdiction discount we view as excessive for the asset quality and de-risking runway.

Reserve-only base case already Tier-1 economics: 17-year LOM supported by a 6.3Moz Reserve (31.7Mt @ 6.17g/t 6E), underpinning ~US$1.63bn post-tax NPV_{10} (100%) and ~58% IRR, with SS 2.4Mtpa by 2036 and ~US$478m p.a. EBITDA (2036–45) at ~60%+ margins.

Low-cost, credit-rich margin structure: LOM AISC ~US$905/6E oz (net ~US$444/6E oz after chromite/Cu/Ni credits) versus a modelled payable 6E basket of ~US$1,922/oz, providing robust through-cycle downside protection and strong spot leverage.

Staged development improves fundability (and keeps upside): Stage 1 capex ~US$219m to ~1.2Mtpa, followed by a cashflow-funded expansion to 2.4Mtpa by 2036; toll-treatment optionality (four nearby processing options, including ~4km from the planned South Decline) could further reduce peak funding (not in base case).

Technically "copy-paste" execution path: Conventional UG2/Merensky mining and MF2 flotation aligned with established Eastern Limb operating precedent; produces PGM con. plus 40–42% Cr_2O_3 chromite; base case assumes ~85% LOM 6E recovery.

Material resource upside not in valuation: Reserve-only valuation excludes the broader MRE (~242Mt @ 4.66g/t 4E; ~36.2Moz 4E incl. the Nooitverwacht Extension). A 7E resource is stated only for the main area (historic Extension drilling did not assay minor PGEs), creating additional conversion and optimisation optionality.

Re-rate catalysts + stronger backdrop: Near-dated project milestones (Mining Right, DFS, early decline works, offtake/tolling deals, progress to FID) against an improving South Africa risk narrative support multiple-expansion as execution risk is retired.

Aligned, credible leadership and registry: Institutional holders provide capital depth and technical sponsorship; management/director ownership supports alignment. Executive Chair Roger Baxter (founding Chair, WPIC) and the broader team bring deep PGM, finance and project delivery experience.

Evolution Capital's Internal Bengwenyama Project Model

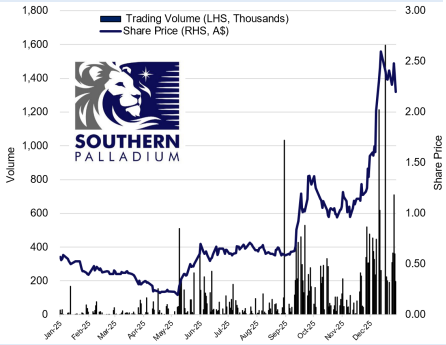
Parameter	Base Case
Pre-Production CAPEX	US$219m
Payable 6E basket (LOM, 6E)	US$1,922/oz
AISC (LOM, 6E)	US$905/oz
Net AISC (after by-product credits)	US$444/oz
Stage 1 – Steady State EBITDA	US$190m
Stage 2 – Steady State EBITDA	US$476m
NPV (70% Ownership, 85% Risked)	A$1,433m
Payback (FFP)	1.9 years
IRR	58%
NAV/sh (post-raises)	$4.80/sh
TSR	86%

Recommendation	**Spec. Buy**
Share Price	**A$2.57/sh**
12 Month Target	**A$4.80/sh**
TSR	**86%**

Company Profile

Market Cap	A$292M
Enterprise Value	A$265M
Cash (Est.)	A$27M
52-Week Range	A$0.195/sh – A$2.91sh

Price Performance



Company Overview

Southern Palladium Ltd (ASX:SPD, JSE:SDL) is a dual-listed development company targeting near-term production of their Bengwenyama Project. Located in South Africa's globally renowned Bushveld Complex, SPD is seeking to monetise their vast PGE commodity suite.

With a strong optimized PFS published in 2025 along with substantial Ore Reserves (~32Mt @ 6.17 g/t 6E for 6.29Moz) and Resources (~242Mt @ 5.91 g/t 7E for 40.25Moz) underpinning the company profile, SPD is well positioned to transition from explorer to producer.

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Majority Shareholders

Citicorp Nominees Pty Ltd	17.53%
Nicholas Daniel Resources	11.83%
Nurinox Investments	7.55%
HSBC Custody Nominees	5.43%
Legacy Platinum Corp	4.78%

Upcoming Catalysts

Mining Right Approval	Q1 2026
DFS + BFS	Q2 2026
Final Investment Decision	Q3 2026
Early Site Works	H2 2026
Offtake Agreements	H2 2026

Table of Contents

1. Valuation

1.1 Valuation Outline

1.1.1 Thesis

SPD is positioned for a 12-month re-rate as (i) jurisdictional risk premia associated with South Africa continue to normalise and (ii) the project advances through a set of near-dated, value-accretive de-risking milestones, including the Mining Right, DFS completion, and progression toward FID.

The stock currently trades at a steep discount to risked NAV. We expect this discount to compress over the next 12 months as permitting, technical definition, and funding visibility improve.

1.1.2 Macro / jurisdiction context (South Africa)

The market has historically applied a meaningful jurisdiction and execution discount to South Africa-exposed developers. We see scope for partial discount compression as the operating and regulatory environment improves under the Government of National Unity. Key supporting factors include:

1. Easing sovereign risk signals, including exit from the FATF Grey List in October 2025 and the potential for a subsequent sovereign rating upgrade.
2. Reduced cross-border compliance friction following removal from the EU's list of high-risk jurisdictions in early 2026.
3. Ongoing structural reforms targeting energy and logistics constraints, including NECOM-led electricity sector liberalisation, NLCOC freight reforms, and continued "Operation Vulindlela" initiatives.

In our view, an improving country backdrop supports a tighter jurisdiction discount for high-quality, financeable mining developments as they move toward FID.

1.1.3 Project and funding strategy

We do not assume toll treatment in the base case; however, the likelihood of securing a toll-treating / OPA with nearby processing infrastructure represents a material upside and funding risk mitigant. Tolling would materially reduce upfront processing capex and peak funding, particularly given the ~2-year lead time to build and commission a standalone MF2 flotation plant.

The project has ~four practical processing options in close proximity: ~4 km from the planned South Decline, plus additional options at ~26 km, ~30 km, and ~42 km. In parallel, early decline development (permits allowing) could enable reef intersection in Q2–Q3, supporting earlier cash flow and further reducing funding pressure.

1.1.4 Valuation framework

We value Southern Palladium (SPD) on a risked NAV basis to explicitly separate three distinct layers of risk and attribution:

- **Attributable NAV:** SPD holds a 70% economic interest in the Bengwenyama Project via its 70% shareholding in Miracle Upon Miracle Investments (Pty) Ltd (MUM), with the remaining 30% held for the Bengwenyama Community.
- **Probability of development (PoD):** captured through explicitly risking the project NAV (i.e., applying PoD to the attributable project value).
- **Market discount / residual execution:** captured through the P/NAV multiple, reflecting liquidity, timing, funding and residual delivery risk.

1.1.5 Key valuation inputs (12-month basis)

- Unrisked attributable NAV (70%): A$1,685m
- Probability of development (PoD): 85%
- Risked attributable NAV: A$1,433m
- 12-month pro-forma shares: 168m (reflecting two staged equity raisings)
- Risked NAV per share: A$1,433m/ 168m = A$8.65/sh
- Last close: A$2.57/sh
- Current P/NAV (risked): ~0.30x

We view this as a deep-discount developer multiple given the project's near-dated milestone set and improving jurisdiction backdrop.

1.1.6 12-month target multiple and price

We apply a 12-month target multiple of 0.55x risked P/NAV, reflecting an expected partial re-rating as permitting, technical de-risking, and funding visibility advance. The multiple retains a discount for residual execution and funding-close risk, with higher multiples reserved for a post-FID, fully funded construction scenario.

- Target price 0.55 × A$8.65/sh= A$4.80/sh
- Implied upside vs A$2.57/sh: ~+86% (c. 1.87x)

Sum-of-Parts Valuation	Method	Risking (PoD)	Value (A$M)	NAV/Share (A$)
Att. Bengwenyama Project NPV$_{10}$	DCF (Post-Tax)	85%	1,433	8.53
+ Net Cash (PF)	—	100%	25.7	0.160
- PV Corporate G&A	—	100%	(7.6)	(0.05)
Equity NAV (Risked, 12- month)			1,452	8.65
Current P/NAV (Risked) @ A$2.57/sh			-	0.30x
12-month Target P/NAV (Risked)			-	0.55x
12-month Target Price				4.80

Table 1.1.1 - Sum of Parts Valuation

The table below frames valuation sensitivity to our assumed 12-month P/NAV re-rating. We apply a range of 0.40–0.70x to our risked NAV of A$8.65/sh to bracket plausible developer outcomes as de-risking progresses.

Target P/NAV	0.40x	0.45x	0.50x	0.55x	0.60x	0.65x	0.70x
Target Price	3.46	3.89	4.32	**4.80**	5.19	5.62	6.05
TSR	35%	51%	68%	**85%**	102%	119%	136%

Table 1.1.2 - P/NAV Target Sensitivity Table

1.2 Bengwenyama Project Economics Summary

SPD's base-case mine plan schedules the full **Probable Ore Reserve (~31Mt)**. The process route is built around a **2.4Mtpa** conventional concentrator, producing **two saleable products**.

- **PGM concentrate** – a marketable PGM concentrate produced via conventional flotation (MF2).
- **Chromite concentrate** – targeted at approximately **40-42% Cr_2O_3** for export markets.

On these assumptions, Bengwenyama delivers a **post-tax NPV_{10} of US$1,626m**, supported by a **58% IRR** and a **1.9-year payback** from 1st production.

LOM unit costs remain competitive on both a headline and credit-adjusted basis. The PFS reports a **LOM average AISC of ~US$905/6E oz**, reflecting the project's high-grade PGM feed and conventional concentrator route. On a net credit basis, the economics improve materially: applying **chromite, copper and nickel by-product credits** reduces the effective cost burden to **~US$444/6E oz**. Against our payable-mix **6E basket price of ~US$1,922/oz**, this implies robust implied margins and meaningful downside buffer even under a weaker PGM price environment.

The optimised development pathway has shifted from a single-build PFS capex of US$385m to a staged approach comprising **Stage 1 capex of US$219m** plus a **Stage 2 expansion capex of US$278m**. We assume Stage 2 is funded from operating cash flow, implying **no incremental equity requirement in the base case**.

Summary Table	Stage 1 Capex	Stage 1 SS EBITDA	Stage 2 SS EBITDA	Post-Tax NPV_{10}	IRR	Payback
	US$m	US$m	US$m	US$M	%	Years
Bengwenyama Project	219	190	476	1,626	22	1.9

Table 1.2.1 - Bengwenyama Project DCF Economics Summary

Commodity Suite	Net Recovery (%)	LOM Avg. Grade (g/t)	Payability (%)	Model Price (US$/oz or t)	Spot Price (US$/oz or t)	% Discount to Spot
Pt	85.0%	2.34 g/t	85%	US$1,700/oz	US$2,700/t	-37%
Pd	85.0%	2.33 g/t	85%	US$1,300/oz	US$2,000/t	-35%
Rh	85.0%	0.48 g/t	84%	US$6,500/oz	US$10,300/t	-37%
Au	85.0%	0.07 g/t	84%	US$3,200/oz	US$4,950/t	-35%
Ru	85.0%	0.78 g/t	56%	US$900/oz	US$1,500/t	-40%
Ir	85.0%	0.16 g/t	54%	US$4,200/oz	US$6,500/t	-35%
Cu	75.8%	0.02%	70%	US$10,300/t	US$12,600/t	-18%
Ni	30.6%	0.12%	72%	US$14,000/t	US$18,400/t	-24%
Chrome conc.	30.0%	19.03%	100%	US$380/t	US$700/t	-43%

Table 1.2.2 - Bengwenyama Project DCF Model Assumptions

1.3 Mine Production Schedule

Our model only considers the current Ore Reserves, drawing down **31.7 Mt** of material over a 17-year mine life from 2030 to 2046. Any inclusion of the Indicated and Inferred MRE represents material upside, with optionality to extend LOM and/or lift production rates through additional stages or a larger steady-state. The breakdown of the reserves mined and corresponding grades is shown below.

Development is staged to de-risk execution while establishing early cash flow. **Stage 1** commences in 2030 with a **one-year ramp-up at 480 ktpa**, before transitioning to **960 ktpa steady-state**. This first stage establishes a diversified PGM production base, anchored by platinum and palladium, while building operational capability and cash-flow capacity ahead of the major expansion.

Stage 2 is the step-change growth phase. Expansion activities commence in **2035**, increasing throughput to **1.8Mtpa** during the intermediate ramp-up period, before reaching **2.4Mtpa steady-state on completion**. Stage 2 more than doubles payable output across the key metals and transitions the operation to mature-scale production, with the modelled mine plan reaching **end-of-life in 2046**.

Category	Tonnes (Mt)	Pt (g/t)	Pd (g/t)	Rh (g/t)	Au (g/t)	Ir (g/t)	Ru (g/t)	4E (g/t)	6E (g/t)	Cu (%)	Ni (%)	CrO_3 (%)
Probable	31.7	2.34	2.33	0.48	0.07	0.16	0.78	5.22	6.17	0.02	0.12	19.03

Category	Tonnes (Mt)	Pt (Moz)	Pd (Moz)	Rh (koz)	Au (koz)	Ir (koz)	Ru (koz)	4E (Moz)	6E (Moz)	Cu (kt)	Ni (kt)	CrO_3 (Mt)
Probable	31.7	2.39	2.38	490	71	163	795	5.3	6.3	6.3	38.0	6.03

Tables 1.3.1 & 1.3.2 - Probable Ore Reserves by Contained Grade + Contained Metal

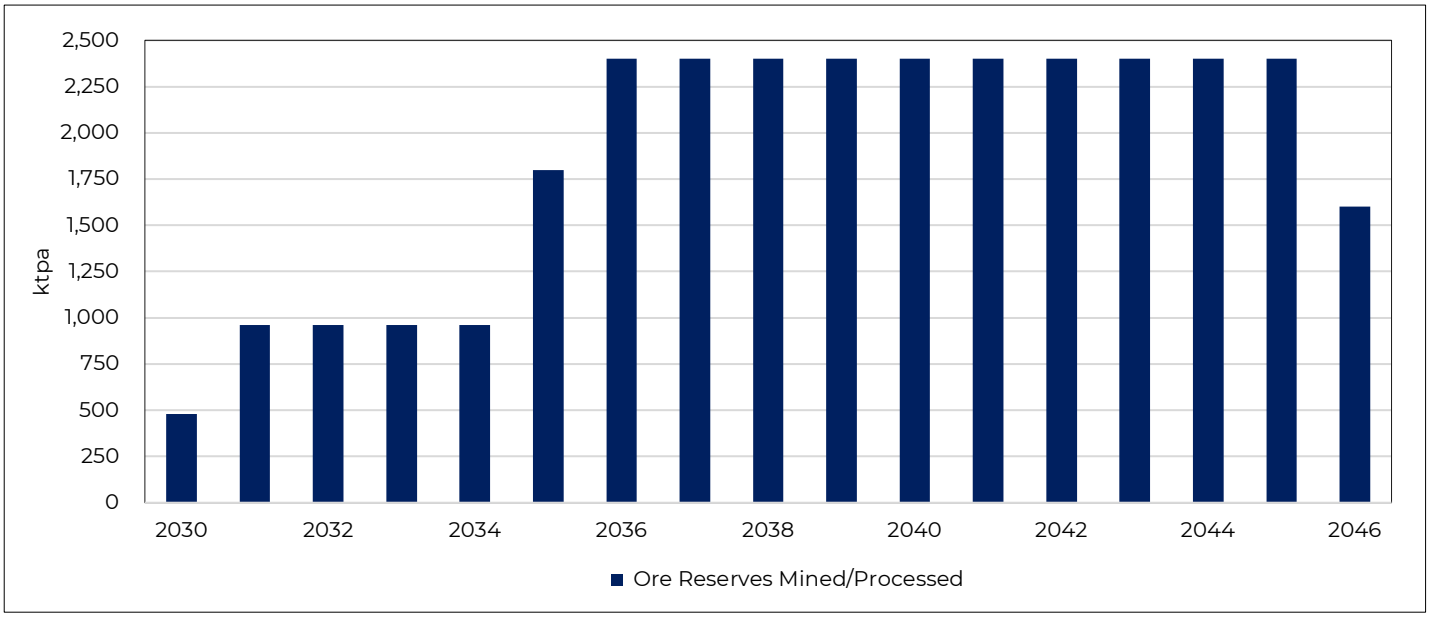


Figure 1.3.1 - Ore Reserves Mined/Processed Profile

1.4 Production Schedule

Stage 1 Steady State Production Profile (2031-2034)								
Platinum (ozpa)	**Palladium (ozpa)**	**Rhodium (ozpa)**	**Gold (ozpa)**	**Ruthenium (ozpa)**	**Iridium (ozpa)**	**Copper (tpa)**	**Nickel (tpa)**	**Chromite Concentrate (tpa)**
52,181	51,958	10,578	1,543	11,459	2,267	102	254	138,478

Stage 2 Steady State Production Profile (2036-2045)								
Platinum (ozpa)	**Palladium (ozpa)**	**Rhodium (ozpa)**	**Gold (ozpa)**	**Ruthenium (ozpa)**	**Iridium (ozpa)**	**Copper (tpa)**	**Nickel (tpa)**	**Chromite Concentrate (tpa)**
130,454	129,896	26,445	3,857	28,649	5,667	255	635	346,194

Tables 1.4.1 & 1.4.2 - Stage 1 & Stage 2 Steady State Production Profile

Stage 1 establishes a diversified PGM base, anchored by platinum and palladium (~52kozpa each), supported by rhodium and meaningful ruthenium and iridium credits. A ~138ktpa chromite concentrate stream and minor copper and nickel by-products enhance revenue diversity and cost resilience.

Stage 2 more than doubles output across all key metals, lifting platinum and palladium to ~130kozpa each, rhodium to ~26kozpa and chromite to ~346ktpa. Stage 2 successfully transitions SPD into a mature operation, positioning the company as a globally significant Bushveld producer.

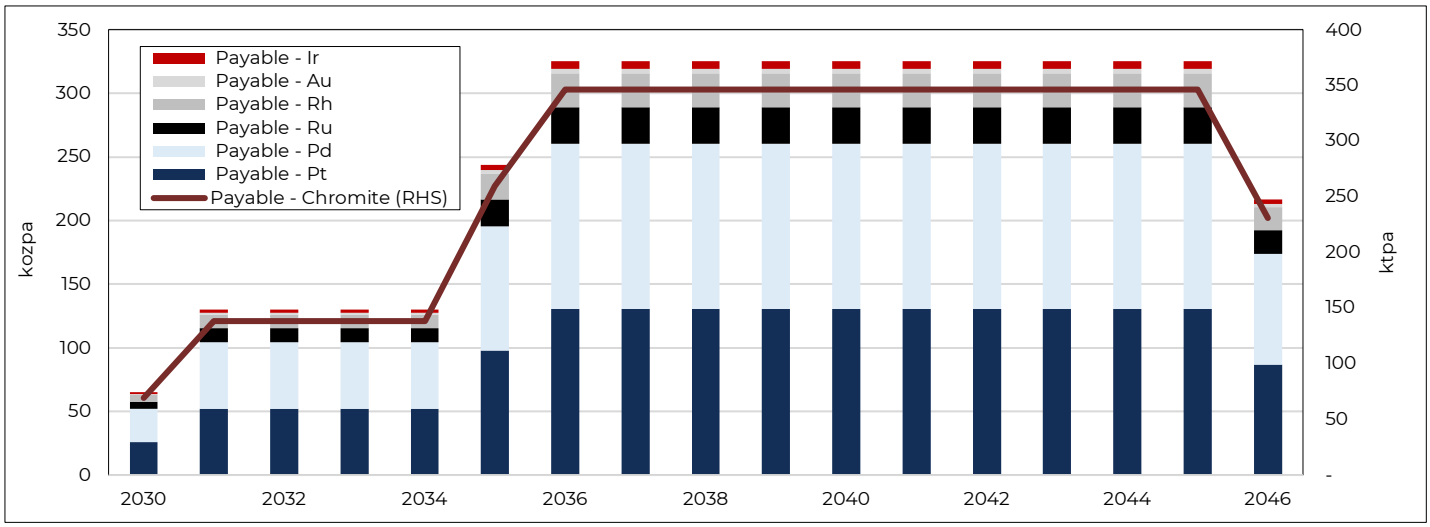


Figure 1.4.1 – LOM Avg. NSR Breakdown by Major Commodity

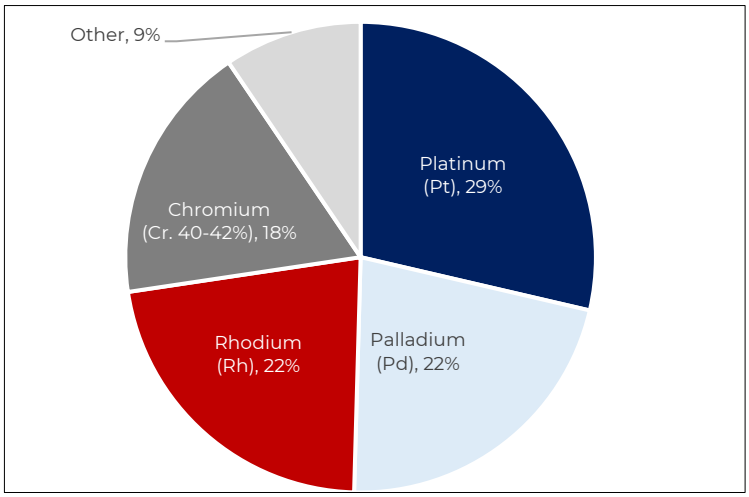


Figure 1.4.2 - Commodity Basket Payability Profile

The **LOM average NSR** profile illustrates a diversified revenue base across the major commodities, as shown in the inset:

1. Platinum (Pt) = 29%
2. Rhodium (Rh) = 22%
3. Palladium (Pd) = 22%
4. Chromium (Cr; 40–42%) = 18%
5. "Other" = 9%, refers to ruthenium, iridium, gold, copper and nickel.

1.5 Bengwenyama Cash Flow Analysis

The chart underscores a clear step-change in earnings power from **2036**, driven by a **staged milling ramp**: capacity lifts from ~**0.92–1.2Mtpa** in the early years, before a second expansion in **2035** takes throughput from **~1.8Mtpa toward 2.4Mtpa nameplate in 2036**. Consistent with this, **EBITDA steps up to ~US$476m p.a. (2036–45)** and cumulative cash flow accelerates to **~US$5.8bn by end-LOM**.

Our base case excludes conversion of **Indicated + Inferred** material into the production schedule, implying potential upside to **mine life and/or annual output**.

Margins remain structurally strong through mid-life. EBITDA builds through ramp-up and then plateaus at **~US$410m p.a. (2036–45)**, implying a **~58% EBITDA margin** at steady state. The stability through mid-life suggests limited margin erosion despite higher absolute costs at peak throughput, supported by:

(i) Consistent concentrate output at **2.4Mtpa nameplate**,
(ii) a predictable underground mining profile (horizontal reefs limiting incremental decline development and unit-cost creep), and
(iii) a diversified, high-value commodity basket that reduces reliance on a single price driver.

Net: valuation remains most sensitive to **execution of the 2035/36 expansion step** and sustained steady-state performance through **2045**.

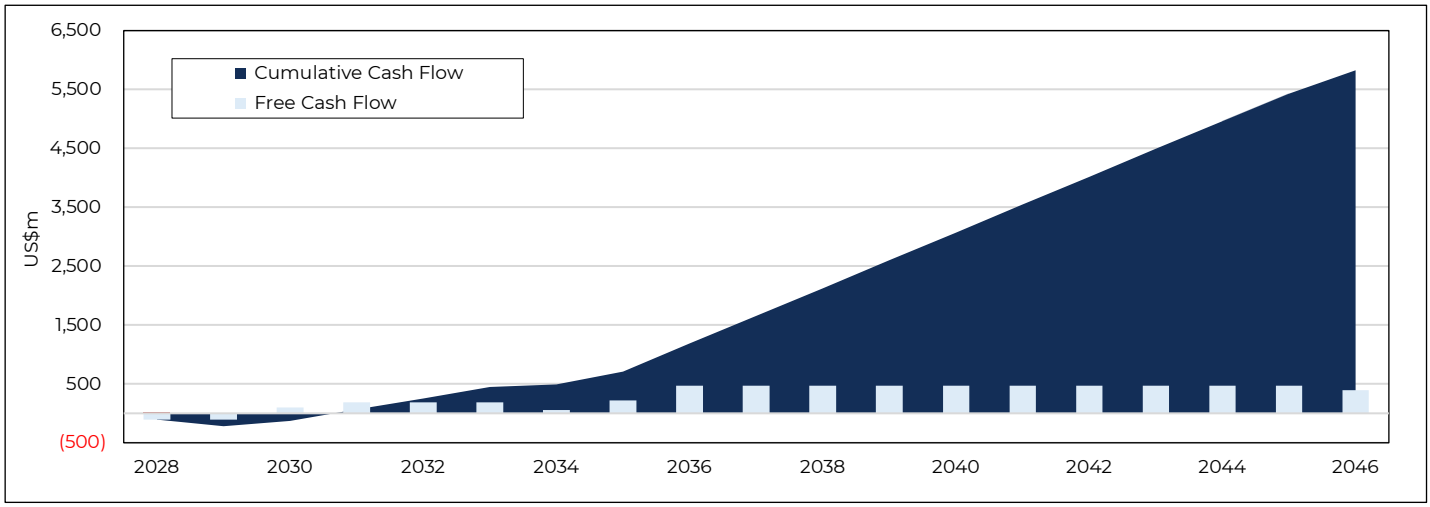


Figure 1.5.1 - Cumulative & Free Cash Flow Profile

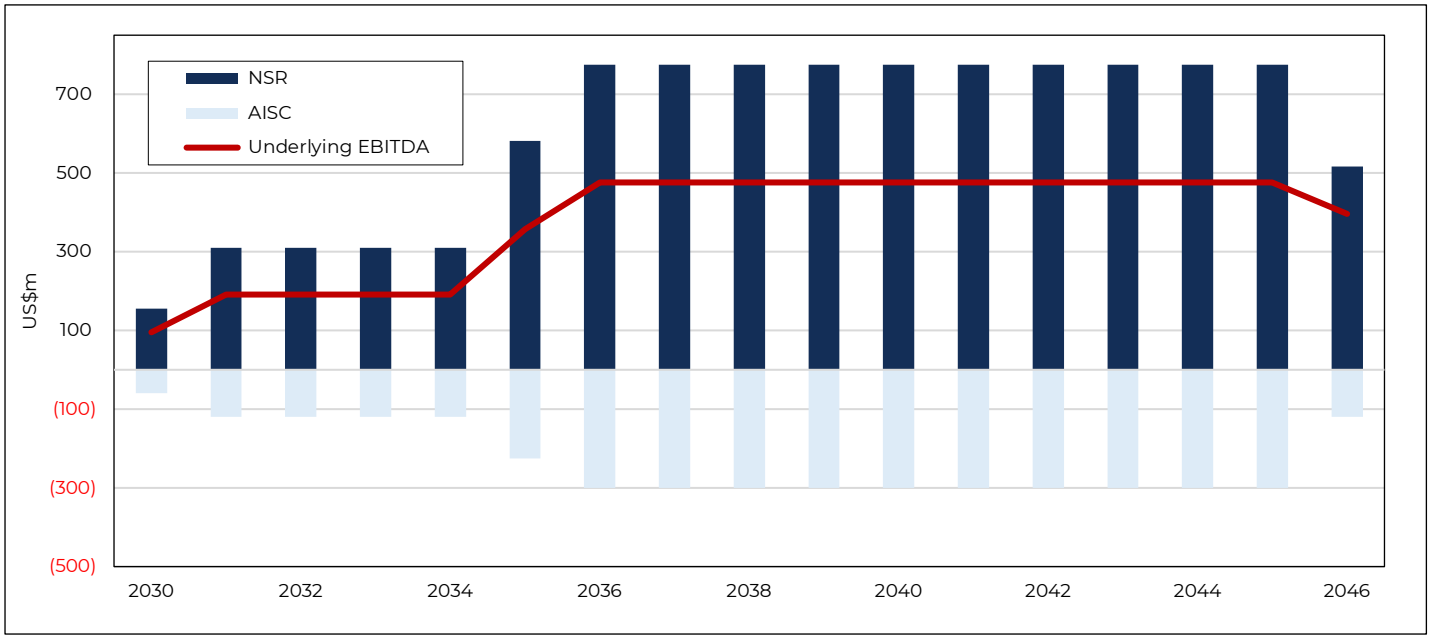


Figure 1.5.2 - NSR, AISC & Underlying EBITDA Profile

1.6 Bengwenyama Project – Price Sensitivity

The sensitivity analysis indicates that valuation is primarily driven by macro/discounting variables rather than operating inputs. The discount rate is the dominant lever: a ±2 pp move drives a ±US$384m swing in NPV, reflecting the long-duration, back-ended cash flow profile and high leverage to perceived cost of capital (i.e., re-rating mechanics more than execution). Mining cost is the largest cost driver (±US$124m), with this having a material impact on NPV and confirming the importance of achieving cost efficiencies when ramping up to steady-state production while project NPV is minimally impacted by concentrator costs (±US$30m), implying limited valuation dependence on marginal processing efficiency.

Commodity sensitivities are led by platinum, rhodium & palladium (±US$135m, ±US$104m and ±US$103m), underscoring the benefit of a diversified PGM basket rather than a single-metal thesis. Chrome contributes a modest but meaningful swing (±US$84m), reinforcing its role as a by-product credit rather than a core valuation driver.

Investment takeaway: the project's valuation is most levered to

(i) Discount-rate compression / sovereign and funding perception,
(ii) Mining cost
(iii) Broad PGM basket strength.

This skew suggests de-risking milestones (permitting, financing clarity, early works) can catalyse outsized equity re-rating even without a material uplift in commodity price

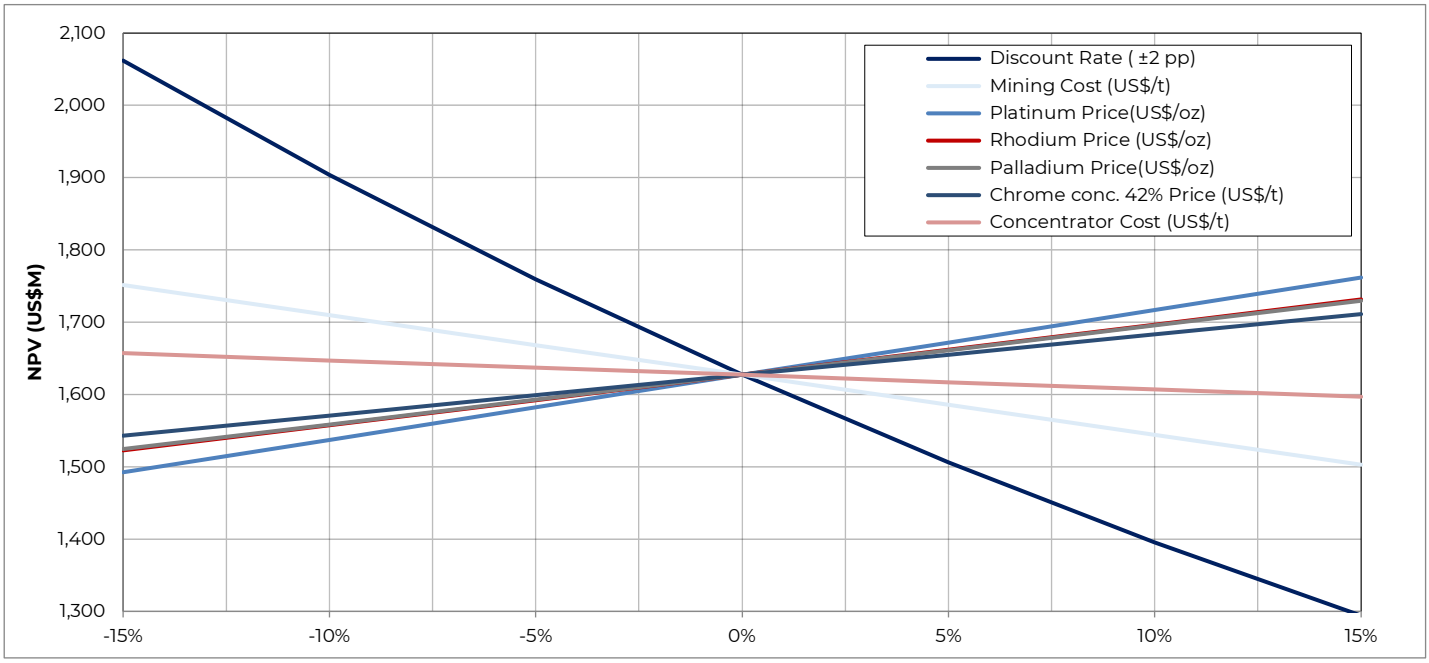


Figure 1.6.1 – Key Project lever Price Sensitivity Analysis

Δ (%)	-15%	-10%	-5%	0%	5%	10%	15%	Range (±Δ) (US$M)
Discount Rate (±2 pp)	2,062	1,903	1,759	**1,627**	1,506	1,395	1,294	**± 384**
Platinum (US$/oz)	1,492	1,537	1,582	**1,627**	1,672	1,717	1,761	**± 135**
Mining Cost (US$/t)	1,751	1,710	1,668	**1,627**	1,585	1,544	1,503	**± 124**
Rhodium (US$/oz)	1,522	1,557	1,592	**1,627**	1,662	1,696	1,731	**± 104**
Palladium (US$/oz)	1,524	1,558	1,593	**1,627**	1,661	1,695	1,729	**± 103**
Chrome conc. 42% (US$/t)	1,543	1,571	1,599	**1,627**	1,655	1,683	1,711	**± 84**
Concentrator Cost (US$/t)	1,718	1,691	1,660	**1,627**	1,592	1,557	1,521	**± 30**

Table 1.6.1 - Commodity Price Sensitivity Analysis

1.7 Dilution & NAV/sh Impact

A dilution analysis was conducted to determine the implications of subsequent funding requirements for SPD. To reflect this, we modelled two staged equity raisings to fund studies/early works and the equity component of Stage 1 development.

On a fully diluted basis, the raises increase shares on issue from 123m to 168m

- **Stage 1 Pre-Production Capex: US$219m (A$327m)** (includes ramp-up WC;)
- **Funding split (Stage 1): 60%/40% Debt/Equity**, implying **A$196m debt** and **A$131m equity**.
- **Equity strategy:** we assume an **additional A$20m raise** (separate to the Oct 25 placement) to support remaining DFS/early works and preserve liquidity into FID.
- Stage 2 expansion capex of **US$278m** (to lift capacity to **2.4Mtpa**) is assumed to be funded from operating cash flows in our base case, reflecting the project's staged development profile and forecast steady-state margins. We do not assume incremental external funding; however, this outcome remains contingent on a successful Stage 1 ramp-up and a supportive PGM pricing/FX environment.
- **Upside / funding risk mitigant (not in base case):** We do not assume toll treatment in our base case. However, access to nearby third-party processing capacity could materially reduce peak funding requirements and shorten lead times versus building/commissioning standalone facilities. Indicatively, there are c. four potential tolling or existing processing options: (i) ~4 km from the planned South Decline, and (ii) additional options at ~26 km, ~30 km and ~42 km.

Base Case	Equity Quantum	Debt Quantum	Raise Price	New Shares Issued	Cumulative Basic Shares	Dilution	Cumulative FD Shares
	A$M	A$M	A$/sh	M	M	%	M
Raise 1	20	–	2.36	8	124	8%	13
Raise 2	131	196	3.50	37	161	30%	168

Table 1.7.1 - Dilution Analysis

1.8 Comparables Analysis — Bubble Chart

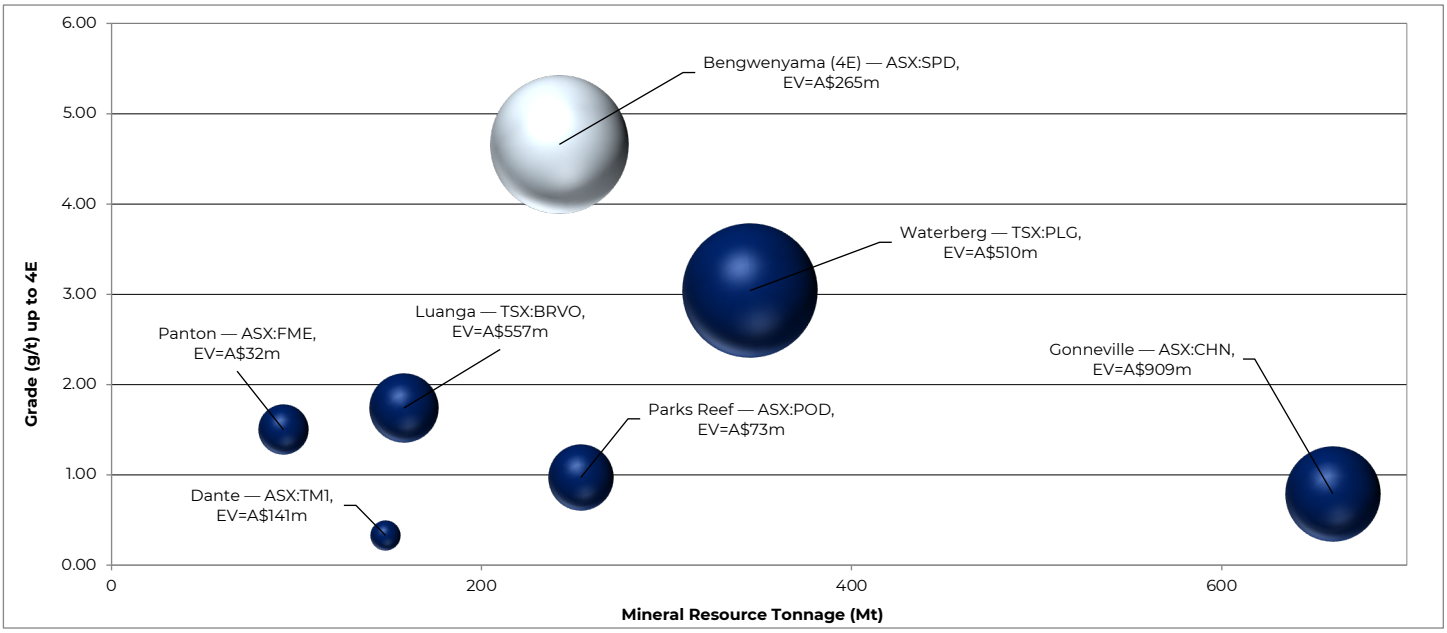
Bengwenyama screens as one of the highest-grade undeveloped PGM projects in the ASX peer set while retaining Tier-1 resource scale. SPD reports **242.0Mt @ 4.66g/t (4E)** (c. **36.3Moz contained**, project-wide) and **146.0Mt @ 5.91g/t (7E)**(c. **27.8Moz contained**, main area only).

On an implied **EV of A$265m**, the market is capitalising Bengwenyama at only **~A$7/oz (4E)** (or **~A$9/oz (7E, main area)**), implying a material unit-value discount to larger, lower-grade peers (e.g., **PLG ~A$15/oz**, **CHN ~A$54/oz**, **BRVO ~A$63/oz**).

A key comparability nuance is that the **Nooitverwacht Extension is supported by 4E assays only** (historic drilling did not assay the minor PGEs), so a 7E figure cannot be stated for that portion. Accordingly, **36.3Moz (4E)** is the consistent, project-wide contained-ounce basis for peer comparison.

On an **attributable ounces** basis, the gap **widens** (**SPD ~A$10/oz vs PLG ~A$30/oz**), reinforcing that discounting is being driven by **jurisdiction/funding/execution premia** rather than resource quality.

This is a deliberately simplified screen and does not normalise for metallurgical recoveries, payabilities, capital intensity, or metal-basket differences.



Bubble size uses contained metal (Moz). Contained Moz formula: Tonnage (Mt) × Grade (g/t) ÷ 31.1035
Bubble size = 100% project contained metal. Ownership differs by company (SPD 70%; PLG effective Waterberg interest ~50%).

Figure 1.8.1 – ASX/TSX listed PGM Exposure Comparables

Key Companies	EV (A$M)	Tonnage (Mt)	Grade (g/t) up to 4E	Contained (Moz) up to 4E	EV/ Contained oz (A$/oz)
SPD (Bengwenyama)	**252**	**242**	**4.66**	**36.3**	**7.3**
PLG (Waterberg)	510	345	3.04	33.7	15
CHN (Chalice)	909	660	0.79	16.8	54
BRVO (Bravo)	557	158	1.74	8.8	63

Table 1.8.1 – ASX/TSX listed PGM Exposure Comparables (EV/Contained Oz)

1.9 Comparables Analysis — SPD vs CHN

Chalice Mining (ASX:CHN) / Gonneville is the closest listed ASX proxy for SPD. Both are long-life, pre-production PGM development assets with staged ramp profiles and meaningful resource optionality. CHN trades on a structurally higher valuation multiple, which we attribute largely to jurisdiction, liquidity and commodity mix, rather than a clear asset-quality gap. In our view, this creates scope for SPD multiple expansion as Bengwenyama delivers near-term de-risking milestones (permitting, DFS, funding).

On an EV/NPV basis, SPD screens materially cheaper. SPD's EV of ~A$265m implies **~0.18x** on our **~A$1.4bn** post-tax **NPV10**, **70% attributable**, **85% PoD-risked**. CHN screens at **~0.61x** on **~A$1.5bn** post-tax **NPV8**. While some spread is warranted for jurisdiction and execution/funding risk, the magnitude of the gap suggests SPD is priced at a deeper discount than fundamentals alone would imply, with potential for compression as milestones are converted into higher execution certainty.

We would also highlight this framing is conservative for SPD. SPD is presented on a **70% attributable** basis and further **haircut by 15%** (85% PoD), and is discounted at **10%** versus **8%** for CHN, which mechanically depresses SPD's NPV and biases the EV/NPV comparison against SPD. Even on these settings, SPD trades at a substantially lower multiple (**0.18x vs 0.61x**; ~70% discount). A similar conclusion emerges on unit metrics: SPD is valued at **~A$11/oz** of **3E resources** versus **~A$55/oz** for CHN (~80% discount).

For completeness, we also reference reserves. While SPD's current **3E reserve** base is smaller (**3.4Moz vs 7.0Moz**), SPD still trades at a lower EV per reserve ounce (**~A$78/oz vs ~A$130/oz**; ~40% discount), suggesting the valuation gap is not explained solely by reserve scale & resource confidence and highlighting re-rating torque as Bengwenyama progresses through permitting, DFS and financing.

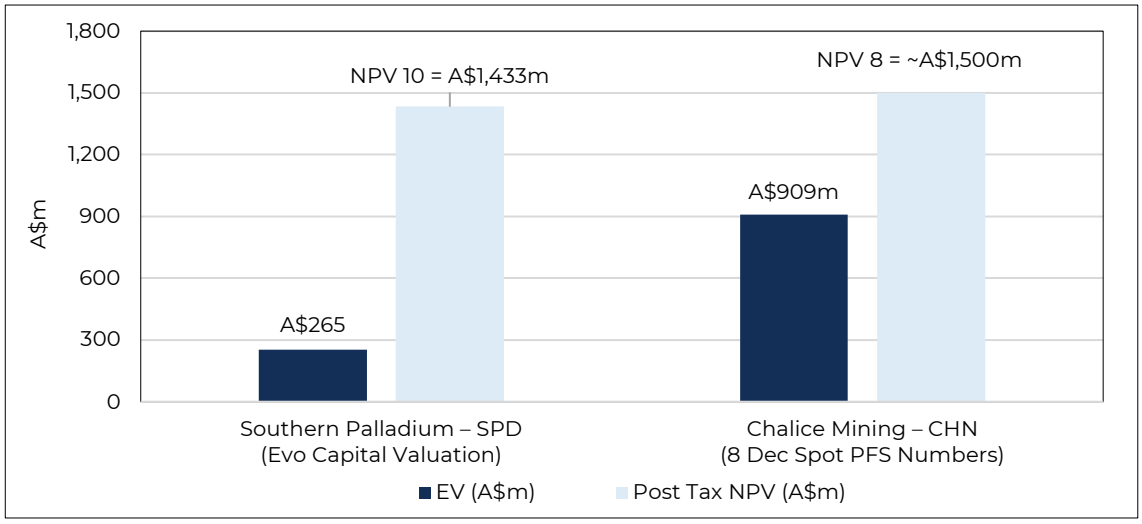


Figure 1.9.1 - SPD vs CHN Comparison Chart *(Note: SPD using WACC 10% vs CHN 8%)*

Parameter	SPD (EVO Capital Valuation)	CHN (8 Dec Spot PFS Numbers)	Discount to CHN
Pre-Production Capex (A$m)	327	820	60% Cheaper
EV (A$m)	265	909	71% Cheaper
Post Tax NPV (A$m)	1,433	1,500	4.0 % Lower
Att. Resources Oz (Moz, 3E) [1]	23.7	16.4	45% Larger
Att. Reserve Oz (Moz, 3E)	3.4	7.0	50% Smaller
EV/NPV (x)	***0.18x***	***0.61x***	***70% Cheaper***
EV/Contained Resource Oz (x, 3E)	***11.3x***	***55.1x***	***80% Cheaper***
EV/Contained Reserve Oz (x, 3E)	***78x***	***130x***	***40% Cheaper***

[1] *CHN reports a **3E basket (Pd–Pt–Au) with no rhodium**; SPD is therefore presented on a **3E normalised** basis for comparability.*

Table 1.9.1 - SPD vs CHN Updated peer table (3E normalised; attributable and risked)

EVO valuation inputs are broadly conservative versus CHN's DFS spot deck (lower Pd, Au, Cu and Ni; Pt marginally higher), supporting that SPD's valuation discount is not an artefact of a more aggressive commodity price deck

Commodity (US$)	CHN (8 Dec DFS spot)	SPD (EVO Capital Valuation)	Δ US$/oz (EVO–CHN)	% Δ
Platinum (US$/oz)	1,660	1,700	40	2%
Palladium (US$/oz)	1,500	1,300	−200	−13%
Gold (US$/oz)	4,250	3,200	−1,050	−25%
Copper (US$/t)	12,050	10,300	−1,750	−15%
Nickel (US$/t)	14,900	14,000	−900	−6%

Table 1.9.2 - Price deck cross-check (EVO vs CHN DFS spot)

Evolution Capital views Bengwenyama as offering a cleaner, more fundable path to value realisation than CHN, with advantages spanning capital intensity, operating complexity and offtake execution.

- **Capital efficiency / fundability:** SPD's staged development lowers the upfront funding hurdle by deferring expansion capex until after first cash flow, improving fundability and limiting dilution risk at FID. On your numbers, **SPD Stage 1 peak funding ~A$327m** (no tolling assumed) versus **CHN ~A$820m**, implying a materially lower initial financing task for SPD. **Upside:** flagged **toll-treatment optionality** (four options, from the planned South Decline could further reduce peak funding and shorten the development pathway.

- **Flowsheet / commissioning risk:** Bengwenyama is "standard Bushveld" **MF2 flotation + chromite gravity**, delivering **one PGM concentrate** plus a **chrome by-product**. Fewer products and specs support a simpler commissioning and ramp-up profile. CHN must manage **oxide and fresh sulphide** feed and a **multi-product** flowsheet (Cu-PGM-Au conc, Ni-Co-PGM conc, PGM-Au doré), increasing interfaces, offtake complexity and commissioning risk.

- **Commodity leverage:** SPD's reserve-stage economics are concentrated in core PGMs — **Pt 29%, Rh 22%, Pd 22%** — with **Cr 18%** and **Other 9%** (Ru, Ir, Au, Cu, Ni). This delivers cleaner PGM torque, with chrome as a meaningful by-product credit. CHN is structurally more multi-commodity — **Pd ~51%, Ni ~22%, Cu ~17%, Pt-Au-Co ~10%** — increasing reliance on base-metals and payables across multiple products. SPD's higher rhodium weighting is directionally supportive given USGS-based trade disruption sensitivity work often cited in market commentary.

- **Infrastructure & offtake:** Bengwenyama benefits from an **"in-basin" Bushveld** processing and marketing pathway (established concentrate routes plus nearby chrome smelting optionality), supporting a benchmarkable, localised sales channel. CHN is more **export-chain dependent**, requiring port logistics and global placement across multiple customer sets, adding execution interfaces versus SPD.

2. Southern Palladium

Southern Palladium Ltd (ASX:SPD, JSE:SDL) is a dual-listed, fully funded mineral exploration company with its flagship Bengwenyama Project located in the Bushveld Complex, South Africa. The company is focused on near-term production of its >40Moz resource, which hosts a vast suite of minerals including platinum, palladium, rhodium, ruthenium & gold. The current market capitalisation of SPD is ~A$292M with a pro-forma cash balance of ~A$26.9M after completion of the October 2025 Placement.

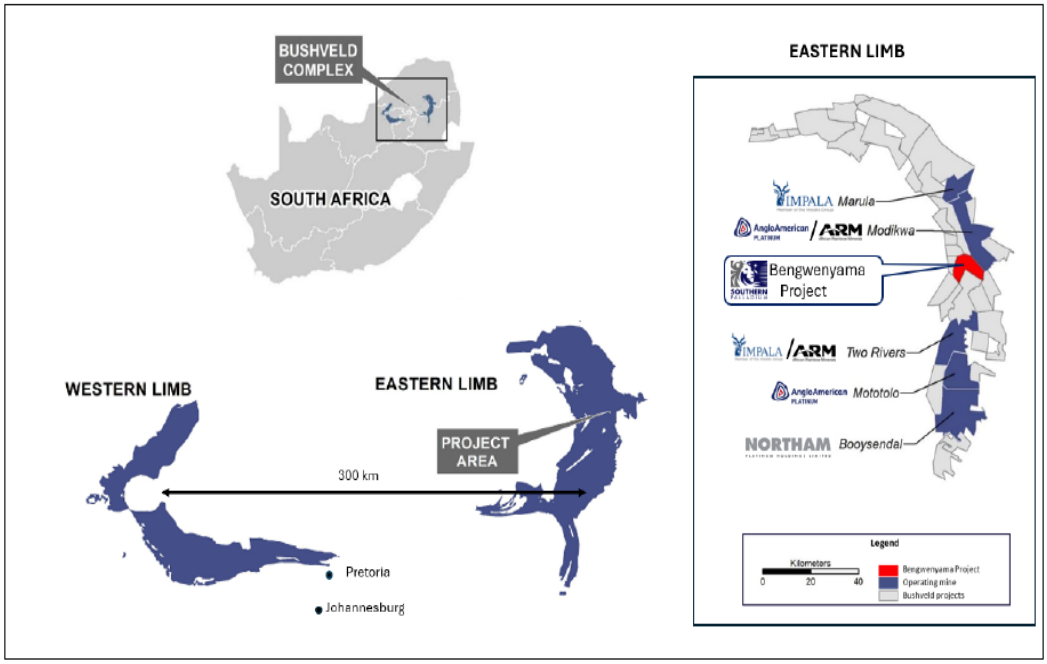


Figure 2.1 - Bengwenyama Project Location

2.1 The Bushveld Complex

The Bushveld Complex in Northern South Africa is the world's largest layered mafic intrusion and the most important source of platinum-group elements (PGEs). The key unit, the Rustenburg Layered Suite, forms a bowl-shaped body up to 9km thick and divided into five major zones — from the Marginal to Upper Zone — with the Critical Zone hosting the globally significant Merensky and UG2 reefs.

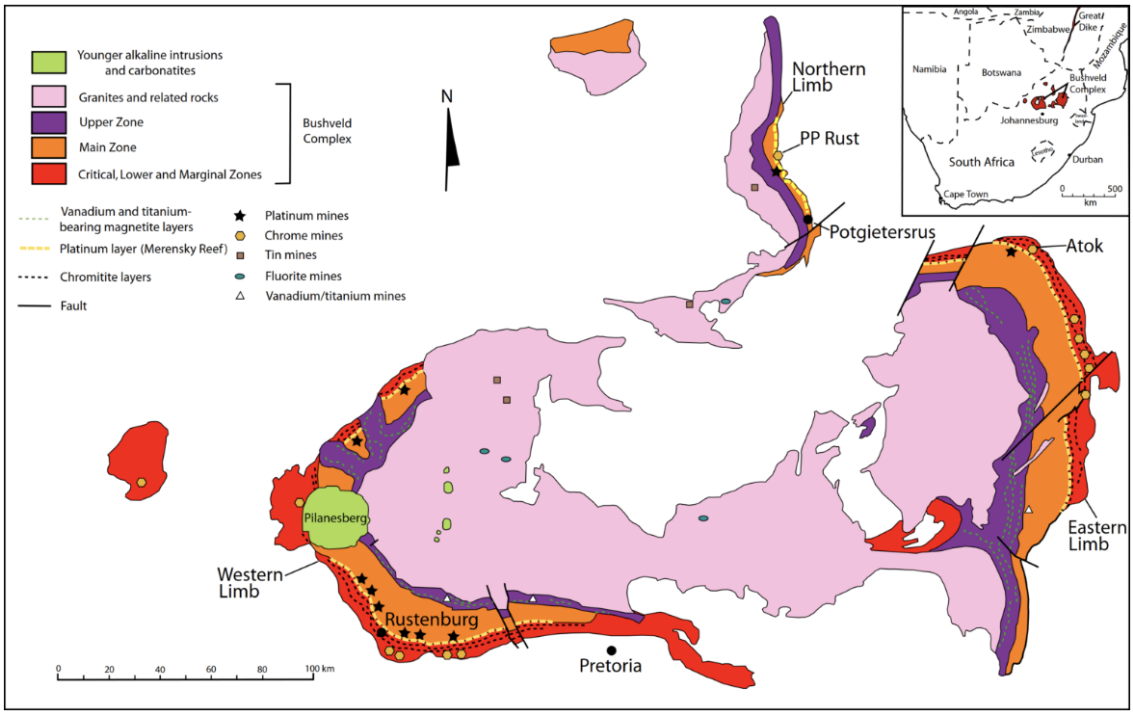


Figure 2.1.1 - Geological Map of the Bushveld Complex

In scale, the Bushveld Complex is immense — covering roughly 66,000km², extending about 450km east–west and 350km north–south, and estimated to have formed from around one million cubic kilometres of magma. It contains approximately 75% of the world's platinum resources, 54% of palladium, and 82% of rhodium, making it by far the largest repository of PGEs on Earth.

2.1.1 Neighbours

The **Modikwa Platinum Mine** is a large underground PGM mining operation located on the border between Mpumalanga and Limpopo provinces in South Africa, approximately 15 km north-west of Burgersfort. It is operated under a JV between African Rainbow Minerals (ARM) & Anglo-American Platinum. Mining is focused on the UG2 Reef & the Merensky Reefs.

The **Two Rivers Platinum Mine** is a long-life underground PGM operation on the eastern limb of the Bushveld Complex near Burgersfort, Limpopo. Operated by ARM (54%) in joint venture with Impala Platinum (46%), the mine produces PGMs from both the UG2 and Merensky reefs via multiple on-reef decline shafts.

Project	Mineral Resources						Mineral Reserves					
	Measured & indicated		Inferred		Total		Proved		Probable		Total	
	Mt	Grade (g/t)	Mt	Grade (g/t)	Mt	Grade (g/t)	Mt	Grade (g/t)	Mt	Grade (g/t)	Mt	Grade (g/t)
Modikwa*	197	5.38	74	6.12	271	5.58	8	4.4	31	3.98	39	4.06
Two Rivers**	172	4.56	147	4.96	318	4.75	9	3.06	56	3.26	65	3.23

Table 2.1.1.1 - Modikwa (*grade reported as 4E) & Two Rivers (**grade reported as 7E) Projects MRE & Reserves

2.2 The Bengwenyama Project

The Bengwenyama Project is a large-scale platinum group metals (PGM) development asset located on the Eastern Limb of South Africa's Bushveld Complex, adjacent to established operations including Modikwa and Two Rivers. The project benefits from shallow mineralisation, strong geological continuity and favourable geotechnical conditions that support conventional underground mining methods typical of the Bushveld.

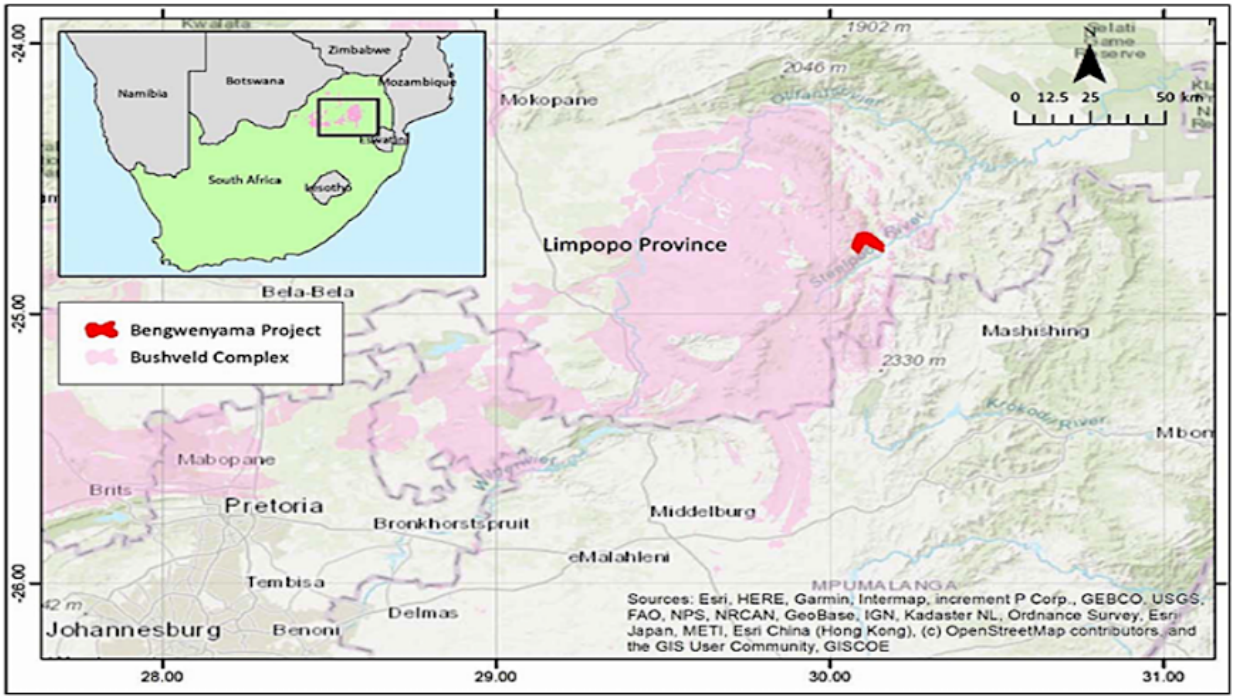


Figure 2.2.1 - Bengwenyama Project Location

Bengwenyama is well positioned from an infrastructure perspective, with access to sealed roads, reliable power and water, a skilled local workforce and proximity to established smelting and refining capacity. Regulatory approvals are well progressed, with environmental authorisation granted and the Mining Right application advancing, while structured community participation and ownership provide a robust social licence framework. These attributes position Bengwenyama as one of the last remaining large, undeveloped, shallow PGM assets on the Eastern Limb with a clear pathway toward development.

2.2.1 Reserves & Resources

Bengwenyama hosts both the UG2 and Merensky reefs and contains a JORC-compliant Mineral Resource of approximately 40Moz 3PGE+Au across Measured, Indicated and Inferred categories. The resource base comprises ~24.8Moz within the UG2 reef and ~15.4Moz within the Merensky reef, with average reef widths of ~70cm (UG2) and ~2m (Merensky) and in-situ grades close to 10g/t. The scale, grade and continuity of the resource underpin Bengwenyama's classification as a Tier 1 PGM asset and provide a strong foundation for long-life underground mining potential in a globally significant PGM district.

Ore Reserve	Tonnes	Pt	Pd	Rh	Au	Ir	Os	Ru	4E	6E	Cu	Ni	Cr_2O_3	Moz
Category	**(Mt)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(g/t)**	**(%)**	**(%)**	**(%)**	**(6E)**
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**

Table 2.2.1.1 - Bengwenyama Project Ore Reserves

Reef	Resource Category	Tonnes	Thickness	4E	7E	Moz	Moz	Total
		(Mt)	**(m)**	**(g/t)**	**(g/t)**	**(4E)**	**(7E)**	**(Moz)**
Merensky	**Indicated**	25.11	2.02	2.49	2.76	**2.01**	**2.23**	**2.23**
Merensky	**Inferred (7E)**	62.54	1.81	3.22	3.55	**6.47**	**7.13**	**7.13**
Merensky	**Total (7E)**	87.88	1.87	3.01	3.32	**8.48**	**9.36**	**9.36**
Merensky	**Inferred (4E)**	59.44	1.96	3.18		**6.08**		**6.08**
Merensky	**Total (4E)**	**147.10**	**1.90**	**3.08**		**14.58**		**15.44**
UG2	**Measured**	7.17	0.77	8.34	10.00	**1.92**	**2.30**	**2.30**
UG2	**Indicated**	18.52	0.72	8.19	9.85	**4.88**	**5.86**	**5.86**
UG2	**Inferred (7E)**	33.01	0.69	8.04	9.70	**8.54**	**10.30**	**10.30**
UG2	**Total (7E)**	**58.70**	**0.71**	**8.12**	**9.78**	**15.33**	**18.46**	**18.46**
UG2	**Inferred (4E)**	36.12	1.30	5.47		**6.35**		**6.35**
UG2	**Total (4E)**	**94.82**	**0.93**	**7.11**		**21.68**		**24.81**
Combined Total (7E)		**146.35**	**1.40**	**5.06**	**5.91**	**23.81**	**27.81**	
Combined Total (4E)		**241.92**	**1.52**	**4.66**		**36.21**		
Combined Total (7E & 4E)								**40.25**

Table 2.2.1.2 - Bengwenyama Project Mineral Resources

2.2.2 Mine Design

The Bengwenyama Project is planned as a conventional UG2 underground operation accessed via a twin-decline system, comprising a material decline for personnel/equipment and a dedicated conveyor decline to enable continuous ore transport to surface. The declines are interconnected via haulages and crosscuts to provide efficient level access and material flow as mining progresses.

Mining utilises a hybrid narrow-reef method combining mechanised development with conventional stoping to maximise available working faces while maintaining tight dilution control. Stoping is configured in a double-sided/breast layout, with broken ore scraped along strike gullies to loading bays, then rehandled by LHDs to trucks in the haulage drives for haulage to surface—an established, repeatable materials-handling chain for narrow-reef operations.

Consistent with the staged development strategy, Stage 1 ramps production from the South Decline, with expansion to full capacity enabled through the later incorporation of the North Decline (Stage 2), providing a scalable access and production platform. Ongoing DFS geotechnical work is explicitly targeted at optimising decline development and stoping parameters ahead of final design.

2.2.3 Metallurgy & Processing

Bengwenyama is underpinned by an extensive metallurgical dataset confirming UG2 ore amenability to conventional Bushveld concentrator practice, materially reducing processing and scale-up risk.

Study work indicates a consistent flotation response and repeatable recoveries, supporting a straightforward, “copy-paste” MF2 (two-stage mill-and-float) design aligned with Eastern Limb operating precedent. Base-case studies assume ~85% average life-of-mine 6E recovery, producing a marketable PGM concentrate suitable for established South African toll smelting and refining pathways.

- **Crushing and milling (comminution basis):** ROM UG2 is crushed and milled to a target grind derived from comminution testwork (including Bond work index and milling curve work), balancing liberation and flotation kinetics against power intensity and throughput stability.

- **MF2 flotation circuit (standard UG2 practice):** The concentrator adopts a conventional MF2 configuration (rougher, cleaner, re-cleaner), a widely deployed UG2 flowsheet designed to maximise PGM recovery within a stable, well-understood operating envelope.

- **PGM concentrate production and marketability:** Flotation produces a saleable PGM concentrate, with recovery assumptions supported by locked-cycle and kinetic flotation work. The concentrate is expected to be suitable for third-party toll processing in South Africa, avoiding reliance on integrated downstream facilities.

- **Chrome by-product recovery:** UG2 chromite enables chrome recovery via spiral circuits to produce a saleable chrome concentrate, providing by-product credits and improved revenue diversification (a meaningful cost offset rather than a primary value driver).

- **Metallurgical Updates:** The DFS programme includes targeted metallurgical drilling and bulk sampling (including a ~140 kg UG2 sample) to validate early-mine variability, confirm recoveries and concentrate characteristics at DFS level, and support ongoing smelter/refinery engagement.

Overall, Bengwenyama processing strategy remains intentionally “standard UG2” (MF2 plus gravity chrome recovery), supporting a low technical-risk pathway to a marketable concentrate and a scalable platform as underground production ramp.

2.3 Project Risks

2.3.1 Funding and Financing Risk

Bengwenyama requires substantial upfront capital to transition from developer to producer, and funding terms will materially influence dilution and schedule risk. A key de-risking change since the 2024 PFS is the OPFS staged development strategy, which reduces the initial funding hurdle: Stage 1 pre-production capex is US$219m with US$279m peak funding, versus US$452m peak funding in the 2024 PFS full-project case.

Near-term corporate liquidity was supported by the October 2025 strategic placement, but securing construction funding remains the primary gating item ahead of FID. Cost of capital is a first-order value driver: project NPV declines from US$2,062m (8%) to US$1,627m (10%).

Mining Right granting is also central to bankability and title certainty; delays would likely increase financing friction, extend timelines, and raise the effective cost of capital.

2.3.2 Commodity Price

Bengwenyama is not a single-commodity exposure: the flowsheet is designed to generate a diversified revenue mix from 6E PGMs alongside payable base metals (Cu, Ni) and a saleable chrome concentrate. These by-product streams provide credits that partially offset operating costs and add some resilience versus a pure-PGM revenue line.

However, the equity remains structurally geared to the PGM basket price (and, by extension, the platinum complex) and the ZAR/USD exchange rate, given that the PGM component drives the majority of NSR while a large portion of the cost base is ZAR-denominated and revenues are effectively USD-linked. The PFS sensitivity work aligns with this: exchange rate, head grade and PGM prices are the primary drivers of DCF outcomes, with a materially greater impact than most cost inputs.

Our model sensitivities reinforce the key risk framing: NPV is most levered to platinum, rhodium and palladium(±US$135m, ±US$104m and ±US$103m, respectively). This supports a “basket” thesis rather than reliance on a single metal, but it does not remove commodity risk—PGM pricing remains the dominant external value driver. Chrome contributes a smaller but still meaningful swing (±US$84m), consistent with its role as a by-product credit rather than a primary valuation anchor.

This exposure matters because PGM markets can move sharply on relatively small changes in fundamentals: supply is concentrated and often inelastic (notably South Africa), and short-term pricing can be amplified by tight physical availability and inventory dynamics. For example, WPIC and CME have highlighted multi-year platinum deficits and significant drawdown in above-ground stocks, which can underpin pronounced price moves when the market is tight. Johnson Matthey similarly frames platinum as remaining in deficit (with palladium closer to balance), while auto catalyst substitution dynamics continue to influence relative pricing across the basket.

2.3.3 Geopolitical, Regulatory and Permitting Risk

South Africa carries higher sovereign and regulatory execution risk than OECD mining jurisdictions, with key sensitivities around permitting administration, labour relations and infrastructure reliability (such as power). Notably, Eskom has reported an extended period without load-shedding (c.245 consecutive days as at 16 January 2026),which is supportive for near-term operating confidence; however, reliability and tariff-path risk remain live variables for long-life projects.

At the project level, permitting remains a critical-path item. The Mining Right application was accepted in October 2023, with the environmental approvals process running in parallel and additional authorisations required (including water and waste licences) alongside power and bulk water supply arrangements.

More recent company disclosures state that Environmental Authorisation has been issued and management sees no material impediments to Mining Right granting; however, the Mining Right remains a gating milestone in the development pathway and timing is not fully within the company’s control.

The broader jurisdictional backdrop improved in late 2025 (including FATF grey-list removal on 24 October 2025 and an S&P foreign-currency rating upgrade to BB on 14 November 2025). These developments are supportive, but they do not eliminate project-level regulatory execution risk—particularly around long-lead approvals, administrative timelines and potential changes in permitting requirements.

2.3.4 Social Licence, Community and Land-Related Risk

Social licence is a material value driver and an important bankability consideration. Project disclosures point to established engagement with the Bengwenyama community, but they also highlight specific social dependencies: the Social and Labour Plan (SLP) has been reviewed and is awaiting municipal sign-off, and a Framework and Cooperation Agreement is in place covering surface access and compensation, culturally significant areas, and a moratorium over parts of the Mining Right footprint pending restitution land-claim outcomes.

Accordingly, the risk is not generic "community relations", but three identifiable execution items:

1. Timing and conditions of SLP approvals.
2. The practical durability of surface-access arrangements (incl. compensation and compliance obligations).
3. Any escalation in land-claim or cultural-heritage matters that forces footprint redesign or delays the critical path.

2.3.5 Technical, Metallurgical and Execution Risk

Bengwenyama remains an UG development and is therefore exposed to execution risks around development rates, ground conditions, dilution/overbreak and grade control—any shortfall versus plan would pressure unit costs and schedule. While relatively shallow early access is supportive, it does not remove underground delivery risk.

Geologically, the UG2 package is described as broadly uniform but includes a material pothole facies component (~17%), which increases the importance of mine planning, geological loss assumptions and operational grade management.

Metallurgically, the PFS flags further work required to progress to DFS confidence. Key items include optimisation of the flotation circuit (notably cleaner-stage reagent selection) and confirmation of the chromite recovery flowsheet (spiral design) to maximise chromite value while minimising PGM losses to the chromite concentrate.

2.3.6 Offtake, Logistics and Infrastructure Risk

A key commercial risk is the absence of binding offtake agreements at this stage. The PFS references non-binding discussions/EOIs only, which leaves uncertainty around realised offtake economics and terms (payabilities/TCs-penalties, impurity specifications, logistics/Incoterms and credit risk).

The logistics plan is workable but still a deliverability variable: the PFS contemplates trucking PGM concentrate to Rustenburg smelters (~415 km) and transporting chrome concentrate to export ports (Maputo or Durban, subject to allocation/capacity), with some optionality for local chrome treatment. Any tightening in haulage, port access or third-party processing capacity could increase unit costs or create bottlenecks.

Power supply remains a structural South African constraint. The PFS assumes Eskom grid connection via a local 132 kV network with redundancy and backup generation; however, reliability and tariff escalation remain material risks to operating performance and margins.

3. Management

Roger Baxter, Executive Chairman

Roger Baxter is a highly respected mining industry leader with more than 30 years' experience. He was CEO of the Minerals Council South Africa from 2015 to 2023, where he led major improvements in mine safety and industry standards. He is the founding Chair of the World Platinum Investment Council and a former President of the Mining Industry Association of Southern Africa. Roger was inducted into the South African Mining Hall of Fame in 2024 and holds a BCom (Hons) from the University of Natal.

Johan Odendaal, Managing Director

Johan Odendaal is a mineral economist with over 36 years' experience in mining and finance. He is a co-founder of Minxcon and has advised mining companies, investors and financial institutions on valuations, mine-financial analysis and corporate strategy. Johan is CEO of Miracle Upon Miracle Investments and previously held senior roles in mining research and investment banking, including at Merrill Lynch.

Mike Stirzaker, Lead Independent Non-Executive Director

Mike Stirzaker is a Chartered Accountant with over 40 years' experience in mining finance and investment. He has held senior roles across mining private equity and corporate finance and is currently Independent Non-Executive Chair of Base Resources Limited and a Non-Executive Director of Firestone Diamonds PLC. He served as Interim Chair of Southern Palladium Limited from May to December 2023.

Daan van Heerden, Non-Independent Non-Executive Director

Daan van Heerden is a mining engineer with over 30 years' operational and corporate experience across underground and open-pit operations. He leads Minxcon's Mining Engineering division, specialising in valuations, feasibility studies, due diligence, and technical and financial reviews, and holds a BEng (Mining), Master of Commerce and Mine Manager's Certificate.

Rob Thomson, Independent Non-Executive Director

Rob Thomson is a mining executive with 40 years' international experience developing gold and base-metal projects, including Sepon, Chatree, Didipio and Wetar. He has held senior leadership roles including Managing Director of Theta Gold Mines (2016–2021) and is currently an Independent Non-Executive Director of Pacific Nickel Mines Limited and Bayrock Resources Limited.

Lindi Nkosi-Thomas SC, Non-Executive Director

Lindi Nkosi-Thomas is a Senior Counsel at the Johannesburg Bar with over 30 years' experience, appointed silk in 2009. She is Chair of Miracle Upon Miracle Investments, the community-owned joint venture partner to Southern Palladium Limited at the Bengwenyama PGM project.

Andrew Cooke, Company Secretary

Andrew Cooke is a Sydney-based corporate lawyer with over 30 years' experience in corporate law, finance and governance. He has extensive ASX-listed resources experience, is a Non-Executive Director of Kingsrose Mining Limited, and oversees Southern Palladium's corporate administration and regulatory compliance.

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative:** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings:	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

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