BRIDGE STREET
CAPITAL PARTNERS

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Southern Palladium Ltd (ASX:SPD, JSE:SDL A$1.76/sh. Market cap A$234m)

Mining Right granted. Conceptual valuation >A$9/share.

Very good news from SPD: the Mining Right (MR) for the 400Kozpa PGM/1Mtpa chromite Bengwenyama project has been granted. South Africa's Department of Mining and Petroleum Resources has confirmed that the MR has been issued. It is of **30-year duration** with an option to extend.

The Project is 100% held by Miracle Upon Miracle Investments (MUM), in which Southern Palladium holds a 70% ownership interest and the Bengwenyama Traditional Council on behalf of the Bengwenyama Community holds a 30% ownership interest. The Council also owns a 5.7% ownership interest indirectly in Southern Palladium. We therefore are of the view that **the Bengwenyama project has achieved full BEE status** with no further adjustment to ownership required. **This is very positive from an investment perspective as we feel that a number of potential holders of SPD have held back until the granting of the MR.**

As a reminder, our conceptual after tax NPV_8/share for this low cost, long minelife project is now ~US$1.9bn. This equates to over A$9/share (fully funded) based on our internal valuation assumptions. (See Appendix 1 for a summary of these assumptions which include Pt @ US$1700/oz, Pd @ $1400/oz and Rh @ $8000/oz).

We see further rerating of the SPD share price as this Tier 1, low cost, long mine life project continues to be derisked.

The granting of an MR is important for a number of reasons:

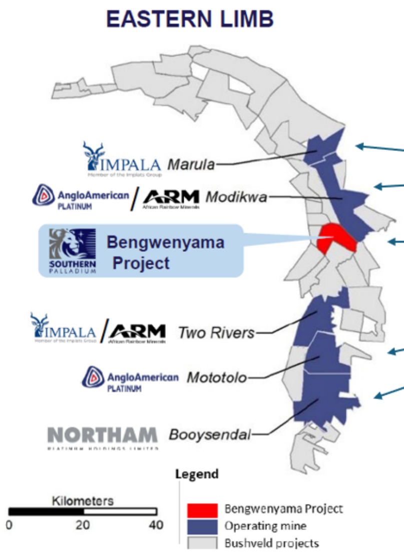
- **It cements ownership of the Tier 1 +40Moz PGM resource in the hands of MUM, 70% owned by SPD**. It remains the last remaining shallow section of the central/southern section of the UG2 and Merensky Reefs on the Eastern Limb of the Bushveld to be developed. Some 20 years ago there was an ownership tussle which was finally settled in 2014 in favour of the Bengwenyama community. See Appendix 2 for further details).
- **SPD can now confidently push ahead with the DFS**, scheduled to be completed by 1Q27, delayed by one quarter to allow the incorporation of the encouraging recent met. results into the process flowsheet. (See our July report).
- **It also allows commencement of early works on the project**, including the southern decline and associated box cut. Timing here is dependent on the finalisation of waste management and water use permits. SPD is targeting commencement by year-end.
- **Importantly it allows the company to advance discussion with off-takers**, the South African PGM smelters and refiners and chromite traders. This may enable product pre-pays/streaming/royalty deals to be put in place to fund early works. This might include the early establishment of perhaps a US$25-50m (possibly more) chrome pre-pay by the end of 2026 which with a A$24.6m cash position will assist with any upfront capital spend.
- **This is a key differentiator for the Bengwenyama project** where we believe there will be a high level of interest from the South African smelters in its **very high grade UG2 concentrate**.

Owners team: SPD also announced the ongoing recruitment to the SPD's owner's team with the appointment of an experienced Project Director and underground Mining Manager.

Next steps: Plenty of news from SPD over forthcoming months with the completion of exploration drilling and the **update of the resource model**. This will allow the **finalisation of the mine plan** to feed into the DFS. We are especially awaiting **details of the final mineral processing route for the project following the very encouraging met. results** reported last month. (See our July report). We are keen to see the impact on the project's capex and opex.

Bengwenyama in a regional context – highly attractive near-ology

The following figure demonstrates the proximity of Bengwenyama to its Tier 1 PGM neighbors:



Approximate production rates and costs for the Eastern Limb producers including results from Bengwenyama OPFS

	PGM production (Kozpa)	AISC (US$/oz)
Marula	200	1100
Modikwa	270	1100
Bengwenyma (OPFS)		
Stage 1	**200**	**970**
Stage 1+2	**400**	**820**
Two Rivers	300	870
Mototolo	270	1000
Booysendal	510	1050
	= production from UG2 and Merensky reefs	

Note:
- Approximate annual production rates based on 1H25.
- Cash costs also based on last reported periods. AISC reported on a 6E basis except for Mototolo (3E) and Booysendal (4E).
- Booysendal and Modikwa production from both the UG2 and Merensky Reefs. The Merensky development at Two Rivers was temporarily closed but is now ramping back up to full production. Other mines are 100% UG2.

Bengwenyama could be of significant interest to the owners of a number of the relatively mature mines of the Eastern Limb. We don't have detailed analytical coverage of the major producers of the area, Valterra (previously Anglo American Platinum), Impala, ARM or Northam, but we have been watching production trends from several nearby operations.

We are aware that both the Modikwa mine of Valterra and ARM and the Two Rivers mine of Impala and ARM are struggling to fill their respective mills from deepening underground mines. Impala/ARM at Two Rivers developed a mine on the Merensky reef to supplement declining ounces from the UG2. The Merensky operation was shuttered a couple of years ago but has recently reopened and is now ramping up slowly in response to improved PGM prices.

Modikwa also appears to be struggling to deliver UG2 tonnes to the mill. We are aware that its No. 1 shaft has been closed, which has resulted in a 27% drop in UG2 reserves in 2025. Modikwa is now supplementing mill feed from "crop edge" open cut mining of the UG2 from small and shallow open cuts. The mine life here for these operations appear to be limited.

We can't help but think that shallow, high grade UG2 ore from Bengwenyama would be extremely attractive to supplement mill feed for both operations, especially now the MR has been granted.

Appendix 1. Valuation

As reported in our July note, our project NPV_8 is now US$1.933bn (previously $1.81bn up ~7%) and is based on the production outcomes from the Optimised PFS, which sees PGM production starting at around the 200kozpa level from 2028 expanding to ~400koz from 2034. The valuation lift has largely been driven by increased chromite production (~500Ktpa for Stage 1 expanding to ~1Mtpa for Stage 2), but also the slightly higher met. recoveries for the PGMs. It has been offset in our model by a modest increase in costs to allow for materials handling of the larger volume of chromite. We have also dropped our mine gate price assumption for chromite to US$220/t to allow for freight costs to China and until we get a better understanding of pricing of UG2 chromite concentrate. Otherwise, our commodity price assumptions remain unchanged. We use US$1700/oz for Pt (spot is ~$1730/oz), $1400 for Pd (spot ~$1380/oz) and $8000 for Rh (spot ~$8650/oz). Our currency assumption is ZAR17.5 against the USD compared with spot which sits at 16.3.

The requirement for finance will emerge from the DFS, due in late 2026/early 2027. The capital requirement is dependent on the final design of the plant with a number of options available for the project. As we discuss in our July 2026 report, the rejection of 24-31% of very low grade material using dense media separation prior to milling, may require a smaller mil/gravity/float circuit. We look forward to further results from the DFS and the future capital requirement of the project.

Our capex assumptions remain unchanged and largely reflect those outlined in the Optimised PFS. We'd imagine there will be swings and roundabouts in the new numbers: additional capex for the DMS circuit possibly offset by lower capex for a smaller processing plant. To stress, these are only our estimates, which will no doubt vary from what we will see in the final DFS.

We continue to assume 50% of the project will be funded by debt, 50% by equity. We assume SPD retains a full 70% ownership of the project, with some A$230m in equity capital raised to fund Stage 1 of the project, supplementing around A$200m in debt. We now use a price of $1.40/share to fund a A$230m equity raise at FID. On this basis our conceptual valuation (and we stress conceptual) remains at over A$9/share.

Southern Palladium, conceptual valuation			
Bengwenyama (NPV8), post tax, 100% equity	A$m	$2,761.41	US$2bn
Bengwenyama (NPV8), post tax, 70% equity	A$m	$2,269.38	Community's 30% 'carry' recovered over 10 years
Add back capex (70%)	A$m	$400.00	
Bengwenyama (NPV8), unfunded, 70% share	A$m	$2,669.38	Unfunded NPV
Project debt, 100% basis	A$m	-$200.00	50% debt/capex, SPD to fund 100% of debt
NPV less debt	A$m	$2,469.38	
Cash	A$m	$24.60	As at June 26
Cash from exercise of options	A$m	$0.53	
PV of corporate costs	A$m	-$50.00	Estimate, post tax
Other exploration	A$m	$50.00	Nominal value for Merensky ounces
Corporate NAV	A$m	$2,494.50	
Number of shares	m	132.3	
Options	m	0.8	
Total shares, fully diluted		133.1	Excluding incentive rights
New equity required	A$m	$230.00	Estimate. Leaves $30m in w/c.
Number of new shares	m	164.3	Issued at $1.40/share
Total number of shares	m	296.6	
Conceptual valuation adding new cash	A$m	$2,724.50	
Conceptual valuation/share	A$/share	$9.19	

Source: BSCP estimates

Note in this valuation there is no incremental value for:

- "Early tonnes" with the potential commencement of a decline sink in late 2026.
- The possibility of toll milling/ore sales.
- The use of chromite for stream funding.
- The residual +30 million resource ounces in the UG2.

Appendix 2. History of Ownership of Bengwenyama

The history of ownership of the Bengwenyama project is important as it is the main reason why the project has remained undeveloped. It is one of the last remaining outcropping potentially economic occurrences of the two PGM-bearing reefs of the Bushveld, the Merensky and UG2.

- The local community, the indigenous Bengwenyama-ye-Maswazi tribe, were displaced from the two farms (Nooitverwacht and Eerste Geluk) in the 1940s. After several attempts the community managed to gain a successful land claim in 1996. Despite a contest to land access in 2011, the Bengwenyama community retained those rights.
- The two farms were held under old order prospecting rights by Angloplats (with several other neighboring farms) as it adjoins the northern Modikwa mine (owned jointly by Valterra – previously Angloplats, African Rainbow Minerals and another community).
- The Bengwenyama community expressed interest to Angloplats of becoming involved in mining in 2003 and 2005.
- Mineral rights were transitioned to new order rights in 2004. Applications for prospecting rights came from a number of parties (including Angloplats).
- Under the Mineral and Petroleum Resource Development Act (2002) preferent prospecting or mining rights must be granted to a community who wishes to obtain such rights on land registered (or to be registered) in the name of that community if they have lodged a valid application for such rights. An application was lodged for a preferent prospecting right (PPR) in 2006 in the name of Miracle Upon Miracle Pty Ltd (MUM). The shareholders were Nurinox (the local community) and Atlantic (the advisors to Nurinox, including several of the directors of Minxcon). A Canadian company Legacy Platinum became a small shareholder in MUM in return for funding MUM's legal costs.
- Later in 2006 the PPR was awarded to a private group, Genorah Resources, which then entered a farm-out agreement with ASX-listed Nkwe Platinum Ltd. Nkwe began exploration of the two farms, completing the 30 drillholes referred to in this report.
- The Bengwenyama community and its affiliates obtained a court interdict against Genorah/Nkwe in early 2007 and exploration halted. Genorah vacated the farms entirely by the end of 2007.
- In an unfortunate event in 2011 the Department of Minerals and Energy re-awarded a PPR over one of the farms to Genorah in JV with another community which claimed to be indigenous to the farm. This was contested by MUM and the ruling in favour of MUM was upheld in two courts. This was finally appealed to the Constitutional Court by Genorah, which was unsuccessful.
- Complicating matters was Angloplats which attempted to secure mineral rights to both farms. This was unsuccessful and Angloplats withdrew its appeal.
- In June 2015 a PPR was awarded to MUM, which was then registered for a 5 year period in 2017. The PPR was renewed for a further 3 year period in February 2021.
- Southern Palladium negotiated a deal with the Bengwenyama community to acquire 70% of the project. This provided the basis for the SPD IPO in June 2022 which raised A$19m to allow advancement of the project.
- A Mining Right was applied for at the expiry of the PPR in 2023.

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