



26 October 2023

2023 Annual Report

Southern Palladium Limited (ASX Code: SPD and JSE Code: SDL) provides its 2023 Annual Report.

Authorised by the Board.

For further information, please contact:

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Southern Palladium Limited

ACN 646 391 899

Level 1, 283 George Street, Sydney NSW 2000 Australia



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ANNUAL REPORT 2023

CHAIRMAN AND CEO REPORT

Dear Shareholders

2023 has been a significant year for Southern Palladium with an extensive exploration programme now well underway at the Company's (70%) Bengwenyama project, which is situated on the Eastern Limb of the Bushveld Complex in South Africa. This complex hosts approximately 72% of the world's platinum group metals ("PGMs"), and the prospecting right is nestled amongst major platinum and chrome producers.

Pleasingly, drilling results continue to confirm the consistency of the grade and continuity of the UG2 reef, and both the grade and reef width correlate well with the Inferred Mineral Resource outlined in our Prospectus. Additional drilling in the newly discovered Far East Block has also shown consistent results. The Company's exploration programme is one of the largest currently underway in South Africa.

During the reporting period, the total Mineral Resource, which encompasses both Indicated and Inferred categories, experienced significant growth, increasing from a 3PGE+Au Inferred Resource of 18.80 million ounces to a current 6PGE+Au Indicated and Inferred Resource of 25.12 million ounces (comprising 5.11 million ounces in the Indicated category and 20.01 million ounces in the Inferred category).¹

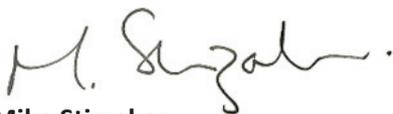
Importantly the Company has also materially advanced scoping and feasibility studies for safely and responsibly developing a PGM underground mine and processing facility. Our work to thus far confirms the Company's original analysis that the UG2 currently has the best development potential, and that we should keep open the potential for mining the Merensky Reef in future. A Geotechnical study, Metallurgical test work and environmental studies are now also underway.

The Company has strived to build on its relationship with the Bengwenyama Community, a relationship that was established over 17 years ago and that is integral to ensuring the success of this major project. The Bengwenyama Community are our partners in this project and we value their involvement.

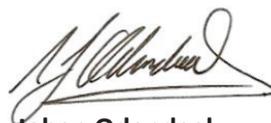
Renewed interest in PGMs with their unique characteristics in various applications in the sphere of the Green Economy and fuel cell technologies continues to support the Company objectives.

We would like to acknowledge the ongoing commitment of the Board of Directors, management and the team in the field who together have contributed to the successes of the Company this past year. We would also like to acknowledge the contribution of Mr. Terence Goodlace as the Company's founding Chairman who was unfortunately required to retire earlier in the year due to competing demands.

With the recent submission of a Mining Right Application for the Bengwenyama project, the Company is now on the path of transitioning from a pure exploration to a development-focused company. We thank all shareholders for their continued support on this journey.



Mike Stirzaker
Interim Chairman



Johan Odendaal
Managing Director/CEO

¹ The information is extracted from the report entitled "Bengwenyama drilling and PFS progress update: Combined PGE Mineral Resource now totals 25.1Moz (7E basis)" created on 10 July 2023 and is available to view on the Company's website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Introduction

Southern Palladium continues to recognise the importance of social, environmental and governance aspects in our business. This sentiment is reflected in our core values and is incorporated into our development and planning. Sustainable development and operational practices are proactively encouraged and implemented throughout all our company and project tiers. Opportunities at the Bengwenyama project continue to remain a key focus particularly with the commencement of exploration drilling in August 2022, with positive progress recorded throughout the year.

Community, Stakeholder Engagement and Social Responsibility

The Bengwenyama project is held by way of a preferent prospecting right awarded to Miracle Upon Miracle Investments (Pty) Ltd (MUM; a 70% subsidiary of Southern Palladium) in terms of Section 104 of the Mineral and Petroleum Resources Development Act (28 of 2002), which sees the preferent awarding of rights to resident communities. The lawful residents of the farms Eerstegeluk and Nooitverwacht that comprise the Bengwenyama project area are the Bengwenyama-ya-Maswazi Traditional Community (or Community), represented in their official capacity by a structured Royal Family and Traditional Council. The Community holds an effective economic interest in the Company of 36.51% via a 30% direct holding and a further indirect holding of 6.50% through its 9.28% shareholding in SPD.

Southern Palladium works closely with the community, actively promoting inclusivity and project awareness. Ethical inclusion extends to fair representation via Royal Family, Traditional Council and other Community representatives. Weekly exploration meetings are held virtually with the two Community representatives, together with the environmental and exploration management consulting firm contracted to the project. Quarterly meetings are held on site with extended representation from the greater Royal Family, Traditional Council and community representatives. Southern Palladium remains sensitive to the needs of the community and proactively incorporates feedback into decision making.



Quarterly Meeting Attendance at one of the villages

The Khomanani Centre on the Eerstegeluk farm has been established as the office base for the exploration project. The centre is secured through a rental agreement between MUM and the Traditional Council. In this year, renovations of the facility have been completed by the Company, including infrastructure upgrading and power reconnection. Service providers for the renovation project were preferentially sourced from the local community, with contracts awarded through a fair tender process adjudicated by a tender committee represented by the Company and appropriate community members. Continuing security services, diesel supply, sanitation and electrical services are provided to the active exploration base via community-based service providers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Preferential employment for the exploration project is given to community members. Members of the community are encouraged to apply for suitable positions throughout the exploration programme. Training and support are provided accordingly. To date, positions for project site manager, a geologist, five core-yard assistants, a gardener and a general cleaner have been filled by resident members of the community.

One-on-one consultations are held with land occupants affected by drilling operations prior to the movement of a drill rig into an identified area. Through structured Surface Rights Usage and Access Agreements, impacted persons may be liable for monetary compensation by the Company. Compensation is paid once a drillhole has been completed.



One-on-one consultations are held with land occupants affected by drilling operations.

In the year, the Company initiated planning for the drafting of a Social Upliftment Development Plan that is intended to empower the broader community and uplift the quality of life, without reliance on establishment of a mine. In order to establish the baseline socio-economic conditions, an audit across the seven villages that traverse the Bengwenyama project farms was undertaken. The field survey was conducted by two resident members of each village. Data capture is being completed by a community member that has been trained to execute the work.

In late June 2023 a Facebook page (<https://www.facebook.com/SouthernPalladium>) was launched to serve as a means to share updates, news and relevant information with the community in a more accessible and real-time manner. Additionally, a newsletter was printed and distributed in August, acting as another valuable communication channel to update the community on various aspects of the Bengwenyama project. The newsletter will be published half-yearly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environmental Responsibility and Stewardship

Southern Palladium entrenches principles of environmental stewardship throughout its business. Exploration activities are undertaken in a manner that takes acute cognisance of the social and biophysical environments. Measures are implemented to mitigate negative impacts and alternatives that promote environmental stewardship are preferred. Moreover, assessments are made during the prospecting operations to mitigate impacts as they occur.

At the Bengwenyama project, drillhole collar positions are strategically planned to avoid potentially locally sensitive areas. Assessment of each drillhole site is undertaken and recorded prior to drilling to identify the baseline status of the environment. Upon completion, rehabilitation of the drill pad and drilling site is undertaken immediately in accordance with the environmental management plan.

Bulk raw water for the Bengwenyama project is purchased from the licenced Lebalelo Water User Association for drilling activities, drawn from an established nearby pipeline connection point and not from an adjacent river system. The diamond drilling programme utilises mobile water sumps for water reticulation. The use of mobile sumps eliminates removal of topsoil and mitigates seepage and sump site rehabilitation. Water is effectively recycled through the sump system for the continued drilling. Drilling mud is disposed of at the licenced facility Malogeng Landfill Site.

An Environmental Compliance Officer, registered with the Environmental Assessment Practitioners Association of South Africa, has been appointed at the Bengwenyama project. Ongoing site monitoring allows for early risk identification and remediation.

Health and Safety

Southern Palladium is committed to upholding high standards of employee and workplace health and safety. Exploration activities at Bengwenyama are conducted in compliance with all regulations including the South African Mine Health and Safety Act (29 of 1996). A comprehensive safety file, emergency response plan, policies and codes of practice are implemented, incorporating key guidelines published by the Chamber of Mines. Legal appointments are made in terms of policies and Mine Health and Safety regulations.

Health and safety inductions are held for all new persons arriving on site at the Bengwenyama project. Daily safety meetings are held and a working incident reporting and management system is established. The use of PPE is enforced and provision is made for such equipment to all persons.

Governance

Foundations promoting accountability and collaboration have been adopted throughout Southern Palladium's operations. Effective management is achieved through vigilant planning and being responsive to stimuli, aiming for ethical and equitable practices. The Company remains compliant with governing laws. The business and exploration activities of the Company are conducted in accordance with the jurisdictional laws and regulations within which they occur. Activities are confined to the countries of Australia and South Africa, with exploration active only in South Africa.

Throughout the business hierarchy, Southern Palladium seeks to remain transparent by making appropriate formal disclosures to all stakeholders. On the corporate level, this is achieved through publicised notices guided by requirements of the ASX, the JSE and best practice. On the project level, Southern Palladium practices active and continuous shareholder engagement and inclusion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our ESG-oriented policies address anti-bribery and corruption, diversity, occupational health and safety, environmental and water stewardship, human rights, stakeholder engagement, sustainable development, and risk management.

The Bengwenyama project is subject to regulation under legislation of the Republic of South Africa in relation to the exploration activities conducted by the Company. Exploration is conducted in compliance with the preferent prospecting right, prospecting works programme and environmental management plan as approved by the South African Department of Mineral Resources and Energy (DMRE). Annual activities reports are timeously submitted together with annual prospecting fees payable for the project. Lateral site activities are also undertaken in accordance with governing laws and regulations. Security guards are verified for registration with the Private Security Industry Regulatory Authority (PSiRA).

The DMRE has conducted site visits to the exploration project. No major risks have been identified.

A renewed permit is in place from the Tubatse Local Municipality for the disposal of drill-sourced mud at the local Malogeng Landfill Site.

The specialist cultural heritage study completed in accordance with the National Heritage Resources Act (25 of 1999) in fulfilment of a condition to the environmental management plan was accepted by the South African Heritage Resources Agency.

An application for modification to our prospecting works programme and environmental management plan was submitted in June 2022. The Environmental Authorisation was awarded in June 2023. The total application is pending finalisation from the DMRE. The Company is working towards drafting documentation for the submission of a mining right application in quarter 3 2023.

There have been no known breaches of permitting, social and environmental obligations at the date of this report.

Southern Palladium Limited

A.B.N 59 646 391 899

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

Directors	Mike Stirzaker Johan Odendaal Robert Thomson Geoffrey Hiller Daniel Van Heerden
Company Secretary	Andrew Cooke
Registered & Principal Office	Level 1, 283 George Street, Sydney NSW 2000 Australia
Contact Information	info@southernpalladium.com
Share Registry	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Australia
Auditor	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street, Perth WA 6000, Australia
Bankers	Commonwealth Bank Australia Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000, Australia
Stock Exchange Listing	Southern Palladium Limited shares are dual listed with a primary listing on the Australian Securities Exchange (ASX code: SPD) and a secondary listing on the Johannesburg Stock Exchange (JSE code: SDL)
Website	www.southernpalladium.com
Corporate Governance Statement	www.southernpalladium.com/site/about/corporate-governance

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

DIRECTORS REPORT

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Southern Palladium Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2023.

BOARD OF DIRECTORS

The names and positions of the directors of the Company in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated, are:

Mike Stirzaker (Non-Executive Interim Chairman, appointed 5 May 2023, Non-executive Director from 1 July 2022 to 5 May 2023)

Terence Goodlace (Non-Executive Chairman, resigned 5 May 2023)

Johan Odendaal (Managing Director)

Robert Thomson (Non-Executive Director)

Geoffrey Hiller (Non-Executive Director)

Daniel Van Heerden (Non-Executive Director)

PRINCIPAL ACTIVITIES

During the financial year the principal activities of the Company is the advancement of its Bengwenyama Platinum Group Metal project in South Africa.

FINANCIAL PERFORMANCE

The Group's net loss from operations for the year was \$7,176,148 (2022: \$2,498,103)

At 30 June 2023, the Group had net working capital of \$11,467,073 (2022: \$17,615,586).

The Directors believe there are sufficient funds to meet the Group's working capital requirements and as at the date of this report the Group believes it can meet all liabilities as and when they fall due.

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2023.

REVIEW OF OPERATIONS

The Company's primary focus during the year was on the development of its 70% interest in the Bengwenyama Platinum Group Metal project (Project).

The Company acquired its interest in the Project via the acquisition of a 70% equity interest in Miracle Upon Miracle Investments (Pty) Ltd (MUM), a South African private company holding a 100% stake in the Project.

MUM has a Prospecting Right over the following properties:

- (a) the Farm Eerstegeluk 327KT (previously known as Eerstegeluk 322KT); and
- (b) the Farm Nooitverwacht 324KT,

measuring 5,280 ha in extent and located in the Magisterial District of Sekhukhune, Limpopo Province, Republic of South Africa.

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DIRECTORS REPORT

Bengwenyama PGM Project

The Bengwenyama project is a pre-development platinum metal group project situated on the Eastern Limb of the Bushveld Complex.

The property encompasses two economically significant reefs, namely the UG2 and Merensky reefs, which span from the surface to a depth of 1,100 meters over a downdip stretch of 10 kilometres. These two reefs represent primary economic deposits that are actively exploited by other platinum mining companies for Platinum Group Metals (PGMs), base metals and chrome in the region. The Company's focus is on the UG2 reef, which is the predominantly mined reef in the area. Both reefs can be extracted through underground mining methods.,

The PGM ore from these reefs can be processed using well-established and conventional methods widely employed throughout the Bushveld Complex. The Bushveld Complex holds approximately 72% of the world's PGM resources.

Importantly, the Project is in close proximity to existing mining operations as well as essential infrastructure, enhancing their strategic value and accessibility.

The Company is currently focused on exploration to support a prefeasibility study and the lodgement of a mining right application for the Project.

The total Mineral Resource, encompassing both Indicated and Inferred categories increased during the reporting Period. It has increased from a 3PGE+Au Inferred Resource of 18.80 million ounces to a 6PGE+Au Indicated and Inferred Resource of 25.12 million ounces (5.11 million ounces in the Indicated category and 20.01 million ounces in the Inferred category).

Notably, within these mineral resources, there is 14.61 million ounces in the Indicated and Inferred categories for the UG2 reef, which is the initial reef for potential development.

Table 1: Combined UG2 and Merensky Reefs Mineral Resource as at 10 July 2023

Reef	Resource	Tonnes	Thickness	Grades					PGE+Au	
				4E	7E	Cu	Ni	Cr ₂ O ₃	(4E)	(7E)
	Category	Mt	(m)	(g/t)		%			Moz	
Merensky	Indicated	21.59	2.05	2.48	2.75	0.038	0.125	0.72	1.72	1.91
	Inferred	77.90	1.97	3.10	3.43	0.035	0.119	0.73	7.77	8.60
Total		99.49	1.99	2.97	3.28	0.035	0.120	0.72	9.49	10.50
UG2	Indicated	10.76	0.71	7.65	9.24	0.031	0.160	29.53	2.64	3.20
	Inferred	39.09	0.69	7.48	9.08	0.032	0.156	28.23	9.40	11.42
Total		49.85	0.69	7.51	9.12	0.032	0.157	28.51	12.04	14.61
Total		149.34	1.56	4.48	5.23	0.034	0.132	10.00	21.53	25.12

Notes:

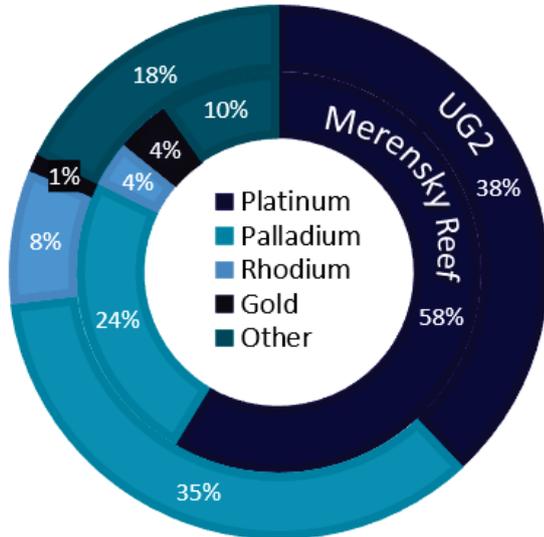
- 4E refers to platinum + palladium + rhodium + gold and 7E to platinum + palladium + rhodium + iridium + ruthenium + osmium + gold.
- Figures may not add up due to rounding.
- Mineral Resources are reported as total Mineral Resources and are not attributed.

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

DIRECTORS REPORT

Platinum (Pt) is one of the most abundant PGMs in the Bushveld Complex, often occurring in significant quantities, and is highly valuable due to its various industrial applications, including catalytic converters, jewellery, and electronics.

Figure 1: Platinum Group Metal + Gold Prill Split



Palladium (Pd): Palladium is another essential PGM found in the Bushveld Complex. It is valued for its use in catalytic converters, especially in gasoline-powered vehicles, and it has applications in the electronics and chemical industries.

Rhodium (Rh): Rhodium is rarer than platinum and palladium. It is highly prized for its exceptional catalytic properties and is primarily used in catalytic converters, particularly in diesel engines.

Ruthenium (Ru): Ruthenium is one of the less abundant PGMs in the complex. It has applications in the electronics industry and in various high-temperature alloys.

Iridium (Ir): Iridium is relatively scarce in the Bushveld Complex but is valued for its hardness and corrosion resistance. It has applications in spark plugs, electrical contacts, hydrogen production and as a hardening agent in platinum alloys.

Osmium (Os): Osmium is the least common of the PGMs in the Bushveld Complex. It is often associated with other PGMs and is used primarily in specialty alloys and electrical contacts.

Exploration

The Company initiated exploration of the Project via a Phase 1 drilling program that was divided into two stages - Phase 1a and Phase 1b. Phase 1a involved wider drill spacing to cover a larger area, providing a better understanding of the structures and grade distribution in the shallow eastern portion of the farm Eerstegeluk. The completion of the Phase 1a drill program resulted in assay results confirming the maiden Indicated Mineral Resource upgrade. There has also been an extension in the UG2 Reef towards the eastern boundary of Eerstegeluk, which has been termed the Far East Block (FEB). This area has been a significant contributor (approximately 1.3Moz) to the resource upgrade.

To 30 June 2023, the Company has completed approximately 14,000m of drilling from 47 drillholes and 13 deflections. The drilling success rate has been better than forecast, with only two UG2 intersections being faulted and three intersecting potholes. In the case of the MR (Merensky Reef), only two drillholes were faulted. The next phase of drilling, Phase 1b, has commenced. It will focus on closer spaced infill drilling of Phase 1a, aiming to convert additional Inferred Mineral Resources into the Indicated Mineral Resource category.

Project Studies

The Project is progressing through various stages of exploration and feasibility assessment. The Company made significant progress on various aspects of the Project including a mining works programme, an environmental scoping study, and a social & labour plan, all of which are being prepared as part of the proposed Mining Right Application.

Community Engagement

Introduction

Southern Palladium continues to recognise the importance of social, environmental and governance aspects in our business. This sentiment is reflected in our core values, and is incorporated into our development and planning. Sustainable development and operational practices are proactively encouraged and implemented throughout all our Company and project tiers. Opportunities at the Bengwenyama project continue to remain a key focus particularly with the commencement of exploration drilling in August 2022, with positive progress recorded throughout the reporting period.

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DIRECTORS REPORT

Community, Stakeholder Engagement and Social Responsibility

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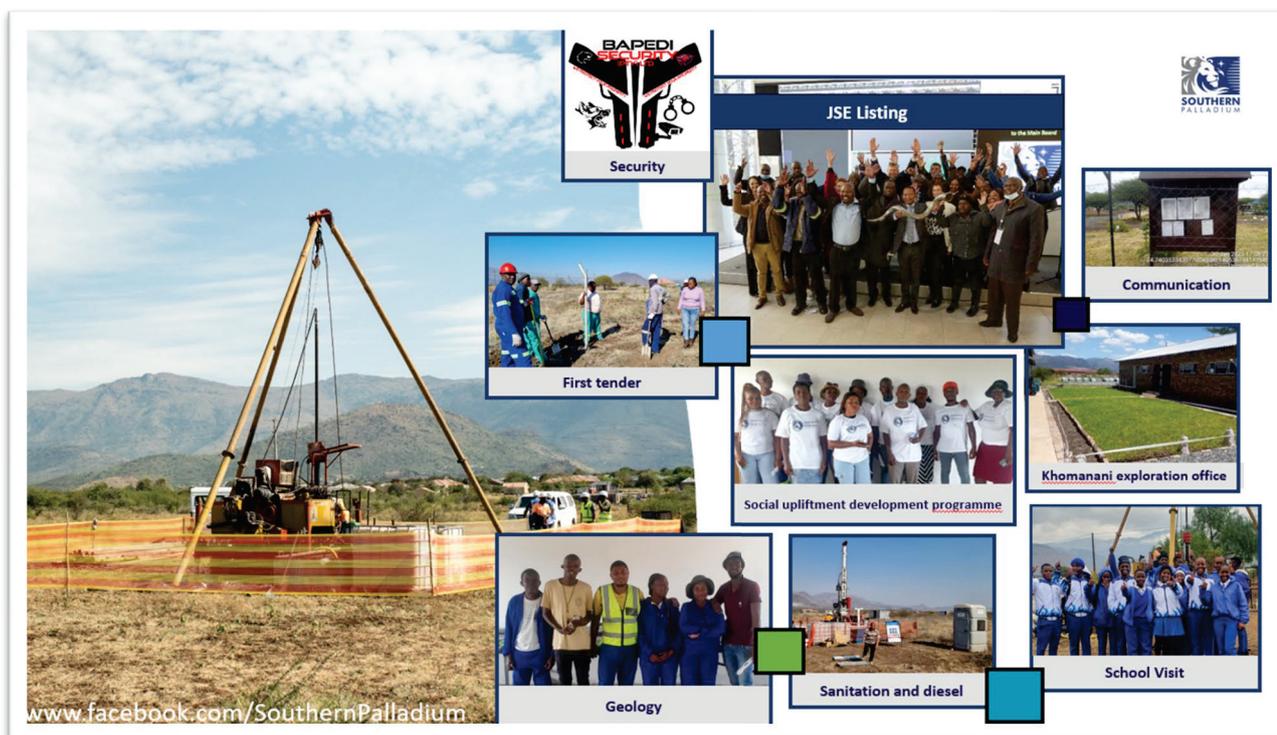
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DIRECTORS REPORT

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Bulk raw water for the Bengwenyama project is purchased from the licenced Lebalelo Water User Association for drilling activities, drawn from an established nearby pipeline connection point and not from an adjacent river system. The diamond drilling programme utilises mobile water sumps for water reticulation. The use of mobile sumps eliminates removal of topsoil and mitigates seepage and sump site rehabilitation. Water is effectively recycled through the sump system for the continued drilling. Drilling mud is disposed of at the licenced facility Malogeng Landfill Site.

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Governance

Foundations promoting accountability and collaboration have been adopted throughout Southern Palladium's operations. Effective management is achieved through vigilant planning and being responsive to stimuli, aiming for ethical and equitable practices. The Company remains compliant with governing laws. The business and exploration activities of the Company are conducted in accordance with the jurisdictional laws and regulations within which they occur. Activities are confined to the countries of Australia and South Africa, with exploration active only in South Africa.

Throughout the business hierarchy, Southern Palladium seeks to remain transparent by making appropriate formal disclosures to all stakeholders. On the corporate level, this is achieved through publicised notices guided by requirements of the ASX, the JSE and best practice. On the project level, Southern Palladium practices active and continuous shareholder engagement and inclusion.

Our ESG-oriented policies address anti-bribery and corruption, diversity, occupational health and safety, environmental and water stewardship, human rights, stakeholder engagement, sustainable development, and risk management.

The Bengwenyama project is subject to regulation under legislation of the Republic of South Africa in relation to the exploration activities conducted by the Company. Exploration is conducted in compliance with the preferent prospecting right, prospecting works programme and environmental management plan as approved by the South African Department of Mineral Resources and Energy (DMRE). Annual activities reports are timeously submitted together with annual prospecting fees payable for the project. Lateral site activities are also undertaken in accordance with governing laws and regulations. Security guards are verified for registration with the Private Security Industry Regulatory Authority (PSiRA).

The DMRE has conducted site visits to the exploration project. No major risks have been identified. A renewed permit is in place from the Tubatse Local Municipality for the disposal of drill-sourced mud at the local Malogeng Landfill Site.

The specialist cultural heritage study completed in accordance with the National Heritage Resources Act (25 of 1999) in fulfilment of a condition to the environmental management plan was accepted by the South African Heritage Resources Agency. An application for modification to our prospecting works programme and environmental management plan was submitted in June 2022. The Environmental Authorisation was awarded in June 2023. The total application is pending finalisation from the DMRE.

There have been no known breaches of permitting, social and environmental obligations at the date of this report.

Tenements

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

DIRECTORS REPORT

The Group acquired the tenements set out in the table below during the year. The Project comprises the full extent of the farms Nooitverwacht 324 KT and Eerstegeluk 327 KT, both of which are in the Limpopo Province of South Africa. The Project is located 250 km east-northeast of Pretoria. The Exploration tenement is 100% held through MUM.

Farm name	Extent (ha)	Prospecting Right number	Prospecting Right expiry date
Nooitverwacht 324 KT	2,971.01	LP30/5/1/1002PPR	12-Feb-24
Eerstegeluk 327 KT	2,308.73	LP30/5/1/1002PPR	12-Feb-24
Total	5,279.74		

RISKS OVERVIEW

The Board is responsible for the Company's risk management and control framework. The material business risks that the Company faces that could influence the Company's future prospects, and how these are managed, are outlined below.

Exploration and development

The future value of the Company will depend on its ability to develop resources that are economically recoverable. Mineral exploration and development is a speculative undertaking that may be impeded by circumstances and factors beyond the control of the Company. There is no assurance that commercial quantities of PGMs and/or PGE (4E) will be discovered at the Project or any future tenements, nor is there any assurance that the exploration or development programs of the Company will yield any positive results. The future exploration and development activities of the Company can be affected by a range of factors including geological conditions, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and other factors beyond the control of the Company. This is managed where possible by the employment of competent personnel and reputable consultants with the relevant skills and experience to deal with these issues, extensive technical analysis and planning, and undertaking field exploration activities.

Resource and reserve estimates risk

The estimated quantities of reserves and resources are based upon interpretations of geological, geophysical and engineering models and assessment of the technical feasibility and commercial viability of production. Estimates that are valid at a certain point in time may alter significantly or become uncertain when new information becomes available through field research, additional drilling or technical analysis. As reserves and resources estimates change, development and production plans may be altered in a way that may adversely affect the PGM mine's operations and financial results. The Company prepares its reserves and resources estimates in accordance with the JORC 2012 standard and guidelines.

Tenure and title risk

The Group's operations in South Africa require approvals from various South African government regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Company. Mining and exploration tenements/licences are subject to periodic renewal. There is no guarantee that current or future exploration permit applications or existing permit renewals will be approved, renewed or renewed in full, and that they will be granted without undue delay, or that the Company (or the holder) can economically comply with any conditions imposed on any granted exploration permits. A failure to obtain any approval would mean that the Group may be restricted, either in part or absolutely, from exploration, development and mining activities. Tenure management processes and standard operating procedures are utilised to minimise the risk of losing tenure. The Company regularly engages with the principal regulator, Department of Mineral Resources and Energy, regarding its tenement compliance management.

Southern Palladium Limited
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DIRECTORS REPORT

Future funding needs

The funds raised by the Company under its Initial Public Offer are considered sufficient to meet the immediate objectives of the Group for the two-year period following its listing. Further funding may be required by the Company in the event that costs exceed estimates, to support its ongoing operations and implement its strategies. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Group's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely have a material adverse impact on the potential growth of the Company. The annual capital and operating budgeting processes are approved by the Board to ensure appropriate allocation of resources.

Reliance on key personnel and relationship with Minxcon

The responsibility of overseeing the day-to-day operations and the strategic management of the Group depends substantially on its Directors, its small management team, and on its relationship with Minxcon. Loss of key personnel may have an adverse impact on the Company's performance. The Company remunerates and incentivises at appropriate market rates to reduce the risk of losing key personnel.

Sovereign risk

The Company has considered the sovereign risk as it applies to South Africa. To mitigate this risk, the Company has established a strong partnership with local community members and maintains a working rapport with key local and government representatives.

Commodity prices and exchange rates

The Company's Bengwenyama project is an advanced stage exploration project focussed on PGM mineralisation. Platinum, palladium and rhodium prices can fluctuate significantly due to factors beyond the control of the Company. A significant decrease in commodity prices is likely to adversely affect sentiment towards the Company and market support towards the Company's development of the project.

The Company has exchange rate risks as IPO funds were raised in Australian dollars and exploration expenditure is largely expended in South African Rand or US dollars. It is likely that future development funds will be partly provided from external debt providers in US dollars. It is anticipated that future project revenues will largely be denominated in US dollars which is expected to provide a natural hedge in respect of debt servicing requirements.

Cyber security

The integrity, availability, and confidentiality of data within the Company's information and operational technology systems may be subject to intentional or unintentional disruption. The Company has developed robust storage and backup systems to avoid a total loss of intellectual property relating to the Company's project in South Africa. The Group does not retain a substantial amount of customer data so that aspect of cyber security risk is limited.

Climate change

The Group is likely to be subject to increasing regulations and costs associated with climate change and, specifically, management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change and the energy transition are progressively being incorporated into Company policy, strategy and risk management processes and practices. The Company is exploring energy alternatives to drive its project development strategy. The Company is also developing a formal rehabilitation strategy for post mining restoration of the project site.

**Southern Palladium Limited
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DIRECTORS REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No other significant changes to the Company's state of affairs have occurred during the year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue its exploration and development activities on its Bengwenyama PGM Project in South Africa.

ENVIRONMENTAL REGULATION

The Group has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the year. Exploration activities are undertaken in accordance with approved plans and governing laws and regulations.

INFORMATION ON DIRECTORS

Mike Stirzaker

Independent Non-executive Interim Chairman (Appointed on 5 May 2023)
Non-executive Director (4 December 2020 to 5 May 2023)
Member of Audit Committee

Mr Stirzaker qualified as a Chartered Accountant whilst working with KPMG. He has over 35 years' commercial experience, mainly in mining finance and mining investment with various companies including being Joint Managing Director of boutique resource adviser, RFC Group Limited, a partner of Tennant Metals, Finance Director of Finders Resources Limited, and from 2010 to 2019 was a partner at the private equity mining fund manager, Pacific Road Capital.

Other Public Company Directorships in the past 3 years

Base Resources Limited (ASX: BSE)
Akora Resources Limited (ASX: AKO)
Firestone Diamonds PLC.

Terence Goodlace

Independent Non-executive Chairman (Resigned 5 May 2023)
Member of Audit Committee (Resigned 5 May 2023)

Mr Goodlace has a mining career spanning more than 40 years. He spent the majority of his career at Gengold (later Gold Fields Limited) in various roles from a miner to Chief Operating Officer. He spent three years as the Chief Executive Officer of Metorex Limited and served on the Impala Platinum Holdings Limited Board for two years as an independent non-executive director and four and a half years as the Chief Executive Officer. He has significant experience in leading underground and open-pit operations in Africa, South America and Australia.

Other Public Company Directorships in the past 3 years

Kumba Iron Ore Limited
Gold Fields Limited
Andrada Mining Limited

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DIRECTORS REPORT

INFORMATION ON DIRECTORS (CONTINUED)

Johan Odendaal
Managing Director

Mr Odendaal is a Mineral Economist and holds a B.Sc. degree in Geology, a B.Sc. Hons degree in Mineral Economics and a M.Sc. degree in Mining Engineering. Johan is director and co-founder of mining consulting firm Minxcon (Pty) Ltd (2005) and has 36 years' experience in the mining and financial industry. This includes 19 years as an independent mining consultant and 12 years as a financial analyst involved in mine-financial analysis and valuations and corporate advisory. He headed Mining Research at a leading South African broking firm and spent several years at Merrill Lynch as Vice President. Mr Odendaal is currently the Chief Executive Officer of Miracle Upon Miracle Investments (Pty) Ltd (Holder of the PGM prospecting right).

Other Public Company Directorships in the past 3 years
Nil

Robert Thomson
Independent Non-executive Director
Member of Audit Committee

Mr Thomson is a Mining Engineer with extensive experience (gold and base metals) in site operations, the development of exploration projects into sustainable mining operations and businesses in Asia, Africa Canada and Australia. He has a Bachelor of Engineering (Mining) from the University of Queensland, a MBA from the University of Wollongong and is a Fellow of the Australasian Institute of Mining and Metallurgical Engineers. He also has extensive corporate and industry experience with local and international mining companies in senior executive roles and as a non-executive director of publicly listed companies on the ASX and formerly on the AIM Exchange and the TSX-V.

Other Public Company Directorships in the past 3 years
Theta Gold Mines (ASX: TGM) (Resigned on 13 August 2021)
Pacific Nickel Mines Limited (ASX:PNM)

Geoffrey Hiller
Independent Non-executive Director

Mr Hiller is mining/civil engineer with over 25 years of mining industry experience including feasibility, financing, development and construction of projects. Mr Hiller holds a Bachelor of Engineering Mining (Hons) from the University of Melbourne, a Bachelor of Civil Engineering (Hons) from the University of Sydney and MBA from the Australian Graduate School of Management (University of New South Wales).

Other Public Company Directorships in the past 3 years
Pacific Nickel Mines Limited (ASX: PNM)
Austpac Resources NL.

Daniel Van Heerden
Non-independent Non-executive Director

Mr Van Heerden holds a M.Com., a B. Eng Mining Engineering and has a Mine Managers Certificate from the SA Chamber of Mines. He has over 30 years' experience in the mining industry and has obtained significant experience in managing mining operations in South Africa and abroad, both underground and open cast, for world-class major mining companies and for junior mining companies. He was responsible for new business development for two major mining companies and has experience in mining mergers and acquisitions. He is currently heading the Mining Engineering division of Minxcon, where he is involved in activities such as valuation, due diligence, finance structuring, change management required post the event, feasibility studies, life of mine plans, technical reviews and writing of technical reports for various commodities.

Other Public Company Directorships in the past 3 years
Nil

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DIRECTORS REPORT

COMPANY SECRETARY

Andrew J. Cooke LLB

Mr Cooke is a lawyer with over 30 years' experience in law, corporate finance and as a Company Secretary of listed resource companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Terence Goodlace	10	10	6	6
Johan Odendaal	8	8	-	-
Mike Stirzaker	10	10	6	6
Geoffrey Hiller	10	10	-	-
Robert Thomson	10	10	6	6
Daniel Van Heerden	8	8	-	-

There was no Nomination & Remuneration Committee meeting held during the financial year ended 30 June 2023.

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DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Key management personnel
- c) Details of remuneration
- d) Share based compensation
- e) Additional information
- f) Other transactions of Key Management Personnel
- g) Equity instrument disclosures relating to Directors and Key Management Personnel

a) Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants, the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

For the financial year commencing 1 July 2021 and in respect of each financial year thereafter and until otherwise determined by a resolution of Shareholders, the maximum aggregate remuneration payable by the Company to all non-executive Directors for their services as Directors including their services on a Board committee or sub-committee and including superannuation is limited to \$750,000 per annum (in total).

Each non-executive Director has entered into a deed of appointment with the Company.

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DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

b) Key management personnel

The directors and other key management personnel of Southern Palladium Limited during the year were:

Mr Mike Stirzaker – Non-executive Interim Chairman (Non-executive Director from 1 July 2022 to 5 May 2023)
 Mr Terence Goodlace – Non-executive Chairman (Resigned 5 May 2023)
 Mr Johan Odendaal – Managing Director
 Mr Geoffrey Hiller – Non-executive Director
 Mr Robert Thomson – Non-executive Director
 Mr Daniel Van Heerden – Non-executive Director

c) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

		Salary & Fees	Superannuation	Share-based payments (i)	Total	Performance based
		\$	\$	\$	\$	%
Non-Executive Directors:						
Mike Stirzaker (Interim Chairman appointed 5 May 2023)	2023	46,493	4,882	71,173	122,548	58.1
	2022	110,000	3,500	307,896	421,396	73.1
Terence Goodlace (Chairman, resigned 5 May 2023)	2023	65,498		(4,204)	61,294	
	2022	77,000	-	4,204	81,204	5.2
Johan Odendaal	2023	-	-	-	-	-
	(ii) 2022	34,808	-	2,102	36,910	5.7
Geoffrey Hiller	2023	38,620	4,055	71,173	113,848	62.5
	2022	35,000	3,500	307,896	346,396	88.9
Robert Thomson	2023	38,620	4,055	71,173	113,848	62.5
	2022	35,000	3,500	307,896	346,396	88.9
Daniel Van Heerden	2023	42,675		21,173	63,848	33.2
	2022	38,500	-	2,102	40,602	5.2
Managing Director:						
Johan Odendaal	2023	108,504	-	21,173	129,677	16.3
	(iii) 2022	10,404	-	-	10,404	-
Total Key Management Personnel	2023	340,410	12,992	251,661	605,063	41.6
	2022	340,712	10,500	932,096	1,283,308	72.6

i) In accordance with AASB 2 Share Based Payments, the fair value of share based payments (SBP) is determined at the date of grant. Options have been valued using the Black-Scholes option pricing model. Performance rights have been valued at the share price on grant date. The value per option and per performance right on grant date was \$0.301 and \$0.50 respectively. SBP expense is allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of SBP expense recognised as an expense in each reporting period. The negative expenses represent a reversal due to service condition not being met.

SBP for Mr Stirzaker, Mr Hiller and Mr Thomson in the current financial year are attributable as follows: 70% (2022: 99%) of their total SBP is the value ascribed to their deferred conditional consideration for the transaction whereby the Company acquired its 70% equity interest in MUM. The remaining 30% (2022: 1%) forms part of their remuneration for services as directors of the Company. All SBP for Mr Odendaal and Mr van Heerden forms part of their remuneration for services as a director of the Company.

ii) Represents remuneration from 27 May 2022 to 30 June 2022 as non-executive director.

iii) Represents remuneration from 1 July 2021 to 26 May 2022 as managing director.

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DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Services agreements

Remuneration and other terms of employment for key management personnel is formalised in services agreements.

Details of the agreement is as follow:

Name	Johan Odendaal
Title	Managing Director
Date agreement commenced	27 May 2022
Team of agreement	2 years
Details	Annual package salary of \$108,000, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, 100,000 Series B Options in two tranches of 50,000 options to purchase ordinary shares of the Company after meeting the vesting conditions. Option exercise price at \$0.875 with expiry date 27 May 2026.

d) Share based compensation

Issue of shares

No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023. (2022: nil)

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Series A Options

	No. of options granted	Grant date	Expiry date	Exercise price per option	Fair Value per option at grant date	Number of options vested
Directors						
Mike Stirzaker	1,000,000	27-05-2022	27-05-2026	\$0.875	\$0.301	1,000,000
Geoffrey Hiller	1,000,000	27-05-2022	27-05-2026	\$0.875	\$0.301	1,000,000
Robert Thomson	1,000,000	27-05-2022	27-05-2026	\$0.875	\$0.301	1,000,000

The Series A Options were issued as part consideration for the transaction whereby the Company acquired its 70% equity interest in MUM; they do not form part of remuneration for services as a director of the Company.

Series B Options

	No. of options granted	Grant date	Expiry date	Exercise price per option	Fair Value per option at grant date	Number of options forfeited	Number of options vested
Directors							
Mike Stirzaker	100,000	27-05-2022	27-05-2026	\$0.875	\$0.301	-	50,000
Terence Goodlace (resigned 5 May 2023)	200,000	27-05-2022	27-05-2026	\$0.875	\$0.301	200,000	-
Johan Odendaal	100,000	27-05-2022	27-05-2026	\$0.875	\$0.301	-	50,000
Geoffrey Hiller	100,000	27-05-2022	27-05-2026	\$0.875	\$0.301	-	50,000
Robert Thomson	100,000	27-05-2022	27-05-2026	\$0.875	\$0.301	-	50,000
Daniel Van Heerden	100,000	27-05-2022	27-05-2026	\$0.875	\$0.301	-	50,000

The Series B Options vest in two equal tranches, 50% have vested after completion of one year's service on the Board post Company listing and the second 50% will vest after completion of two years' service on the Board post Company listing.

Options granted to directors of the Company are subject to escrow until 7 June 2024.

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DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Performance Rights

	No. of performance Rights granted	Grant date	Expiry date	Exercise price per performance rights granted	Fair Value per performance rights at grant date	Number of performance rights vested
Directors						
Mike Stirzaker	400,000	27-05-2022	08-06-2026	Nil	\$0.50	-
Geoffrey Hiller	400,000	27-05-2022	08-06-2026	Nil	\$0.50	-
Robert Thomson	400,000	27-05-2022	08-06-2026	Nil	\$0.50	-

Performance Rights are rights to be issued shares in the Company for nil exercise price upon the achievement of the Initial Reserve Milestone and, upon vesting, can be converted into shares on a 1-1 basis. The Initial Reserve Milestone being at least 2,000,000 oz of Identified PGE (4E) Reserves have been identified, comprising at least 15 million tonnes and a grade of at least 3.0 grams per tonne.

The Performance Rights were issued as part consideration for the transaction whereby the Company acquired its 70% equity interest in MUM; they do not form part of remuneration for services as a director of the Company.

Performance Rights granted to directors of the Company are subject to escrow until 7 June 2024.

e) Additional information

The Group's projects are at a stage of advanced exploration progressing to development and as a result, the Group does not yet have earnings from mining. In view of that, shareholder wealth is based on the market's view of the value of future production, the Group's potential for future discovery success, and the quality and experience of its people. This is reflected in market capitalisation, which is also influenced by factors outside the Group's control, such as commodity prices and general market behaviour.

Accordingly, remuneration policy for key management personnel is based primarily on the extent to which the corporate exploration and evaluation objectives are met, recognising that the time frame for success commonly exceeds one year.

f) Other transactions of Key Management Personnel

Johan Odendaal is also an Executive Director to MUM, in which the Company holds a 70% equity interest. The aggregate remuneration payable to Johan Odendaal by the Company and MUM under his employment contract with the Company and arrangements with MUM is A\$250,000 per annum.

Mike Stirzaker and Daniel Van Heerden were appointed as Non-Executive Director to MUM effective 26 May 2022.

As of 30 June 2023, MUM directors' fees payable to Directors of the Company are as follows:

	South Africa Rand	
	Annual Fee	30 June 2023
Non-Executive Directors:		
Mike Stirzaker	140,000	140,000
Daniel Van Heerden	140,000	140,000
Managing Directors:		
Johan Odendaal	1,450,000	1,450,000

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DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

g) Equity instrument disclosures relating to Directors and Key Management Personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/o ther	Balance at the end of the year
Ordinary shares					
Mike Stirzaker	863,333 ¹	-	-	-	863,333
Johan Odendaal	12,656,992 ²	-	-	-	12,656,992
Geoffrey Hiller	742,000 ³	-	-	-	742,000
Robert Thomson	900,010 ⁴	-	-	-	900,010
Daniel Van Heerden ⁵	12,656,992	-	-	-	12,656,992
	<u>27,819,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,819,327</u>

Note 1: Relevant interest indirectly held through Stith Pty Ltd and Grafton Bond Investments Pty Ltd.

Note 2: Relevant interest indirectly held through Nicolas Daniel Resources.

Note 3: Relevant interest indirectly held through Highshaw Pty Ltd and Grafton Bond Investments Pty Ltd.

Note 4: Relevant interest indirectly held through Monterey Consolidated Services Pty Ltd.

Note 5: A total of 20,000 shares are held by Mr. Van Heerden's spouse.

Performance Right holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Number of performance rights vested	Exercised	Expired/ forfeited/other	Balance at the end of the year
Performance rights						
Mike Stirzaker	400,000	-	-	-	-	400,000
Geoffrey Hiller	400,000	-	-	-	-	400,000
Robert Thomson	400,000	-	-	-	-	400,000
	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Number of options vested	Exercised	Expired/ forfeited/ other	Balance at the end of the year	Vested and exercisable	Unvested
Options								
Mike Stirzaker	1,100,000	-	1,050,000	-	-	1,100,000	1,050,000	50,000
Terence Goodlace (resigned 5 May 2023)	200,000	-	-	-	200,000	-	-	-
Johan Odendaal	100,000	-	50,000	-	-	100,000	50,000	50,000
Geoffrey Hiller	1,100,000	-	1,050,000	-	-	1,100,000	1,050,000	50,000
Robert Thomson	1,100,000	-	1,050,000	-	-	1,100,000	1,050,000	50,000
Daniel Van Heerden	100,000	-	50,000	-	-	100,000	50,000	50,000
	<u>3,700,000</u>	<u>-</u>	<u>3,250,000</u>	<u>-</u>	<u>200,000</u>	<u>3,500,000</u>	<u>3,250,000</u>	<u>250,000</u>

This concludes the remuneration report, which has been audited.

Southern Palladium Limited
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DIRECTORS REPORT

SHARES UNDER OPTIONS AND PERFORMANCE RIGHTS

During the year ended 30 June 2023 no ordinary shares of the Company were issued on the exercise of options and performance rights.

At the date of this report, the unissued ordinary shares of the Company under option and performance rights respectively are 7,138,000 and 1,200,000. (2022: 7,338,000 and 1,200,000)

RESTRICTED SECURITIES

46,671,673 ordinary shares of the Company are subject to escrow until 7 June 2024. Included in this amount are 22,750,000 ordinary shares (being the Clawback Shares) that are subject to voluntary restrictions under the terms of the Share Exchange Agreement for a further two years until 7 June 2026.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not indemnified or agreed to indemnify the auditor of the Company against any liabilities incurred as auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company.

AUDITORS

Non-audit Services

No amounts paid or payable to the auditor for non-audit services provided during the year.

Auditor's independence declaration

A copy of the auditors' independence declaration can be found on the next page.

Signed in accordance with a resolution of the directors.



On behalf of the Directors

Mike Stirzaker
Non-Executive Interim Chairman

Australia, 28 September 2023

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SOUTHERN PALLADIUM LIMITED

As lead auditor of Southern Palladium Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Southern Palladium Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth

28 September 2023

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This financial report is for the consolidated entity consisting of Southern Palladium Limited and its subsidiaries. The financial report is presented in Australian currency, which is Southern Palladium Limited's functional and presentation currency.

Southern Palladium Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Southern Palladium Limited
Level 1
283 George Street
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 28 September 2023. The Directors have the power to amend and reissue the financial report.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Interest income		324,706	-
Expenses			
Administration expenses	4	(657,813)	(1,000,320)
Exploration and evaluation expenditures		-	(199,446)
Employee benefits expenses		(355,942)	(351,212)
Share-based payment expenses	21	(251,662)	(932,096)
Share of loss of associate accounting using equity method	6	(722,026)	(15,029)
Impairment of Loan Receivable	20a	(5,513,411)	-
Loss before income tax expense		<u>(7,176,148)</u>	<u>(2,498,103)</u>
Income tax expense	13	-	-
Net loss for the year		<u>(7,176,148)</u>	<u>(2,498,103)</u>
Other comprehensive income			
Items that may be reclassified subsequently to loss:			
Exchange differences on translation of foreign operations		(2,168,745)	(71,599)
Total comprehensive loss for the year		<u>(9,344,893)</u>	<u>(2,569,702)</u>
Loss for the year is attributable to owners of the Company		<u>(9,344,893)</u>	<u>(2,569,702)</u>
Total comprehensive loss is attributable to owners of the Company		<u>(9,344,893)</u>	<u>(2,569,702)</u>
Basic/diluted (loss) per share	12	(0.08)	(0.18)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	5	11,547,700	17,865,053
Trade and other receivables		3,495	91,760
Prepayment		15,169	69,102
TOTAL CURRENT ASSETS		11,566,364	18,025,915
NON-CURRENT ASSETS			
Investment accounted for using the equity method	6	19,718,653	22,663,372
TOTAL NON-CURRENT ASSETS		19,718,653	22,663,372
TOTAL ASSETS		31,285,017	40,689,287
CURRENT LIABILITIES			
Trade and other payables	7	99,290	410,330
TOTAL CURRENT LIABILITIES		99,290	410,330
TOTAL LIABILITIES		99,290	410,330
NET ASSETS		31,185,726	40,278,957
EQUITY			
Contributed equity	8	41,079,861	41,079,861
Reserves	9	38,452	1,955,535
Accumulated losses	10	(9,932,587)	(2,756,439)
TOTAL EQUITY		31,185,726	40,278,957

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Southern Palladium Limited
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2021	1,562,957	(258,336)	-	1,304,621
Loss for the year	-	(2,498,103)	-	(2,498,103)
Exchange differences on translation of foreign operations	-	-	(71,599)	(71,599)
Total comprehensive loss for the year	-	(2,498,103)	(71,599)	(2,569,702)
Share-based payments	-	-	2,027,134	2,027,134
Shares issued during the year	41,750,000	-	-	41,750,000
Shares issue costs	(2,233,096)	-	-	(2,233,096)
Balance at 30 June 2022	41,079,861	(2,756,439)	1,955,535	40,278,957
Balance at 1 July 2022	41,079,861	(2,756,439)	1,955,535	40,278,957
Loss for the year	-	(7,176,148)	-	(7,176,148)
Exchange differences on translation of foreign operations	-	-	(2,168,745)	(2,168,745)
Total comprehensive loss for the year	-	(7,176,148)	(2,168,745)	(9,344,893)
Share-based payments	-	-	251,662	251,662
Balance at 30 June 2023	41,079,861	(9,932,587)	38,452	31,185,726

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Southern Palladium Limited
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,182,596)	(1,358,307)
Interest received		121,864	-
Net cash (used in) operating activities	11	<u>(1,060,732)</u>	<u>(1,358,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		-	(889)
Loan to MUM		(5,256,621)	-
Net cash (used in) investing activities		<u>(5,256,621)</u>	<u>(889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issue		-	19,000,000
Share issue transaction costs		-	(1,138,058)
Net cash provided by financing activities		<u>-</u>	<u>17,861,942</u>
NET (DECREASE)/INCREASE IN CASH HELD		(6,317,353)	16,502,746
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		<u>17,865,053</u>	<u>1,362,307</u>
CASH AT THE END OF THE FINANCIAL YEAR	5	<u>11,547,700</u>	<u>17,865,053</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Southern Palladium Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Company has adopted the revised Conceptual Framework from incorporation. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Company's financial statements.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Going concern

The Group experienced operating losses of \$7,176,148 and negative cash flow from operations of \$1,060,732 during the year ended 30 June 2023.

At 30 June 2023, the Company had net current assets of \$11,467,073, including cash reserve of \$11,547,700 to fund its working capital requirements.

The Company's financial statements have been prepared on a going concern basis. There does not currently appear to be either any significant impact upon the financial position of the Company or any significant uncertainties with respect to events or conditions which may impact the financial position of the Company at the reporting date and subsequent.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements, are disclosed in note 2.

b) Cash and cash equivalents

For the purpose of the cash flows statements, cash and cash equivalents includes:

- cash on hand and at call deposits with banks or financial institutions; and
- investments in money market instruments with less than 90 days to maturity that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the year in which they incurred.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

e) Joint ventures

A joint venture (JV) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investment in MUM is accounted for using the equity method. Under the equity method, the investment in the JV is initially recognised at cost to the Company. In subsequent periods, the carrying amount of the JV is adjusted to recognise changes in the Company's share of net assets of the JV since the acquisition date. The statement of profit or loss and other comprehensive income reflects the Company's share of the results of the operations of the JV. In addition, when there has been a change recognised directly in the equity of the JV, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the JV are eliminated to the extent of the interest in the JV. The aggregate of the Company's share of profit or loss of the JV is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Joint ventures (continued)

When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in the JV. At each reporting date, the Company determines whether there is objective evidence that the investment in the JV is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, then recognises the loss as 'Share of profit or loss of a joint venture' in the statement of profit or loss and other comprehensive income. On loss of joint control over the JV, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the JV upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

h) Loss per share

Basic loss per share is calculated by dividing:

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

i) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

l) Share based payments

Under AASB 2 Share Based Payment, the Company must recognise the fair value of shares and options granted to directors, employees and consultants as remuneration as an expense on a prorata basis over the vesting period in the Statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the Company revises its estimates of the number of options that are expected to vest based on the nonmarket vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. No revision to original estimates is made in respect of options issued with market based conditions.

The Company provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using an appropriate option pricing model.

In relation to the valuation of the share-based payments, these are valued using an appropriate option valuation method. Once a valuation is obtained management use an assessment as to the probability of meeting non-market based conditions. Market conditions are vested over the period in which management assess it will take for these conditions to be satisfied.

m) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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Southern Palladium Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Employee benefits provision

There are no employee benefits expected to be settled more than 12 months from the reporting date.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

Options and performance rights

The fair value of options and performance rights issued are determined using the Black-Scholes model, taking into account the terms and conditions upon which the options and performance rights were granted.

Interest in Associates and Impairment

Through the Share Exchange Agreement between the Company and its associate, Miracle Upon Miracle Investments Proprietary Limited ("MUM"), the Company acquired 70% of interests of MUM. For the financial year ended 30 June 2023, the Group's shareholding in MUM remained as 70% and retains 50% of board members on MUM's board of directors. Therefore, the Company in accordance with AASB 128, determined it has significant influence over MUM for the year ended 30 June 2023. At each reporting date, the Company reviews for any impairment triggers that adversely reduces the value of its interest after the asset has been treated under equity accounting. The Company takes into consideration a number of impairment triggers such as but not limited to, MUM's net assets as at reporting date, exploration activities announced on the ASX and movement in share price.

Provision for impairment of receivable

The loss allowance for financial assets is based on assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Southern Palladium Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

3 SEGMENT INFORMATION

The economic entity operates in one segment "Project Operations" within mineral exploration and development in South Africa. The Group has one reportable segment, as described below, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a regular basis. No segment assets were impaired during the year. (2021: nil).

South Africa

The development of the Group's interest in the joint venture Bengwenyama project in Limpopo Province of South Africa.

Reportable segment assets

The key segment assets as reported to the Board are as follows:

	2023	2022
	\$	\$
Investment in Associate		
Bengwenyama project	22,663,372	22,750,000
Exchange differences on translation of foreign operations	(2,222,693)	(71,599)
Share losses of joint ventures	(722,026)	(15,029)
	19,718,653	22,663,372

Reportable segment profit/(loss)

2023	Bengwenyama Project	Unallocated Amount	Consolidated
	\$	\$	\$
Interest Income	-	324,706	324,706
Corporate expenses	-	(657,813)	(657,813)
Share based payments	-	(251,662)	(251,662)
Employee benefits expense	-	(355,942)	(355,942)
Share of losses of joint ventures accounted for using equity method	(722,026)	-	(722,026)
Impairment expense	(5,513,411)	-	(5,513,411)
Loss before income tax expense	(6,235,437)	(940,711)	(7,176,148)
Income tax expense	-	-	-
Net loss for the year	(6,235,437)	(940,711)	(7,176,148)
Other comprehensive loss	53,947	(2,222,692)	(2,168,745)
Total comprehensive loss for the year	(6,181,490)	(3,163,403)	(9,344,893)

2022	Bengwenyama Project	Unallocated Amount	Consolidated
	\$	\$	\$
Corporate expenses	-	(1,000,320)	(1,000,320)
Exploration and evaluation expenditures	(199,446)	-	(199,446)
Share based payments	-	(932,096)	(932,096)
Employee benefits expense	-	(351,212)	(351,212)
Share of losses of joint ventures accounted for using equity method	-	(15,029)	(15,029)
Loss before income tax expense	(199,446)	(2,298,657)	(2,498,103)
Income tax expense	-	-	-
Net loss for the year	(199,446)	(2,298,657)	(2,498,103)
Other comprehensive loss	-	(71,599)	(71,599)
Total comprehensive loss for the year	(199,446)	(2,370,256)	(2,569,702)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

4 ADMINISTRATION EXPENSES

	2023	2022
	\$	\$
The loss before income tax includes the following expenses:		
Legal fees ¹	2,918	556,431
Audit fees	63,605	47,485
Listing and consultancy expenses	270,075	207,943
Others	321,15	188,461
	657,813	1,000,320

¹ IPO related legal fees amounted to \$2,918 for financial year ended 2023. (2022: \$439,223).

5 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	347,700	17,865,053
Term deposit	11,200,000	-
	11,547,000	17,865,053

6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group acquired its 70% interest in Miracle Upon Miracle Investments Pty Ltd (MUM) on 27 May 2022. The fair value of the assets acquired of \$22,750,000 was based on the fair value of 45,500,000 shares (Consideration Shares) being issued as consideration for the acquisition of MUM. The shares were valued based on the IPO price of \$0.50 per share as the acquisition was conditional on the Listing.

50% of the Consideration Shares may be clawed back by the Company for a nominal sum (\$50) and then cancelled in the event that certain project milestones are not achieved within four years from the date of the IPO. For the purpose of the valuation of the total consideration, the Company considers it is likely that the performance conditions will be met, therefore the maximum value of the consideration has been recorded.

Whilst the company owns 70% of the voting rights, the terms of the arrangement requires unanimous consent over decisions relating to relevant activities of MUM. The Company has determined that the relevant activities for its joint arrangement relate to the operating and capital decisions of the arrangement, such as the approval of the expenditure programme for each year. The joint arrangement is structured through a separate vehicle, namely MUM. This structure and the terms of the contractual arrangement indicate that the Company has rights to the net assets of the arrangement. Therefore, the investment in MUM been accounted using the equity method as a joint venture.

The Group's interest in MUM is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in MUM:

	2023	2022
	\$	\$
Investment in Miracle Upon Miracle Investments Pty Ltd	19,718,653	22,663,372

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023	2022
		%	%
Miracle Upon Miracle Investments Proprietary Limited	South Africa	70	70

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information

The table below provide summarised financial information of Miracle Upon Miracle Investments Proprietary Limited. The information disclosed reflects the amounts presented in the financial statements of MUM and not Southern Palladium's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for any differences in accounting policy.

	Miracle Upon Miracle Investments Proprietary Limited	
	2023	2022
	\$	\$
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	611,414	14,903
Other current assets	225,284	27,668
Non-current assets	4,142,624	275,115
Total assets	4,979,322	317,686
Other current liabilities	434,811	98,445
Non-current financial liabilities (excluding trade and other payables and provisions)	5,559,511	191,405
Total liabilities	5,994,322	289,850
Net Assets/(Liabilities)	(1,015,000)	27,836
Group's share in %	70%	70%
Group's share in \$	(710,500)	19,485
Fair value uplift	20,429,153	22,643,887
Carrying amount	19,718,653	22,663,372

The fair value uplift is attributable to the Company's contribution towards exploration in excess of their share of the net assets of MUM.

	1 July 2022 to 30 June 2023	27 May 2022 to 30 June 2022
	\$	\$
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	2,000	36
Expenses	(1,033,466)	(21,507)
Loss before income tax	(1,031,466)	(21,471)
Total comprehensive loss	(1,031,466)	(21,471)
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening balance	22,663,372	22,750,000
Exchange differences on translation of foreign operations	(2,222,693)	(71,599)
Southern Palladium Limited's share of loss after income tax	(722,026)	(15,029)
Closing carrying amount	19,718,653	22,663,372

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

7 TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Trade creditors	31,856	69,339
PAYG payables	9,347	35,892
Accrued expenses	58,087	305,099
	99,290	410,330

8 CONTRIBUTED EQUITY

89,750,000 fully paid ordinary shares (2022: 89,275,000)	41,079,861	41,079,861
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Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.

Movement in ordinary share capital

		Number of shares	Issue price	Share capital
			\$	\$
2022				
1-Jul-21	Opening balance	6,250,000		1,562,957
27-May-22	Issue of shares – consideration for acquisition	45,500,000	0.50	22,750,000
27-May-22	Issue of shares – IPO	38,000,000	0.50	19,000,000
	Transaction costs relating to share issues			(2,233,096)
30-Jun-22	Balance at end of year	89,750,000		41,079,861
2023				
1-Jul-22	Opening balance	89,750,000		41,079,861
	No movement during the period			
30-Jun-23	Balance at end of year	89,750,000		41,079,861

9 RESERVES

	2023	2022
	\$	\$
Options reserves	2,114,413	2,012,750
FX reserves	(2,240,344)	(71,599)
Performance rights reserves	164,383	14,384
	38,452	1,955,535

10 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(2,756,439)	(258,336)
Loss for the year	(7,176,148)	(2,498,103)
Accumulated losses at the end of financial year	(9,932,587)	(2,756,439)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

11 NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of operating profit after income tax to net cash flows from operating activities.

	2023	2022
	\$	\$
Operating loss after income tax	(7,176,148)	(2,498,103)
Adjustment for:		
Share of loss of associate accounting using equity method	722,026	15,029
Impairment expense	5,513,411	-
Items in investing activities	-	899
Non cash investing and financing activities:		
Share-based payments related to directors' options	251,662	932,096
Interest accrued	(202,841)	-
Changes in assets and liabilities:		
Increase in receivables	142,198	(131,308)
Increase in trade and other payables	(311,040)	323,090
Net cash (outflow) from operating activities	<u>(1,060,732)</u>	<u>(1,358,307)</u>

12 LOSS PER SHARE

	2023	2022
	Number	Number
Weighted average number of ordinary shares	89,750,000	14,256,850
	2023	2022
	\$	\$
Loss attributable to ordinary shareholders		
Loss attributable to ordinary shareholders for the basic earnings	a 7,176,148	2,498,103
Loss attributable to ordinary shareholders adjusted for effect of dilution	7,176,148	2,498,103
Basic/diluted (loss) per share	b (0.08)	(0.18)
Headline/diluted (loss) per share	c (0.08)	(0.18)

- a) Diluted earnings attributable to ordinary shareholders are equal to earnings attributable to ordinary shareholders.
- b) Diluted loss per share has not been disclosed as the impact from options is anti-dilutive.
- c) Headline earnings is a Johannesburg Stock Exchange defined performance measure and is reconciled from earnings attributable to ordinary shareholders as follows:

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12 LOSS PER SHARE (CONTINUED)

	2023	2022
	\$	\$
Loss attributable to ordinary shareholders		
Loss attributable to ordinary shareholders for the headline earnings	(9,344,893)	(2,569,702)
<i>Adjusted for:</i>		
Exchange differences on translation of foreign operations	2,168,745	71,599
Subtotal of adjustments	<u>2,168,745</u>	<u>71,599</u>
Headline losses	(7,176,148)	(2,498,103)
Diluted headline losses	(7,176,148)	(2,498,103)

13 INCOME TAX

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:

Loss from ordinary activities	(7,176,148)	(2,498,103)
Prima facie income tax benefit calculated at 25% of taxable loss (2022: 25%)	(1,794,037)	(624,526)
<i>Non-deductible items:</i>		
Movement in unrecognised temporary differences	1,520,264	402,835
Taxable losses not recognised	<u>273,773</u>	<u>221,691</u>
Income tax expense	<u>-</u>	<u>-</u>

b) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised.	9,674,251	258,336
Potential tax benefit at 25% (2022: 25%)	2,418,563	67,167

Australian Tax losses may be carried forward indefinitely subject to the conditions imposed by Australian law.

14 FINANCIAL INSTRUMENTS

Financial risk management objectives

The Company's activities in relation to financial risk are currently limited to the operation of its bank account held in Australian dollars. The board of directors set up operation of the account requiring two authorised signatories for any payment, meaning that no single person can effect a transaction from end to end on their own.

Foreign currency risk

The Company incurs some of its expenses in South African Rand (ZAR) and in US dollars, exposing it to foreign currency risk through foreign exchange rate fluctuations. The carrying value of financial instruments that are held in a currency other than the entities functional currency are as follows (expressed in Australian dollars):

	2023	2022
	\$	\$
Financial Liabilities		
Trade payables	5,061	22,735

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14 FINANCIAL INSTRUMENTS (CONTINUED)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from ZAR dollar-denominated financial instruments. A 10 percent increase in the AUD/ZAR exchange rate would increase post-tax profit by \$460 while a 10 percent decrease in the AUD/ZAR exchange rate would decrease post-tax profit by \$562.

Interest rate risk

The Company main interest rate risk arises from cash and cash equivalents and deposits with banks.

Interest rate risk - Sensitivity analysis for variable and short term fixed rate instruments

At 30 June 2023, if interest rates had changed by lower/higher 100 basis points from the year-end rates with other variables held constant, post-tax profit for the year would have been \$115,477 lower/higher (2022: change of 100 bps: \$178,650 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised by the Company in various capital raisings and continuously monitoring forecast and actual cash flows. The contractual maturities of the Group's financial liabilities, including estimated interest payments are as follows:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 year	More than 5 years
	\$	\$	\$	\$	\$
2023					
Trade and other payables	99,290	99,290	99,290		
2022					
Trade and other payables	410,330	410,330	410,330	-	-

The Company has adequate cash reserves for its current level of activities.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to allow future exploration and development of the Group's current projects and evaluation of potential acquisitions. The Group has raised capital through the issue of equity and borrowings to fund its administration, exploration and evaluation activities and does not have any external borrowings at balance date. The Group may raise additional capital through the issue of new shares or debt finance to fund exploration, development and/or asset acquisition, should the Group require additional capital to carry out those activities. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

15 RELATED PARTY TRANSACTIONS

Parent entity

Southern Palladium Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 19.

Joint ventures

Interests in Joint ventures are set out in note 6.

Key management personnel

Disclosures relating to key management personnel are set out in note 16 below.

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FOR THE YEAR ENDED 30 JUNE 2023

15 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

During the year, the Company paid the following amount to MUM:

	2023	2022
	\$	\$
Reimbursement of MUM's exploration and evaluation expenses	-	199,446

Loans to/from related parties

Loans provided to MUM are set out in note 20a.

Terms and conditions

The reimbursement amount of MUM's expenses equalled the actual cost to MUM for the relevant items.

16 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors and executives

The directors and other key management personnel of Southern Palladium Limited during the year were:

Mr Mike Stirzaker – Non-executive Interim Chairman (Non-executive Director 4 December 2020 to 5 May 2023)

Mr Terence Goodlace – Non-executive Chairman (Resigned 5 May 2023)

Mr Johan Odendaal – Managing Director

Mr Geoffrey Hiller – Non-executive Director

Mr Robert Thomson – Non-executive Director

Mr Daniel Van Heerden – Non-executive Director

b) Key Management Personnel compensation

	2023	2022
	\$	\$
Short-term employee benefits	340,410	340,712
Post-employment benefits	12,992	10,500
Share-based benefits (i)	251,661	932,096
	605,063	1,283,308

- (i) 60% of the share based benefits in the current financial year (2022: 98%) were due to Mr Stirzaker, Mr Hiller and Mr Thomson as deferred conditional consideration for the transaction whereby the Company acquired its 70% equity interest in MUM. The remaining 40% (2022: 2%) forms part of their (and Mr Odendaal's and Mr van Heerden's) remuneration for services as a director of the Company.

c) Other related parties compensation

Johan Odendaal is also an Executive Director to MUM, in which the Company holds 70% interests. The aggregate remuneration payable to Johan Odendaal by the Company and MUM under his employment contract with the Company and arrangements with MUM is A\$250,000 per annum.

Mike Stirzaker and Daniel Van Heerden were appointed as Non-Executive Directors to MUM effective 26 May 2022.

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16 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

As of 30 June 2023, MUM directors' fees payable to Key Management Personnel as follows:

	South Africa Rand	
	Annual Fee	30 June 2023
Non-Executive Directors:		
Mike Stirzaker	140,000	140,000
Daniel Van Heerden	140,000	140,000
Managing Directors:		
Johan Odendaal	1,450,000	1,450,000

17 AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	2023 \$	2022 \$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial reports	<u>63,605</u>	<u>32,715</u>
<i>Other services - network firms</i>		
Investigating Accountant's Report for Prospectus and due diligence services	<u>-</u>	<u>45,377</u>

18 PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	2023	2022
	\$	\$
Current assets	11,567,434	18,026,695
Non-current assets	19,717,582	22,663,372
Total assets	<u>31,285,016</u>	<u>40,690,067</u>
Current liabilities	99,290	411,110
Total liabilities	99,290	411,110
Net Assets	<u><u>31,185,726</u></u>	<u><u>40,278,957</u></u>
Equity		
Contributed equity	41,079,752	41,079,752
Reserves	38,452	1,955,535
Accumulated losses	(9,932,478)	(2,756,330)
Total equity	<u><u>31,185,726</u></u>	<u><u>40,278,957</u></u>

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18 PARENT ENTITY INFORMATION (CONTINUED)

Statement of Financial Position (con't.)	2023	2022
	\$	\$
Loss for the year	(7,176,929)	(2,497,994)
Total comprehensive loss	<u>(9,345,674)</u>	<u>(2,569,593)</u>

b) Guarantees entered into by the parent entity

The parent entity did not have any financial guarantees as at 30 June 2023.

c) Contingent liability of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023.

19 INTERESTS IN SUBSIDIARIES

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2023 %	Ownership interest 2022 %
Parent entity				
Southern Palladium Limited	Australia			
Subsidiaries				
SPD (RSA Holding) Pty Limited (i)	Australia	Ordinary	100	100
(i) Subsidiaries of SPD (RSA Holding) Pty Limited				
SPD South Africa Proprietary Limited	South Africa	Ordinary	100	100

20 UNSECURED LOAN

	2023	2022
	\$	\$
Loan facility to MUM*	5,308,085	-
Accrued interest	205,326	-
Impairment of loan receivables	a <u>(5,513,411)</u>	-
	-	-

*Cumulative loan balance of USD 3,525,421 at year end.

On or about 20 May 2021, MUM and the Company entered into a loan facility and services agreement, which was subsequently amended and restated on or about 22 March 2022 (Loan Agreement) the purpose of which is to record the terms and conditions pursuant to which the Company will provide, or provide the means through which, MUM can access from the Company the financial and technical support and/or expertise that MUM requires. The Company grants a Prospecting Facility for an amount equal to the total of \$19 million set out in the Prospecting Work Programme budget to be used by MUM for the sole purpose of carrying out the "Prospecting Operations".

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 UNSECURED LOAN (CONTINUED)

Interest on the cumulative loan amount owing by MUM to the Company is accrued at the US Bank Prime Loan Rate for US\$ (At 30 June 2023 prime rate, being 8.25%), and amongst other things, interest on the outstanding balance will not be compounded.

The payment terms of the outstanding loan amount shall be repaid in full by MUM to the Company by no later than five years from the date that MUM commences "Commercial Mining Operations" in respect of the Prospecting Facility and the Company shall not be entitled to demand repayment for the outstanding loan amount before this date. MUM shall be entitled to settle any outstanding loan amount at any time prior to the designated repayment date, although MUM may not re-borrow any part of the facility which has been repaid to the Company.

During the period in which there is an outstanding loan amount, MUM is bound by a number of undertakings relating to, amongst other things, maintaining its corporate existence and recording and notifying the Company of any event of default. A number of events provided in the Loan Agreement constitute an event of default, including but not limited to, using the advanced amounts for a purpose other than the purpose as set out in the Loan Agreement and breach or omission by MUM to carry out its obligations or undertakings as contemplated in the Loan Agreement. If any of these events continue to occur, the Company shall be entitled to:

- i). claim immediate payment of the outstanding loan amount (by providing written notice to MUM);
 - ii). demand specific performance; and/or
 - iii). claim payment for losses, liabilities, damages, taxes etc. incurred by the Company under the Loan Agreement as a result of the event of default.
- a) Impairment of receivables

The Unsecured Loan has been impaired to the value of \$5,513,411, being the total loan and accrued interest due from MUM. The Company is of the view that given the current stage of the exploration project and the uncertainty in relation to the timing of MUM commencing "Commercial Mining Operations" and generating positive cashflows from its project, at this stage it is uncertain that \$5,513,411 owed by MUM is capable of being repaid from MUM.

21 SHARE BASED PAYMENTS

	2023	2022
	\$	\$
Series A Options	-	(903,000)
Series B Options	(101,662)	(14,713)
Performance Rights	(150,000)	(14,383)
	(251,662)	(932,096)

a) Options issued to Employees and Directors and Lead Manager

(i) Directors Options

200,000 Series B options granted to Terrance Goodlace were forfeited during the year and no other options were issued during the year ended 30 June 2023. In 2022: 3,000,000 Series A options were issued to certain directors as deferred conditional consideration for the transaction whereby the Company acquired its 70% equity interest in MUM – refer the Remuneration Report and note 16 above – and 700,000 Series B options were issued to directors with vesting conditions (described below) as part remuneration for their services as directors of the Company.

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21 SHARE BASED PAYMENTS (CONTINUED)

Series B options vest in two equal tranches, 50% have vested after completion of one year's service on the Board post Listing and the second 50% will vest after completion of two years' service post Listing. \$101,662 (2022: \$14,713) is recognised for the purpose of the consolidated statement of profit and loss.

(ii) Lead Manager Options

No option was issued during the year ended 30 June 2023. (2022: 3,638,000 lead manager options issued to Bridge Street Capital Partners Pty Ltd for successful completion of the IPO capital raising)

b) Performance Rights issued to Directors

Directors Performance Rights

No performance right was granted to directors during the year ended 30 June 2023 (2022: 1,200,000 performance rights were granted to directors).

Each performance right entitles the holder to be issued an ordinary share in the Company for nil exercise price upon the achievement of the Initial Reserve Milestone and, upon vesting, can be converted into shares on a 1-1 basis. The Initial Reserve Milestone being at least 2,000,000 oz of Identified PGE (4E) Reserves have been identified, comprising at least 15 million tonnes and a grade of at least 3.0 grams per tonne.

In accordance with AASB 2 Share-based Payment, the value of the Performance Rights will be expensed over the respective vesting periods. \$150,000 (2022: \$14,383) is recognised for the purpose of the consolidated statement of profit and loss.

c) Shares issued for services under a share based payment arrangement during the year.

No shares were issued for services under a share based payment arrangement during the year ended 30 June 2023 (2022: Nil).

d) Options issued for services under a share based payment arrangement during the year.

No options were issued for services under a share based payment arrangement during the year ended 30 June 2023 (2022: Nil).

22 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board



Mike Stirzaker
Non-Executive Interim Chairman

Australia, 28 September 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Southern Palladium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Southern Palladium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Investment in Associate

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in note 6 of the financial report, the group holds a 70% interest in the Bengwenyama Project through its investment in Miracle Upon Miracle Investments Proprietary Limited (MUM).</p> <p>The classification of the asset as an investment under AASB 128 <i>Investment in Associates and Joint Ventures</i>.</p> <p>Measurement thereof is a key audit matter due to the significance of the asset to the Group, and the judgement exercised by management in assessing the classification of the investment and determining whether there are any indicators to suggest that the investment may be impaired.</p>	<p>Our procedures included, but were not limited to the following;</p> <ul style="list-style-type: none"> • Considering the appropriateness of management’s assessment of significant influence over MUM and accounting for the interest as an investment in associate; • Considering management’s assessment of indicators that the investment in associate could be impaired; • Reviewing the calculation for the carrying value of the investment including the Group’s share in MUM’s loss; • Reviewing the financial information of the investment including assessing if the accounting policies of the investment were consistent with the Group, • Reviewing ASX announcements, Board of Directors meetings minutes to assess for potential indicators of impairment; and • Reviewing the adequacy of the disclosures in note 2 and note 6 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2023, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 22 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Southern Palladium Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 28 September 2023

SHAREHOLDER INFORMATION AS AT 19 OCTOBER 2023

Distribution of Equity Shareholder

Total shares issued:	89,750,000
Percentage held by 20 largest shareholders:	84.66%
Shareholders with less than marketable parcel of shares:	42

Size of Shareholding	Number of holders	Number of Shares	% of Issued Capital
1 - 1,000	31	16,201	0.02
1,001 - 5,000	116	358,855	0.40
5,001 - 10,000	76	671,625	0.75
10,001 - 100,000	146	5,852,662	6.52
100,001 Over	50	82,850,657	92.31
Total	419	89,750,000	100.00

Top 20 Shareholders

Rank	Name	Number of Shares	% of Issued Capital
1	SOUTH AFRICA CONTROL A/C\C	39,999,102	44.57
2	CITICORP NOMINEES PTY LTD	8,331,682	9.28
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,311,711	5.92
4	LEGACY PLATINUM CORP	5,108,194	5.69
5	BNP PARIBAS NOMS PTY LTD <DRP>	3,361,036	3.74
6	UBS NOMINEES PTY LTD	2,221,187	2.47
7	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	1,925,584	2.15
8	DAVID GRANT LEIBOWITZ	1,416,448	1.58
9	CLARKSONS BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	1,191,335	1.33
10	QUALITY LIFE PTY LTD <LONGSHIP FUND A/C>	950,000	1.06
11	ROOKHARP CAPITAL PTY LTD	900,000	1.00
12	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	896,075	1.00
13	ANDIUM PTY LIMITED	650,000	0.72
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	635,000	0.71
15	MR THOMAS PAUL CAVANAGH <CAVANAGH FAMILY A/C>	600,000	0.67
16	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	570,708	0.64
17	AV&RV PTY LTD <VEDIG SUPER A/C>	533,601	0.59
18	DIXTRU PTY LTD	500,000	0.56
19	PINE STREET PTY LTD <PINE STREET A/C>	440,884	0.49
20	STATION CAPITAL PTY LTD	440,000	0.49
	TOTAL	75,982,547	84.66

Unquoted Securities

Security Type	Number	Terms	Number of Holders
Options	7,338,000	Exercise Price \$0.875 Expiry Date 27 May 2026	13
Performance Rights	1,200,000	Nil exercise price expiring on or 8 June 2026	3

Substantial Holders

Substantial Holder	Number of Shares	% of Issued Capital
Nicolas Daniel Resources Proprietary Limited	12,656,992	14.11
Nurinox Investments Proprietary Limited	8,327,394	9.28
Regal Funds Management Pty Ltd and its associates	4,776,230	5.32
Robert Napier Keith	5,250,000	5.85

Restricted Securities

Currently 46,671,673 fully paid ordinary shares are subject to either ASX imposed or voluntary restrictions until 8 June 2024, being 24 months from the date of quotation. Of these shares, there are 22,750,000 shares (being the Clawback Shares) that are subject to voluntary restrictions under the terms of the Share Exchange Agreement for a further two year period.

3,700,000 Options are also restricted by and ASX imposed escrow until 8 June 2024, being 24 months from the date of quotation.

1,200,000 performance rights each with a nil exercise price expiring on or 8 June 2026 are also restricted by an ASX imposed escrow until 8 June 2024, being 24 months from the date of quotation.

On Market Buy Back

Currently there is no on-market buy-back of the Company's securities.

Voting Rights

Every shareholder present personally or by proxy or attorney etc. shall, on a show of hands, have one vote and on a poll shall have one vote for every share held. No voting rights attach to options.

Stock Exchange Listings

Southern Palladium Limited is listed on the Australian Securities Exchange (ASX Code: SPD) and dual listed company on the Johannesburg Stock Exchange (JSE Code: SDL).

Use of Funds – ASX Listing Rule 4.10.19

For the period from 6 June 2022 (being the date of admission to the Official List of the Australian Securities Exchange) to 30 June 2023 (being the end of the reporting period to which this Annual Reports relates) Southern Palladium Limited used the cash funds raised from its Initial Public Offer in a way consistent with its business objectives as stated in the Company's prospectus dated 22 April 2022 which is available on the Company's website at:

<https://www.southernpalladium.com/site/investor-centre/prospectus>

CORPORATE DIRECTORY

Directors	Mike Stirzaker (Interim Non-Executive Chairman) Johan Odendaal (Managing Director) Robert Thomson (Non-Executive Director) Geoffrey Hiller (Non-Executive Director) Daniel Van Heerden (Executive Director)
Company Secretary	Andrew J. Cooke
Registered & Principal Office	Level 1, 283 George Street, Sydney NSW 2000 Australia
Contact Information	info@southernpalladium.com
Share Registry	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Australia Computershare SA Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
Auditor	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street, Perth WA 6000, Australia
Bankers	Commonwealth Bank Australia Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000, Australia
Stock Exchange Listing	Southern Palladium Limited shares are dual listed on the Australian Securities Exchange (ASX code: SPD) and the Johannesburg Stock Exchange (JSE code: SDL)
JSE Sponsor	Merchantec Capital JHB 13th Floor, Illovo Point 68 Melville Road, Illovo, Sandton, 2196, South Africa
Website	www.southernpalladium.com
Corporate Governance Statement	www.southernpalladium.com/site/about/corporate-governance

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