Southern Palladium Limited

A.B.N 59 646 391 899

FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Page
Directors' report	2
Auditor's independence declaration	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	19
Independent auditor's report	20

This financial report covers Southern Palladium Limited as an individual entity as the company has no 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 25 October 2021. The Directors have the power to amend and reissue the financial report.

For personal use only

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of Southern Palladium Limited (referred to hereafter as the Company) for the period from incorporation to 30 June 2021. The Company was incorporated on 4 December 2020.

For personal use only

BOARD OF DIRECTORS

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

Terence Goodlace (appointed 29 March 2021)
Independent Non-executive Chairman

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. Mr Goodlace is currently the independent non-executive chairman of Kumba Iron Ore Limited, and an independent non-executive director at Gold Fields Limited and AfriTin Mining Limited.

Mike Stirzaker (appointed 4 December 2020)
Independent Non-executive Director

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. Mr Stirzaker is currently a non-executive director of Base Resources Limited (ASX: BSE), Firestone Diamonds PLC and Prodigy Gold NL (ASX:PRX), and is non-executive chairman of Akora Resources Limited (ASX: AKO).

Robert Thomson (appointed 4 December 2020)
Independent Non-executive Director

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. Mr Thomson is currently a non-executive Director of ASX listed Pacific Nickel Mines Limited (ASX:PNM). He was a non-executive director of South African focused Theta Gold Mines (ASX: TGM) (Resigned 13 August 2021).

Geoffrey Hiller (appointed 4 December 2020)
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). Mr Hiller is currently the executive director of Pacific Nickel Mines Limited (ASX: PNM) and a non-executive director of Austpac Resources NL (ASX:APG).

Daan van Heerden (appointed 27 May 2021)
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.

Johan Odendaal (appointed 27 May 2021)
Non-independent Non-executive 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).

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 period and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors	
	Eligible to Attend	**Attended**
Terence Goodlace (appointed 29 March 2021)	4	4
Mike Stirzaker (appointed 4 December 2020)	7	7
Geoffrey Hiller (appointed 4 December 2020)	7	7
Robert Thomson (appointed 4 December 2020)	7	7
Daniel van Heerden (appointed 27 May 2021)	-	-
Nicolaas Johannes Odendaal (appointed 27 May 2021)	-	-

There was no Audit and Remuneration Committee meeting held during the financial period ended 30 June 2021.

DIRECTORS' INTERESTS

The following table sets out the number of securities held by directors and/or their associates in the Company as at 30 June 2021.

	Ordinary Shares	
	Direct	**Indirect**
Terence Goodlace (appointed 29 March 2021)	-	-
Mike Stirzaker (appointed 4 December 2020)	-	583,333
Geoffrey Hiller (appointed 4 December 2020)	-	500,000
Robert Thomson (appointed 4 December 2020)	-	750,010
Daniel van Heerden (appointed 27 May 2021)	-	-
Nicolaas Johannes Odendaal (appointed 27 May 2021)	-	-

PRINCIPAL ACTIVITIES

During the financial period the principal activities of the Company consisted of activities related to the acquisition of a platinum group metal ("PGM") project in South Africa. Refer to Review of Operations for further information.

For personal use only

DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Company was incorporated on 4 December 2020 with $7,500 in initial subscribed equity capital and with the specific intention of acquiring an interest in the PGM project known as the Bengwenyama Project, comprising the 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.

The Benwenyama Project is 100% held by Miracle Upon Miracle Investments (Pty) Ltd ("MUM"), a South African incorporated company. A term sheet that had been entered into in November 2020 by the founding directors of the Company and others anticipated the formation of the Company to acquire a 70% interest in MUM in exchange in a share swap transaction.

In April 2021, the Company raised $1,650,000 to finalise the acquisition of MUM and to fund an Initial Public Offering ("IPO") of the Company.

On 11 May 2021 the Company entered into a Share Exchange Agreement ("Agreement") to acquire 70% of MUM, and this Agreement was amended by the parties on 14 September 2021. At the date of this report the Agreement is proceeding to a successful completion, with South African regulatory requirements being the main outstanding items prior to completion.

The key terms of the Agreement include:

- that the Company will initially issue 28.27 million shares to acquire a 70% interest in MUM;
- the Bengwenyama community will retain a 30% interest; and
- the Company will issue a further 18.43 million shares upon the successful completion of two milestones, namely achieving JORC Reserves of at least 2 million oz PGE(4E) and submitting a mining licence application.

The Bengwenyama Project is considered to be:

- a Tier 1 PGM asset on the Bushveld Complex Eastern Limb;
- one of the last remaining, undeveloped PGM projects to be developed from near surface; and
- typical of the known Eastern Limb PGM deposits.

FINANCIAL PERFORMANCE

The loss of the Company for the financial period after providing for income tax amounted to $258,336, which reflects costs associated with the preparation for the IPO.

DIVIDENDS

No dividends have been paid or declared since the start of the financial period. The directors do not recommend the payment of a dividend in respect of the period ended 30 June 2021.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial period.

AFTER BALANCE DATE EVENTS

As described under "Review of Operations" in the Directors' Report, the Share Exchange Agreement ("Agreement") entered into on 11 May 2021 to acquire 70% of MUM was amended by the parties on 14 September 2021. On 5 November 2021, MUM received approval from the South African Reserve Bank for the transaction to proceed, subject to the Company obtaining a Johannesburg Stock Exchange listing simultaneously with its intended ASX listing.

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

For personal use only

DIRECTORS' REPORT

SHARE UNDER OPTIONS

There is no share option granted over unissued ordinary shares or interest during or since the financial period by the Company.

During the period ended 30 June 2021 no ordinary shares of the Company were issued on the exercise of options.

At the date of this report, the unissued ordinary shares of the Company under option are nil.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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 period, 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
An amount of $5,386 was paid to a related company of the auditor for non-audit services provided during the period. This payment was for initial work in relation to the Company's planned IPO.

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

Terence Goodlace

Non-Executive Chairman

South Africa, 19 November 2021

For personal use only

AUDITORS INDEPENDENCE DECLARATION

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Southern Palladium Limited for the period ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Southern Palladium Limited.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 19 November 2021

For personal use only

For personal use only

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021 $
Expenses		
Administration expenses		(258,336)
Loss before income tax expense	**3**	(258,336)
Income tax expense		-
Net loss for the period		(258,336)
Other comprehensive income		
Other comprehensive income for the period		-
Total comprehensive loss for the period		(258,336)
Loss for the period is attributable to owners of the Company		(258,336)
Total comprehensive loss is attributable to owners of the Company		**(258,336)**
Basic/diluted (loss) per share	**14**	(0.15)

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

For personal use only

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 $
CURRENT ASSETS		
Cash and cash equivalents	4	1,362,307
Trade and other receivables	5	29,553
TOTAL CURRENT ASSETS		**1,391,860**
TOTAL ASSETS		**1,391,860**
CURRENT LIABILITIES		
Trade and other payables	6	87,239
TOTAL CURRENT LIABILITIES		**87,239**
TOTAL LIABILITIES		**87,239**
NET ASSETS		**1,304,621**
EQUITY		
Contributed equity	7	1,562,957
Accumulated losses	8	(258,336)
TOTAL EQUITY		**1,304,621**

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

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2021

	Contributed Equity $	Accumulated Losses $	Total Equity $
Balance at 4 December 2020 (date of incorporation)	**-**	**-**	**-**
Total comprehensive loss for the period	-	(258,336)	(258,336)
Shares issued during the period	1,657,500	-	1,657,500
Shares issue costs	(94,543)	-	(94,543)
Balance at 30 June 2021	**1,562,957**	**(258,336)**	**1,304,621**

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

For personal use only

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(200,650)
Net cash (used in) operating activities	**13 (b)**	(200,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issue		1,657,500
Share issue transaction costs		(94,543)
Net cash provided by financing activities		1,562,957
NET INCREASE IN CASH HELD		1,362,307
CASH AT THE BEGINNING OF THE FINANCIAL PERIOD		-
CASH AT THE END OF THE FINANCIAL PERIOD	**13 (a)**	1,362,307

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

For personal use only

For personal use only

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 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.

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.

For personal use only

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Employee benefits (continued)

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 periods 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 period in which they are 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) 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.

f) 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.

For personal use only

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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 Southern Palladium Limited, 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.

h) 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.

i) Dividends

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

j) 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.

k) Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

l) New accounting standards and interpretations

A number of new standards are effective after 30 June 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The Company does not expect that these new accounting standards will have a material impact on the financial statements.

For personal use only

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 Company 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.

3 EXPENSES

	2021 **$**
The loss before income tax includes the following expenses:	
Legal fees	127,872
Employee benefits	56,959

4 CASH AND CASH EQUIVALENTS

	2021 **$**
Cash at bank and on hand	**1,362,307**

5 CURRENT ASSETS

Trade and other receivables	
Trade creditors	10,744
Other creditors	18,809
	29,553

6 CURRENT LIABILITIES

Trade and other payables	
Trade creditors	19,135
Other creditors	68,104
	87,239

7 CONTRIBUTED EQUITY

6,250,000 fully paid ordinary shares	**1,657,500**

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**
2021			**$**	**$**
4 December 2020	Opening balance	-		-
4 December 2020	Initial allotment	750,000	0.01	7,500
4 April 2021	Share placement	5,500,000	0.30	1,650,000
	Transaction costs relating to share issues			(94,543)
30 June 2021	Balance at end of year	6,250,000		1,562,957

8 ACCUMULATED LOSSES

	2021
	$
Accumulated losses at beginning of financial period	-
Loss for the period	(258,336)
Accumulated losses at the end of financial period	(258,336)

9 RELATED PARTY TRANSACTIONS

Parent entity
Southern Palladium Limited is the parent entity. There are no subsidiaries, joint ventures or joint operations.

Key management personnel
Disclosures relating to key management personnel are set out in note [ ] below.

Transactions with related parties
Two of the Company's directors, Johan Odendaal and Daan van Heerden are indirect shareholders of MUM, the South African entity in which the Company is planning to acquire a majority interest. During the period, the Company paid the following amount to MUM:

	2021
	$
Reimbursement of MUM's expenses	13,800

Loans to/from related parties
There were no loans to or from related parties made during the financial period or in existence at the reporting date.

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

For personal use only

10 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The directors of Southern Palladium Limited during the period were:

Mr Terence Goodlace – Non-executive Chairman (appointed on 29 March 2021)
Mr Mike Stirzaker – Non-executive Director (appointed on 4 December 2020)
Mr Geoffrey Hiller – Non-executive Director (appointed on 4 December 2020)
Mr Robert Thomson – Non-executive Director (appointed on 4 December 2020)
Mr Daniel Van Heerden – Non-executive Director (appointed on 27 May 2021)
Mr Nicolaas Johannes Odendaal – Non-executive Director (appointed on 27 May 2021)

b) Key Management Personnel compensation

	2021
	$
Short-term employee benefits	54,255
Post-employment benefits	2,704
	56,959

Directors' fees have been accrued for the period 29 March 2021 to 30 June 2021, except for Mr van Heerden and Mr Odendaal whose fees were accrued for the period from 27 May 2021 to 30 June 2021.

11 AUDITORS' REMUNERATION

Remuneration of the auditor of the Company for: Audit services	
Audit and review of financial reports	**11,000**

12 CONTINGENT LIABILITIES

There are no material contingent liabilities at 30 June 2021.

13 EVENTS SUBSEQUENT TO REPORTING DATE

As described under "Review of Operations" in the Directors' Report, the Share Exchange Agreement ("Agreement") entered into on 11 May 2021 to acquire 70% of MUM was amended by the parties on 14 September 2021. On 5 November 2021, MUM received approval from the South African Reserve Bank for the transaction to proceed, subject to the Company obtaining a Johannesburg Stock Exchange listing simultaneously with its intended ASX listing.

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

For personal use only

14 NOTES TO STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2021
	$
Cash	**1,362,307**

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

Operating loss after income tax	(258,336)
Changes in assets and liabilities:	
Increase in receivables	(29,553)
Increase in payables	87,239
Net cash (outflow) from operating activities	**(200,650)**

15 LOSS PER SHARE

	2021
	$
Basic/diluted (loss) per share	(0.15)

It is noted that the loss per share is distorted due to the necessity to calculate it based on the weighted average number of issued shares in the period, and if it were calculated using the number of issued shares at 30 June 2021, the loss per share would be $0.04.

	Number
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	1,725,342

	2021
	$
Loss attributable to ordinary shareholders	
Loss attributable to ordinary shareholders for the basic earnings	258,336
Loss attributable to ordinary shareholders adjusted for effect of dilution	258,336

For personal use only

16 INCOME TAX

	2021
	$
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	(258,336)
Prima facie income tax benefit calculated at 26% of taxable loss	**(67,167)**
Non-deductible items:	
Movement in unrecognised temporary differences	44,266
Taxable losses not recognised	22,901
Income tax expense	-
b) Tax losses:	
Unused tax losses for which no deferred tax asset has been recognised.	258,336
Potential tax benefit at 26%	67,167

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

17 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 and in US dollars, exposing it to foreign currency risk through foreign exchange rate fluctuations.

Interest rate risk
Interest rate risk is minimal given current low (or zero) rates of interest available on deposits, and the Company has no borrowings.

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

For personal use only

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Southern Palladium Limited, the directors of the Company declare that:

1) The financial statements and notes, as set out on pages 7 to 18:

   a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b) give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the period ended on that date; and

2) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Terence Goodlace

Non-Executive Chairman

South Africa, 19 November 2021

For personal use only

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

For personal use only

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 Entity), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, financial position of the Entity as at 30 June 2021 and of its financial performance for the period ended on that date in accordance with Australian Accounting Standards.

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

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 19 November 2021