28 October 2022

ASX:SPD, JSE:SDL

ACN: 646 399 891

Corporate Directory

Chairman
Terence Goodlace

Managing Director
Johan Odendaal

Non-Executive Directors
Mike Stirzaker
Rob Thomson
Daan van Heerden
Geoff Hiller

Company Secretary
Andrew Cooke

Top 5 Shareholders

Nicholas Daniel Resources Pty ltd
Nurinox Investments Pty Ltd
Citicorp Nominees Pty Ltd
Legacy Platinum Corporation
UBS Nominees Pty Ltd

Company Overview

Dual-listed platinum group metal (PGM) company developing the advanced Bengwenyama PGM project, particularly rich in palladium/rhodium, located in South Africa's prolific Bushveld Complex.

Contact:

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Quarterly Activities Report for 30 September 2022

SEPTEMBER QUARTER HIGHLIGHTS

Operational:

- **Phase 1 drilling at the Bengwenyama project, aimed at increasing the confidence in the orebody and converting a portion of the Inferred Resource and Exploration Target into Indicated Mineral Resources, commenced in August 2022**
- **31 boreholes will be drilled as part of the wider spaced Phase 1a programme. The initial wider spacing is aimed at confirming the 3D structural model**
- **Infill drilling (phase 1b) will follow to complete a total of 63 boreholes for Phase 1**
- **UG2 reef intersection has confirmed the presence of the UG2 reef on the farm Eerstegeluk 327 KT**
- **As at quarter end 711 metres were drilled on five drillholes**
- **Three drill rigs on site at 30 September 2022 and now increased to five rigs**

Corporate:

- **During the quarter, payments for exploration, evaluation and development totalled approximately $862,000.**
- **As at 30 September 2022, Southern Palladium held $15.9 million (30 June 2022: $17.9 million) in cash.**

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Southern Palladium (ASX: SPD, "Southern Palladium" or the "Company") is pleased to announce its quarterly activities summary for the three months ended 30 September 2022.

The Company's primary focus is the advancement of its exploration programme at the Bengwenyama PGM (platinum group metals) project, in which it holds a direct 70% stake.

Following its successful ASX listing on 8th June 2022, Southern Palladium is well-funded to accelerate a multi-phase exploration programme at Bengwenyama, which already contains at Inferred Mineral Resource Estimate of 18.8Moz (3PGE+Au). The Company is led by an experienced on-ground management team including some of South Africa's most high-profile mining industry executives.

The Bengwenyama project is a large shallow advance exploration/ predevelopment Platinum- Group Metal opportunity situated on the Eastern Limb of the Bushveld Complex in South Africa.

Overview of September Quarter Activities

Phase 1 drill programme

Exploration drilling on the Bengwenyama project started in August 2022. The drilling contractor, GeoMech (Pty) Ltd, mobilised the first three rigs for the commencement of the Phase 1 which comprises a 63-hole drill programme.

The Phase 1a programme comprises a wider spaced drilling grid (~750m grid), consisting of the initial 31 drillholes. The aim of the programme is to confirm and refine the existing 3D structural model for the shallower areas on the Eastern portion of the farm Eerstegeluk 327 KT where the depths are expected to range from approximately 60m to 550m, with an average depth of around 288m. This will be followed by the Phase 1b programme (32 drillholes), which will comprise infill drilling across a narrower drilling grid (~350m grid).

Infill drilling will improve the confidence in the grade distribution and is aimed at converting the targeted shallow portion of Eerstegeluk 327 KT to a JORC 2012-compliant Indicated Mineral Resource.

A successful resource upgrade will then form the basis of the forthcoming Mining Right application.

The drill rigs in operation are an Atlas Copco CS-1500, a Delta 520 and a YWE D90R. The three drill rigs are capable of drilling 800m, 180m and 100m respectively, and give Southern Palladium the requisite capabilities to complete Phase 1 drilling as planned. All three rigs in operation are small track mounted drill rigs, designed for increased manoeuvrability in confined spaces.

Figure 1: Atlas Copco drilling E019

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Figure 2: YWE D90R at E60

Figure 3: Delta 520 at E082

Post quarter-end, the Company confirmed that drillhole E062 has intersected the first UG2 reef at 31.2m below surface as part of the drilling programme[1]. The mother-hole was completed with an end-of-hole depth of 119.8m and it matched stratigraphic models for the region.

The massive UG2 chromitite reef intersection (NQ core size) in drillhole E062 has a downhole length (not true width) of 87cm **(Figure 4**), with a pegmatoidal pyroxenite as footwall underlain by a poikilitic pyroxenite. These characteristics also assist in the identification of the UG2 reef. The intersected UG2 width is in line with expectations, and consistent with the average reef width of 71 cm estimated in the JORC-2012 compliant Inferred UG2 Mineral Resource. These reef widths lend themselves to the conventional mining methods utilised in South Africa for narrow tabular orebodies.

Figure 5 shows the UG1 reef, which was used as a marker to confirm the position of the UG2 reef. The UG1 layer appears to have three chromitite seams in the anorthosite host, from depths of approximately 90.30m to 99.30m (yellow brackets):

[1] ASX / JSE Announcement – Bengwenyama PGM Drilling Programme Intersects UG2 Reef, 5 September 2022

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Figure 4: UG2 Intersection (yellow box) in Drillhole E062

Figure 5: UG1 Marker Reef

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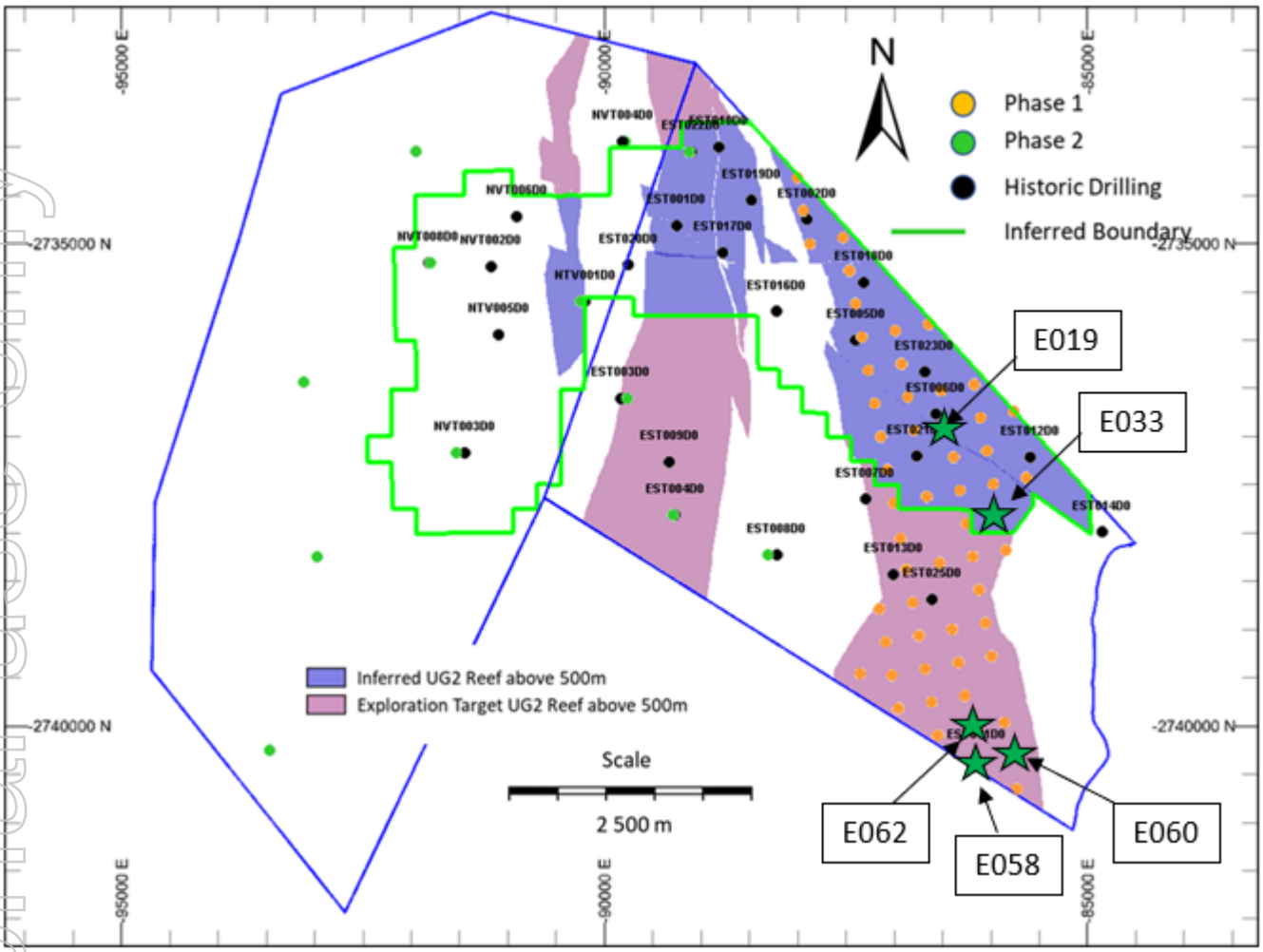
The three drill rigs have conducted drilling operations as indicated in **Figure 6** below (green stars).

Figure 6: Drilling Locations



Logistics

The primary network of equipment and workers are now in place to support the Phase 1 drill programme. Further upgrades have been completed to the on-site building which will serve as the exploration site office and drilling laydown area, with the water supply, back up electrical supply, office Wifi and core logging and cutting facilities now in place.

Figure 7 (A) is a photograph showing a section of the core logging area, and **Figure 7 (B)** is a photo of the construction development for the drillers camp.

Water supply for the drilling has been secured and the water draw-point has been installed for use.

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Figure 7: Core Logging (A) Area and Drillers Camp (B)

Environmental, Social and Governance

There were no significant environmental or safety incidents during the quarter.

The drilling programme is being undertaken in close proximity to the Bengwenyama community and the process of finalising mutually acceptable plans is vital to the long-term success of the project.

A Framework and Cooperation Agreement Term Sheet has been signed by Southern Palladium subsidiary Miracle Upon Miracle Investments ("MUM") and the Bengwenyama Community. The Term Sheet addresses essential principles relating to how MUM and the Community will work together and cooperate to help ensure the broader success of the project. Key items tabled in the Term Sheet include the scope and nature of MUM's proposed prospecting and mining activities on locally owned farms, in conjunction with the Community's right to live, farm and raise livestock on the farms.

December 2022 Quarter Planned Activities

- Drilling and exploration activities will continue on the Bengwenyama Project;
- Number of drilling rigs have increased from three to five; and
- First batch of samples sent to ALS Chemex South Africa (PTY) Ltd, located in Johannesburg, which is part of the ALS group. The South African laboratory is ISO 17025 accredited by SANAS (South African National Accreditation System).

Corporate

Expenditure Summary

A summary of the exploration and project evaluation expenditures for the quarter is provided as follows:

For the purpose of ASX Listing Rule 5.3.1, payments for exploration, evaluation and development during the quarter totalled approximately $862,000. Phase 1a drilling programme, and facilities set up and details of activities undertaken during the quarter are as described in this report.

For the purpose of ASX Listing Rule 5.3.2, the Company confirms there were no mining production and development activities undertaken during the quarter.

For the purpose of ASX Listing Rule 5.3.5, payments to directors of Southern Palladium Limited during the quarter totalled approximately $140,000. The payments were in respect of directors' salaries, fees and superannuation. Payment to Miracle Upon Miracle Investments (Pty) Limited, a related party of Southern Palladium Limited during the quarter totalled approximately $1,468,000. The payments were in respect of expenses incurred for the Bengwenyama Project.

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Pursuant to ASX Listing Rule 5.3.4, the Company provides its actual expenditure on the individual items in the two year "use of funds" statement in its IPO Prospectus since the date of its admission to ASX's Official List (being 8 June 2022) against the estimated expenditure on those items and an explanation of any differences.

Use of Funds	Prospectus Maximum Subscription	Actual use from 8 June 2022 to quarter end	Variance
Phase 1 drilling	$7,716,000	$861,942	$6,854,058
Phase 2 drilling	$3,805,000	0	$3,805,000
Other technical work on the Project	$1,677,000	0	$1,677,000
Corporate and other related costs	$3,918,000	$694,380	$3,223,620
Costs of the Offer	$1,737,000	$1,406,949	$330,051
Total funds raised	$18,853,000	$2,963,271	$15,889,729

The variances are a result of the Company being admitted to the Official Listing on 8 June 2022, therefore actual expenditure for only 117 days is represented against the two year "use of funds" statement. The Company believes it is on schedule to achieve its objectives as stated in its IPO Prospectus.

Cash

As at 30 September 2022, Southern Palladium held approximately $15.9 million (30 June 2022: $17.9 million) in cash.

September 2022 Quarter – ASX Announcements

This Quarterly Activities Report contains information extracted from ASX market announcements reported in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("2012 JORC Code"). Further details can be found in the following announcements lodged on the ASX:

20-Jul-2022	Drilling Operations Update - Bengwenyama PGM Project
29-Jul-2022	Quarterly Activities and Cashflow Reports - June 22 Qtr
25-Aug-2022	Phase 1a Drilling Commences at Bengwenyama PGM Project
30-Aug-2022	2022 Africa Down Under Presentation
7-Sep-2022	Bengwenyama PGM Drilling Programme Intersects UG2 Reef
28-Sep-2022	Financial Report YE 30 June 2022

Tenements

The Company held the following tenement during the quarter. The Project comprises the full extent of the farms Nooitverwacht 324 KT and Eerste Geluk 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 tenements is 100% held through Miracle Upon Miracle (Pty) Ltd the 70% subsidiary of SPD.

The Company did not enter into any farm-in or farm-out agreements during the quarter.

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter:

Farm name	Extent (ha)	Prospecting Right number	Prospecting Right expiry date	Interest at beginning of quarter	Interest at end of quarter
Nooitverwacht 324 KT	2,971.01	LP30/5/1/1002PPR	12-Feb-24	0%	70%
Eerste Geluk 327 KT	2,308.73				
Total	**5,279.74**				

No tenement has been disposed during the quarter.

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JORC Competent Persons Statement

The information in this report that relates to Mineral Resources at the Bengwenyama Project is based on details originally reported in the Independent Technical Assessment Report (ITAR) No. R246.2021 prepared by CSA Global dated 19 April 2022 contained in the Company's Prospectus and Pre-Listing Statement dated 22 April 2022. The information in the ITAR that relates to Technical Assessment of the Mineral Assets, Exploration Targets, or Exploration Results is based on information compiled and conclusions derived by Dr Brendan Clarke, a Partner and an employee of CSA Global. The information in the ITAR that relates to Mineral Resources is based on work undertaken by Anton Geldenhuys, a Principal Consultant and employee of CSA Global. The Prospectus containing the ITAR can be found on the Company's website at: https://www.southernpalladium.com/site/investor-centre/prospectus

The Company confirms that it is not aware of any new information or data that materially affects the information included in the ITAR. The Company also confirms that all material assumptions and technical parameters underpinning the estimates in the ITAR continue to apply and have not materially changed. In addition the Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

The scientific and technical information contained in this announcement has been reviewed, prepared and approved by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, MGSSA). Mr Engelmann is a director of Minxcon (Pty) Ltd and a member of the South African Council for Natural Scientific Professions, and has sufficient experience relevant to the styles of mineralisation and activities being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Engelmann has a beneficial interest in Southern Palladium through a shareholding in Nicolas Daniel Resources Proprietary Limited.

For further information, please contact:

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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Name of entity

Southern Palladium Limited

ABN	Quarter ended ("current quarter")
59 646 391 899	**30 September 2022**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs	(140)	(140)
	(e) administration and corporate costs	(364)	(364)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other - Miracle Upon Miracle Pty Ltd operating expenditures	(154)	(154)
1.9	**Net cash from / (used in) operating activities**	**(658)**	**(658)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(1)	(1)
	(d) exploration & evaluation	(862)	(862)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to MUM	(264)	(264)
2.4	Dividends received (see note 3)		
2.5	Other - repaid MUM's shareholders loan	(187)	(187)
2.6	**Net cash from / (used in) investing activities**	**(1,314)**	**(1,314)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	17,865	17,865
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(658)	(658)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,314)	(1,314)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**15,893**	**15,893**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	15,893	**17,865**
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**15,893**	**17,865**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	294
6.2	Aggregate amount of payments to related parties and their associates included in item 2	1,314

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

A total approximately of $1,608,000 was paid to related parties of the entities and their associates as follow:

- $140,000 is in respect of Directors' fees, salaries and superannuation accruing to Directors' for services rendered during the period.
- $154,000 working capital was advanced to Miracle Upon Miracle Investment Pty Ltd (MUM) to carrying out the prospecting operations.
- $1,314,000 was advanced to MUM for Phase 1 drilling programme and repaid MUM's Shareholders Loan.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(658)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(862)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,520)
8.4	Cash and cash equivalents at quarter end (item 4.6)	15,893
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	15,893
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**10**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2022

Authorised by: The Audit Committee
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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