For personal use only

Southern Palladium Limited
Incorporated in the Commonwealth of Australia
Australian Company Number 646 391 899
ASX share code: SPD
JSE share code: SDL
ISIN AU0000220808

SHORT-FORM: INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

Shareholders of Southern Palladium Limited (**ASX:SPD/JSE:SDL**)(**Southern Palladium** or **the Company**) are advised that Southern Palladium has today published its Interim Financial Report for the period ended 31 December 2022.

HIGHLIGHTS:

- Revenue increased by 100% to $47,391 (31 December 2021: $Nil)
- Operating loss increased by 913% to $3,786,692 (31 December 2021: $373,684)
- Basic loss per share decreased by $0.008, down 13% (31 December 2021: loss of $0.06)
- Headline loss per share decreased by $0.018, down 30% (31 December 2021: loss of $0.06)
- Bengwenyama project drilling well underway, and the new boreholes have assisted in getting a better understanding of the geology.
- New block (Far East Block) previously excluded from the planned drilling programme and resource estimation is being targeted.
- Decision taken to initiate the prefeasibility study.
- Mining Right application process accelerated.

COMMENTARY:

Phase 1 Drilling Programme

During the half year exploration drilling of the Phase 1 drilling programme conducted by drilling contractor, GeoMech (Pty) Ltd on the Bengwenyama project ('Bengwenyama'), started with the aim 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 which will comprise infill drilling across a narrower drilling grid (~350m grid).

Drilling is now well underway, and the new boreholes have assisted in getting a better understanding of the orebody. A decision was made to drill in the far east corner (Far East Block) of the orebody which was previously excluded from the planned Phase1 drilling programme and resource estimation. Drillholes in this area all intersected the UG2 reef and confirms the UG2 reef does continue into the Far East Block. As at 31 December 2022, a total of 21 drillholes have been completed and spread over the entire targeted shallow resource and shallow exploration target area and have confirmed that the UG2 reef at Bengwenyama is continuous – a key objective of the Phase 1 drill programme.

Of these, the UG2 Reef has been encountered in 18 holes, two appear to have been faulted out at the expected depth and; in one case the reef was not developed. Of the 21 drillholes, eight were expected to

intersect the Merensky Reef as they were drilled east of the subcrop. Of these, six intersected the Merensky Reef and two were faulted.

Following the completion of these initial drillholes there have been two significant changes to the drill programme. An additional 13 drillholes (and possibly more) will target the newly identified Far East Block. The planned drillholes in the dome structure are likely not to be drilled following a review of geological information. There has been no change to the drilling budget presented in the SPD prospectus.
Assays (refer ASX Announcement 20 December 2022) from five UG2 intercepts indicated a grade of 10.9g/t (6PGE+Au), over reef widths averaging 71cm. The six PGEs consist of Platinum, Palladium, Rhodium, Iridium, Ruthenium and Osmium. Collectively, the 6PGE assay results offered promising insights into the significant potential of the other three Platinum Group Metals – Iridium, Ruthenium and Osmium - as well as the mineralisation of Base Metals and Chromite that will be delivered in the PGM and Chrome concentrates at the Bengwenyama Project.

Technical Studies

Consulting firm, Minxcon (Pty) Ltd ('Minxcon') has completed an internal Scoping Study on the Bengwenyama project. The Scoping Study confirmed that extracting the UG2 represents the best potential project development option but also recognises the potential to simultaneously mine the upper Merensky Reef in future.

The board has taken the decision to initiate the prefeasibility study following the recommendation from Minxcon and is also now considering the lodgement of a Mining Right application earlier than forecast.

Community Engagement

Several meetings were held with the Community and Community leaders throughout 2022.
In support of the Mining Right application submission, a Social and Labour Plan that aims to afford extended upliftment to the Community is currently drafted.

The Bengwenyama-Ya-Maswazi Traditional Council, the sole authority dealing with the affairs of the Community, held meetings in all seven villages on the lease area and surrounding bordering farms to inform the Community about current and planned exploration activities by the Company. During this process, a working group of 14 representatives from the seven villages were elected independently by the Community to assist the Bengwenyama Traditional Council and Consultants with a field survey. The survey aims to collect data of the total population, businesses and services on the Bengwenyama project farms to establish the current socio-economic baseline upon which meaningful strategies will be developed.

SHORT-FORM ANNOUNCEMENT:

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement.

Copies of the Interim Financial Report are available on the Company's website, www.southernpalladium.com and at:
https://senspdf.jse.co.za/documents/2023/jse/isse/sdle/interim23.pdf.

Any investment decisions by investors and/or shareholders should be based on a consideration of the full announcement as a whole and investors and shareholders are encouraged to review the full announcement, which is available as detailed herein. Copies of the full announcement may also be requested from the Company via email at andrew.cooke@southernpalladium.com or from the Sponsor at Sponsorteam@merchantec.com, at no charge.

For personal use only

For and on behalf of the Board

Terence Goodlace
Independent Non-Executive Chairman

For further information, please contact:

Johan Odendaal
Managing Director
Southern Palladium
Phone: +27 82 557 6088
Email: johan.odendaal@southernpalladium.com

14 March 2023

JSE Sponsor
Merchantec Capital

DISCLAIMER

This release includes statements about Southern Palladium that are, or may be deemed to be "forward-looking statements". All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Southern Palladium. To the extent that certain statements contained in this release may constitute "forward-looking statements" or statements about "future matters", the information reflects Southern Palladium's intent, belief or expectations as at the date of this release. Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Southern Palladium's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. Investors should consider the forward-looking statements contained in this release in light of those disclosures and not place reliance on such statements. Any forward-looking statements, opinions and estimates in this release are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither Southern Palladium, nor its related bodies corporate or affiliates nor the respective directors, officers, partners, employees and agents give any warranty, representation, assurance or guarantee that the occurrence of the events expressed or implied in any of the forward-looking statements in this release will actually occur. In addition, please note that past performance should not be relied upon as (and is not) an indication or guarantee of future performance.

Except as required by law or regulation, Southern Palladium undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

Media & investor relations inquiries: Sam Jacobs, Six Degrees Investor Relations: +61 423 755 909

Follow @SouthernPalladium on Twitter

Follow Southern Palladium on LinkedIn

For personal use only

For personal use only

Southern Palladium Limited

A.B.N 59 646 391 899

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Page
Directors' report	2
Auditor's independence declaration	9
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	14
Directors' declaration	20
Independent auditor's review report	21

This Interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022.

For personal use only

Southern Palladium Limited
ABN 59 646 391 899

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors present their report, together with the consolidated financial statements, of Southern Palladium Limited (referred to hereafter as the Company) at the end of, or during, the half-year ended 31 December 2022 ("Period").

DIRECTORS

The names of the directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

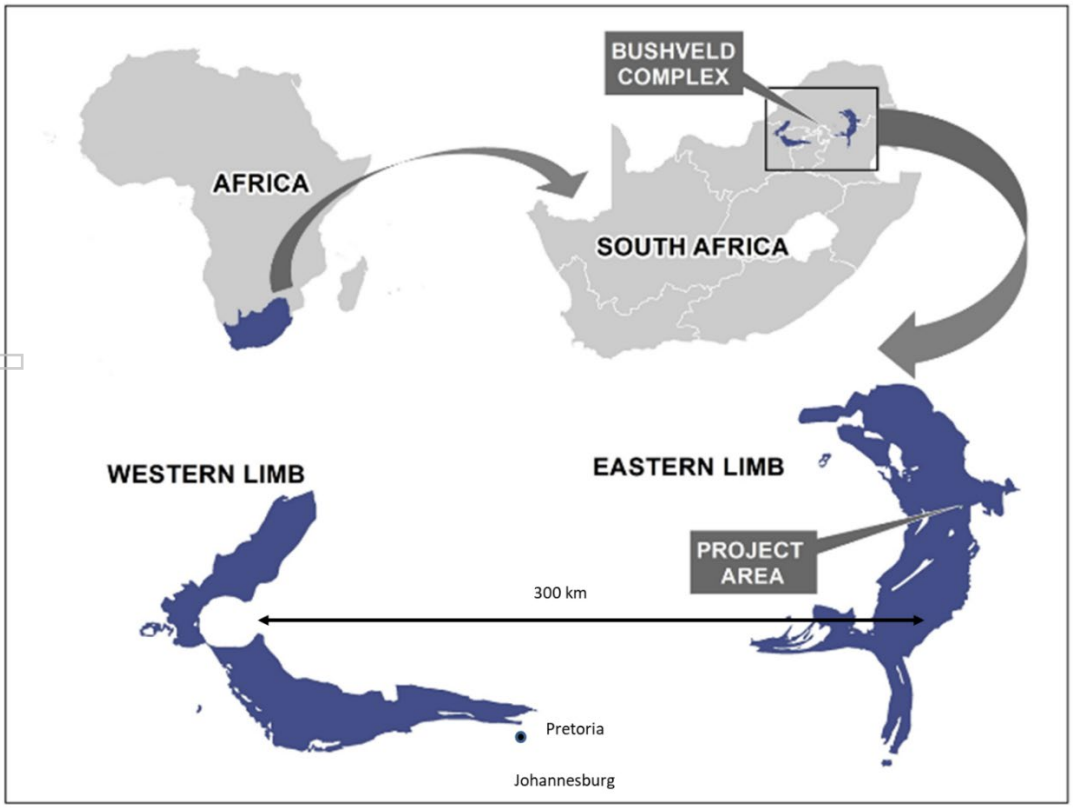
Mr Terence Goodlace (Non-Executive Chairman)
Mr Johan Odendaal (Managing Director)
Mr Mike Stirzaker (Non-Executive Director)
Mr Robert Thomson (Non-Executive Director)
Mr Geoffrey Hiller (Non-Executive Director)
Mr Daan van Heerden (Non-Executive Director)

REVIEW OF RESULTS AND OPERATIONS

The main business activity of the Company is the advancement of its Platinum Group Metal ("PGM") exploration project in South Africa. 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 an Inferred Mineral Resource Estimate of 18.8Moz (3PGE+Au). The Company is led by an experienced on the ground management team including some of South Africa's most high-profile mining industry executives.

Southern Palladium has a 70% equity interest in Miracle Upon Miracle Investments (Pty) Ltd ("MUM"), a South African private company with a 100% interest in the Bengwenyama PGM Project which 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.

Figure 1: Bengwenyama Project Location

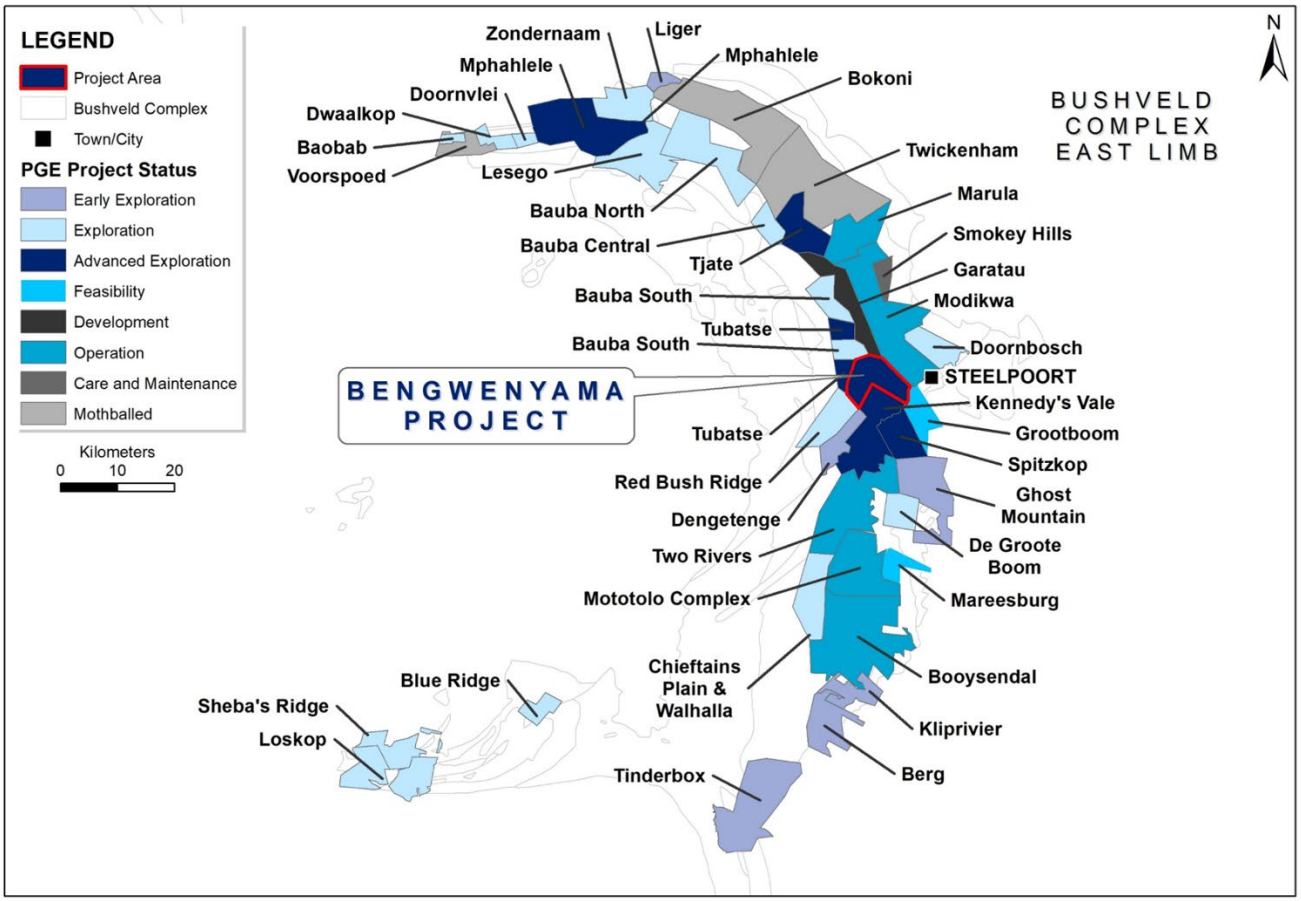


Bengwenyama PGM Project

The Bengwenyama project is a large shallow advance exploration and predevelopment Platinum Group Metal ("PGM") opportunity situated on the Eastern Limb of the Bushveld Complex in South Africa which holds approximately 72% of the world's PGM resources.

Two economic reefs – the Merensky and UG2 reefs – occur on the Properties, which extend from surface to a depth of 1,100m over 10km downdip. Both these reefs are primary economic deposits exploited by other platinum mining companies for PGMs and base metals in the region. The reefs can be extracted from underground mining with a relatively short lead time to production, and with ore processed by means of conventional proven methods used extensively throughout the Bushveld Complex. The Properties are in close proximity to existing mining activities and assets, as well as other essential infrastructure.

Figure 2: Bengwenyama Project Location on the Eastern Limb of the Bushveld Complex



A recent compliant (JORC 2012) Inferred Mineral Resource (CSA, Stated 1 July 2021) of 18.80 Moz 3PGE+Au has been estimated for the Project. Based on the volume, grade and depth of the reefs, and the similarity with other projects and operations in the area and other parts of the Bushveld Complex, the resource is deemed to have reasonable prospects for eventual economic extraction. Based on the exploration target ranges, over and above the Inferred Mineral Resource, the project also has additional upside potential with an additional 134-201 Mt at 3.5-5.2 g/t 3PGE+Au in Exploration Target.

Table 1: Mineral Resource for the Bengwenyama Project as of 1 July 2021

Mineral Resource classification	Reef	Tonnes (Mt)	3PGE+Au		Reef width (cm)
			g/t	**Moz**	
Inferred	UG2	33.87	7.70	8.38	71
Inferred	Merensky Reef	110.02	2.96	10.42	191
Total		**143.89**	**4.07**	**18.80**	

Notes:

For personal use only

- *3PGE+Au refers to platinum + palladium + rhodium + gold*
- *Mineral Resource pay limit is 2.2 g/t 3PGE+Au for UG2 and 1.2 g/t 3PGE+Au for Merensky*
- *Basket price used for the pay limit calculation is US$2,086/oz for UG2 and US$1,794/oz for Merensky*
- *Geological losses of 17% for the UG2 and 10% for the Merensky have been applied*
- *Figures may not add up due to rounding*
- *Mineral Resources are reported as total Mineral Resources and are not attributed.*

A significant Exploration Target was estimated. Geological losses of 40% and 35% were applied for the Exploration Target for the UG2 and Merensky, respectively. The pay limit is the same as that applied to the Inferred Mineral Resource; 2.2 g/t 3PGE+Au for the UG2 and 1.2 g/t 3PGE+Au for the Merensky.

Table 2: Exploration Target for the Bengwenyama Project as of 1 July 2021

Category	Reef	Minimum tonnes (Mt)	Maximum tonnes (Mt)	Minimum grade (3PGE+Au g/t)	Maximum grade (3PGE+Au g/t)
Exploration Target	UG2	45	68	5.9	8.9
Exploration Target	Merensky Reef	88	133	2.2	3.4
Total		**134**	**201**	**3.5**	**5.2**

Phase 1 drill programme

Exploration drilling of the Phase 1 drilling programme conducted by drilling contractor, GeoMech (Pty) Ltd on the Bengwenyama project, started in August 2022. 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 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.

Drilling is now well underway, and the new boreholes have assisted in getting a better understanding of the orebody. A decision was made to drill in the far east corner (Far East Block) of the orebody which was previously excluded from the planned Phase1 drilling programme and resource estimation. Drillholes in this area all intersected the UG2 reef and confirms the UG2 reef does continue into the Far East Block (Figure 3).

For personal use only

UG2 and Merensky Reef Intercepts

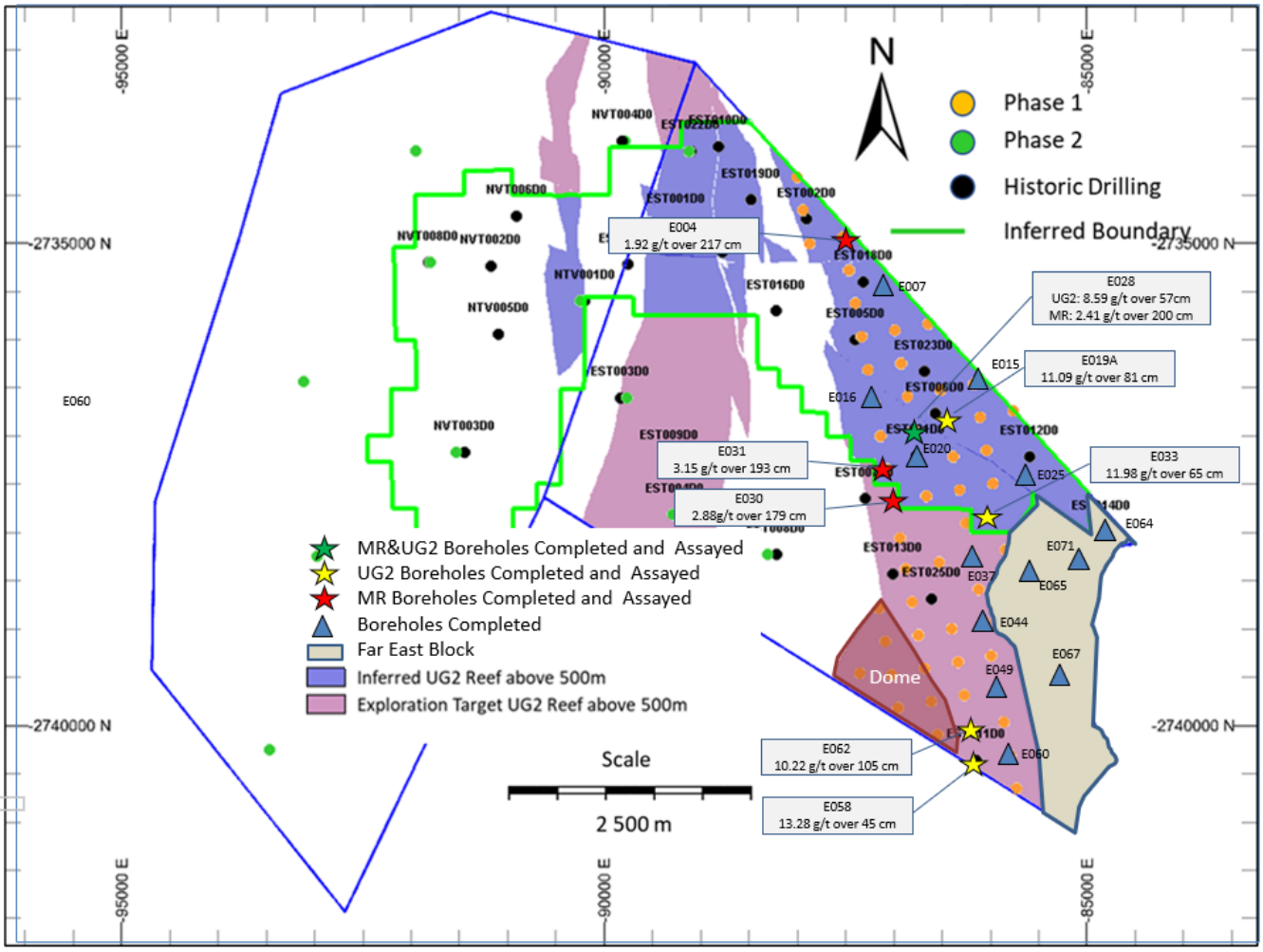
In total, 21 drillholes have been completed by end of December 2022. The 21 drillholes are spread over the entire targeted shallow resource and shallow exploration target area and have confirmed that the UG2 reef at Bengwenyama is continuous – a key objective of the Phase 1 drill programme.

Of these, the UG2 Reef has been encountered in 18 holes, 2 appear to have been faulted out at the expected depth and; in one case the reef was not developed. Of the 21 drillholes, eight were expected to intersect the MR as they were drilled east of the subcrop. Of these, six intersected the MR and two were faulted.

A decision was made to drill in the far east corner (Far East Block) of the orebody which was previously excluded from the planned Phase 1 drilling programme and resource estimation. Drillholes E064, E065 and E071 have all intersected the UG2 reef and confirm the UG2 reef does continue into the Far East Block.

Figure 3 provides a summary of boreholes drilled, highlighting boreholes that have been completed and assayed (for 6PGE+Au for both UG2 and Merensky), and boreholes where the UG2 reef has been intercepted with assays pending.

Figure 3: Positions of the Completed Drillholes as of 15 December 2022



Assays (refer ASX Announcement 20 December 2022) from five UG2 intercepts indicated a grade of 10.9g/t (6PGE+Au), over reef widths averaging 71cm. The six PGE's consist of Platinum Palladium, Rhodium, Iridium, Ruthenium and Osmium.

Collectively, the 6PGE assay results offered promising insights into the significant potential of the other three Platinum Group Metals – Iridium, Ruthenium and Osmium - as well as the mineralisation of Base Metals and Chromite that will be delivered in the PGM and Chrome concentrates at the Bengwenyama Project.

The Eerstegeluk dome structure (highlighted in red in Figure 3) has been confirmed with the surrounding drilling data and it was decided that the planned drillholes in this area will be deferred for now. This will allow further drilling to be undertaken within the Far East Block highlighted in grey.

For personal use only

For personal use only

Turnaround times for assay results from Southern Palladium's ISO 17025-accredited laboratory in South Africa is consistently tracking at between 4-6 weeks.

Following the completion of these initial drillholes there have been two significant changes to the drill programme. An additional 13 drillholes (and possibly more) will target the newly identified Far East Resource Block. The planned drillholes in the dome structure are likely not to be drilled following a review of geological information. There has been no change to the drilling budget presented in the SPD prospectus.

Project Studies

Consulting firm Minxcon (Pty) Ltd has completed an internal Scoping Study on the Bengwenyama project ('Bengwenyama'). The Scoping Study confirms that extracting the UG2 represents the best potential project development option but also recognises the potential to simultaneously mine the upper Merensky Reef in future.

Minxcon considers the UG2 project has the best potential of four development scenarios assessed, and as such, recommends completion of the drilling programme (which is fully funded) and more definitive studies be undertaken. The shallow Merensky Reef is recommended for potential future development and may significantly extend the life of the mine in the area now earmarked for mining.

The board has taken the decision to initiate the prefeasibility study following the recommendation from Minxcon and is also now considering the lodgement of a Mining Right application earlier than forecast.

Community Engagement

Several meetings were held with the Community and Community leaders throughout 2022. In support of the Mining Right application submission, a Social and Labour Plan that aims to afford extended upliftment to the Community is currently drafted. The Bengwenyama Traditional Council, the sole authority dealing with the affairs of the Community, held meetings in all seven villages on the lease area and surrounding bordering farms to inform the Community about current and planned exploration activities by the Group. During this process, a working group of 14 representatives from the 7 villages were elected independently by the Community to assist the Bengwenyama Traditional Council and Consultants with a field survey. The survey aims to collect data of the total population, businesses and services on the Bengwenyama Project farms to establish the current socio-economic baseline upon which meaningful strategies will be developed.

Figure 4: Field Survey Initiation Meeting for the Working Group who assists with the collection of data.

Tenements

The Group acquired the tenements set out in the table below on 27 May 2022. 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 tenement is 100% held through MUM.

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

Competent Person Statement

1. **Uwe Engelmann**

The scientific and technical information contained in this report has been reviewed, prepared, and approved by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, FGSSA). 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.

2. **Daan van Heerden**

The scientific and technical information contained in this report has been reviewed, prepared, and approved by Mr Daan van Heerden (B Eng (Min.), MCom (Bus.Admin.), MMC, Pr.Eng. No. 20050318, AMMSA, FSAIMM). Mr van Heerden is a director of Minxcon (Pty) Ltd and a Registered Professional Engineer with the Engineering Council of South Africa, a Member of the Association of Mine Managers South African Council, as well as a Fellow Member of the South African Institute of Mining and Metallurgy. Mr. van Heerden has sufficient experience relevant to the styles of mineralisation and activities being undertaken to qualify as a Competent Person, as such term is defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Heerden has a beneficial interest in Southern Palladium through a shareholding in Nicolas Daniel Resources Proprietary Limited.

FINANCIAL PERFORMANCE

During the period the consolidated net loss of the Group was $3,786,692 (2021: loss of $373,684).

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 31 December 2022.

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

No matters or circumstances have arisen since 31 December 2022 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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001.*

On behalf of the Directors

Terence Goodlace
Non-Executive Chairman
South Africa, 14 March 2023

For personal use only

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

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

For personal use only

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

As lead auditor of Southern Palladium Limited for the half-year ended 31 December 2022, 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

14 March 2023

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

Southern Palladium Limited
ABN 59 646 391 899

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 $	31 December 2021 $
Interest income		47,391	-
Expenses			
Administration expenses	3	(337,329)	(238,934)
Employee benefits expenses		(185,717)	(134,750)
Share-based payment expenses		(149,106)	-
Share of loss of associate accounting using equity method		(267,771)	-
Impairment expenses	5a	(2,894,160)	-
Loss before income tax		**(3,786,692)**	**(373,684)**
Income tax expense		-	-
Net loss for the period		**(3,786,692)**	**(373,684)**
Other comprehensive income			
Items that may be reclassified subsequently to loss:			
Exchange differences on translation of foreign operations		(915,102)	-
Total comprehensive loss for the period		**(4,701,794)**	**(373,684)**
Loss for the period is attributable to owners of the Company		**(4,701,794)**	(373,684)
Total comprehensive loss attributable to owners of the Company		**(4,701,794)**	**(373,684)**
		per share	per share
Basic and diluted (loss) per share		(0.052)	(0.060)

The above consolidated 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 December 2022 $	30 June 2022 $
CURRENT ASSETS			
Cash and cash equivalents		14,201,254	17,865,053
Trade and other receivables		6,776	91,760
Prepayment		69,297	69,102
TOTAL CURRENT ASSETS		**14,277,327**	**18,025,915**
NON-CURRENT ASSETS			
Investment accounted for using the equity method	**4**	21,524,193	22,663,372
TOTAL NON-CURRENT ASSETS		21,524,193	**22,663,372**
TOTAL ASSETS		**35,801,520**	**40,689,287**
CURRENT LIABILITIES			
Trade and other payables		75,251	410,330
TOTAL CURRENT LIABILITIES		**75,251**	**410,330**
TOTAL LIABILITIES		**75,251**	**410,330**
NET ASSETS		**35,726,269**	**40,278,957**
EQUITY			
Contributed equity	**6**	41,079,861	41,079,861
Reserves	**7**	1,189,539	1,955,535
Accumulated losses		(6,543,131)	(2,756,439)
TOTAL EQUITY		**35,726,269**	**40,278,957**

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

Southern Palladium Limited
ABN 59 646 391 899

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance at at 1 July 2021	**1,562,957**	**-**	**(258,336)**	**1,304,621**
Loss for the period	-	-	(373,685)	(373,685)
Balance at 31 December 2021	**1,562,957**	**-**	**(632,021)**	**930,936**
Balance at 1 July 2022	**41,079,861**	**1,955,535**	**(2,756,439)**	**40,278,957**
Loss for the period	-	-	(3,786,692)	(3,786,692)
Exchange differences on translation of foreign operations	-	(915,102)	-	(915,102)
Total comprehensive loss for the period	-	(915,102)	(3,786,692)	(4,701,794)
Share-based payments	**-**	149,106	-	149,106
Balance at 31 December 2022	**41,079,861**	**1,189,539**	(6,543,131)	**35,726,269**

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

For personal use only

For personal use only

Southern Palladium Limited
ABN 59 646 391 899

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	31 December 2022 $	31 December 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunds	118,799	14,011
Payments to suppliers and employees	(892,134)	(261,901)
Net cash (used in) operating activities	(773,335)	(247,890)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to MUM for:		
a) exploration and evaluation expenditures	(1,790,141)	-
b) property, plant and equipment	(717)	-
c) operating expenditures	(915,747)	-
d) repayment MUM's shareholders loan	(183,859)	-
Net cash used in investing activities	(2,890,464)	-
NET (DECREASE) IN CASH HELD	**(3,663,799)**	**(247,890)**
CASH AT THE BEGINNING OF THE FINANCIAL PERIOD	**17,865,053**	**1,362,307**
CASH AT THE END OF THE FINANCIAL PERIOD	**14,201,254**	**1,114,417**

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

For personal use only

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report is for Southern Palladium Limited in respect of the interim half-year reporting period ended 31 December 2022 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022.

The accounting policies adopted are consistent with those used in the previous financial year.

New or amended Accounting Standards and Interpretations adopted

In the half-year ended 31 December 2022, 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.

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 to year end.

2 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 period.

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:

Exploration	**31 December 2022 $**	**30 June 2022 $**
Bengwenyama project	22,663,372	22,750,000
Exchange differences on translation of foreign operations	(871,408)	(71,599)
Share losses of joint ventures	(267,771)	(15,029)
	21,524,193	**22,663,372**

For personal use only

2 SEGMENT INFORMATION (CONTINUED)

Reportable segment profit/(loss)

31 December 2022	Bengwenyama Project $	Unallocated Amount $	Consolidated $
Interest income	-	47,391	47,391
Expenses			
Corporate expenses	-	(337,329)	(337,329)
Exploration and evaluation expenditures	-	-	-
Share based payments	-	(149,106)	(149,106)
Employee benefits expense	-	(185,717)	(185,717)
Share of losses of joint ventures accounted for using equity method	(267,771)	-	(267,771)
Impairment expense	(2,894,160)	-	(2,894,160)
Loss before income tax expense	(3,161,931)	(624,761)	(3,786,692)
Income tax expense	-	-	-
Net loss for the year	(3,161,931)	(624,761)	(3,786,692)
Other comprehensive loss	-	(915,102)	(915,102)
Total comprehensive loss for the year	(3,161,931)	**(1,539,863)**	**(4,701,794)**

31 December 2021	Bengwenyama Project $	Unallocated Amount $	Consolidated $
Corporate expenses	(34.946)	(165,639)	(200,585)
Exploration and evaluation expenditures	(38,349)	-	(38,349)
Employee benefits expense	-	(134,750)	(134,750)
Loss before income tax expense	(73,295)	(300,389)	(373,684)
Income tax expense	-	-	-
Net loss for the year	(73,295)	(300,389)	(373,684)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	(73,295)	(300,389)	(373,684)

3 EXPENSES

	31 December 2022 $	31 December 2021 $
The loss before income tax includes the following expenses:		
Legal fees	2,918	101,733
Professional fees	76,452	4,663
Insurance	48,764	4,922
Public relation expenses	31,500	-

4 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The Group has acquired 70% interest in Miracle Upon Miracle Investments Pty Ltd (MUM) on 27 May 2022. The fair value of the assets acquired $22,750,000 is based on the fair value of 45,500,000 shares (Consideration Shares) being issued as consideration for the acquisition of MUM. The shares have been 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 consider 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 has 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:

	31 December 2022 $	30 June 2022 $
Investment in Miracle Upon Miracle Investments Pty Ltd	**21,524,193**	**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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 December 2022 %**	**30 June 2022 %**
Miracle Upon Miracle Investments Proprietary Limited	South Africa	70	70

For personal use only

4 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information

The table below provides 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	
	31 December 2022	**30 June 2022**
	$	**$**
Summarised statement of financial position		
Cash and cash equivalents	440,613	14,903
Other current assets	202,750	27,668
Non-current assets	2,118,228	275,115
Total assets	2,761,591	317,686
Other current liabilities	188,836	98,445
Non-current financial liabilities (excluding trade and other payables and provisions)	2,885,292	191,405
Total liabilities	3,074,128	289,850
Net assets	(312,537)	27,836

Summarised statement of profit or loss and other comprehensive income	**1 July to 31 December 2022**
	$
Revenue	1,890
Expenses	(385,849)
Loss before income tax	(383,959)
Total comprehensive loss	(383,959)

	31 December 2022	**30 June 2022**
	$	**$**
Reconciliation of the consolidated entity's carrying amount		
Opening balance	22,663,372	22,750,000
Exchange differences on translation of foreign operations	(871,408)	(71,599)
Southern Palladium Limited's share of loss after income tax	(267,771)	(15,029)
Closing carrying amount	21,524,193	22,663,372

Commitments

MUM did not have any financial commitments as at 31 December 2022.

Contingent liabilities

MUM did not have any contingent liabilities as at 31 December 2022.

For personal use only

5 UNSECURED LOAN

		31 December 2022 $	30 June 2022 $
Loan facility to MUM*		2,846,769	-
Accrued interest		47,391	-
Impairment of receivables	a	(2,894,160)	-
		-	-

*Cumulative loan balance of USD 1,973,758 at period 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".

Interest on the cumulative loan amount owing by MUM to the Company is accrued at the US Bank Prime Loan Rate for US$ (At 31 December 2022 prime rate, being 7.50%), 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 $2,894,160, 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 $2,894,160 owed by MUM is capable of being repaid from MUM.

For personal use only

6 CONTRIBUTED EQUITY

	31 December 2022 $	30 June 2022 $
89,750,000 fully paid ordinary shares (30 June 2022: 89,750,000)	41,079,861	41,079,861

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 $
1 July 2021				
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 June 2022	Balance at end of year	**89,750,000**		**41,079,861**
1 July 2022				
1-Jul-22	Opening balance	89,750,000		41,079,861
	No movement during the period	-		-
31 December 2022	**Balance at end of period**	**89,750,000**		**41,079,861**

7 RESERVES

	31 December 2022 $	30 June 2022 $
Options reserves	2,086,857	2,012,750
FX reserves	(986,702)	(71,599)
Performance rights reserves	89,384	14,384
	1,189,539	**1,955,535**

8 CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2022 (June 2022: nil).

9 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 31 December 2022 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

Southern Palladium Limited
ABN 59 646 391 899

DIRECTORS' DECLARATION

In the directors' opinion:

1) The consolidated financial statements and notes, as set out on pages 10 to 19, are in accordance with the Corporations Act 2001 and:
   a) comply with Australian Accounting Standards AASB134: Interim Financial Reporting, the Corporations Regulations 2001; and
   b) give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporation Act 2001*.

On behalf of the directors

Terence Goodlace
Non-Executive Chairman
South Africa, 14 March 2023

For personal use only

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

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Southern Palladium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Southern Palladium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth

14 March 2023