



ANNUAL REPORT 2022

Chairman and CEO Report

Dear Shareholders

The year 2022 has been a significant year for Southern Palladium as your Board sought to successfully complete the acquisition of the significant Platinum Group Metal (“PGM”) Bengwenyama project and finalise all the formalities required to set up the company and raise \$19 million through the simultaneous listing on the Australian Stock Exchange and the Johannesburg Stock Exchange on 8 June 2022. We were pleasingly supported by leading Australian high net worth institutions and strategic investors. With the current balance sheet, the company is now able to complete an envisaged 2-year exploration programme which is situated on the Eastern Limb of the Bushveld Complex in South Africa. This complex hosts approximately 72% of the worlds PGMs, and the prospecting right is nestled amongst major platinum and chrome producers.

This would not have been possible without the energy and commitment of your experienced Board and a small management team who have now commenced with the drilling programme and associated scoping and feasibility studies for safely and responsibly developing a PGM underground mine and processing facility in collaboration with our partners, the Bengwenyama community. The Company will continue to build on its relationship with the Bengwenyama Community, a relationship that was established over 16 years ago and that is integral in ensuring the success of this major project.

From a governance perspective your Board has also developed and approved key policies that are based upon best practice and these are available. Please refer to the Company website at: (<https://www.southernpalladium.com/site/about/corporate-governance>).

The project hosts an orebody that is amenable to mining methods and metallurgy that is proven and well understood. The orebody consists of two tabular reefs, namely the Merensky and Upper Group Chromite (UG2) Reefs, which are typical of the Bushveld Complex. These reefs extend from the eastern boundary of our project area for 10km downdip over an area of 5,280 hectares. An independent Competent Persons report (JORC 2012) published on 19 April 2022 confirmed an Inferred Mineral Resource of 18.8Moz and additional 134–201Mt at 3.5–5.2 (3 PGE + Au g/t) in exploration target. The company has initiated a 38,000m drilling programme to increase the confidence level in some of the Inferred Mineral Resource and exploration target areas. This is one of the largest exploration programmes currently underway in South Africa.

Our involvement in this project allows the company to participate in the renewed interest in PGMs with their unique characteristics in various applications in the sphere of the Green Economy. The important application of platinum, palladium and rhodium in auto catalysts is uniquely used to purify exhaust emissions and will thus continue to play an important role in emission control in the medium term. Stricter emission control standards will require higher loading of PGMs.

The hydrogen fuel cell is also becoming more attractive and is expected to find a niche application in long distance hauling. It is expected that platinum will be the preferred metal of choice as catalyst in fuel cell technology. In turn, platinum and iridium are also used in the production of Green Hydrogen. In the coming year we look forward to providing you with regular and meaningful updates on exploration drilling progress and results as well as the company development concept studies.



TP Goodlace
Chairman



J Odendaal
Managing Director/CEO

Environment, Social and Governance

Introduction

Southern Palladium recognises the importance of social and environmental aspects in our business sphere. The Company is fully committed to upholding high standards throughout our interaction with these disciplines and aims to sustain sound governance principles. Southern Palladium aims to promote sustainable development and operational practices throughout our operational tiers.

Bengwenyama Community, Stakeholder Engagement and Social Responsibility

The wellbeing of all persons, protection of human rights, improvement of quality of life and active promotion of health and safety is proactively fostered. Southern Palladium actively recognises that the community plays a crucial role in the Bengwenyama project and that strong community support is vital for successful outcomes that promote local enrichment. The Company works closely with the community and emphasises the promotion of inclusiveness and awareness of the project.

The community holds key shareholdings in both the project and the Company. Through the key agreements entered into by Southern Palladium subsidiary Miracle Upon Miracle Investments (“MUM”) with the community, the Company endorses its social responsibility for inclusion and incorporation of local persons into the project activities. Ethical inclusion of the community is extended through fair representation of community members in project meetings and decision-making processes.

In the year, priority provision for community representation at our June JSE invitation-only listing event was made with half of the guest allocation attended by Bengwenyama community members.

The Company secured the Khomanani Centre on the Eerstegeluk farm as the exploration office base through a rental agreement with the community. We commenced facility renovations including infrastructure upgrades and power reconnection. Two large outdoor notices boards at each of the project farms have been erected at strategic public spaces to display official MUM notices. A site public participation meeting was hosted in April, catered by local service providers and led by the project environmental and geological consultants. Southern Palladium embraces the significance of local culture and customs, to which end the event was followed by a fully catered meal sponsored by the Company that included the traditional slaughter of a cow purchased from a community farmer.

Preferential exploration project employment is given to community members who are encouraged to apply for suitable positions. To date, candidates for seven positions have been identified and will be engaged. Similarly, preferential sourcing of services is given to appropriate community-based service providers. A dedicated, sign-posted tender box has been erected on site and a tender committee established represented by the Company and appropriate community members to equitably adjudicate submissions. Tenders have been awarded to local enterprises for the erection of a security fence and provision of electrical supply infrastructure.

Environmental Responsibility and Stewardship

Southern Palladium is acutely aware of its obligations to conduct exploration activities in an environmentally conscious manner. Emphasis is placed on enhancement of biodiversity and ecosystem services in the immediate and lateral spaces, minimised carbon footprints, responsible resource use, and optimised environmental and water management. Measures are implemented to mitigate negative impacts and alternatives that promote environmental stewardship are preferred.

Environment, Social and Governance

Drillhole collar positions are strategically planned to avoid locally sensitive areas. Assessments of each drillhole site are underway to mitigate impacts as they occur and to identify the baseline environment against which impacts can be assessed later.

The planned diamond drilling programme has been adjusted to utilise mobile sumps, eliminating topsoil removal and mitigating seepage and sump site rehabilitation. The water offtake agreement entered into with the Lebalelo Water User Association sees that bulk raw water for drilling is purchased from the licenced body and not sourced from an adjacent river system. Water is effectively recycled through the sump system for the continued drilling.

Health and Safety

The Company is committed to upholding high standards of workplace safety. Exploration activities legal appointments are conducted in compliance with regulations including the South African Mine Health and Safety Act (29 of 1996). A comprehensive safety file, emergency response plan, policies and codes of practice are developed and adopted to ensure the health and safety of the workforce and local stakeholders.

Governance

Southern Palladium has adopted foundations that promote accountability and collaboration. Effective management is achieved through vigilant planning and being responsive to stimuli, while remaining compliant with governing laws and aiming for ethical and equitable practices. We have developed and implemented comprehensive policies informed by an exhaustive risk assessment which are available on our website (<https://www.southernpalladium.com/site/about/corporate-governance>).

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

The Bengwenyama project is subject to regulation under legislation of the Republic of South Africa. Exploration is conducted in compliance with the approved preferent prospecting right, prospecting works programme and environmental management plan. An amendment application is under preparation for prospecting works modification, which will be submitted in the next quarter. In fulfilment of a condition to the environmental management plan, a specialist cultural heritage study was completed in June in accordance with the National Heritage Resources Act (25 of 1999). Annual activities reports are timeously submitted together with annual prospecting fees. A permit was received in April 2022 for the disposal of drill-sourced mud at a local landfill site.

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

Financial Report

Southern Palladium Limited

A.B.N 59 646 391 899

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

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

Southern Palladium Limited
ABN 59 646 391 899
and Controlled Entities

DIRECTORS REPORT

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Southern Palladium Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2022.

BOARD OF DIRECTORS

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

Terence Goodlace – Independent Non-Executive Chairman
Johan Odendaal – Managing Director
Mike Stirzaker – Independent Non-Executive Director
Robert Thomson – Independent Non-Executive Director
Geoffrey Hiller – Independent Non-Executive Director
Daniel Van Heerden – Non-Independent Non-Executive Director

PRINCIPAL ACTIVITIES

During the financial year the principal activities of the Company consisted of activities related to the acquisition and advancement of its Platinum Group Metal (“PGM”) project in South Africa and undertaking an Initial Public Offering of its shares (IPO) and ASX/JSE (Johannesburg Stock Exchange) listing.

FINANCIAL PERFORMANCE

The group’s net loss from operations for the year was \$2,498,103 (2021: \$258,336)

At 30 June 2022, the group had net current assets of \$17,615,586 (2021: \$1,304,621).

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

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

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2022.

REVIEW OF OPERATIONS

During the year the main business activity of the Company consisted of activities related to the acquisition of a Platinum Group Metal (“PGM”) project in South Africa and preparing the Company for a listing on the ASX and simultaneous compliance listing on the JSE (Johannesburg Stock Exchange). The regulatory approvals required to complete the acquisition of 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, were obtained during the year, allowing the Company to proceed to completion of the MUM acquisition immediately prior to the Company’s IPO on 6 June 2022.

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.

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.

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DIRECTORS REPORT

In April 2021, the Company raised \$1.65 million in a pre-IPO equity raising, undertaken primarily to fund the expenses associated with preparing for the Offer process, carry out certain exploration activity in respect of the Project, and provide general working capital.

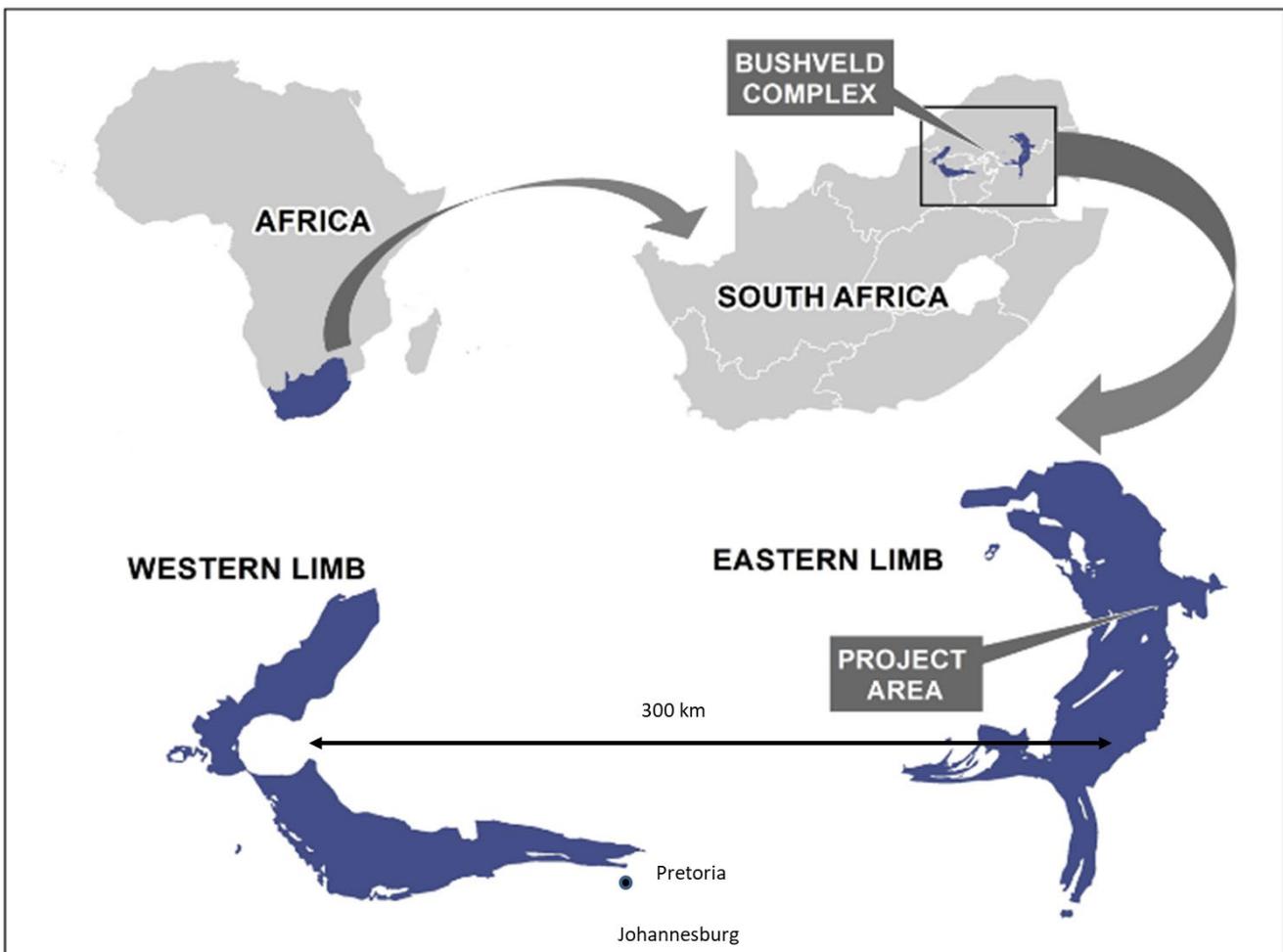
On 23 March 2022, the Company entered into a Share Exchange Agreement (“Agreement”).

The key terms of the Agreement include:

- that the Company acquire a 70% interest in MUM for a total consideration of 45.50 million new shares (Consideration Shares) in Southern Palladium before the IPO;
- the Bengwenyama community retain a 30% direct interest in MUM;
- 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 of the date of the IPO. These milestones include:
 - achieving at least 2 million oz PGE (4E) in JORC classified reserves and;
 - the acceptance by the Regional Manager (as contemplated in the MPRDA) of the formal application by the Company for a Mining Right over the Project.
- as soon as practically possible after completion of the Share Exchange, SPD to undertake a capital raise of up to A\$19,000,000 via a new listing on the ASX and the JSE through the issue of 38 million shares.

Bengwenyama PGM Project

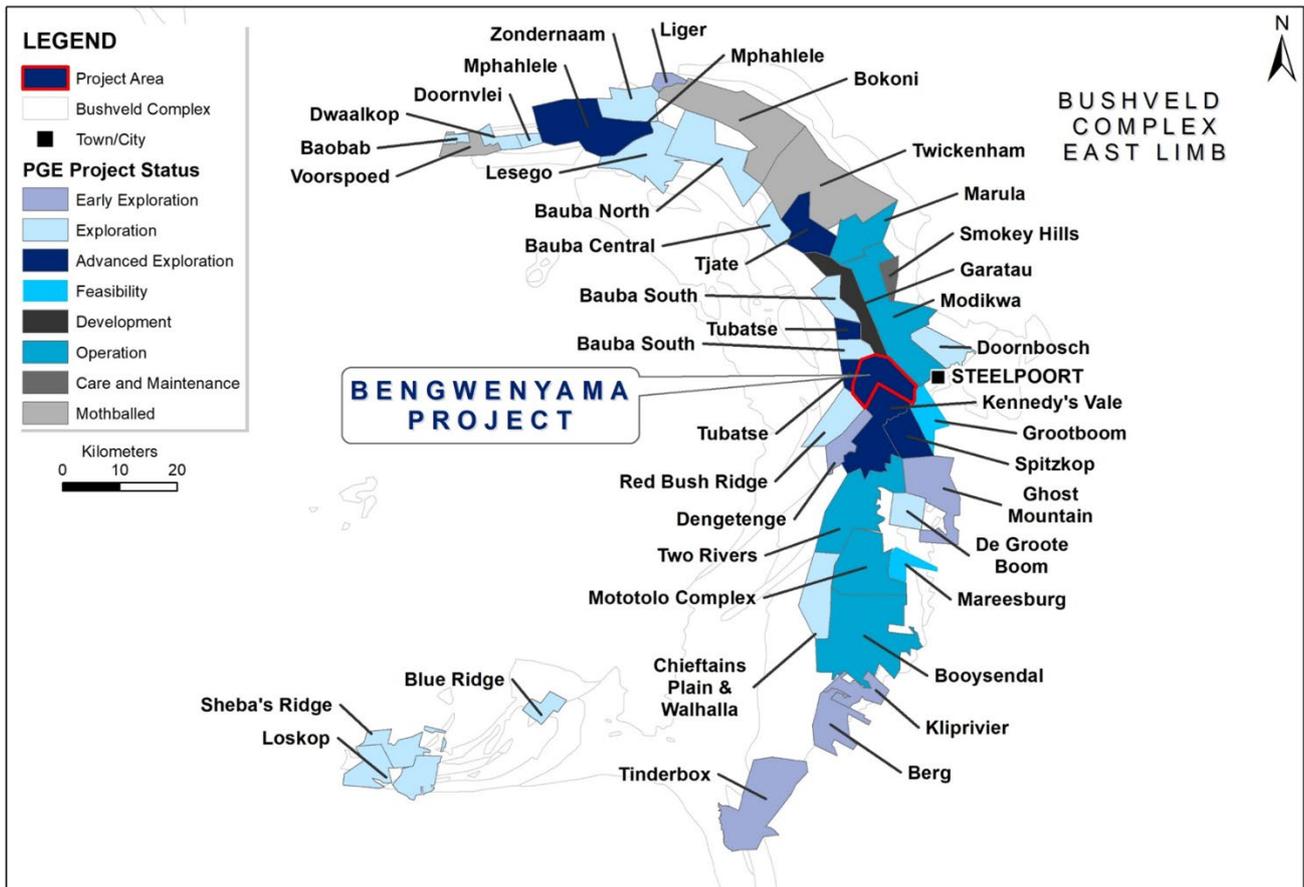
The Bengwenyama project is a large shallow advance exploration and predevelopment Platinum Group Metal (“PGM”) opportunity situated on the Eastern Limb of the Bushveld Complex in South Africa. The Bushveld Complex which holds approximately 72% of the world’s PGM resources.



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DIRECTORS REPORT

Two economical reefs – the Merensky and UG2 reefs – occur on the Properties, which extend from surface to a depth of 1,100m over a distance of 10km. 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



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.

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:

- 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.

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DIRECTORS REPORT

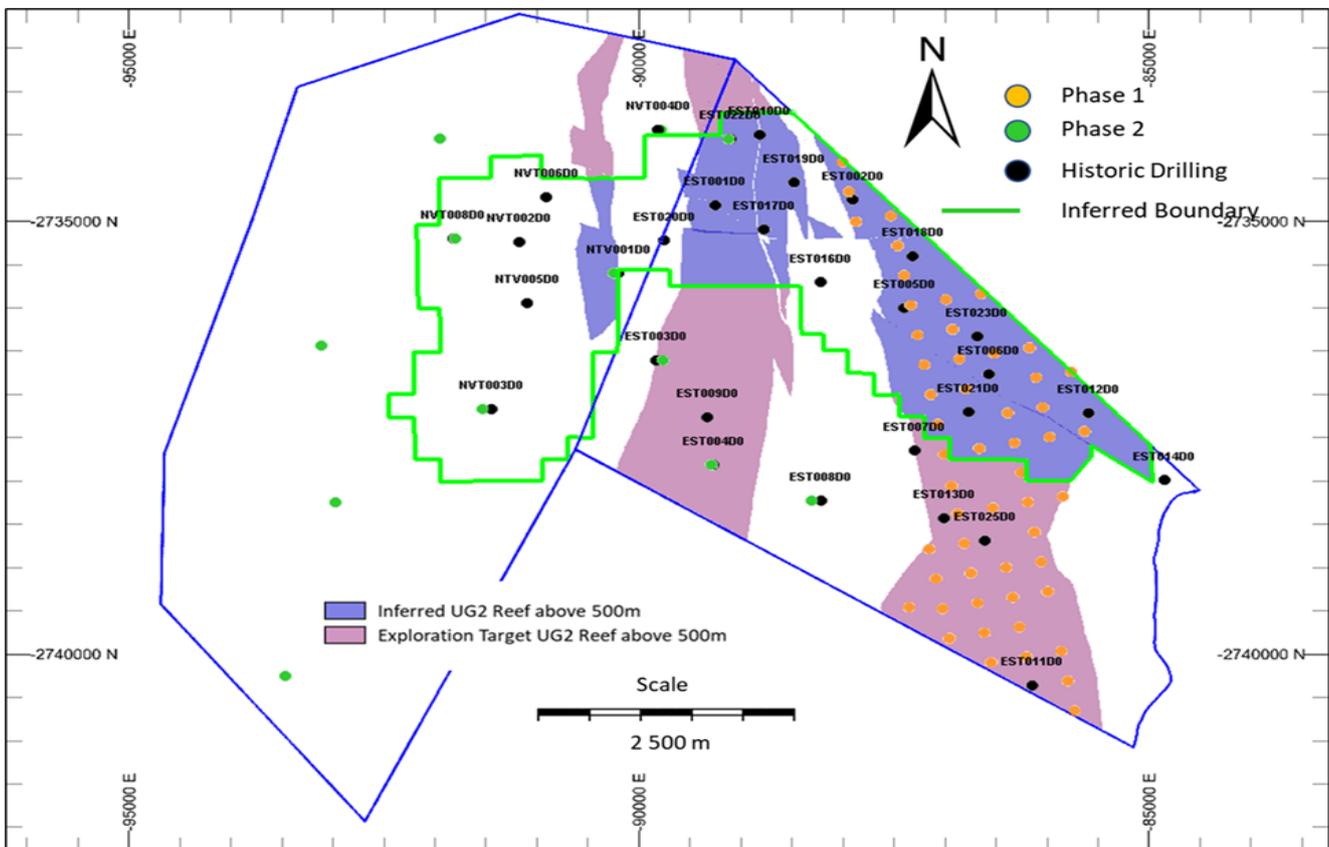
A significant Exploration Target was estimated. Geological losses of 40% and 35% were applied for the Exploration Target for the UG2 and Merensky, respectively. The pay limit is the same as that applied for the Inferred Mineral Resource; 2.2 g/t 3PGE+Au for the UG2 and 1.2 g/t 3PGE+Au for the Merensky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

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

Detailed planning and community engagement initiatives continue to progress well, ahead of the two-phase drilling programmes at the Bengwenyama PGM project. Key project elements underway include property access, employment initiatives, tender processes and exploration related construction projects, in accordance with benchmarks agreed with the Bengwenyama community and in accordance with management's long-term development strategy.

Within the year the Company developed a drill programme targeting the current key milestones:

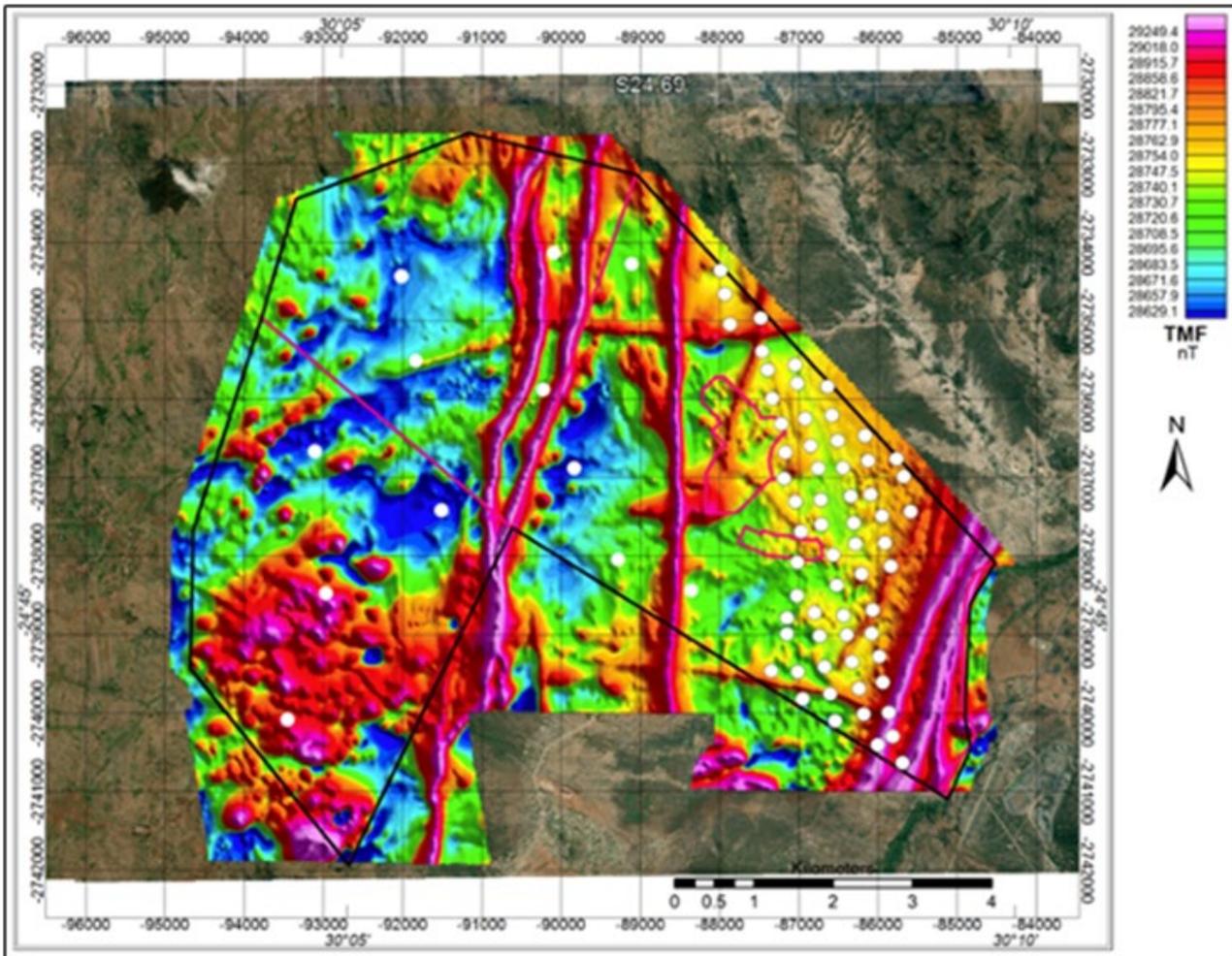
- Phase 1: Infill drilling of the shallowest portion of the deposit, which has been planned on a 350 m grid spacing, with the aim of upgrading the Mineral Resource confidence in this area to Indicated, to provide sufficient confidence to support downstream mining and economic studies. Provision has been made for some potential validation drilling of existing intersections. The primary focus of Phase 1 drilling is the UG2 at depths less than 500 m. The maximum planned drillhole depth is 550 m with an average depth of 288 m. The initial drilling is planned on a wider grid spacing and work toward a closer spaced grid. This will allow for changes in the drilling programme if the geological model should change significantly in the south-eastern corner due to the possible domal structure.
- Phase 2: Widely spaced drilling within the Exploration Target area to potentially support upgrading this material to Inferred Mineral Resources. The wider spaced Phase 2 drilling will improve the confidence in the entire Project area and potentially allow for more accurate longer-term life of mine planning in the long run. This phase could also increase the value of the Project with the total area possibly being upgraded to Inferred.



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DIRECTORS REPORT

A High-definition helicopter-borne Total Magnetic Field (TMF) gradient and gamma-ray spectrometry survey was completed. The TMF data confirmed previous structural model of the UG2 and Merensky Reefs, which forms the framework of the 18.8Moz (3PGE+Gold) Inferred Mineral Resource. The imaging also confirmed the absence of anomalous (Loss of Reef) features in the target area for phase 1 drill programme. The confirmation underpins the confidence in the existing geological structure of the reef upon which the Phase 1 drilling programme has been planned.



In June 2022, a drilling contract was awarded to Geomech Africa (Pty) Ltd to complete the Phase 1 diamond drilling programme consisting of 63 holes (24,464m). The Phase 1 infill drilling programme focused on the shallowest portion of the 18.8 million ounce Inferred Mineral Resource estimated within the UG2 and Merensky reefs and confirmed by the heliborne magnetic survey. Geological services will be provided by Minxcon (Pty) Ltd ('Minxcon'), an established mining and exploration consultancy based in South Africa. Minxcon will manage the drill programme for the Company.

Community Engagement

A Term Sheet was signed between MUM, the Company's subsidiary, and the Bengwenyama Community. The Term Sheet sets out a detailed Framework and Cooperation Agreement ('FCA') for the development of the Project, in which the Community holds a direct 30% stake.

The FCA comprises the essential principles for how MUM and the Community will work together and cooperate to help ensure the broader success of the project.

Accompanying the Term Sheet agreement, a tender process for the procuring of goods and services from the Community for the prospecting activities was implemented. Under the terms of the Agreement, the first tender was awarded to a Bengwenyama Community enterprise founded by local a woman entrepreneur and; was successfully completed.

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DIRECTORS REPORT

Tenements

The Group acquired the tenements set out in the table below during the year. The Project comprises the full extent of the farms Nooitverwacht 324 KT and 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	LP30/5/1/1002PPR	12-Feb-24
Eerste Geluk 327 KT	2,308.73	LP30/5/1/1002PPR	12-Feb-24
Total	5,279.74		

INITIAL PUBLIC OFFERING AND ASX LISTING

The Company completed an initial public offer of shares and is now dual listed on the Australian (ASX, the primary listing) and Johannesburg Stock Exchanges (JSE).



The Company has completed an initial public offer (“IPO”), raising \$19 million (before costs). The Company was admitted to the Official List of the ASX and JSE and commenced quotation on 8 June 2022.

The IPO comprised of the issue of:

- 38,000,000 new shares at an issue price of \$0.50 per share;
- 3,638,000 options to Lead Manager exercisable at \$0.875 each on or before the date which is 4 years from their date of issue.

Southern Palladium Limited
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DIRECTORS REPORT

Before the IPO, the Company successfully executed the acquisition of a 70% interest in South African private company, MUM; and at acquisition date issued:

- 45,500,000 new shares to the Vendors;
- 1,200,000 Performance Rights;
- 3,000,000 Series A options exercisable at \$0.875 each on or before the date which is 4 years from their date of issue and;
- 700,000 Series B options exercisable at \$0.875 each on or before the date which is 4 years from their date of issue.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than those matters discussed regarding the successfully executed acquisition of MUM and the Company's admission to the Official List of the ASX on 6 June 2022, and issue of shares, options and performance rights, there have been no other significant changes to the Company's state of affairs to have occurred during the year.

AFTER BALANCE DATE EVENTS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

The Group has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the year.

INFORMATION ON DIRECTORS

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.

Johan Odendaal (appointed 27 May 2021 as Non-executive Director, appointed 27 May 2022 as Managing Director)

Managing Director

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

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DIRECTORS REPORT

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 the non-executive chair of Base Resources Limited (ASX: BSE) and Akora Resources Limited (ASX: AKO) and is a non-executive director of Firestone Diamonds PLC.

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).

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).

Daniel 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.

COMPANY SECRETARY

Andrew J. Cooke LLB (appointed 4 December 2020)

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.

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DIRECTORS REPORT

DIRECTORS' MEETINGS

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

	Board of Directors	
	Eligible to Attend	Attended
Terence Goodlace	12	12
Johan Odendaal	12	12
Mike Stirzaker	12	12
Geoffrey Hiller	12	11
Robert Thomson	12	12
Daniel Van Heerden	12	12

There was no Audit and Remuneration Committee meeting held during the financial year ended 30 June 2022.

Southern Palladium Limited
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REMUNERATION REPORT (AUDITED)

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

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

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

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

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

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

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

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. In consultation with external remuneration consultants, the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

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

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

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

Non-executive directors remuneration

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

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

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

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REMUNERATION REPORT (AUDITED)

b) Key management personnel

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

Mr Terence Goodlace – Non-executive Chairman
 Mr Johan Odendaal – Managing Director (Non-executive Director from 1 July 2021 to 26 May 2022)
 Mr Mike Stirzaker – Non-executive Director
 Mr Geoffrey Hiller – Non-executive Director
 Mr Robert Thomson – Non-executive Director
 Mr Daniel Van Heerden – Non-executive Director

c) Details of remuneration

Details of the nature and amount of each element of the emoluments of each of the directors and the key management personnel of the Company during the year ended 30 June 2022 are set out below:

		Salary & Fees	Superannuation	Share-based payments (i)	Total	Performance based
		\$	\$	\$	\$	%
Non-Executive Directors:						
Terence Goodlace (Chairman)	2022	77,000	-	4,204	81,204	5.2
	2021	19,830	-	-	19,830	-
Johan Odendaal (ii)	2022	34,808	-	2,102	36,910	5.7
	2021	3,692	-	-	3,692	-
Mike Stirzaker	2022	110,000	3,500	307,896	421,396	73.1
	2021	9,014	901	-	9,915	-
Geoffrey Hiller	2022	35,000	3,500	307,896	346,396	88.9
	2021	9,014	901	-	9,915	-
Robert Thomson	2022	35,000	3,500	307,896	346,396	88.9
	2021	9,014	901	-	9,915	-
Daniel Van Heerden	2022	38,500	-	2,102	40,602	5.2
	2021	3,692	-	-	3,692	-
Managing Director:						
Johan Odendaal (iii)	2022	10,404	-	-	10,404	-
	2021	-	-	-	-	-
Total Key Management Personnel	2022	340,712	10,500	932,096	1,283,308	72.6
	2021	54,256	2,703	-	56,959	-

- i) In accordance with AASB 2 Share Based Payments, the fair value of share based payments (SBP) is determined at the date of grant using the Black-Scholes option pricing model. SBP expense is allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of SBP expense recognised as an expense in each reporting period.
- ii) Represents remuneration from 27 May 2022 to 30 June 2022 as managing director.
- iii) Represents remuneration from 1 July 2021 to 26 May 2022 as non-executive director.

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REMUNERATION REPORT (AUDITED)

Services agreements

Remuneration and other terms of employment for key management personnel is formalised in services agreements. Details of the agreement is as follow:

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

d) Share based compensation

Issue of shares

No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022. (2021: nil)

Options

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

Series A Options

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

Series B Options

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

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

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

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REMUNERATION REPORT (AUDITED)

Performance Rights

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

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

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

e) Additional information

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

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

f) Other transactions of Key Management Personnel

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

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

As of 30 June 2022, MUM directors' fees payable to Key Management Personnel as follows:

	South Africa Rand	
	Annual Fee	Prorate for the period 26 May 2022 to 30 Jun 2022
Non-Executive Directors:		
Mike Stirzaker	140,000	13,425
Daniel Van Heerden	140,000	13,425
Managing Directors:		
Johan Odendaal	1,450,000	139,041

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REMUNERATION REPORT (AUDITED)

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

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Terence Goodlace	-	-	-	-	-
Johan Odendaal	-	-	12,656,992 ¹	-	12,656,992
Mike Stirzaker	583,333	-	280,000 ²	-	863,333
Geoffrey Hiller	500,000	-	180,000 ³	-	680,000
Robert Thomson	750,010	-	150,000 ⁴	-	900,010
Daniel Van Heerden	-	-	12,656,992 ¹	-	12,656,992
	1,833,343	-	25,923,984	-	27,757,327

Note 1: Relevant Interest indirectly held through Nicolas Daniel Resources

Note 2: Relevant interest indirectly held through Stith Pty Ltd and Grafton Bond Investments Pty Ltd

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

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

Performance Right holding

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

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

Option holding

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

	Balance at the start of the year	Granted	Number of options vested	Exercised	Expired/forfeited/other	Balance at the end of the year
Options						
Terence Goodlace	-	200,000	-	-	-	200,000
Johan Odendaal	-	100,000	-	-	-	100,000
Mike Stirzaker	-	1,100,000	1,000,000	-	-	1,100,000
Geoffrey Hiller	-	1,100,000	1,000,000	-	-	1,100,000
Robert Thomson	-	1,100,000	1,000,000	-	-	1,100,000
Daniel Van Heerden	-	100,000	-	-	-	100,000
	-	3,700,000	3,000,000	-	-	3,700,000

This concludes the remuneration report, which has been audited.

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SHARES UNDER OPTIONS AND PERFORMANCE RIGHTS

7,338,000 share options were granted over unissued ordinary shares during the year ended 30 June 2022 by the Company.

1,200,000 performance rights were granted over unissued ordinary shares during the year ended 30 June 2022 by the Company.

During the year ended 30 June 2022 no ordinary shares of the Company were issued on the exercise of options and performance rights.

At the date of this report, the unissued ordinary shares of the Company under option and performance rights respectively are 7,338,000 and 1,200,000. (2021: nil)

RESTRICTED SECURITIES

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITORS

Non-audit Services

An amount of \$45,377 was paid to a related company of the auditor for non-audit services provided during the year. This payment was for work in relation to the Company's 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, 27 September 2022

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

As lead auditor of Southern Palladium Limited for the year ended 30 June 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

27 September 2022

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

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

Southern Palladium Limited
Level 1
283 George Street
Sydney NSW 2000

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

The financial report was authorised for issue by the directors on 27 September 2022. The Directors have the power to amend and reissue the financial report.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Expenses			
Administration expenses	4	(1,000,320)	(187,577)
Exploration and evaluation expenditures		(199,446)	(13,800)
Employee benefits expenses		(351,212)	(56,959)
Share-based payment expenses	21	(932,096)	-
Share of loss of associate accounting using equity method	6	(15,029)	-
Loss before income tax expense	13	(2,498,103)	(258,336)
Income tax expense		-	-
Net loss for the year		(2,498,103)	(258,336)
Other comprehensive income			
Exchange differences on translation of foreign operations		(71,599)	-
Total comprehensive loss for the year		(2,569,702)	(258,336)
Loss for the year is attributable to owners of the Company		(2,569,702)	(258,336)
Total comprehensive loss is attributable to owners of the Company		(2,569,702)	(258,336)
Basic/diluted (loss) per share	12	(0.18)	(0.15)

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

Southern Palladium Limited
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	5	17,865,053	1,362,307
Trade and other receivables		91,760	10,744
Prepayment		69,102	18,809
TOTAL CURRENT ASSETS		18,025,915	1,391,860
NON-CURRENT ASSETS			
Investment accounted for using the equity method	6	22,663,372	-
TOTAL NON-CURRENT ASSETS		22,663,372	-
TOTAL ASSETS		40,689,287	1,391,860
CURRENT LIABILITIES			
Trade and other payables	7	410,330	87,239
TOTAL CURRENT LIABILITIES		410,330	87,239
TOTAL LIABILITIES		410,330	87,239
NET ASSETS		40,278,957	1,304,621
EQUITY			
Contributed equity	8	41,079,861	1,562,957
Reserves	9	1,955,535	-
Accumulated losses	10	(2,756,439)	(258,336)
TOTAL EQUITY		40,278,957	1,304,621

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 4 December 2020 (date of incorporation)	-	-	-	-
Total comprehensive loss for the year	-	(258,336)	-	(258,336)
Shares issued during the year	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
Balance at 1 July 2021	1,562,957	(258,336)	-	1,304,621
Loss for the year	-	(2,498,103)	-	(2,498,103)
Exchange differences on translation of foreign operations	-	-	(71,599)	(71,599)
Total comprehensive loss for the year	-	(2,498,103)	(71,599)	(2,569,702)
Share-based payments	-	-	2,027,134	2,027,134
Shares issued during the year	41,750,000	-	-	41,750,000
Shares issue costs	(2,233,096)	-	-	(2,233,096)
Balance at 30 June 2022	41,079,861	(2,756,439)	1,955,535	40,278,957

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,358,307)	(200,650)
Net cash (used in) operating activities	11 (b)	(1,358,307)	(200,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(889)	-
Net cash (used in) investing activities		(889)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issue		19,000,000	1,657,500
Share issue transaction costs		(1,138,058)	(94,543)
Net cash provided by financing activities		17,861,942	1,562,957
NET INCREASE IN CASH HELD		16,502,746	1,362,307
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		1,362,307	-
CASH AT THE END OF THE FINANCIAL YEAR	11 (a)	17,865,053	1,362,307

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

a) Basis of preparation

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

Historical cost convention

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

Going concern

The Group experienced operating losses of \$2,498,103, and negative cash flow from operations of \$1,358,307 during the year ended 30 June 2022.

At 30 June 2022, the Company had net current assets of \$17,615,585, including successful raising capital of \$17,861,942 (net of costs) by way of an IPO on shareholders to fund its working capital requirements.

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

Critical accounting estimates

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

b) Cash and cash equivalents

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

Defined contribution superannuation expense

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

d) Fair value estimation

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

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

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

e) Joint ventures

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Joint ventures (continued)

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

f) Goods and Services Tax

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

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

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

g) Trade and other payables

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

h) Loss per share

Basic loss per share is calculated by dividing:

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

Diluted loss per share

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

i) Contributed equity

Ordinary shares are classified as equity.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Dividends

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

k) Trade and other receivables

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

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

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

l) Share based payments

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

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

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

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

m) Impairment of assets

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

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2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Employee benefits provision

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

Income tax

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

Valuation of share based payment transactions

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

Options and performance rights

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

Exploration & evaluation expenditure

The application of the Group's accounting policy for Exploration & Evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of a decision to develop or mine a particular area. A key judgement initially is the likelihood or otherwise of establishing a JORC compliant resource. The determination of a JORC compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Group capitalises E&E expenditure. The accounting policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the year when the new information becomes available.

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3 SEGMENT INFORMATION

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

South Africa

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

Reportable segment assets

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

	2022	2021
	\$	\$
Exploration		
Bengwenyama project	22,750,000	-
Exchange differences on translation of foreign operations	(71,599)	-
Share losses of joint ventures	(15,029)	-
	22,663,372	-

Reportable segment profit/(loss)

2022	Bengwenyama Project	Unallocated Amount	Consolidated
	\$	\$	\$
Corporate expenses	-	(1,000,320)	(1,000,320)
Exploration and evaluation expenditures	(199,446)	-	(199,446)
Share based payments	-	(932,096)	(932,096)
Employee benefits expense	-	(351,212)	(351,212)
Share of losses of joint ventures accounted for using equity method	-	(15,029)	(15,029)
Loss before income tax expense	(199,446)	(2,298,657)	(2,498,103)
Income tax expense	-	-	-
Net loss for the year	(199,446)	(2,298,657)	(2,498,103)
Other comprehensive loss	-	(71,599)	(71,599)
Total comprehensive loss for the year	(199,446)	(2,370,256)	(2,569,702)
2021	Bengwenyama Project	Unallocated Amount	Consolidated
	\$	\$	\$
Corporate expenses	(13,800)	(187,577)	(201,377)
Employee benefits expense	-	(56,959)	(56,959)
Loss before income tax expense	(13,800)	(244,536)	(258,336)
Income tax expense	-	-	-
Net loss for the year	(13,800)	(244,536)	(258,336)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	(13,800)	(244,536)	(258,336)

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4 ADMINISTRATION EXPENSES

	2022	2021
	\$	\$
The loss before income tax includes the following expenses:		
Legal fees ¹	556,431	127,872
Audit fees	47,485	11,000
Listing and consultancy expenses	207,943	28,305
Others	188,461	20,400
	1,000,320	187,577

¹ IPO related legal fees amounted to \$439,223 for financial year ended 2022. (2021: \$90,075).

5 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	17,865,053	1,362,307
	17,865,053	1,362,307

6 INVESTMENTS 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 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:

	2022	2021
	\$	\$
Investment in Miracle Upon Miracle Investments Pty Ltd	22,663,372	-

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Miracle Upon Miracle Investments Proprietary Limited	South Africa	70	-

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6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information

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

	Miracle Upon Miracle Investments Proprietary Limited 2022 \$
<i>Summarised statement of financial position</i>	
Cash and cash equivalents	14,903
Other current assets	27,668
Non-current assets	275,115
Total assets	317,686
Other current liabilities	98,445
Non-current financial liabilities (excluding trade and other payables and provisions)	191,405
Total liabilities	289,850
Net assets	27,836

	27 May 2022 to 30 June 2022 \$
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	36
Expenses	(21,507)
Loss before income tax	(21,471)
Total comprehensive loss	(21,471)

<i>Reconciliation of the consolidated entity's carrying amount</i>	
Acquisition cost	22,750,000
Exchange differences on translation of foreign operations	(71,599)
Southern Palladium Limited's share of loss after income tax	(15,029)
Closing carrying amount	22,663,372

Commitments

MUM did not have any financial commitments as at 30 June 2022.

Contingent liabilities

MUM did not have any contingent liabilities as at 30 June 2022.

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7 TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Trade creditors	69,339	19,135
PAYG payables	35,892	-
Accrued expenses	305,099	68,104
	410,330	87,239

8 CONTRIBUTED EQUITY

89,750,000 fully paid ordinary shares (2021: 6,250,000)	41,079,861	1,562,957
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Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.

Movement in ordinary share capital	Number of shares	Issue price	Share capital
		\$	\$
2021			
4-Dec-20 Opening balance	-		-
4-Dec-20 Initial allotment	750,000	0.01	7,500
4-Apr-21 Share placement	5,500,000	0.30	1,650,000
			(94,543)
30-Jun-21 Balance at end of year	6,250,000		1,562,957
2022			
1-Jul-21 Opening balance	6,250,000		1,562,957
27-May-22 Issue of shares – consideration for acquisition	45,500,000	0.50	22,750,000
27-May-22 Issue of shares – IPO	38,000,000	0.50	19,000,000
			(2,233,096)
30-Jun-22 Balance at end of year	89,750,000		41,079,861

9 RESERVES

	2022	2021
	\$	\$
Options reserves	2,012,750	-
FX reserves	(71,599)	-
Performance rights reserves	14,384	-
	1,955,535	-

10 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(258,336)	-
Loss for the year	(2,498,103)	(258,336)
Accumulated losses at the end of financial year	(2,756,439)	(258,336)

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11 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:

	2022	2021
	\$	\$
Cash	17,865,053	1,362,307

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

Operating loss after income tax	(2,498,103)	(258,336)
Adjustment for:		
Share of loss of associate accounting using equity method	15,029	-
Items in investing activities	889	-
Non cash investing and financing activities:		
Share-based payments related to directors' options	932,096	-
Changes in assets and liabilities:		
Increase in receivables	(131,308)	(29,553)
Increase in trade and other payables	323,090	87,239
Net cash (outflow) from operating activities	(1,358,307)	(200,650)

12 LOSS PER SHARE

	2022	2021
	\$	\$
Basic/diluted (loss) per share	(0.18)	(0.15)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	14,256,850	1,725,342
	2022	2021
	\$	\$
Loss attributable to ordinary shareholders		
Loss attributable to ordinary shareholders for the basic earnings	2,498,103	258,336
Loss attributable to ordinary shareholders adjusted for effect of dilution	2,498,103	258,336

Diluted loss per share has not been disclosed as the impact from options is anti-dilutive.

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13 INCOME TAX

	2022	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	(2,498,103)	(258,336)
Prima facie income tax benefit calculated at 25% of taxable loss (2021: 26%)	(624,526)	(67,167)
Non-deductible items:		
Movement in unrecognised temporary differences	402,835	44,266
Taxable losses not recognised	221,691	22,901
Income tax expense	-	-
b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised.	2,756,439	258,336
Potential tax benefit at 25% (2021: 26%)	689,110	67,167

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

14 FINANCIAL INSTRUMENTS

Financial risk management objectives

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

Foreign currency risk

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

	2022	2021
	\$	\$
Financial Liabilities		
Trade payables	22,735	1,361

The sensitivity of profit or loss to changes in the exchange rates arises mainly from ZAR dollar-denominated financial instruments. A 10 percent increase in the AUD/ZAR exchange rate would increase post-tax profit by \$2,067 while a 10 percent decrease in the AUD/ZAR exchange rate would decrease post-tax profit by \$2,526.

Interest rate risk

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

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

At 30 June 2022, if interest rates had changed by lower/higher 100 basis points from the year-end rates with other variables held constant, post-tax profit for the year would have been \$178,650 lower/higher (2021: change of 100 bps: \$13,623 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

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14 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 year	More than 5 years
	\$	\$	\$	\$	\$
2022					
Trade and other payables	410,330	410,330	410,330	-	-
2021					
Trade and other payables	87,239	87,239	87,239	-	-

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

Capital management

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

15 RELATED PARTY TRANSACTIONS

Parent entity

Southern Palladium Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 19.

Joint ventures

Interests in Joint ventures are set out in note 6.

Key management personnel

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

Transactions with related parties

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

	2022	2021
	\$	\$
Reimbursement of MUM's exploration and evaluation expenses	199,446	13,800

Loans to/from related parties

There were no loans to or from related parties made during the financial year 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.

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16 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors and executives

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

Mr Terence Goodlace – Non-executive Chairman
 Mr Johan Odendaal – Managing Director (Non-executive Director from 1 July 2021 to 26 May 2022)
 Mr Mike Stirzaker – Non-executive Director
 Mr Geoffrey Hiller – Non-executive Director
 Mr Robert Thomson – Non-executive Director
 Mr Daniel Van Heerden – Non-executive Director

b) Key Management Personnel compensation

	2022	2021
	\$	\$
Short-term employee benefits	340,712	54,256
Post-employment benefits	10,500	2,703
Share-based benefits	932,096	-
	1,283,308	56,959

c) Other related parties compensation

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

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

As of 30 June 2022, MUM directors' fees payable to Key Management Personnel as follows:

	South Africa Rand	
	Annual Fee	Prorate for the period 26 May 2022 to 30 Jun 2022
Non-Executive Directors:		
Mike Stirzaker	140,000	13,425
Daniel Van Heerden	140,000	13,425
Managing Directors:		
Johan Odendaal	1,450,000	139,041

17 AUDITORS' REMUNERATION

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

	2022	2021
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial reports	32,715	11,000
<i>Other services - network firms</i>		
Investigating Accountant's Report for Prospectus and due diligence services	45,377	5,386

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18 PARENT ENTITY INFORMATION

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

a) Summary financial information

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

Statement of Financial Position

Current assets	18,026,695	1,391,860
Non-current assets	22,663,372	-
Total assets	40,690,067	1,391,860
Current liabilities	411,110	87,239
Total liabilities	411,110	87,239
Net Assets	40,278,957	1,304,621
Equity		
Contributed equity	41,079,752	1,562,957
Reserves	1,955,535	-
Accumulated losses	(2,756,330)	(258,336)
Total equity	40,278,957	1,304,621
Loss for the year	(2,497,994)	(258,336)
Total comprehensive loss	(2,569,593)	(258,336)

b) Guarantees entered into by the parent entity

The parent entity did not have any financial guarantees as at 30 June 2022.

c) Contingent liability of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022.

19 INTERESTS IN SUBSIDIARIES

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2022 %	Ownership interest 2021 %
Parent entity				
Southern Palladium Limited	Australia			
Subsidiaries				
SPD (RSA Holding) Pty Limited (i)	Australia	Ordinary	100	-
(i) Subsidiaries of SPD (RSA Holding) Pty Limited				
SPD South Africa Proprietary Limited	South Africa	Ordinary	100	-

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21 SHARE BASED PAYMENTS

	2022	2021
	\$	\$
Series A Options	(903,000)	-
Series B Options	(14,713)	-
Performance Rights	(14,383)	-
	(932,096)	-

a) Options issued to Employees and Directors and Lead Manager

(i) Directors Options

3,000,000 Series A options and 700,000 Series B options were issued to directors during the year ended 30 June 2022. (2021: nil).

(ii) Lead Manager Options

3,638,000 lead Manager options issued to Bridge Street Capital Partners Pty Ltd for successful completion of the IPO capital raising during the year ended 30 June 2022. (2021: nil)

The fair value of the Series A, Series B and Lead Manager options have been estimated at the date of grant using a Black-Scholes option-pricing model. The following table give the assumptions made in determining the fair value of the options granted during the year.

2022	Series A Options	Series B Options	Lead Manager Options
Number of options	3,000,000	700,000	3,638,000
Underlying share price	\$0.500	\$0.500	\$0.500
Exercise price	\$0.875	\$0.875	\$0.875
Expected share price volatility	100%	100%	100%
Life of the options (years)	4	4	4
Expected dividends	Nil	Nil	Nil
Risk-free rate	1.845%	1.845%	1.845%
Value per option	\$0.301	\$0.301	\$0.301
Total fair value	\$903,000	\$210,700	\$1,095,038

Series A options and Lead Manager options vested on issue, hence the full value of \$903,000 and \$1,095,038 respectively are recognised for the purpose of the consolidated statement of financial position.

Series B options will vest in two equal tranches, 50% after completion of one year's service post Listing on the Board and the second 50% vesting after completion of two years' service post Listing. Pro rata value of \$14,713 is recognised for the purpose of the consolidated statement of financial position.

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21 SHARE BASED PAYMENTS (CONTINUED)

b) Performance Rights issued to Directors

Directors Performance Rights

1,200,000 performance rights were granted to directors during the year ended 30 June 2022 (2021: Nil).

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

The Performance Rights have been valued using the Black-Scholes option pricing model. The key inputs used and the value of the Performance Rights are set out in the table below:

2022	Performance Rights
Number of performance rights	1,200,000
Underlying share price	\$0.500
Exercise price	Nil
Expected share price volatility	100%
Life of the performance rights (years)	4
Expected dividends	Nil
Risk-free rate	1.845%
Value per performance right	\$0.500
Total fair value	\$600,000

In accordance with AASB 2 Share-based Payment, the value of the Performance Rights will be expensed over the respective vesting periods. Pro rata value of \$14,383 is recognised for the purpose of the consolidated statement of financial position.

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

No shares were issued for services under a share based payment arrangement during the year ended 30 June 2022 (2021: Nil).

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

No options were issued for services under a share based payment arrangement during the year ended 30 June 2022 (2021: Nil).

e) Shares issued for the acquisition of Joint Venture under a share based payment arrangement during the year.

45,500,000 shares being issued as consideration for the acquisition of Miracle Upon Miracle Investments Proprietary Limited on 27 May 2022. The shares have been valued at \$22,750,000 based on the IPO price of \$0.50 per share. Refer to Note 6 for further details.

22 EVENTS SUBSEQUENT TO REPORTING DATE

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

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DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Group for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of directors.

On behalf of the Board



Terence Goodlace

Non-Executive Chairman

South Africa, 27 September 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Southern Palladium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Southern Palladium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Acquisition and Accounting for the Investment in MUM

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year ended 30 June 2022, the group acquired a 70% interest in the Bengwenyama Project through its investment in Miracle Upon Miracle Investments Proprietary Limited (MUM) as disclosed in Note 6 to the financial report.</p> <p>The classification of the asset as an investment under AASB 128 <i>Investment in Associates and Joint Ventures</i>.</p> <p>Measurement thereof is a key audit matter due to the significance of the asset to the Group, and the judgement exercised by management in assessing the classification of the investment and determining whether there are any indicators to suggest that the investment may be impaired.</p>	<p>Our procedures included, but were not limited to the following;</p> <ul style="list-style-type: none"> • Evaluating management’s determination of whether the Group maintained joint control over the investment; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Considering management’s assessment of indicators that the investment may be impaired; • Agreeing the Group’s share of losses, changes as a result of share issues, dilution and reserve movements to the financial reports of the Investment; • Reviewing the financial information of the investment including assessing if the accounting policies of the investment were consistent with the Group, and; • Reviewing the adequacy of the disclosures in note 6 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Southern Palladium Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over a faint, light blue BDO logo.

Glyn O'Brien

Director

Perth

27 September 2022

Shareholder Information as at 17 October 2022

Distribution of Equity Shareholder

Total shares issued:	89,750,000
Percentage held by 20 largest shareholders:	52.81%
Shareholders with less than marketable parcel of shares:	9

Size of Shareholding	Number of holders	Number of Shares	% of Issued Capital
1 - 1,000	40	24,550	0.03
1,001 - 5,000	123	403,700	0.45
5,001 - 10,000	110	1,004,130	1.12
10,001 - 100,000	170	6,741,485	7.51
100,001 Over	48	81,576,135	90.89
Total	491	89,750,000	100.00

Top 20 Shareholders

Rank	Name	Number of Shares	% of Issued Capital
1	South Africa Control A/C\C	39,849,451	44.40
2	Citicorp Nominees Pty Ltd	8,657,730	9.65
3	Legacy Platinum Corp	5,108,194	5.69
4	UBS Nominees Pty Ltd	4,522,889	5.04
5	HSBC Custody Nominees (Australia) Limited	3,121,633	3.48
6	Merrill Lynch (Australia) Nominees Pty Limited	2,713,994	3.02
7	BNP Paribas Nominees Pty Ltd ACF Clearstream	1,933,690	2.15
8	Equity Trustees Limited <Lowell Resources Fund A/C>	1,825,000	2.03
9	David Grant Leibowitz	1,416,448	1.58
10	Rookharp Capital Pty Ltd	900,000	1.00
11	Quality Life Pty Ltd <Longship Fund A/C>	850,000	0.95
12	BNP Paribas Nominees P/L <Agency Lending DRP A/C>	812,639	0.91
13	BNP Paribas Noms Pty Ltd <DRP>	699,422	0.78
14	Andium Pty Limited	650,000	0.72
15	Clarksons Boathouse P/L <Clarkson Super Fund A/C>	613,000	0.68
16	Mr Thomas Paul Cavanagh <Cavanagh Family A/C>	600,000	0.67
16	J P Morgan Nominees Australia Pty Limited	600,000	0.67
18	Station Capital Pty Ltd	440,000	0.49
19	Dixtru Pty Ltd	400,000	0.45
20	Stith Pty Ltd	383,333	0.43
	TOTAL	76,097,423	84.79

Unquoted Securities

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

Substantial Holders

Substantial Holder	Number of Shares	% of Issued Capital
Nicolas Daniel Resources Proprietary Limited	12,656,992	14.11
Regal Funds Management Pty Ltd and its associates	5,880,000	6.55
Robert Napier Keith	5,250,000	5.85

Restricted Securities

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

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

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

On Market Buy Back

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

Voting Rights

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

Stock Exchange Listings

Southern Palladium Limited was admitted to the Official List of the Australian Securities Exchange (ASX Code: SPD) on 6 June 2022 and commenced quotation on 8 June 2022.

Southern Palladium also commenced trading as a dual listed company on the Johannesburg Stock Exchange (JSE Code: SDL) on 8 June 2022.

Use of Funds – ASX Listing Rule 4.10.19

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

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

Corporate Directory

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



Southern Palladium Limited
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