



**SOUTHERN
PALLADIUM**



31 January 2023

ASX:SPD, JSE:SDL

ACN: 646 399 891

Corporate Directory

Chairman

Terence Goodlace

Managing Director

Johan Odendaal

Non-Executive Directors

Mike Stirzaker

Rob Thomson

Daan van Heerden

Geoff Hiller

Company Secretary

Andrew Cooke

Top 5 Shareholders

Nicholas Daniel Resources Pty Ltd

Nurinox Investments Pty Ltd

Citicorp Nominees Pty Ltd

Legacy Platinum Corporation

UBS Nominees Pty Ltd

Company Overview

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

Contact:

E: info@southernpalladium.com

W: www.southernpalladium.com

Quarterly Activities Report for 31 December 2022

DECEMBER QUARTER HIGHLIGHTS

Operational:

- **Phase 1 drilling at the Bengwenyama PGM project – aimed at increasing the confidence in the orebody and converting a portion of the Inferred Resource and Exploration Target into Indicated Mineral Resources – is now well underway.**
- **18 (~5,600 metres) of the originally planned 63 drillholes were drilled before the December break and confirmed the presence of both Merensky reef and UG2 reef intersection on the farm Eerstegeluk 327 KT.**
- **First assay results received for 6 PGE's – namely, Platinum, Palladium, Rhodium, Iridium, Ruthenium and Osmium; plus Gold, Nickel, Copper and Chromite; all are payable metals that will be delivered in the concentrates at the Bengwenyama Project.**
- **6PGE+Au g/t assay results from five UG2 intercepts returned a strong indicative grade of 10.9g/t (6PGE+Au), over reef widths averaging 71cm which is consistent with the resource estimate and neighbouring operations.**
- **Assay results also indicate the UG2 contains a Chromite (Cr₂O₃) grade of 31.9% and Cu and Ni grade of 0.02% and 0.16% respectively.**
- **Completed drillholes confirm the four kilometre north/south strike length of the Bengwenyama deposit.**
- **Three drillholes also now confirm the potential of a Far East Resource Block, an area which was originally thought not to host the UG2 reef and has the potential to add significant ounces to the current resource.**

Corporate:

- **As at 31 December 2022, Southern Palladium held approximately \$14.20 million (30 September 2022: \$15.9 million) in cash.**

Southern Palladium (ASX: SPD, “Southern Palladium” or the “Company”) is pleased to announce its quarterly activities summary for the three months ended December 31, 2022.

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

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

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

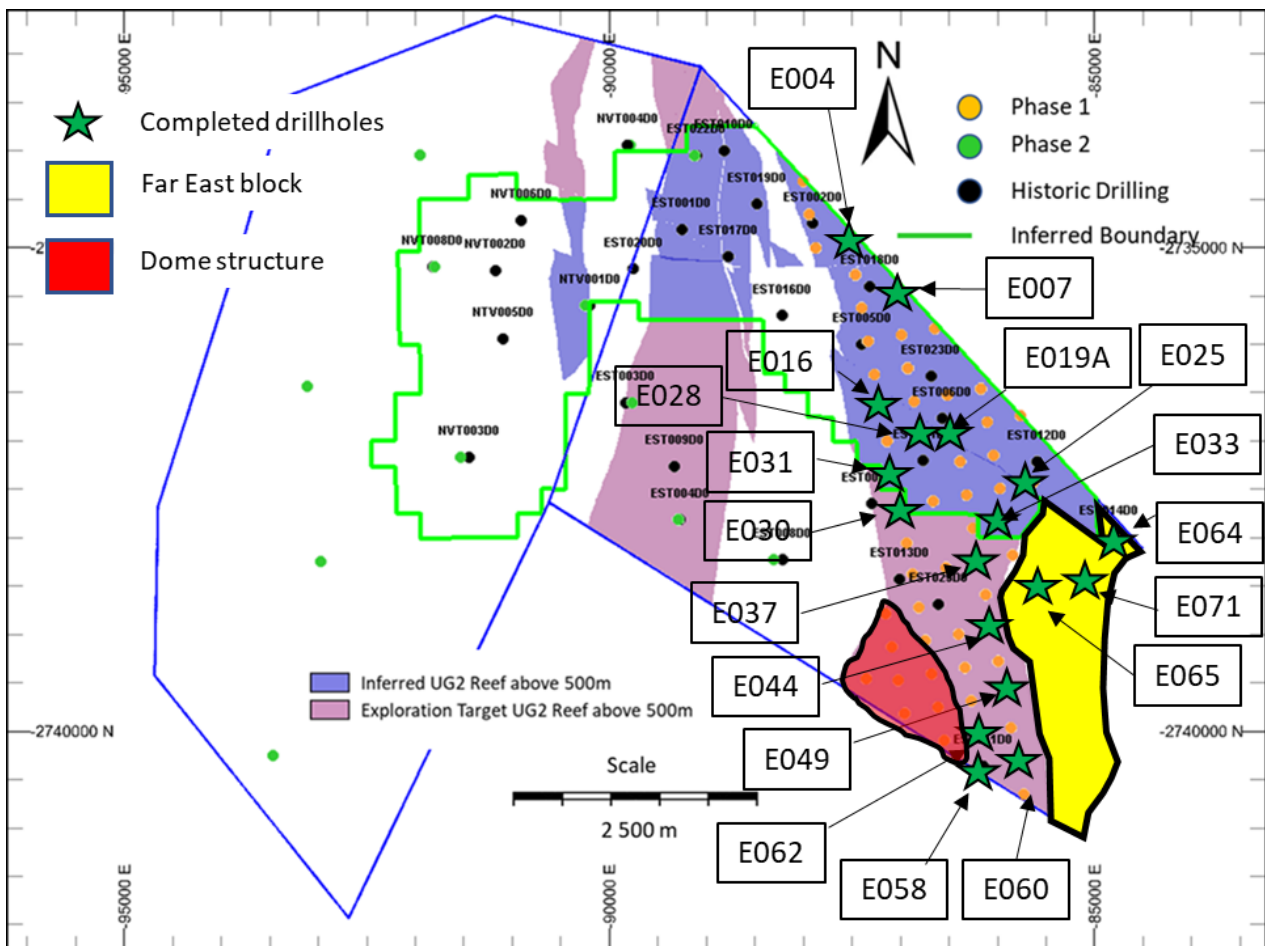
Overview of December Quarter Activities

Phase 1 drill programme

As of 15 December, 18 drillholes (~5,600 metres) of the 63 drillholes planned for the original Phase 1 were completed during the December quarter, before the drilling contractor went on the December break. The 18 drillholes are spread over the entire resource and target area and have confirmed that the UG2 reef at Bengwenyama is continuous – a key objective of the Phase 1 drill programme.

Drilling is now well underway, and the new boreholes have assisted in getting a better understanding of the orebody. A decision was made to drill in the far east corner (Eastern Resource Block) of the orebody which was previously excluded from the planned Phase 1 drilling programme and resource estimation. Drillholes E064, E065 and E071 have all intersected the UG2 reef and confirms the UG2 reef does continue into the Eastern Resource Block (yellow area in Figure 1).

Figure 1: Positions of the Completed Drillholes as of 15 December 2022



First assay results from the drill programme were received in November 2022, with assays for drillholes E019A, E058 and E062 returning a weighted average 3PGM+Au grade of 8.73 g/t over an average sampled width of 77 cm (672.2 cmg/t), which is consistent with the resource estimate and neighbouring operations (refer ASX Announcement 16 November 2022). The observed grades of 8.73 g/t also exceeded the grade level (7.70 g/t) applied in the JORC-2012 compliant Inferred Mineral Resource for the Bengwenyama project.

The next round of assays (refer ASX Announcement 20 December 2022) from five UG2 intercepts indicated a grade of 10.9g/t (6PGE+Au), over reef widths averaging 71cm. The six PGE's consist of Platinum Palladium, Rhodium, Iridium, Ruthenium and Osmium and all are payable metals that will be delivered in the concentrates at the Bengwenyama Project. Results for three drillholes also confirmed the potential of a Far East Block (excluded from the original inferred Mineral Resource and Exploration Target) – which has significant potential to increase Bengwenyama's total Mineral Resource. These drilling results also confirm the presence of the UG2 reef within the Exploration Target to the south.

Collectively, the 6PGE assay results offered promising insights into the significant potential of the other three Platinum Group Metals – Iridium, Ruthenium and Osmium - as well as the mineralisation of Base Metals and Chrome.

The Eerstegeluk dome structure (highlighted in red in Figure 1) has been confirmed with the surrounding drilling data and it was decided that the planned drillholes in this area be deferred for now. This will allow further drilling to be undertaken within the Far East Block highlighted in yellow.

During the quarter, there has been a significant improvement in the drilling rates and weekly targets have been exceeded on four occasions. This productivity improvement is a result of the implementation of action plans which included an increase in inventory of spares and the placement of a fulltime mechanic on site. Turnaround times for assay results from Southern Palladium's ISO 17025-accredited laboratory in South Africa is consistently tracking at between 4-6 weeks.

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

Of the 18 drillholes, only two have not intersected the UG2 reef. These were drillhole E037 which is assumed to have intersected a pothole and drillhole E049 which intersected a fault zone. A pothole is an area where the UG2 chromitite layer does not occur and is a result of geological settling processes associated with magma cooling during deposition.

Of the seven drillholes that were expected to intersect Merensky Reef, only one appears to have been faulted out. The average width of the Merensky Reef of the six intersections is 212 cm – a little higher than the average Mineral Resource estimate (191cm). As noted below in Project Studies the main focus of the Company is the UG2 Reef.

Project Studies

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

Minxcon considers the UG2 project has the best potential of four development scenarios assessed, and as such, recommends completion of the drilling programme (which is fully funded) and more definitive studies be undertaken.

The shallow Merensky Reef is recommended for potential future development and may significantly extend the life of the mine in the area now earmarked for mining.

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

Environmental, Social and Governance

Toward the end of 2022, the Bengwenyama Traditional Council, the sole authority dealing with the affairs of the Community, held meetings in seven villages on the lease area and surrounding bordering farms to inform the Community about the exploration activities and planned activities involving the Community in 2023. A working group of 14 representatives from the 7 villages were elected by the community to assist with a survey which includes data collection for the Social and Development Plan and Upliftment Programme – both required for the submission of the Mining Right.

March Quarter Planned Activities

- Drilling and exploration activities will continue at the Bengwenyama Project with a sixth rig planned to be introduced in February 2023. Exploration activities recommenced on 12 January 2023. The plan is to complete the Phase 1 drilling by the end of July 2023.
- The batch of samples sent to ALS Chemex South Africa (PTY) Ltd, located in Johannesburg, at the end of December is expected to provide assay results towards the end of January 2023. The South African laboratory is ISO 17025 accredited by SANAS (South African National Accreditation System).
- Several new Studies and activities are planned to start during the March quarter:
 - Prefeasibility Study;
 - Social and Development Plan and Upliftment Programme;
 - Metallurgical Testing.

Corporate

Expenditure Summary

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

For the purpose of ASX Listing Rule 5.3.1, payments for exploration, evaluation and development during the quarter totalled approximately \$992,171 (30 September 2022: \$861,942). Phase 1a drilling programme, and facilities set up and details of activities undertaken during the quarter are as described in this report.

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

For the purpose of ASX Listing Rule 5.3.5, payments to directors of Southern Palladium Limited during the quarter totalled approximately \$90,000. The payments were in respect of directors' salaries, fees and superannuation. Payment to Miracle Upon Miracle Investments (Pty) Limited, a related party of Southern Palladium Limited during the quarter totalled approximately \$1,148,000. The payments were in respect of expenses incurred for the Bengwenyama Project.

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

Use of Funds	Prospectus: Estimated Expenditure	Actual use from 8 June 2022 to quarter end	Variance
Phase 1 drilling	\$7,716,000	\$1,639,596	\$6,076,404
Phase 2 drilling	\$3,805,000	0	\$3,805,000
Other technical work on the Project	\$1,677,000	\$185,736	\$1,491,264
Corporate and other related costs	\$3,918,000	\$1,237,283	\$2,680,717
Costs of the Offer	\$1,737,000	\$1,406,949	\$330,051
Total	\$18,853,000	\$4,469,565	\$14,383,435

The variances are a result of the Company being admitted to the Official List on 8 June 2022, therefore actual expenditure up to 31 December 2022 is represented against the two year "use of funds" statement. The Company believes it is on schedule to achieve its objectives as stated in its IPO Prospectus.

Cash

As at 31 December 2022, Southern Palladium held approximately \$14.20 million (30 September 2022: \$15.9 million) in cash.

December 2022 Quarter – ASX Announcements

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

7-Sept-2022	Bengwenyama PGM Drilling Programme Intersects UG2 Reef
17-Oct-2022	Bengwenyama PGM Drill Programme Drills Successive UG2 Reef Intersections
16-Nov-2022	First UG2 Assays from Bengwenyama return Strong Results
20-Dec-2022	First 6PGE + gold UG2 Assay Results average 10.9 g/t, with UG2 Resource Extension Potential confirmed in the Far East Block

Tenements

The Company held the following tenement during the quarter. The Project comprises the full extent of the farms Nooitverwacht 324 KT and Eerste Geluk 327 KT, both of which are in the Limpopo Province of South Africa. The Project is located 250 km east-northeast of Pretoria. The Exploration tenements is 100% held through Miracle Upon Miracle (Pty) Ltd the 70% subsidiary of SPD.

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

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

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

No tenement has been disposed during the quarter.

JORC Competent Persons Statement

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

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

Uwe Engelmann

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

Daan van Heerden

The scientific and technical information contained in this announcement has been reviewed, prepared, and approved by Mr Daan van Heerden (B Eng (Min.), MCom (Bus.Admin.), MMC, Pr.Eng. No. 20050318, AMMSA, FSAIMM). Mr van Heerden is a director of Minxcon (Pty) Ltd and a Registered Professional Engineer with the Engineering Council of South Africa, a Member of the Association of Mine Managers South African Council, as well as a Fellow Member of the South African Institute of Mining and Metallurgy. Mr. van Heerden has sufficient experience relevant to the styles of mineralisation and activities being undertaken to qualify as a Competent Person, as such term is defined in the 2012 Edition of the

'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Heerden has a beneficial interest in Southern Palladium through a shareholding in Nicolas Daniel Resources Proprietary Limited.

This Quarterly Activities Report has been approved for release by the Board of Southern Palladium Limited.

For further information, please contact:

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

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



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Appendix 5B

Mining exploration entity or oil and gas exploration entity

quarterly cash flow report

Name of entity

Southern Palladium Limited

ABN
59 646 391 899

Quarter ended ("current quarter")

31-Dec-22

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development	-	-
	(c) production		
	(d) staff costs	(46)	(185)
	(e) administration and corporate costs	(223)	(588)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other - Miracle Upon Miracle Pty Ltd operating expenditure	(245)	(399)
1.9	Net cash from / (used in) operating activities	(514)	(1,172)
2	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements		
	(c) property, plant and equipment	-	(1)
	(d) exploration & evaluation	(992)	(1,855)
	(e) investments		
	(f) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to MUM	(186)	(449)
2.4	Dividends received (see note 3)		
2.5	Other - repaid MUM's shareholders loan	-	(187)
2.6	Net cash from / (used in) investing activities	(1,178)	(2,492)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other		
3.1	Net cash from / (used in) financing activities	-	-

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,893	17,865
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(514)	(1,172)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,178)	(2,492)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	14,201	14,201

5	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	14,201	15,893
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,201	15,893

6	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	335
6.2	Aggregate amount of payments to related parties and their associates included in item 2	1,178

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

A total approximately of \$1,513,000 was paid to related parties of the entities and their associates as follow:

- \$90,000 are in respect of Directors' fees, salaries and superannuation accruing to Directors' for services rendered during the period.
- \$245,000 working capital was advanced to Miracle Upon Miracle Investment Pty Ltd (MUM) to carrying out the Prospecting operations.
- \$1,178,000 was advanced to MUM for Phase 1 drilling programme and technical studies.

7	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>		

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(514)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(992)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,506)
8.4	Cash and cash equivalents at quarter end (item 4.6)	14,201
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	14,201
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3) <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	9
8.8	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Answer: N/A</div> <p>8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Answer: N/A</div> <p>8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?</p> <div style="border: 1px solid black; padding: 5px;">Answer: N/A</div> <p><i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i></p>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: The Audit Committee

(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.