



ASX / JSE Announcement

3 June 2022

Pre-quotation disclosure

The following information is provided to ASX Limited (**ASX**) for release to the market in connection with the admission to the official list and official quotation of fully paid ordinary shares (**Shares**) in Southern Palladium Limited ACN 646 391 899 (ASX:SPD) (**Company**) in connection with the Company's initial public offering (**Offer**) pursuant to a prospectus lodged with the Australian Securities and Investments Commission (**ASIC**) on 22 April 2022 (**Prospectus**).

The Offer closed on 6 May 2022 and the Company raised \$19,000,000 under the Offer. The Shares were offered at an issue price of \$0.50 per share. Allotment of the Shares available under the Offer was completed on 26 May 2022.

The Company applied for quotation of its Shares on, and admission to, the official list of ASX on 22 April 2022.

Capitalised terms used but not defined in this announcement are as defined in the Prospectus.

1. Confirmation of issue of securities

The Company confirms the issue of the following securities between the date of its application for admission and the date of commencement of official quotation:

- (a) 45,500,000 fully paid ordinary shares, being consideration for the Acquisition;
- (b) 38,000,000 fully paid ordinary shares, being the Maximum Subscription under the Offer;
- (c) 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;
- (d) 1,200,000 Performance Rights;
- (e) 700,000 Series B options exercisable at \$0.875 each on or before the date which is 4 years from their date of issue; and

- (f) 3,638,000 options exercisable at \$0.875 each on or before the date which is 4 years from their date of issue.

2. Restricted securities

The number of securities subject to ASX restrictions and the restriction period applied to those securities is detailed below:

Type of security	Number	Restriction period
Shares	46,671,673	24 months from the date of official quotation
Options	3,700,000	24 months from the date of official quotation
Performance Rights	1,200,000	24 months from the date of official quotation

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, as described in #3 below.

3. Clawback Shares

As described in section 3.3 of the Prospectus, 50% of the Consideration Shares (being 22,750,000 Shares in total) (**Clawback 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 Offer (**Clawback**). The holders of the Clawback Shares have agreed to this arrangement pursuant to an agreement entered into with the Company on 23 March 2022. This Company will treat the Share Exchange Agreement as the buy back agreement for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth) (**Act**).

The Clawback Shares will be subject to ASX imposed escrow for a period of 24 months from the date of official quotation and then subject to voluntary escrow for a further 24 months or until the clawback application date, whichever is the earlier.

The Clawback will be applied upon the last to be achieved of the First Project Milestone and the Second Project Milestone or four years after the date of the IPO, whichever occurs first.

A worked example of the application of the Clawback under each of the four possible outcomes (in no particular order) appears below:

<p>Possible outcome #1: First Project Milestone (at least 2 million oz PGE (4E) in JORC classified reserves) is achieved, and Second Project Milestone (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, pursuant to the applicable provisions of the MPRDA) is also achieved</p>	no Clawback of any Shares
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<p>Possible outcome #2: The Second Project Milestone has <u>not</u> been achieved, then regardless of the outcome of the First Project Milestone</p>	<p>all the Clawback Shares will be bought back at nominal value and cancelled by the Company</p>
<p>Possible outcome #3: The Second Project Milestone has been achieved, and the JORC classified reserves are any number <u>less than</u> 1 million oz PGE (4E)</p>	<p>all the Clawback Shares will be bought back at nominal value and cancelled by the Company</p>
<p>Possible outcome #4: The Second Project Milestone has been achieved, and the JORC classified reserves are between 1 and 2 million oz PGE (4E) – for the purposes of this example, assume they amount to 1.3 million oz PGE (4E)</p>	<p>number of Clawback Shares to be bought back at nominal value and cancelled by the Company will be:</p> $(2.0m - 1.3m) / 2.0m \times 22,750,000 = 7,962,500.$

The buy back of any Clawback Shares will constitute a capital reduction for the purposes of the Act and the Company will need to comply with the procedures set out in the Act to implement the Clawback. Amongst other things, the Company must obtain shareholder approval to conduct the buy back by way of a special resolution passed by the shareholders (excluding the parties whose shares are bought back and their associates) or by way of a unanimous resolution.

If the Company may buy back the Clawback Shares pursuant to the Share Exchange Agreement and shareholders do not approve the buy back of the Clawback Shares, then the Company will not be able to proceed with the buy back of the Clawback Shares.

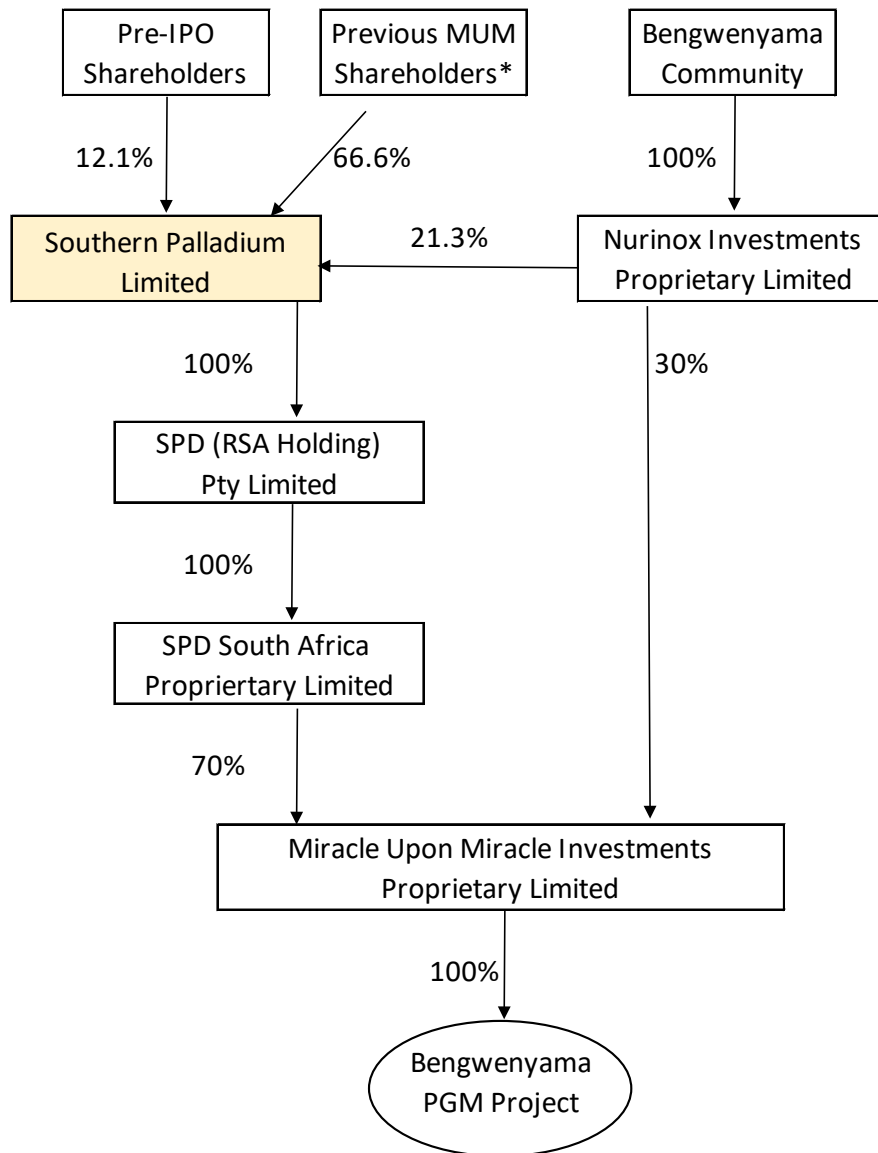
The Company will make an announcement to the market immediately upon any decision by the Company whether or not to apply the Clawback upon the last to be achieved of the First Project Milestone and the Second Project Milestone or four years after the date of the Offer, whichever occurs first.

4. Updated corporate structure

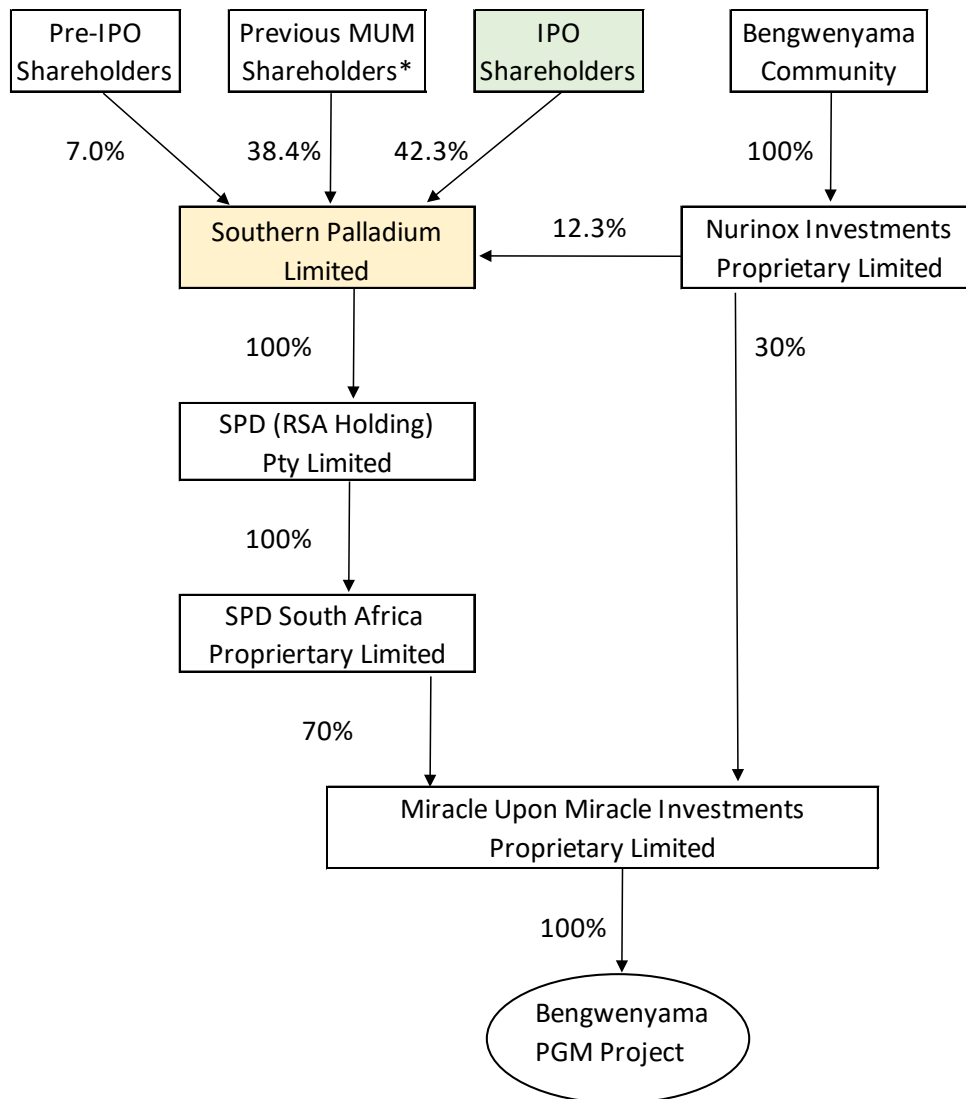
The Company incorporated two new wholly owned special purpose vehicles (SPVs), SPD (RSA Holding) Pty Limited in Australia with ACN 659 373 823 and SPD South Africa Proprietary Limited (SPD South Africa) in South Africa with registration number 2022/481945/07, on 12 May 2022, and SPD South Africa directly acquired the 70% interest in MUM shares from the Vendors pursuant to the Acquisition on 26 May 2022.

By way of update to the corporate structure diagrams in section 3.3 of the Prospectus:

- (a) the corporate structure of the Company and the Project (on an undiluted basis) following completion of the Acquisition and immediately prior to the IPO is set out in the diagram below; and



(b) based on the raising of \$19,000,000 under the Offer, the corporate structure of the Company and the Project (on an undiluted basis) following completion of the Acquisition and the IPO is set out in the diagram below.



5. Completion of Acquisition of MUM

The Company confirms that the conditions precedent to the Acquisition have been satisfied, and accordingly, the Acquisition was completed on 26 May 2022 pursuant to the Second Amended and Restated Share Exchange Agreement. Upon completion of the Acquisition the Company issued 45,500,000 fully paid ordinary shares to the Vendors.

6. No Impediments to Exploration

The Company confirms that there are no legal, regulatory, statutory or contractual impediments to SPD entering LP30/5/1/1002PPR and carrying out exploration activities such that SPD will be able to spend its cash in accordance with its commitments for the purposes of Listing Rule 1.3.2(b).

7. No Loans to Vendors

The Company confirms that no loan will be made by the Company to Nurinox Investments Proprietary Limited (**Nurinox**), ZTM Brokers Closed Corporation (**Maphanga**) or any of their associates, either under the loan agreements between the Company and each of Nurinox and Maphanga or otherwise, and that no other cash will pass from the Company and its associates to Nurinox, Maphanga or their associates in relation to the loan agreements or otherwise as consideration for classified assets acquired by the Company in connection with its listing.

8. Updated Pro-Forma Statement of Financial Position

The pro-forma statement of financial position based on the actual amount of funds raised under the Prospectus is set out below:

Pro Forma Financial Position After Maximum Offer	
	\$
CURRENT ASSETS	
Cash and cash equivalents	18,377,899
Trade and other receivables	25,265
TOTAL CURRENT ASSETS	18,403,164
NON-CURRENT ASSETS	
Investment in joint venture	22,750,000
TOTAL NON-CURRENT ASSETS	22,750,000
TOTAL ASSETS	41,153,164
CURRENT LIABILITIES	
Trade and other payables	208,746
TOTAL CURRENT LIABILITIES	208,746
TOTAL LIABILITIES	208,746
NET ASSETS	40,944,419
EQUITY	
Contributed equity	40,910,726
Accumulated losses	(1,964,345)
Reserves	1,998,038
TOTAL EQUITY	40,944,419

Note that both the actual cash payments made since lodgement of the Prospectus and the currently unpaid costs of the Offer that had been estimated in the Prospectus are materially the same as those disclosed in the Prospectus. Accordingly, no update is required to the pro forma financial position, and the above table is the same as the pro forma financial position included in the Prospectus.

9. Updated statement of commitments

The commitments of the Company based on the actual amounts raised under the Offer, being the Maximum Offer, have not changed materially since the lodgement date of the Prospectus.

The cash balance shown in the Prospectus was as at 31 December 2021 and, accordingly, the change in commitments since then is represented by cash payments made between 1 January 2022 and 31 May 2022. This is shown in the table below:

Source & Application of Funds	Pro Forma After Maximum Raising per Prospectus \$	Cash Movement 1 Jan 2022 to 31 May 2022 \$	Estimate at 31 May 2022 \$
Source of Funds			
Cash balance	1,114	(771)	343
Gross IPO equity raising	19,000		19,000
Total	20,114	(771)	19,343
Application of Funds			
Geophysics	74	(74)	-
Phase 1 drilling	7,800		7,800
Phase 2 drilling	3,805		3,805
Metallurgical studies, environmental, community, other project related costs	1,583		1,583
Subtotal Technical	13,263	(74)	13,189
IPO costs and fees	1,754	(547)	1,206
MUM acquisition related costs	274		274
Corporate costs	3,635	(149)	3,486
Subtotal IPO & Corporate Costs	5,663	(697)	4,966
Working capital / contingency	1,188	-	1,188
Total	20,114	(771)	19,343

10. Capital Structure

The Company's capital structure is comprised of fully paid ordinary shares (Shares), Options (including Series A Options, Series B Options and Alignment Options) and Performance Rights as detailed below.

Shares	Options	Performance Rights
89,750,000	7,338,000	1,200,000

The terms of the Options and Performance Rights are disclosed in the Prospectus.

The Company has a free float of at least 20%.

11. ASX Waivers

The Company sought and obtained a waiver from Listing Rule 10.14 to the extent necessary to permit the Company to issue up to 3,000,000 securities (**Plan Securities**) under its long term incentive plan (**Plan**) to directors and their associates without shareholder approval, on the following conditions:

- (a) The Prospectus prepared by the Company for the purposes of listing rule 1.1 condition 3 contains the information required by listing rule 10.15 in respect of the proposed issue of Plan Securities.
- (b) In each case, the date by which the Company will issue the Plan Securities under the Plan must be no later than 3 years from the date of the Company's admission to the official list of ASX.
- (c) Details of any Plan Securities issued to a party mentioned in listing rule 10.14 under the Plan will be published in the annual report of the Company relating to the period in which they were issued.

The Company has since determined not to adopt a long term incentive plan until post listing, and accordingly, will obtain relevant approvals for any incentive plan, including under Listing Rule 7.2 and Listing Rule 10.14 at the relevant time.

This announcement has been authorised for release by the Board of Directors of the Company.

Yours sincerely



Terence Goodface
Chairman

JSE Announcement Disclosures

Southern Palladium Limited

Incorporated in the Commonwealth of Australia

Australian Company Number 646 391 899

JSE share code: SDL

ISIN AU0000220808

("Southern Palladium" or "the Company")

JSE Sponsor: Merchantec Capital