

PAN PALLADIUM LIMITED AND ITS CONTROLLED ENTITIES
A.C.N. 093 178 388

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2003

**PAN PALLADIUM LIMITED
DIRECTORS' REPORT**

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2003 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Name	Position	Period of Directorship
William Hayden	Joint Chairman	Appointed 17/05/02
Barry Aitken	Joint Chairman	Appointed 1/12/03
John van Schalkwyk	Managing Director	Appointed 15/10/02
David Hutchins	Non-executive director	Appointed 25/06/01
William Murphy	Chairman	Appointed 28/02/01, ceased 27/11/03

Results

The result for the period from 1 July 2003 to 31 December 2003 was a loss after tax of \$2,799,214 (31 December 2002: \$929,043).

Review of Operations

Exploration Activities

Grass Valley Project (South Africa)

Pan Palladium completed an expanded drilling program in July 2003 that confirmed the extension to, and significant increase in the potential of, the Grass Valley resource.

Resource Services Group Global (RSG Global) completed a resource update and re-classification of the Grass Valley Project, in accordance with the JORC Code as follows:

GRASS VALLEY PROJECT								
Resources at a 0.5 g/t cutoff as at August 2003								
INDICATED	Tonnes (000)	Pt (g/t)	Pd (g/t)	Au (g/t)	Ni (%)	Cu (%)	2PGE+Au (g/t)	Rh (g/t) * Inferred
Oxide	9,725	0.50	0.57	0.03	0.08	0.03	1.10	0.05
Sulphide	61,497	0.53	0.60	0.03	0.11	0.03	1.16	0.06
TOTAL	71,222	0.52	0.60	0.03	0.11	0.03	1.15	0.06
INFERRED								
Sulphide	22,285	0.47	0.54	0.03	0.11	0.03	1.03	0.05

* NOTE: The Rhodium associated with the indicated resource is classified as inferred as a result of the under reporting of the assaying technique used.

**PAN PALLADIUM LIMITED
DIRECTORS' REPORT (continued)**

Review of Operations (continued)

The in situ inferred resource of 3.64 million ounces of 3PGE+Au represents an increase of 47% on the previous estimate of 2.47 million ounces stated in the original scoping study (59.1 million tonnes at 1.3g/t 5PGE+Au, 0.14% Ni, 0.04% Cu).

In October 2003 the Company received a progress report on the project from RSG Global and Tawana Projects (Pty) Ltd, who are the primary consultants involved in the Pre-Feasibility Study currently underway.

The report highlighted that the current resource estimates, mining costs, geotechnical investigation, environmental studies and tailings disposal studies have been completed to the required level for the Pre-Feasibility Study, and showed the results of the metallurgical testwork completed to date. It also identified the options that remain to be investigated in order to optimise the metallurgical processing route to best suit the Grass Valley orebody and achieve concentrate specifications as required for a smelter offtake.

Based on the results of the initial scoping study, the Pre-Feasibility has investigated the option of an open cut PGE mine and treatment plant capable of mining and processing 3.6million tonnes per annum. The indicated potential mine life is 20 years.

The remaining Pre-Feasibility work, including project evaluation and sensitivities, is scheduled to be completed by 31 March 2004.

Aurora Project (South Africa)

A total of 18 new boreholes were drilled on the previously unexplored farms La Pucella and Altona in the southern segment of Aurora.

Drilling in the northern parts of La Pucella were encouraging and indicate mineralisation may be continuous over a 1 km strike length. LAP-03, LAP-04, LAP-08 and LAP-09 all intersected significant mineralisation. LAP-04 contained a particularly thick mineralised sequence where grades averaging 4.17 g/t 2PGE+Au were encountered over a 22m interval.

The results include some of the highest grades reported from borehole intersections from the Platreef and confirm that areas of significant PGE and base metal enrichment exist in the northern extension of the Platreef.

Drilling in the southernmost part of the target area intersected PGE and base metal mineralised intervals but, in general, grades were dispersed over thick zones (>20m) having PGE contents below 1g/t within which several narrow (1-2m) intersections of elevated PGE grade above 3-5g/t were frequently found.

PAN PALLADIUM LIMITED
DIRECTORS' REPORT (continued)

Review of Operations (continued)

Mineralisation is hosted by thick sequences of hydrothermally-altered gabbroic to anorthositic lithologies - pyroxenitic units are poorly developed or absent. This succession is similar to that hosting the mineralisation in the Nonnenwerth drillcores suggesting a consistency in the style of mineralisation between the Aurora properties. These units appear to define a distinct northern facies of the Platreef in the Aurora area.

PPD holds the view that the resource potential of the Aurora area is under-explored and maintain that the possibility of significant new discoveries being made in this area cannot be ruled out.

Phosiri Project (South Africa)

Subsequent to the settlement between MSA and PPD, a number of Mineral Rights in this project area were re-activated and transferred from MSA to PPD. A detailed evaluation of all the properties targeted by MSA has been completed and the decision made to consolidate the landholdings.

Once the land holdings have been successfully consolidated, PPD will be well positioned to review the potential of concluding a joint venture agreement with a major mining company.

Crystal Springs Project (South Africa)

Pan Palladium has completed a review the potential of the project and elected not to continue to develop the properties.

Musgrave Range (South Australia)

In December 2003 the Company elected to withdraw from the agreement to acquire an interest in exploration licence applications located in the Musgrave Range in South Australia.

Stillwater Project (North America)

The Company terminated from its North American activities during the period.

**PAN PALLADIUM LIMITED
DIRECTORS' REPORT (continued)**

Review of Operations (continued)

Corporate Activities

MSA Arbitration

In October 2003 the Company settled the dispute with MSA Projects (Pty) Ltd ("MSA") in respect of the termination of the contractor agreement between the parties.

Under the terms of the settlement PPD:

- (i) paid MSA a termination fee of R2 million;
- (ii) issued MSA 1 million options in the Company exercisable at 60 cents and expiring on 28 November 2006; and
- (iii) transferred to MSA the Company's interest in the Swaziland Diamond Project.

Murphy Legal Claim

In December 2003 the Company was served with a claim, issued by Helen Claire Murphy ("Murphy"), seeking a declaration that the Company contravened the continuous disclosure requirements of the Corporations Act. Murphy is seeking damages of \$2,999,040. The Company is contesting Murphy's claim.

Events subsequent to balance date

In January and February 2004 the Company issued 750,000 shares at an issue price of 30 cents per share, 500,000 shares at an issue price of 20 cents per share and 100,000 shares at an issue price of 40 cents per share pursuant to the exercise of 1,350,000 options on issue to raise a total of \$365,000. The funds will be used to provide additional working capital.

In January 2004 the Company settled the dispute with African Minerals Ltd that arose over the status of contractual arrangements between the two companies. Under the terms of the settlement, African Minerals abandoned its appeal against a decision by an Australian Court. That decision was to the effect that the parties currently have no joint venture or other legally binding agreement in relation to Pan Palladium's interests in the Northern Bushveld region of South Africa.

Signed in accordance with a resolution of the directors.

W Hayden
Director

Dated this 12th day of March 2004

PAN PALLADIUM LIMITED
Statement of Financial Performance
For the half-year ended 31 December 2003

	Consolidated	
	31 DECEMBER 2003	31 DECEMBER 2002
	\$	\$
Interest income	<u>65,889</u>	<u>43,078</u>
Revenue from ordinary activities	65,889	43,078
Expenses from ordinary activities		
Employee and consultant expenses	(823,099)	(627,550)
Exploration expenditure written off	(1,370,629)	-
Administration expenses	(136,348)	(235,251)
Borrowings costs	(21,495)	-
Cost of settlement of legal dispute	(435,463)	-
Other expenses from ordinary activities	<u>(78,069)</u>	<u>(109,320)</u>
Loss from ordinary activities before related income tax benefit	(2,799,214)	(929,043)
Income tax benefit relating to ordinary activities	<u>-</u>	<u>-</u>
Net loss attributable to members of the Company	<u>(2,799,214)</u>	<u>(929,043)</u>
Basic loss per share	<u>(0.034)</u>	<u>(0.014)</u>

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

PAN PALLADIUM LIMITED
Statement of Financial Position
As at 31 December 2003

		Consolidated	
	NOTES	31 DECEMBER 2003	30 JUNE 2003
		\$	\$
CURRENT ASSETS			
Cash assets		3,825,897	1,393,234
Receivables		205,913	425,161
TOTAL CURRENT ASSETS		4,031,810	1,818,395
NON-CURRENT ASSETS			
Exploration and evaluation		11,354,558	11,290,983
Property, plant and equipment		113,982	125,241
TOTAL NON-CURRENT ASSETS		11,468,540	11,416,224
TOTAL ASSETS		15,500,350	13,234,619
CURRENT LIABILITIES			
Payables		(491,708)	(981,294)
Interest-bearing liabilities		(500,000)	(500,000)
Other – share application monies received		(225,000)	(300,000)
TOTAL CURRENT LIABILITIES		(1,216,708)	(1,781,294)
TOTAL LIABILITIES		(1,216,708)	(1,781,294)
NET ASSETS		14,283,642	11,453,325
EQUITY			
Contributed equity	4	24,451,741	19,506,710
Reserves	9	1,964,500	1,280,000
Accumulated losses	3	(12,132,599)	(9,333,385)
TOTAL EQUITY		14,283,642	11,453,325

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

PAN PALLADIUM LIMITED
Statement of Cash Flows
For the half-year ended 31 December 2003

	Consolidated	
	31 DECEMBER 2003	31 DECEMBER 2002
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(1,152,447)	(837,730)
Interest received	65,889	43,078
GST recovered	47,886	20,547
	<hr/>	<hr/>
Net cash used in operating activities	(1,038,672)	(774,105)
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for property, plant and equipment	(8,571)	(73,355)
Payments for exploration expenditure	(1,590,125)	(2,244,631)
	<hr/>	<hr/>
Net cash used in investing activities	(1,598,696)	(2,317,986)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of shares	5,093,980	-
Proceeds from borrowings	-	500,000
Proceeds from application for exercise of options	225,000	-
Share issue costs	(248,949)	-
	<hr/>	<hr/>
Net cash provided by / (used in) financing activities	5,070,031	500,000
	<hr/>	<hr/>
Net (decrease) / increase in cash held	2,432,663	(2,592,091)
Cash at the beginning of the period	1,393,234	3,255,086
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	(11,236)
	<hr/>	<hr/>
Cash at the end of the period	3,825,897	651,759
	<hr/>	<hr/>

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

PAN PALLADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year financial report

This half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Pan Palladium Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2003 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

	31 December 2003	31 December 2002
	\$	\$
2. INDIVIDUALLY SIGNIFICANT ITEMS		
Individually significant items included in the loss from ordinary activities before income tax:		
Mineral interest acquisition and exploration costs written off		-
- Swaziland diamond project	(983,219)	
- Other	(387,410)	
Cost of settlement of legal dispute	(435,463)	-
Cost of issue of incentive options	(384,500)	-
	<hr/>	<hr/>
3. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the period	(9,333,385)	(2,506,576)
Net loss attributable to members of the parent entity	(2,799,214)	(929,043)
	<hr/>	<hr/>
Accumulated losses at the end of the period	(12,132,599)	(3,435,619)
	<hr/>	<hr/>

PAN PALLADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	31 December 2003 \$	30 June 2003 \$			
4. CONTRIBUTED EQUITY					
(i) Issued and paid-up share capital					
86,665,035 (June 2003: 74,918,035) ordinary shares fully paid	24,451,741	19,506,710			
Ordinary shares					
Balance at beginning of period	19,506,710	16,511,510			
Shares issued:					
7,000,000 for cash from placement issue	3,150,000	-			
3,387,000 for cash from placement issue	1,828,980	-			
1,350,000 pursuant to exercise of options	415,000	-			
9,750,000 for cash from placement issue	-	3,120,000			
Transaction costs from capital raisings - cash	(248,949)	(124,800)			
Transaction costs from capital raisings - options	(200,000)	-			
Balance at end of period	24,451,741	19,506,710			
(ii) Share options					
Exercise Period	Exercise Price	Number on issue at 30 June 2003	Issued during the period	Exercised	Number on issue at 31 December 2003
On or before 31 July 2004	\$0.20	1,000,000	-	-	1,000,000
On or before 31 March 2005	\$0.30	4,000,000	-	-	4,000,000
On or before 31 March 2006	\$0.30	12,000,000	-	-	12,000,000
On or before 31 December 2003	\$0.25 / \$0.30	1,000,000	-	(1,000,000)	-
On or before 30 June 2006	\$0.40	1,000,000	-	(100,000)	900,000
On or before 31 July 2006	\$0.40	500,000	-	-	500,000
On or before 30 June 2006	\$0.60	-	1,000,000	-	1,000,000
On or before 31 July 2006	\$0.60	-	1,000,000	-	1,000,000
On or before 31 July 2006	\$0.40	-	1,650,000	-	1,650,000
On or before 28 November 2006	\$0.60	-	1,000,000	-	1,000,000
On or before 31 December 2006	\$0.60	-	2,525,000	-	2,525,000
On or before 31 December 2006	\$0.75	-	1,000,000	-	1,000,000
		19,500,000	8,175,000	(1,100,000)	26,575,000

PAN PALLADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

5. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year ended 31 December 2003 the Company issued:

- 1,000,000 options as part of the settlement of the legal dispute with MSA Projects Ltd. These options were valued at \$100,000.
- 2,000,000 options to Grange Securities Limited ("Grange") as part consideration for arranging share placements on behalf of the Company were valued at \$200,000; and
- 4,175,000 incentive options to directors and employees. These options were valued at \$384,500.
- A note upon the conversion of a loan for \$500,000 received in December 2002. The note is convertible, on or before 31 July 2008, into 1,666,667 ordinary shares at an issue price of 30 cents per share. The note incurs interest at a rate of 8.7% per annum and is unsecured.
- 1,000,000 options to Grange pursuant to the exercise by Grange of 1,000,000 options on 30 June 2003 (in accordance with the terms of those exercised options).

There were no non-cash financing and investing activities during the half-year ended 31 December 2002.

6. EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events have occurred since the end of period:

- (i) In January and February 2004 the Company issued 750,000 shares at an issue price of 30 cents per share, 500,000 shares at an issue price of 20 cents per share and 100,000 shares at an issue price of 20 cents per share pursuant to the exercise of 1,350,000 options on issue to raise a total of \$365,000. The funds will be used to provide additional working capital.
- (ii) In January 2004 the Company announced that it had settled the legal dispute with African Minerals Ltd that arose over the status of contractual arrangements between the two companies. Under the terms of the settlement, African Minerals abandoned its appeal against a decision by an Australian Court. That decision was to the effect that the parties currently have no joint venture or other legally binding agreement in relation to Pan Palladium's interests in the Northern Bushveld region of South Africa.

7. SEGMENT REPORTING

	Australia	South Africa	USA	Consolidated
	\$	\$	\$	\$
31 December 2003				
Geographical Segments				
Segment revenue	-	-	-	-
Other unallocated revenue				65,889
				<u>65,889</u>
Segment result	-	(1,876,336)	(5,722)	(1,882,058)
Unallocated corporate expenses (net)				(917,156)
				<u>(2,799,214)</u>
	Australia	South Africa	USA	Consolidated
	\$	\$	\$	\$
31 December 2002				
Geographical Segments				
Segment revenue	-	7,200	-	7,200
Other unallocated revenue				35,878
				<u>43,078</u>
Segment result	-	(316,372)	(91,589)	(407,961)
Unallocated corporate expenses (net)				(521,082)
				<u>(929,043)</u>

PAN PALLADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

8. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

	31 December 2003	30 June 2003
	\$	\$
Benefits payable on termination in certain circumstances to directors under service agreements	20,000	100,000

In December 2003 the Company was served with a claim, issued by Helen Claire Murphy ("Murphy"), seeking a declaration that the Company contravened the continuous disclosure requirements of the Corporations Act. Murphy is seeking damages of \$2,999,040. The Company considers that it has at all times complied with its continuous disclosure obligations and is contesting Murphy's claim.

9. RESERVES

	31 December 2003	30 June 2003
	\$	\$
Option premium	1,964,500	1,280,000
Movements during the period		
Balance at beginning of period	1,280,000	1,220,000
Fair value of 4,175,000 incentive options issued to directors and consultants (1,650,000 options at 8 cents each and 2,525,000 options at 10 cents each)	384,500	-
Fair value of 1,000,000 options issued to settlement of legal dispute (at 10 cents each)	100,000	-
Fair value of 2,000,000 options issued to consultants for capital raising services (1,000,000 options at 8 cents and 1,000,000 options at 12 each)	200,000	-
Fair value of 1,000,000 incentive options issued to directors (at 6 cents each)	-	60,000
Balance at end of period	1,964,500	1,280,000

DIRECTORS' DECLARATION

In the opinion of the directors of Pan Palladium Limited ("the Company"):

1. the financial statements and notes set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

W Hayden
Director

Dated at Johannesburg this 12th day of March, 2004.



Independent review report to the members of Pan Palladium Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Pan Palladium Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2003. The Consolidated Entity comprises Pan Palladium Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

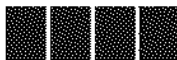
We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.





Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Pan Palladium Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

D P McCOMISH
Partner

Perth

12 March 2004