PALACE RESOURCES LIMITED

(Incorporated in Western Australia)
(formerly Palace Resources Ltd)

ACN 106 240 475

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE DIRECTORY

Directors

Peter Wood OAM – Non Executive Chairman
Guy Le Page – Non Executive Director
Ian Murie – Non Executive Director

Company Secretary

Roland Berzins

Registered and Principle Office

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ABN 74 106 240 475
ACN 106 240 475

Auditors

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West Perth WA 6005

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Share Registry

Advanced Share Registry Services

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Palace Resources Limited is listed on the Australian Securities Exchange:

ASX Code: PXR

ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Board of Directors ('Board') of Palace Resources Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Palace Resources Limited (the 'Company') on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		**Compliance**	**Comply**
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board of Palace Resources Limited and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. A summary of those matters is set out in this Corporate Governance Statement. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The Chairman then reviews the performance of the senior executives against those objectives. The Board reviews the Chairman's compliance against his and the Company's objectives. These reviews occur annually.	Complies.
1.3	Provide the information indicated in the *Guide to reporting on Principle 1.*	A copy of the Board Charter is available on the Company's website and is summarised in this Corporate Governance Statement. The performance evaluation process for senior executives is summarised in this Corporate Governance Statement. The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process summarised in this Corporate Governance Statement.	Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The Company has two independent Director / Chairman, Mr Guy Le Page. And Mr Peter Woods Mr Ian Murie is not considered independent by virtue of his shareholdings. The Directors are satisfied that the composition and structure of the Board is appropriate for the size of the Company and the nature of its operations. The membership of the Board, its activities and composition is subject to periodic review.	Complies
2.2	The Chair should be an	The Chairman of the Board, Mr Peter Woods, is an independent Director for the reasons set out in 2.1	Complies.

Principles and Recommendations		Compliance	Comply
	independent director.	above.	
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Mr Peter Woods is the Chairman and Mr Anthony Short is Chief Operating Officer.	Complies.
2.4	The Board should establish a nomination committee.	The Company has not established a separate Nomination Committee. Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the Nomination Committee, as set out in the Nomination Committee Charter on the Company's website, are currently undertaken by the full Board. Each year the Board will review the necessity or ability to establish a separate Nomination Committee and, if appropriate, delegate certain responsibilities to such Committee. The Board has adopted a Nomination Committee Charter which it follows when considering matters that would usually be considered by a nomination committee.	Does not comply.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Board has established a Performance Evaluation Policy, which is available on the Company's website. The Performance Evaluation Policy covers the Board, its Committees, if any, and its individual Directors. The Board as a whole will discuss and analyse its own performance on an annual basis including suggestions for change or improvement from individual Board members and senior management to examine ways to perform its duties more effectively. The Board's induction program provides incoming Directors with information that will enable them to carry out their duties in the best interests of the Company. This includes supporting ongoing education of Directors for the benefit of the Company.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	The skills, experience and expertise of by each Director are set out in the Directors' Report in this Annual Report. The Company has one independent Directors. A Director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Refer to 2.1 above. Members of the Board are able to take independent professional advice at the expense of the Company, subject to prior consultation with the Chairman. Peter Woods, Executive Chairman, was appointed to the Board on 11 July 2012. Guy Le Page, Non-Executive Director, was re-appointed to the Board on 7 August 2009. Ian Murie, Non-Executive Director, was appointed to the Board on 13 April 2011.	Complies.

Principles and Recommendations		Compliance	Comply
		The Board has not established a Nomination Committee for the reasons set out in 2.4 above. The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account the Company's legal obligations and the reasonable expectations of its stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board has adopted a code of conduct which provides a framework for decisions and actions in relation to ethical conduct of the Company's Directors, officers and employees. A copy of the Code of Conduct is available on the Company's website. The Code of Conduct sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from management and employees. The Company encourages the reporting of matters that may cause financial and/or non-financial loss to the Company, or may damage the Company's reputation. All employees are responsible for reporting circumstances that may involve a breach of the Code of Conduct. The Company also has adopted a Securities Trading Policy that establishes a procedure for dealings in the Company's securities by Directors, senior executives, employees, and related parties, and also dealings in securities of other entities with whom the Company may have business dealings. The Securities Trading Policy is further described at the end of this Corporate Governance Statement under the section titled 'Dealing in Company Securities'. A copy of Securities Trading Policy is available in the Corporate Governance section of the Company's website.	Complies.
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has established a Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level in the Company and on the Board. A copy of the Diversity Policy is available on the Company's website.	Complies.
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and	The Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical. The Chairman monitors the	Does not Comply.

Principles and Recommendations		**Compliance**	**Comply**
	progress towards achieving them.	scope and currency of the Diversity Policy and the Company is responsible for implementing, monitoring and reporting on the measurable objectives. Measurable objectives as set by the Board will be included in the annual key performance indicators for the CEO and/or Managing Director, and senior executives. In addition, the Board will review progress against the Objectives as a key performance indicator in its annual performance assessment.	
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	The Company has included the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board at the end of this Corporate Governance Statement, under the section 'Diversity'.	Complies.
3.5	Provide the information indicated in the *Guide to reporting on Principle 3*.	The Company has provided explanations of departures from Recommendations in relation to Principle 3 and has noted that copies of the Code of Conduct, Securities Trading Policy and the Diversity Policy are available on the Company's website.	Complies.
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board believes the Company is not currently of a sufficient size, nor its financial affairs of such complexity to justify the formation of an audit committee. The full Board undertakes the functions normally associated with an audit committee. Each year the Board will review the necessity or ability to establish a separate Audit and Risk Committee and, if appropriate, delegate certain responsibilities to such Committee. The Board has adopted an Audit and Risk Committee Charter which it follows when considering matters that would usually be considered by an audit committee.	Does not comply.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least 3 members.	The Company has not established a separate Audit and Risk Committee for the reasons set out above.	Does not comply.
4.3	The audit committee should have a formal charter.	The Board has adopted a separate Audit and Risk Committee charter to assist it in performing the relevant functions of an audit and risk committee. The Charter sets out the roles and responsibilities of the Audit and Risk Committee and contains information on the procedures for the selection, appointment and rotation of the external auditor. A copy of the Audit and Risk Committee Charter is available on the Company's website.	Complies.
4.4	Provide the information indicated in the *Guide to*	The Company has not established a separate Audit and Risk Committee for the reasons outlined above.	Complies.

Principles and Recommendations		Compliance	Comply
	reporting on Principle 4.	Therefore, it has not disclosed the names and qualifications of the committee but has disclosed that the functions normally carried out by the committee are performed by the full Board. The Audit and Risk Committee Charter, which contains procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is available on the Company's website.	
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has established a Continuous Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. Under the terms of the Continuous Disclosure Policy, the Chairman, Managing Director and Company Secretary are primarily responsible for making decisions about what information will be disclosed to the ASX. Approval is sought from the Board on all significant matters. Employees must inform the Managing Director, Chairman or Company Secretary of any potentially material price or value sensitive information as soon as they become aware of it. The Continuous Disclosure Policy is available on the Company's website.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The Company's Continuous Disclosure Policy is available on its website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has designed a Shareholder Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings. The Company uses its website, quarterly, interim and annual reports, market announcements and media disclosures to communicate with its shareholders. Additionally, the Company's auditor representative attends the annual general meetings of the Company to answer any questions raised by shareholders about the conduct of the audit and preparation and content of the auditor's report.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The Company's Shareholder Communications Policy is available on its website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has established policies for the oversight and management of material business risks. The Board is responsible for overseeing risk management strategy and policies, internal compliance and internal control. The Risk Management Policy is available on the	Complies.

Principles and Recommendations		Compliance	Comply
		Company's website and is summarised in this Corporate Governance Statement under the section titled 'Risk'.	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitors and manages those risks. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the Board quarterly. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in the *Guide to reporting on Principle 7.*	Management has reported to the Board as to the effectiveness of the Company's management of its material business risks. The Company has received a statement of assurance from the Chief Executive Officer and Chief Financial Officer (or equivalent) The Risk Management Policy is available on the Company's web site and is summarised in this Corporate Governance Statement under the section titled 'Risk'..	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has not established a separate Remuneration Committee. Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the Remuneration Committee are currently undertaken by the full Board. Each year the Board will review the necessity or ability to establish a separate Remuneration Committee and, if appropriate, delegate certain responsibilities to such Committee.	Does not comply.

Principles and Recommendations		Compliance	Comply
		The Board has adopted a Remuneration Committee Charter which it follows when considering matters that would usually be considered by a remuneration committee.	
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent chair and has at least three members.	Refer to 8.1 above.	Does not comply.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company has separate policies relating to the remuneration of Non-Executive Directors and that of Executive Directors and senior executives. This information is detailed in the Remuneration Report, which forms part of the Directors' Report in this Annual Report.	Complies.
8.4	Provide the information indicated in the *Guide to reporting on Principle 8.*	The Company has not established a Remuneration Committee for the reasons outlined above. The Company does not have any schemes for retirement benefits other than superannuation for Non-Executive Directors. Explanations for departures from Recommendations 8.1 and 8.2 are set out above. A copy of the Remuneration Committee Charter, which is followed by the Board, is available on the Company's website. The Securities Trading Policy, a copy of which is available on the Company's website, prohibits the hedging of risk of fluctuation of the value of the Company's securities.	Complies.

Palace Resources Limited's corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the Directors' Report in this Annual Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Palace Resources Limited, refer to our website, www.palaceresources.com.au.

The Role of the Board and Management
In carrying out the responsibilities and powers set out in the Board Charter, the Board of Directors of the Company recognises:

- its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of its shareholders; and
- it duties and responsibilities to its employees, customers and the community.

In addition to matters it is expressly required by law to approve, the Board has the following specific responsibilities:

- appointment of the Chief Executive Officer and/or Managing Director, other senior executives and the Company Secretary and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and adequacy and integrity of financial and other reporting;
- approving the annual, half-yearly and quarterly accounts;
- approving significant changes to organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with the ASX Listing Rules if applicable);
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable); and
- meeting with the external auditor, at their request, without management being present.

The Board delegates responsibility for the day to day operations and administration of the Company to the Managing Director. In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees within the Company to facilitate the carrying out of their duties as Directors.

Composition of the Board
The Company's Constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company's Constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operations and, therefore, an increasing contribution to the Board as a whole. Where practical, it is intended that the Board should comprise a majority of independent Non-Executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Where practical, it is also intended that the Chair should be an independent Non-Executive Director. The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board reviews the independence of each Director in light of interests disclosed to the Board, including their participation in Board activities associated with related entities, from time to time.

In accordance with the definition of independence above, none of the Directors of Palace Resources Limited is considered to be independent:

The appointment date of each Director in office at the date of this report is as follows:

Name	Position	Appointment Date
Peter Woods	Non - Executive Director, Chairman	Appointed 11 July 2012
Guy Le Page	Non - Executive Director	Appointed 7 August 2009
Ian Murie	Non - Executive Director	Appointed 13 April 2011

Further details on each Director can be found in the Directors' Report in this Annual Report.

Committees of the Board
Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the committees below are currently undertaken by the full Board:

- Audit and Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

Each year the Board will review the necessity or ability to establish separate committees and, if appropriate, delegate certain responsibilities to each such committee.

Access to Advice
The Board, Committees, if any, or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of such advice received is made available to all members of the Board.

Dealings in Company Securities
The Company's Securities Trading Policy outlines when Key Management Personnel (the Company's Directors and those employees directly reporting to the Managing Director) may deal in the Company's securities and contains procedures to reduce the risk of insider trading.

Key Management Personnel must not, except in exceptional circumstances, deal in the securities of the Company in the following periods:

(i) from the day after the Company's half-year end, being 1 January, to the close of trading on the business day after the half-year report is released and the day of, and 1 trading day after the release of the Appendix 5B Report to the ASX;
(ii) 1 April and 1 trading day after release of the Appendix 5B Report to the ASX;
(iii) from the day after the Company's financial year end, being 1 July, to the close of trading on the business day after the annual report is released and the day of, and 1 trading day after the release of the Appendix 5B Report to the ASX;
(iv) 1 October and 1 trading day after release of the Appendix 5B Report to the ASX.

As required by the ASX Listing Rules, the Company notifies the ASX of any transactions conducted by Directors in the securities of the Company within five business days of the transaction taking place.

The Securities Trading Policy prohibits Key Management Personnel from entering into transactions which would have the effect of hedging or transferring the risk of any fluctuation in the value of the Company's securities.

The Securities Trading Policy has been issued to ASX and a copy is available on the Company's website

Risk
The responsibility of overseeing risk usually falls within the charter of the Audit and Risk Committee (a copy of which is available on the Company's website). However, there is currently no separate Audit and Risk Committee. Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the Audit and Risk Committee, including overseeing risk management, are undertaken by the full Board.

The Company has established a Risk Management Policy for the oversight and management of material business risks (a copy of which is available on the Company's website).

The Company will:

- oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- assist management to determine the key risks to the businesses and prioritise work to manage those risks; and
- review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive processes by employees of the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

CEO and CFO certification
The Chief Executive Officer and Chief Financial Officer (or equivalents) have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the financial statements of the Company present a true and fair view, in all material aspects, of the Company's financial position and operating results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects in relation the financial reporting risks.

Performance
The performance of the Board and key Executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, Directors will provide written feedback in relation to the performance of the Board and its Committees, if any, against a set of agreed criteria.

- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board;
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review; and
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

A review of the performance of the Board was conducted in accordance with the process disclosed.

Remuneration
It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of Executive Directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of Palace Resources Limited.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by Directors and key Executives in the current period, please refer to the Remuneration Report, which forms part of the Directors' Report in this Annual Report.

There is no scheme to provide retirement benefits to Non-Executive (or Executive) Directors.

The duties of the Remuneration Committee are currently undertaken by the full Board, which is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and Executive team.

Diversity

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent.

Diversity includes, but is not limited to gender, age, ethnicity and cultural background.

The Diversity Policy is available on the Company's website.

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 30 June 2014 was as follows:

- Women employees in the consolidated entity 0%
- Women in senior management positions 0%
- Women on the board 0%

DIRECTORS' REPORT

Your directors present their report of the Company and its controlled entity (together the "consolidated entity") for the financial year ended 30 June 2014.

Directors

Directors of Palace Resources Limited during the year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated:

Peter Wood OAM	Non Executive Chairman	appointed 11 July 2012
Guy Le Page	Non Executive Director	appointed 7 August 2009
Ian Murie	Non Executive Director	appointed 13 April 2011
Roland Berzins	Company Secretary	appointed 20 May 2005 – resigned 11 November 2011 reappointed 27 January 2012

Directors Information

Mr Peter Woods OAM
Non Executive Chairman (appointed 11 July 2012)
DOB 29 March 1943

Qualifications: JP, BA, MLitt, FACE, FAICD

Experience
Mr Woods has had extensive Board and political experience in both the public and private sectors, nationally and internationally. He has extensive experience in Asia-Pacific and throughout the World and following his service as Secretary General of United Cities and Local Governments (Asia Pacific), Asia Pacific President and World Vice President of the International Union of Local Authorities and a ten-year term as a Director of the Commonwealth Local Government Forum and considerable United Nations work.

Interest in Shares and options

Mr Woods has a direct and an indirect interest in 307,400 ordinary shares and 2,000,000 options.

Directorships held in listed companies over the last 3 years

Nil

Mr Guy Le Page
Non Executive Director (appointed 7 August 2009)
DOB 4 May 1965

Qualifications: B.A., BSc (Hons), MBA, MAusIMM, FFIN.

Experience
Mr Le Page is currently a Director & Corporate Adviser of RM Corporate Finance specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles.

Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources Research. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Interest in Shares and Options
Nil

Directorships held in other listed companies over the last 3 years.

Red Sky Energy Limited	appointed 5 Feb 2009 to present
Tasman Resources Limited	appointed 2 June 2001 to present
Soil Sub Technologies Ltd	appointed 7 January 2010 to present
Eden Energy Ltd	appointed 3 February 2006 to present

Mr Ian Murie
Non Executive Director (appointed 13 April 2011)
DOB 25 May 1953

Qualifications: B Juris LL.B

Experience
Mr Murie has 30 years of experience as a commercial lawyer providing services to various clients including ASX listed and unlisted companies. His area of speciality is property and commercial law and has expertise in the area of corporate governance and particularly advisory roles to managed investment schemes.

Interest in Shares and options
Mr Murie has a direct and an indirect interest in 7,045,000 ordinary shares and 2,000,000 options.

Directorships held in listed companies over the last 3 years

Acuvax Limited	appointed 21 October 2010 to present
Olea Australis Limited	appointed 31 December 2009 – resigned 18 Oct 2011

Company Secretary

Mr. Roland Berzins
Appointed Company Secretary 20 May 2005 – resigned 11 November 2011
Reappointed Company Secretary 27 January 2012
DOB 18 February 1953

Qualifications: B. COMM. ACPA FFIN TA

Experience
Mr Berzins graduated from the University of Western Australia with a Bachelor of Commerce degree majoring in accounting and finance. He has over 22 year experience in the mining industry and was previously Chief Accountant for 6 years at the Kalgoorlie Consolidated Gold Mines Pty Ltd ("Kalgoorlie Super Pit"). Since 1996 Mr Berzins has been Company Secretary for a variety of ASX Listed Companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory.

Interest in Shares and Options
Roland Berzins has a direct and indirect interest in 5,816,200 ordinary shares and 2,000,000 options.

Directorships held in other listed companies over the last 3 years.

AXG Mining Limited	appointed 16 February 2005 to present
Odin Energy Limited	appointed 23 February 2009 to present
Acuvax Limited	appointed 27 January 2012 to present

Principal Activities

The principal activity of the consolidated entity is to identify and acquire interest in and value-add to mineral exploration and mining opportunities both in Australia and overseas, specifically Indonesia.

There were no significant changes in the nature of the Consolidated Groups principal activities during the financial year.

Review of Operations

The net loss of the consolidated entity after income tax attributable to members for the year ended 30 June 2014 amounted to $1,522,309 (2013: a loss of $2,827,847).

Operations

The Group announced that it has secured the rights to a further producing coal project. Palace, through its proposed subsidiary Kalimantan, has finished negotiations with RBU, an Indonesian coal mining company, to joint venture a 200Ha producing project in Sumatra (MBM). RBU is the legal holder of the IUP and it has necessarily all the mining approvals granted. The JV for the project will include a $2 royalty per tonne plus a reimbursement of costs to date to RBU.

In addition, it has entered into a separate memorandum of understanding with its Indonesian partner, RBU, to collaborate on the development of a commercial facility for the beneficiation of coal through to an activated carbon product.

The Company continues to be a joint venture partner with Excalibur Mining Corporation Limited in the pursuit of exploration activities in the Tanami region of the Northern Territory.

In June 2014, the Company announced that it had entered into a mandate with SilikonRok Pty Ltd to gain access to projects and expertise in the technology space .

SilikonRok is an independent advisory group that evaluates technology companies looking to commercialize. The company has expertise in the evaluation of risks and opportunities in technology businesses and provide advice on the roadmap to commercialization.

SilikonRok also has the capacity to:

- Source near term cash flow opportunities
- Evaluate markets and opportunities
- Evaluate business models
- Review management team & processes
- Identify Risk
- Provide ongoing governance and product development

Palace will keep shareholders informed of any material developments regarding the projects currently under review.

Further, the Company continues with its current projects and is reviewing additional resource projects that might meet its investment criteria.

The Company is conscious of the potential change in direction concerning its mandate with SilikonRok, and will assess its involvement in the future and where applicable, seek shareholder approval for any change in scale or direction that may be an outcome of this action.

Financial Performance and Position

The consolidated loss for the year was:

	2014	2013
	$	$
Operating loss after income tax	1,522,309	2,827,847
Outside equity interests	205,362	543,700
Net loss attributable to members of the Consolidated Group	1,727,671	3,371,547

The net liability of the Consolidated Group for the financial year ended 30 June 2014 was $468,657 (2013 net asset: $647,148).

The Directors believe the Consolidated Group is in a strong and stable financial position and able to expand and grow it current operations.

Company Strategy

Palace Resources is currently focussing upon an aggressive exploration program for coal mineralisation on its current portfolio of project in Indonesia, with the objective of identifying and exploiting commercial resources.

Palace is also continuing to consider and evaluate opportunity within Australia and Asia, particularly in Indonesia, for future potential acquisitions which may offer value enhancing opportunities for shareholders.

Material business risks that may impact results of future operations include further exploration results, future commodity prices and funding.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Operations

Following the initiative to consider projects in the technology sector, the Company has signed a binding Heads of Agreement ("HOA") with TikForce Pty Ltd ("TikForce").

TikForce is a platform that operates on the internet, mobile phones and tablets and whose function is to track jobs, and tasks allocated to just – in - time workers, contractors and employees that are working on-site or mobile.

TikForce allows team controllers to allocate work to existing team members or contractors and to post the work to the work pool. Similar to "Uber" concept, workers can make themselves available for defined types of work, at specific times and locations. Controllers can ask workers to apply for a job or simply allocate them to members of the work pool and receive confirmation.

TikForce provide a suite of tools to track tasks and work in progress and interface to reporting, accounting and human resource systems.

TikForce has completed business validation and product testing and has a commercialization and business strategy that is expected to generate near term cash flow.

The intellectual property within TikForce will be rolled out as a service business model that will allow TikForce to build a sale process, with steadier cash flow and growth than a traditional license sales model. This should enable small, medium and large enterprises to pay for the platform in line with gains in productivity.

The due diligence associated with the potential acquisition of TikForce has not been completed and if the Company was to proceed with this business activity, it may evoke ASX listing Rules Chapter 1 and Chapter 2 re - compliance.

Dividends

There were no dividends paid or declared during or since the end of the financial year.

Environmental Regulations

The consolidated entity has a policy of at least complying, but in most cases exceeding its environmental performance obligations. No environmental breaches have been notified by any government agency during the year ended 30 June 2014. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations.

Events Subsequent to Balance Date

Subsequent to 30 June 2014, the Company has issued 3 tranches of shares;

Date of issue	# of shares issued	Price of Shares issued	Total funds raised
22 July 2014	100,000,000	$0.001 each	$100,000
25 July 2014	20,000,000	$0.001 each	$20,000
10 September 2014	70,000,000	$0.001 each	$70,000
Total	1,900,000		$190,000

At a shareholders meeting on 30 August 2014, the shareholder's approved the issue of the on 22 and 25 July 2014. In addition, they approved to the issue of up to 80,000,000 shares (of which 70,000,000 have been issued on 10 September 2014) @$0.001 each and a further 375,000,000 at an issue price of $0.016 each, too which the subscriber is entitled to one free attaching option for each share subscribed for at $0.016 each

Apart from the above, there has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Likely Developments

The consolidated entity will continue mineral exploration activity on its exploration projects with the objective of identifying commercial resources.

The ultimate aim is to increase shareholders wealth by succeeding in the discovery of major mineral deposits.

Directors' Meetings

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

Director	Board of Directors	
	Held	Attended
Peter Woods	10	10
Ian Murie	10	10
Guy Le Page	10	10

Remuneration Report (Audited)

A. Principles Used to Determine the Nature and Amount of Remuneration (Audited)

The board of Palace Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the directors to run and manage the consolidated entity, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members of the consolidated entity is as follows:

> The remuneration policy, setting the terms and conditions for the executive directors, was developed by the board after seeking professional advice from independent external consultants. The board reviews director packages annually by comparing information from industry sectors and other listed companies in similar industries.

The policy is designed to attract the highest caliber of directors and reward them for performance that results in long-term growth in shareholder wealth.

The nature and amount of compensation, as detailed in this report, reflects the remuneration policy above. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. Further remuneration including fringe benefits, options and performance incentives may be paid dependent upon individual performance, company performance, and the discretion of the board.

Directors and top executive remuneration is detailed below in this director's report.

All remuneration paid to directors is valued at the cost to the company and expensed.

Non-executive Directors
The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the consolidated entity. The Company does not have a policy on the Directors and their interests in the Company other than that stipulated in the Company's Corporate Governance report.

B. Details of Remuneration (Audited)

Name and position of directors in office at any time during the financial year are:

Peter Woods	Non-executive Chairman
Guy Le Page	Non-executive Director
Ian Murie	Non-executive Director

Components of remunerations:
Remuneration packages consist of:

(i) Short term employee benefits – directors fees and consulting fees; and
(ii) Post employee benefits – superannuation.

During the year, directors of the consolidated entity have received or become entitled to receive the following benefits:

Name	Short-term benefits			Post-employment benefit		Share based payment	Total
	Cash Salary & Fees	Non-monetary	Other	Superannuation	Termination benefit	Options	
	$	$	$	$	$	$	$
30 June 2014							
Chairman and non-executive directors							
Peter Woods	36,000	-	-	-	-	-	36,000
Ian Murie (i)	30,000	-	-	-	-	-	30,000
Guy Le Page (i)	22,000	-	-	-	-	-	22,000
Total non-executive directors	**88,000**	**-**	**-**	**-**	**-**	**-**	**88,000**
Total	**88,000**	**-**	**-**	**-**	**-**	**-**	**88,000**

(i) The shares issued to directors in lieu of director's fees were approved by shareholders on 16 October 2013 and issued – Appendix 3B on 12 November 2013 – for Mr Le Page ($8,800) and Mr Murie ($16,500).

Name	Short-term benefits			Post-employment benefit		Share based payment	Total
	Cash Salary & Fees	Non-monetary	Other	Superannuation	Termination benefit	Options	
	$	$	$	$	$	$	$
30 June 2013							
Chairman and non-executive directors							
Peter Woods	16,909	-	-	1,522	-	-	18,431
Ian Murie	30,300	-	-	-	-	-	30,300
Guy Le Page	24,000	-	-	-	-	-	24,000
Anthony Short	-	-	-	-	-	-	-
Total non-executive directors	**71,209**	**-**	**-**	**1,522**	**-**	**-**	**72,731**
Total	**71,209**	**-**	**-**	**1,522**	**-**	**-**	**72,731**

The remunerations on the table do not have proportion of performance related or options issued to directors.

(i) Ordinary Shareholdings

The numbers of shares in the Company held during the financial year by each director of Palace Resources Limited, including those held personally or held indirectly by related parties, are set out below:

2014 Directors	Balance 01/07/2013	Received during the year	Net change other	Balance 30/06/2014
Peter Woods	307,400	-	-	307,400
Ian Murie	2,920,000	-	4,125,000	7,045,000
Guy Le Page	-	-	-	-
Total	3,227,400	-	4,125,000	7,352,400

2013 Directors	Balance 01/07/2012	Received during the year	Net change other	Balance 30/06/2013
Peter Woods	-	307,400	-	307,400
Ian Murie	2,920,000	-	-	2,920,000
Guy Le Page	-	-	-	-
Anthony Short	17,270,000	-	(17,270,000)	-
Total	20,190,000	-	(17,270,000)	3,227,400

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Palace Resources Limited, including their personally related parties, are set out below:

2014 Directors	Balance 01/07/2013	Expired during the year	Other changes during the year	Balance 30/06/2014	Vested and exercisable at the end of the year
Peter Woods	2,000,000	-	-	2,000,000	2,000,000
Ian Murie	2,000,000	-	-	2,000,000	2,000,000
Guy Le Page	-	-	-	-	-
Total	4,000,000	-	-	4,000,000	4,000,000

2013 Directors	Balance 01/07/2012	Expired during the year	Other changes during the year	Balance 30/06/2013	Vested and exercisable at the end of the year
Peter Woods	-	-	2,000,000	2,000,000	2,000,000
Ian Murie	-	-	2,000,000	2,000,000	2,000,000
Guy Le Page	-	-	-	-	-
Anthony Short	-	-	-	-	-
Total	-	-	4,000,000	4,000,000	4,000,000

C. Service Agreements (Audited)

There are no specific key management personnel contracts with the individual directors and director fees and consulting fees are based on shareholder approved directors fee structure and corporate governance procedure.

D. Share Based Compensation (Audited)

There was no share-based or option-based compensation paid to directors or other key management personnel during the current or prior financial years.

E. Voting and Comments Made at the Company's 2013 Annual General Meeting

There were no votes against the adoption of the remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

F. Remuneration Consultants

The Group did not employ the services of Remuneration Consultants during the year ended 30 June 2014.

This is the end of the audited Remuneration Report.

Share under Option

Unissued ordinary shares of Palace Resources Limited under option at the date of this report are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Options
		$	
21/12/2012 (i)	30/11/2014	0.03	20,000,000
17/01/2013 (ii)	30/11/2014	0.03	25,000,000
27/02/2013 (i)	30/11/2014	0.03	24,500,000
25/06/2013 (ii)	30/11/2014	0.03	20,000,000
15/04/2014 (iii)	28/02/2016	0.02	31,902,288
06/05/2014 (iii)	28/02/2016	0.02	65,538,003
Total			**186,940,291**

(i) Placement options
(ii) Free attaching options to Placement
(iii) Options under rights issue

Share Issued on the Exercise of Options

There have been no issue of ordinary shares as a result of the exercise of options during or since the end of the financial year.

Financial Position

The independent auditor's report contains an emphasis of matter in respect of the existence of a material uncertainty which may cast significant doubt about the Company's and Consolidated Entity's ability to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Further information, including the basis that Directors believe that there are reasonable grounds to believe that the Company and Consolidated Entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report can be found in Note 1.

Indemnification and Insurance of Directors and Officers

During the year ended 30 June 2014 the Company paid premiums to insure the Directors and Officers of the Group at an annual cost of $11,924 (2013: $11,278). The liability insured is the indemnification of the Group against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings against the company, or to intervene in any proceedings to which the consolidated entity is a part, for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings

No proceedings have been brought or intervened in on behalf of the consolidated entity under section 237 of the *Corporations Act 2001*.

Non-audit Services

The board has considered the non-audit services provided by Somes Cooke (2013: Somes Cooke) and is satisfied that the services provided by Somes Cooke is compatible with, and did not compromise, the auditors independence requirements of the *Corporation Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the consolidated entity and have been reviewed by the Board to ensure they do not impact the integrity and objectives of the auditor; and

- The non-audit services provided do not undermine the general principles relating to the auditors independence as set out in APES 110: *Code of Ethics for professional Accountants* as they did not involve reviewing or auditing the auditors own work, acting as an advocate for the consolidated entity or jointly sharing risk and reward.

Details of the amount paid or accrued to the auditor of the consolidated entity, Somes Cooke (2013: Somes Cooke), and its related practices for audit and non-audit services provided during the year are set out below:

	2014	2013
	$	$
Audit Services		
Audit and review of financial reports	28,000	28,000
Other Services		
Tax Compliance services	-	-
Total	28,000	28,000

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 55 and forms part of the Directors' report for the year ended 30 June 2014.

This report is made with a resolution of the directors.

Guy Le Page

G LE PAGE
Non Executive Director

DATED at PERTH this 30th day of September 2014

The directors of the Palace Resources Limited declare that:

1. in the directors' opinion, the financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; 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;

3. the financial statements and notes thereto are in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB); and

4. The remuneration disclosures included in section A to F of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

G LE PAGE
Non Executive Director

DATED at PERTH this 30th day of September 2014

	NOTE	YEAR ENDED 30-JUN-14	YEAR ENDED 30-JUN-13
		$	$
Revenue from ordinary activities	6	12,828	19,477
Employee benefit expenses		881	(4,489)
Consulting fees		(366,000)	(503,472)
Compliance and regulatory expenses		(84,614)	(95,109)
Exploration expenditure impaired		(684,541)	(1,597,259)
Exploration expenditure expensed as incurred		(32,793)	(626,854)
Impairment of available-for-sale financial asset	7	(102,373)	(105,322)
Depreciation expense	14	(324)	(1,380)
Director fees		(100,500)	(89,295)
Travel and accommodation expenses		(7,364)	(61,430)
Occupancy expenses		(240,510)	(175,000)
Other expenses		(122,361)	(131,414)
Loss from continuing operations before income tax expense		**(1,727,671)**	**(3,371,547)**
Income tax expense	8	-	-
Net loss for the year		**(1,727,671)**	**(3,371,547)**
Other comprehensive income		-	-
Other comprehensive income net of tax		**-**	**-**
Total comprehensive loss for the year		**(1,727,671)**	**(3,371,547)**
Total comprehensive loss for the year attributable to			
- Members of the parent entity		(1,522,309)	(2,827,847)
- Non-controlling interest		(205,362)	(543,700)
		(1,727,671)	**(3,371,547)**
Basic and diluted loss per share (cents)	24	(0.27)	(0.69)

The accompanying notes form part of these financial statements

	Note	At 30-Jun-14	At 30-Jun-13
		$	$
Current assets			
Cash and cash equivalents	10	3,096	47,679
Trade and other receivables	11	164,022	123,137
Total current assets		167,118	170,816
Non-Current Assets			
Other financial assets	12	25,083	114,631
Plant and equipment	14	-	324
Exploration and evaluation assets	13	112,312	796,853
Total Non-Current Assets		137,395	911,808
Total Assets		304,513	1,082,624
Current Liabilities			
Trade and other payables	15	785,511	429,634
Provisions	16	8,159	5,842
Total Current Liabilities		793,670	435,476
Total Liabilities		793,670	435,476
Net (Liabilities)/Assets		**(489,157)**	**647,148**
Equity			
Contributed equity	17	13,098,598	12,604,672
Reserves	17	151,389	53,949
Accumulated losses	18	(13,674,623)	(12,152,314)
Parent entity interest		(424,636)	506,307
Non-controlling interest		(64,521)	140,841
Total Equity		**(489,157)**	**647,148**

The accompanying notes form part of these financial statements

Consolidated Entity	**Parent Interest**				**Non-Controlling Interest**	**Total**
	Issued Capital	**Option Premium Reserve**	**Available For Sale Asset Reserve**	**Accumulated Losses**		
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2013	**12,604,672**	**44,500**	**9,449**	**(12,152,314)**	**140,841**	**647,148**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(1,522,309)	(205,362)	(1,727,671)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(1,522,309)	(205,362)	(1,727,671)
Transaction with owners in their capacity as owners						
Issued of shares	705,616	-	-	-	-	705,616
Issued of options	-	97,440	-	-	-	97,440
Share issued costs	(211,690)	-	-	-	-	(211,690)
Balance as at 30 June 2014	**13,098,598**	**141,940**	**9,449**	**(13,674,623)**	**(64,521)**	**(489,157)**

Consolidated Entity	**Parent Interest**				**Non-Controlling Interest**	**Total**
	Issued Capital	**Option Premium Reserve**	**Available For Sale Asset Reserve**	**Accumulated Losses**		
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2012	**10,780,340**	**-**	**9,449**	**(9,324,467)**	**-**	**1,465,322**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(2,827,847)	(543,700)	(3,371,547)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(2,827,847)	(543,700)	(3,371,547)
Transaction with owners in their capacity as owners						
Acquisition of subsidiary	1,250,000	-	-	-	-	1,250,000
Recognition of non-controlling interest	-	-	-	-	684,541	684,541
Issued of shares	602,084	-	-	-	-	602,084
Issued of options	-	44,500	-	-	-	44,500
Share issued costs	(27,752)	-	-	-	-	(27,752)
Balance as at 30 June 2013	**12,604,672**	**44,500**	**9,449**	**(12,152,314)**	**140,841**	**647,148**

The accompanying notes form part of these financial statements

	NOTE	YEAR ENDED 30-JUN-14	YEAR ENDED 30-JUN-13
		$	$
Cash Flows from Operating Activities			
Interest received		3	19,478
Payments to suppliers and employees		(98,078)	(268,718)
Payment for exploration expenditures		(32,793)	(973,177)
Net cash used in operating activities	21(ii)	**(130,868)**	**(1,222,417)**
Cash Flows from Investing Activities			
Payment for plant and equipment		-	-
Net cash provided by investing activities		**-**	**-**
Cash Flows from Financing Activities			
Proceeds from issue of shares/options		42,023	596,084
Costs of issue of securities		(2,100)	(27,752)
Proceeds from borrowings		46,362	-
Net cash provided by financing activities		**86,285**	**568,332**
Net decrease in cash held		(44,583)	(654,085)
Cash and cash equivalents at the beginning of financial year		47,679	701,764
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	21 (i)	**3,096**	**47,679**

The accompanying notes form part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

Palace Resources Limited ("the Company") is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or the "Group").

The principal activity of the consolidated entity is to identify and acquire interest in and add value to mineral exploration and mining opportunities both in Australia and overseas, in particular Indonesia.

The address of the registered office is Suite 4, 16 Ord Street West Perth WA 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards board and Australian Accounting Interpretations. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets are measured at fair value.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates of and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

e) Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the year ended 30 June 2014 of $1,727,671 (2013: $3,371,547) and experienced net cash outflows from operations of $130,927 (2013: $1,222,417). As at 30 June 2014, the consolidated entity had a net liabilities position of $468,657 (2013 net assets: $647,148).

The Directors believe that there are sufficient funds to meet the Company's working capital requirements.

However, the Directors recognise that the ability of the Company to continue as a going concern and to pay its debts as and when they fall due may be dependent on the ability of the Company to secure additional funding through either the issue of further shares and or options, convertible notes or entering into negotiations with third parties regarding the sale and or farm out of assets of the Company or a combination thereof.

During the financial year, the Company issued a total of 273,511,355 (2013: 198,225,283) fully paid ordinary shares and a total of 97,440,291 (2013: 89,500,000) options worth a total of $591,366 (2013: $568,332) after the cost of capital raising, to settle debts and raise funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Going concern (continued)

At 30 June 2014, the Company had no outstanding interest bearing liabilities (2013: nil).

Based on the above, the Company is confident that it will successfully raise the additional funds, if required, to meet its financial obligations in future period, specifically for the new projects undertaken.

In relation to the expenditure commitment for the Australian granted licenses, the directors:

- have reached agreement with Excalibur Mining Corporation Ltd regarding the Tanami tenements and formed a joint venture concerning the tenements;
- will continue to seek, where appropriate, to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;
- have sought shareholder approval to:
  - raise Capital by way of security placement and the issue of convertible notes
  - reduce creditors (including directors) indebtedness by the issue of securities
- continue to expect that major shareholders of the Company will support fund raising as has been demonstrated in past share issues to the existing shareholder base.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, there is uncertainty whether the Company will be able to continue as a going concern.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

f) Basis of consolidation

A controlled entity is any entity over which Palace Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Details of controlled entity are contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of the controlled entity has been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entity have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiary have been changed where necessary to ensure consistency with those adopted by the parent entity.

g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Palace Resources Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 replaces the multiple classification and measurement models in AASB 139 Financial instruments: Recognition and measurement with a single model that has only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A 'simple' debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the income statement, except for equity investments that are not traded, which may be recorded in the income statement or in reserves.

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules that were released in December 2013 align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Exploration and evaluation asset

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

k) Impairment of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment, mine properties and development and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

l) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the Statement of Financial Position.

m) Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Non-derivative financial assets

The consolidated entity has the following non-derivative financial assets:

(a) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, such as marketable equity securities, that are either designated as available-for-sale or are not classified in any of the other categories, identified in AASB 139 *Financial Instrument Recognition and Measurement*.

Subsequent to the initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to statement of comprehensive income.

The fair value of quoted financial assets is based on their bid price at the balance date, however in the case of financial assets without active markets, fair value is established using relevant valuation techniques.

(b) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus, transaction costs directly attributable to the acquisition.

Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest rate method, less any impairment loss.

o) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

p) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

q) Finance income

Interest income
Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

r) Contributed equity

Issued and paid-up capital is recognised at the fair value of the consideration received by the consolidated entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, after adjusted for any bonus share element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Earnings per share (continued)

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows, on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

v) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as 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 periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions made by the consolidated entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the consolidated entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the consolidated entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

i) Impairment of Exploration and evaluation asset

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes, which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off or impaired, profits and net assets will be reduced in the period in which this determination is made.

ii) Calculation of recoverable amount

The recoverable amount of the consolidate entity's receivables carried at amortised costs is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivable with a short duration are not discounted.

Impairment of receivable is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

iii) Calculation of recoverable amount (continued)

The recoverable amount of other assets is greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value in using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

iii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

iv) Reversal of impairment

An impairment loss is reversed if the subsequent increase in recoverable amounts can be related objectively to an event occurring after the impairment loss is recognised.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise loans and receivables, payables, cash short-term deposits and available-for-sale financial assets. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are market risk including, interest rate risk and price risk, credit risk and liquidity risk.

The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	3,096	47,679
Trade and other receivables	164,022	123,137
Other financial assets	25,083	114,631
	192,201	285,447
Financial liabilities		
Trade and other payables	(785,511)	(429,634)
	(785,511)	(429,634)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk

(i) Interest rate risk exposure

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

Judgements of reasonably possible movements

	2014	2013
Loss before income tax	**$**	**$**
Loss before Income tax (actual)		
+1.0% (100 basis points)	31	477
-0.5% (50 basis points)	(15)	(238)
Equity		
Equity (actual)		
+1.0% (100 basis points)	31	477
-0.5% (50 basis points)	(15)	(238)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Although the consolidated entity has only a small exposure to interest rate movements (interest revenue and interest expense) the movements in losses due to possible higher or lower interest income from cash balances is calculated.

The consolidated entity's exposure to interest rate risk for classes of financial assets and financial liabilities at 30 June 2014 and 30 June 2013 are set out below:

	2014 Floating Interest Rate	2013 Floating Interest Rate	2014 Fixed Interest Rate	2013 Fixed Interest Rate	2014 Non-Interest Bearing	2013 Non-Interest Bearing	2014 Total	2013 Total
	$	$			$	$	$	$
Financial Assets								
Cash	3,096	47,679	-	-	-	-	3,096	47,679
Receivables	-	-	-	-	164,022	123,137	164,022	123,137
Other financial assets	-	-	-	-	25,083	114,631	25,083	114,631
	3,096	47,679	-	-	189,105	237,768	192,201	285,447
Weighted average interest rate	0%	0.09%	-	-	-	-	-	-
Financial Liabilities								
Payables	-	-	-	-	(785,511)	(429,634)	(785,511)	(429,634)
	-	-	-	-	(785,511)	(429,634)	(785,511)	(429,634)

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is exposed to commodity price risk.

The Group is not exposed to material price risk on profit and loss and it has therefore not been included in the sensitivity analysis.

(b) Credit risk exposure

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party with the maximum exposure equal to the carrying amount of the instruments. The carrying amounts of financial assets included in the statement of financial position represent the Company's maximum exposure to credit risk in relation to those assets.

Credit risk is managed on a group basis and reviewed regularly by the Board.

Credit risk is managed through maintaining procedures and ensuring, to the maximum extent possible, that parties to transactions are of sound credit worthiness and includes the utilisation of the systems for the approval, granting and renewal of credit limits and monitoring the financial stability of significant parties.

The Company trades only with recognised credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securities its trades and other securities.

Receivable balances are monitored on an ongoing basis. The consolidated entity has recognised impairment charges for the inter company loans of $0 (2013: $12,300).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Impairment of an asset occurs when the carrying value of the asset exceeds the recoverable value of the asset at the record date. The recoverable value of the asset is based on the recoverability of the assets.

Movement in the amount due by related entities that are determined to be impaired as at the reporting date:

	2014	2013
	$	$
Balance at the beginning of the financial year	30,000	30,000
Addition	-	12,300
Impairment of related party loan during the year	-	(12,300)
Balance at the end of the financial year	30,000	30,000

There are no significant concentrations of credit risk within the Company.

Refer to Note 23 for analysis of Related Party exposure.

(c) Liquidity risk

The Company manages liquidity risk by continually:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activites;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Company monitors its expected settlement of financial assets and liabilities on an ongoing basis.

Refer to the Movement for Maturity Analysis Schedule in Note 4(e).

(d) Fair value of financial assets and financial liabilities

Cash and cash equivalents due to their liquid nature the carrying amount is the fair value.

Receivables and payables due to the short term nature the carrying amount reflect the fair value.

Available-for-sale assets are fair valued at closing market price at 30 June 2014.

The company is disclosing the fair value of financial assets and financial liabilities by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the group's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Level 1	Level 2	Level 3	Total
2014	$	$	$	$
Assets				
Available-for-sale financial assets	25,083	-	-	25,083
	25,083	-	-	25,083
2013	$	$	$	$
Assets				
Available-for-sale financial assets	114,631	-	-	114,631
	114,631	-	-	114,631

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 end of the reporting period. The quoted market price used for financial assets held by the group is the closing price at the reporting date. These instruments are included in level 1.

(e) Movement for maturity analysis schedule

	Weighted Average effective interest rate %	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
Financial assets - cash flows realisable		**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Cash and cash equivalents	-	3,096	47,679	-	-	-	-	3,096	47,679
Trade, term and loans receivable	-	-	2,675	30,000	30,000	-	-	32,675	32,675
Other financial assets	-	-	-	25,083	114,631	-	-	25,083	114,631
Total anticipated inflows		3,096	50,354	55,083	144,631	-	-	58,179	194,985
Financial liabilities due for payment		**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Trade and other payables	-	785,511	429,634	-	-	-	-	785,511	429,634
Total expected outflows		785,511	429,634	-	-	-	-	785,511	429,634

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital Management

The Company's capital risk management objectives are to safeguard the Group's ability to continue as a going concern, in order to provide for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and corporate debt).

The Company has a policy of maintaining a flexible capital structure so as to be able to take advantage of investment opportunities when they arise.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

5. KEY MANAGEMENT PERSONNEL

(a) Summary of emoluments for key management personnel

	2014	2013
	$	$
Short-term employee benefits	100,500	71,209
Others	-	-
Termination	-	-
Post-employment benefits	-	1,522
	100,500	72,731

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

(b) Equity holdings of key management personnel

Equity holdings of key management personnel can be located in the remuneration report, within the Directors' Report.

(c) Transactions with directors personally related entities

There were no other transactions with specified directors and executives and their personally related entities other than those already disclosed in Note 23.

6. OTHER REVENUE

	2014	2013
	$	$
Interest income	12,828	19,477
	12,828	19,477

7. LOSS FROM ORDINARY ACTIVITIES

	2014	2013
	$	$
Impairment of available-for-sale financial assets	(102,373)	(105,322)

* This amount related to the recovery of amount due by related party which was impaired in previous year.

8. INCOME TAXES

Income tax recognised in profit or loss

	2014	2013
	$	$
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-

The prima facie income tax expense/(income) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2014	2013
Loss from operations	(1,727,671)	(3,371,547)
Income tax expense calculated at 30%	(518,301)	(1,011,464)
Tax effect of non-deductible items:		
Accrued creditors	27,500	(27,500)
Accrued superannuation	1,350	(1,350)
Provision for annual leave	5,842	(5,842)
Section 40-880 expenses	(28,387)	(28,387)
Exploration expenses impaired	-	(104,177)
Impairment of loans	30,712	-
Effect of expenses that are not deductible in determining taxable profit	-	510,773
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	481,284	667,947
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit attributable to tax losses has been brought to account as recovery is not probable. The total of tax losses held within the company is $2,590,244 (2013: $2,108,960).

The benefit will only be obtained if the company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the company in realising the benefit.

9. AUDITOR'S REMUNERATION

	2014	2013
	$	$
Amounts received or due and receivable by the auditors for:		
Audit and review of the financial reports	28,000	28,000
Other services	-	-
Total	28,000	28,000

10. CASH & CASH EQUIVALENTS

	2014	2013
	$	$
Cash at bank and on hand	3,096	47,679
Short term deposits	-	-
	3,096	47,679

11. TRADE & OTHER RECEIVABLES

	2014	2013
	$	$
Amount due by related entities	90,000	90,000
Less : Provision for impairment	(60,000)	(60,000)
	30,000	30,000
Subsidiary company's formation cost	17,084	17,084
Sundry debtors	-	28,174
GST receivables	116,938	47,879
	164,022	123,137

12. OTHER FINANCIAL ASSETS

	2014	2013
NON-CURRENT	$	$
Available-for-sale assets	25,083	114,631
	25,083	114,631

	2014	2013
MOVEMENT OF INVESTED IN LISTED ENTITIES	$	$
Fair value at beginning of the year	114,631	554,387
Additions (Note 21(iii))	12,825	12,825
Impairment	(102,373)	(452,581)
Fair value at the end of the year	25,083	114,631

13. EXPLORATION & EVALUATION EXPENDITURE

	2014	2013
NON - CURRENT	**$**	**$**
Deferred Exploration and Evaluation Expenditure, at cost	112,312	796,853
Exploration and Evaluation Expenditure movement		
Brought forward at the beginning of year	796,853	112,312
Exploration expenditure capitalised during the year	-	2,281,800
Exploration expenditure impaired (i)	(684,541)	(1,597,259)
Carried forward exploration expenditure	112,312	796,853

The value of the consolidated entity's interest in exploration and evaluation expenditure is dependent upon:

- The continuance of the consolidated entity's right of tenure of the areas of interest;
- The results of future exploration and evaluation;
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

(i) During the year, the company recognised a full impairment of the Paser Project, held through its 70% subsidiary, Paser Pte Ltd. The results from exploration and evaluation of the project were insufficient to justify continued investment.

14. PLANT & EQUIPMENT

	2014	2013
	$	**$**
Plant and equipment, at cost	28,874	28,874
Less: accumulated depreciation	(28,874)	(28,550)
	-	324

Movement in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year:

Balance at the beginning of the financial year	324	1,704
Additions	-	-
Depreciation expense	(324)	(1,380)
Carrying amount at the end of the financial year	-	324

15. TRADE & OTHER PAYABLES

	2014	2013
	$	**$**
CURRENT		
Trade payables	671,299	396,946
Other payables and accruals	114,212	32,688
	785,511	429,634

16. PROVISIONS

	2014	2013
	$	$
Employee benefits	8,159	5,842

17. CONTRIBUTED EQUITY AND RESERVES

	2014	2013
	$	$
CONTRIBUTED EQUITY		
Issued Share Capital		
818,428,308 (2013: 544,916,953) fully paid ordinary shares (a)	13,098,598	12,604,672
RESERVES		
Options premium reserve (b)	141,940	44,500
Available-for-sale reserve (c)	9,449	9,449
	151,389	53,949
(a) Ordinary Shares		
At the beginning of the year	12,604,672	10,780,340
Fully Paid Ordinary Shares issued (fundraising) during the year	33,340	577,084
Fully Paid Ordinary Shares issued (debt settlement) during the year	672,276	1,274,999
Share transaction costs	(211,690)	(27,751)
At the end of the year	13,098,598	12,604,672

	2014 No. of Shares	2013 No. of Shares
Fully Paid Ordinary Shares		
At the beginning of the year	544,916,953	346,691,670
Share based payment @ $0.0164	-	1,516,899
Acquisition of 70% of Paser Pty Ltd and Paser Project @ $0.01	-	125,000,000
Placement @$0.001	-	51,708,384
Placement @$0.003	-	20,000,000
Share based payment @ $0.004	79,296,793	-
Entitlement rights issue (fundraising) @ 0.002	16,670,000	-
Entitlement rights issue (debt settlement) @ $0.002	177,544,562	-
At the end of the year	818,428,308	544,916,953

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

17. CONTRIBUTED EQUITY AND RESERVES (CONTINUED)

(b) Options Premium Reserve

	2014	2013
	$	$
At the beginning of the year	44,500	-
Transfer of options lapsed to accumulated losses	-	-
Options issued (i)	97,440	44,500
At the end of the year	141,940	44,500

OPTIONS EXERCISEABLE AT $0.03 AND EXPIRING ON 30 NOVEMBER 2014	2014 No. of Options	2013 No. of Options
At the beginning of the year	89,500,000	-
Options issued during the year (i)	97,440,291	89,500,000
Options lapsed during the year	-	-
At the end of the year	186,940,291	89,500,000

Nature and purpose of reserve:
The options reserve is used to recognise the fair value of options granted but not exercised.

(i) The options issued during the year to 30 June 2014 are listed options, with the codes PXROA & PXROB.

(c) Available-for-sale asset reserve

	2014	2013
	$	$
At the beginning of the year	9,449	9,449
At the end of the year	9,449	9,449

Nature and purpose of reserve:

The assets classified as available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

18. ACCUMULATED LOSSES

	2014	2013
	$	$
Accumulated losses at the beginning of the year	(12,152,314)	(9,324,467)
Loss attributable to members of the parent entity	(1,522,309)	(2,827,847)
Accumulated losses at the end of the year	(13,674,623)	(12,152,314)

19. CONTROLLED ENTITY

Controlled entities included in the consolidated financial statements are listed below. The financial year end for the controlled entities are the same as the parent entity.

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2014 %	OWNERSHIP INTEREST 2013 %	NON-CONTROLLING INTEREST 2014 %	NON-CONTROLLING INTEREST 2013 %
John Minerals Pty Ltd	Investment	Australia	100	100	-	-
Paser Pty Ltd	Investment	Indonesia	70	70	30	30

20. SEGMENT REPORTING

AASB 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The consolidated entity's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the consolidated entity's operations and allocation of working capital.

Due to the size and nature of the consolidated entity, the Board as a whole has been determined as the chief operating decision maker.

The consolidated entity operates in one business segment and one geographical segment, namely mineral exploration industry. AASB 8: *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The consolidated entity has therefore decided to aggregate all their segments into one reportable operating segment.

The revenues and results of this segment are those of the consolidated entity as a whole and are set out in the statement of comprehensive income. The segment assets and liabilities of this segment are those of the consolidated entity and are set out in the statement of financial position.

21. CASH FLOW INFORMATION

(i) Reconciliation of cash

Cash at the end of the year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows

	2014	2013
	$	$
Cash and cash equivalents		
Cash at bank and cash equivalents	3,096	47,679

	2014	2013
(ii) Reconciliation of loss after income tax to net cash inflow from operating activities	(1,727,671)	(3,371,547)
Depreciation	324	1,380
Impairment of exploration expenditure	684,541	-
Expenses incurred in the year, settled via equity issue	551,443	1,300,500
Impairment of available for sale investments	102,373	-
Interest received settled via share issue	(12,825)	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	(40,885)	672,312
Increase in trade payables relating to operating activities	309,515	171,091
Increase/(decrease) in provisions	2,317	3,847
Net cash from operating activities	(130,868)	(1,222,417)

iii) Significant non cash transactions

During the year ended 30 June 2014, 256,841,355 (2013: 1,516,899) ordinary shares were issued to creditors for a total amount of $672,276 (2013: $25,000) and 6,325,000 (2013: nil) ordinary shares were issued to directors in lieu of director fees. Shares received from Antilles Oil and Gas NL in lieu of interest for Convertible Note totalled $12,825 (2013: $12,825).

iv) Credit facilities

There were no unused credit facilities or credit standby arrangements available to the consolidated entity at balance date.

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

(a) Tenements

	2014	2013
	$	$
Tenements Commitment	.	.
No later than one year	-	-
Longer than one year, but no longer than five years	-	-
Longer than five years	-	-
	-	-

22. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Native Title Claims

Legislation developments and judicial decision (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the "Mabo" and "Wik" cases and Native Title legislation) may have an adverse impact on the consolidated entity's ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the consolidated entity's operations.

The consolidated entity is aware of Native Title claims in respect of ground in which the consolidated entity has an interest. It is possible that further claims could be made in the future. However, the consolidated entity cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the consolidated entity.

23. RELATED PARTY TRANSACTIONS

a) Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 19.

b) Key management personnel remunerations and equity holdings

Details of key remunerations and equity holdings are discussed in Note 5.

c) Transactions with related parties

The following entities have been identified as related parties to Palace Resources Limited during the year:

- Peter Woods Consulting Pty Ltd, a company related to Mr. Peter Woods
- Orequest Pty Ltd, a company related to Mr. Guy Le Page
- Muries Lawyers, a company related to Mr. Ian Murie
- GT Le Page and Associates, a company related to Mr. Guy Le Page
- RM Corporate Finance Pty Ltd, a company related to Guy Le Page

Details of related party transactions

(i) Outstanding balance due from/(to) arising from provision of services:

	2014	2013
	$	$
Trade and other payables:		
Amount payable to:		
- Peter Woods Consulting Pty Ltd	(51,000)	(3,000)
- GT Le Page and Associates	-	(8,600)
- Muries Lawyers	(17,500)	(15,750)
- RM Corporate Finance Pty Ltd	(3,600)	-
- Orequest Pty Ltd	(32,000)	-
	(104,100)	(27,350)

23. RELATED PARTY TRANSACTIONS (continued)

c) Transactions with related parties (continued)

Details of related party transactions (continued)

(ii) Services provided by related parties during the year:

2014	GBU Capital Pty Ltd	AAG Management Pty Ltd	RM Corporate Finance Pty Ltd	Orequest Pty Ltd
Consulting fees (capital raising)	-	-	40,000	110,000

2013	GBU Capital Pty Ltd	AAG Management Pty Ltd
Consulting fees	8,250	22,000

24. LOSS PER SHARE

The loss and weighted number of ordinary shares used in the calculation of basic loss per share is as follows:

Reconciliation of earnings per share to net loss	2014	2013
	$	$
Net Loss	(1,727,671)	(3,371,547)
Weighted average number of ordinary shares outstanding during the year used in calculation of loss per share	625,574,303	488,310,515
Basic loss per share– cents	0.27	0.69

The options outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2014 and 2013.

25. PARENT ENTITY DISCLOSURES

Financial position

The parent entity of the Palace Resources Consolidated Group is Palace Resources Limited.

	PARENT	
	2014	**2013**
	$	**$**
Assets		
Current Assets	150,034	98,232
Non- current assets	124,595	2,108,184
Total Assets	274,629	2,206,416
Liabilities		
Current Liabilities	793,670	435,475
Total Liabilities	793,670	435,475
Net Assets	(519,041)	1,770,941
Equity		
Issued capital	13,098,598	12,604,672
Retained earnings	(13,769,028)	(10,887,680)
Options reserve	141,940	44,500
Financial assets reserve	9,449	9,449
Total equity	(519,041)	1,770,941

Financial performance:

	PARENT	
	2014	**2013**
	$	**$**
Loss for the year of the parent company	(2,881,348)	(1,563,215)
Other comprehensive income	-	-
Total comprehensive income for the financial year	(2,881,348)	(1,563,215)

Palace Resources Ltd has not entered into any guarantees in relations to the debts of its subsidiaries and has no material contingencies or commitment, other than those referred to in other parts of this report.

26. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2014, the Company has issued 3 tranches of shares;

Date of issue	# of shares issued	Price of Shares issued	Total funds raised
22 July 2014	100,000,000	$0.001 each	$100,000
25 July 2014	20,000,000	$0.001 each	$20,000
10 September 2014	70,000,000	$0.001 each	$70,000
Total	1,900,000		$190,000

At a shareholders meeting on 30 August 2014, the shareholder's approved the issue of the on 22 and 25 July 2014. In addition, they approved to the issue of up to 80,000,000 shares (of which 70,000,000 have been issued on 10 September 2014) @$0.001 each and a further 375,000,000 at an issue price of $0.016 each, too which the subscriber is entitled to one free attaching option for each share subscribed for at $0.016 each

Apart from the above, there has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

27. DIVIDEND

There were no dividends paid or declared during or since the end of the financial year.

SOMES COOKE
Profit from our Resources

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West Perth
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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with the governance of Palace Resources Limited

As auditor for the audit of Palace Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Partner

Perth

30 September 2014

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WA 6005

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Independent Auditor's Report
To the members of Palace Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Palace Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Palace Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2 (b).

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2 (e), which indicated that the group made a net loss of $1,707,171 in the year to 30 June 2014. Given that the group's current cash position, we believe that the ability of the Group to continue as a going concern is dependent on the Group securing additional funding through either the issue of further shares or options, convertible notes or entering into negotiations with third parties regarding the sale and or farm out of assets of the Group or a combination thereof.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2014. 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 in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Palace Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
30 September 2014
Perth

ADDITIONAL SHAREHOLDERS INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules were set out below.

1. Equity Security Holders (Current as at 25 September 2014)

The names of the twenty largest holders of quoted equity securities are listed below.

Ordinary Shares

Ranking	Name	Shares Held	% of total shares
1	91 High Nominees Pty Ltd	62,500,000	11.47
2	PT Quadra Mineral Energy	31,250,000	5.74
3	Glenella Pty Ltd <Beh Fund A/C>	31,250,000	5.74
4	Edentower Pty Ltd <The A Scarfo Family A/C>	20,000,000	3.67
5	John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	19,872,474	3.65
6	Spartan Nominees Pty Ltd	18,966,666	3.48
7	Short Nominees Pty Ltd	17,270,000	3.17
8	WA Capital Pty Ltd	17,000,000	3.12
9	Mr Tan Duc Nguyen	14,872,498	2.73
10	Mr Christopher John Morgan-Hunn	12,522,755	2.30
11	Spacetime Pty Ltd <Copulos Exec S/F NO 1 A/C>	10,561,840	1.94
12	Spartan Nominees Pty Ltd <Spartan Super Fund A/C>	9,400,000	1.73
13	Dryca Pty Ltd <Dryca Employees RET/F A/C>	8,500,000	1.56
14	Mr Paul Thomas McGreal	8,500,000	1.56
15	McGee Constructions Pty Ltd <McGorman Super Fund A/C>	7,600,000	1.40
16	Roncio Nominees Pty Ltd	7,500,000	1.38
17	Bluebase Pty Ltd	7,013,724	1.29
18	Glory Run Pty Ltd	6,670,000	1.22
19	Mrs Cynthia Wardman	6,000,000	1.10
20	Goldwells Pty Ltd	5,000,000	0.92
Total of top 20 Shareholders		**322,249,957**	**59.14**

Options

Ranking	Name	Shares Held	% of total shares
1	Edentower Pty Ltd <The A Scarfo Family A/C>	20,000,000	22.35
2	Fay Holdings Pty Ltd	5,000,000	5.59
3	Wisevest Pty Ltd	5,000,000	5.59
4	Wyss Investments Pty Ltd <EKS Office A/C>	3,000,000	3.35
5	Clouday Pty Ltd <Smith Super Fund A/C>	3,000,000	3.35
6	Montreux Pty Ltd <EJ Berry Super Fund A/C>	3,000,000	3.35
7	P Ford Superannuation Pty Ltd <Patrick Ford Super Fund A/C>	2,750,000	3.07
8	Aspiritual Pty Ltd <Aspiritual A/C>	2,500,000	2.79
9	Spartan Nominees Pty Ltd <Spartan Super Fund A/C>	2,500,000	2.79
10	Bluestar Management Pty Ltd	2,250,000	2.51
11	AAG Management Pty Ltd	2,000,000	2.24
12	Mr Peter Robert Woods & Mrs Joyce Lorraine Woods	2,000,000	2.24
13	Westrader Holdings Pty Ltd <Dixie Super Fund A/C>	2,000,000	2.24
14	Short Nominees Pty Ltd	2,000,000	2.24
15	Roland Holger Berzins & Carol Maree Berzins	2,000,000	2.24
16	Mr Ian Barrie Murie & Mrs Tania Murie	2,000,000	2.24
17	Glory Run Pty Ltd	2,000,000	2.24
18	Goldwells Pty Ltd	2,000,000	2.24
19	Mr Terry McInerney & Ms Judy McInerney	1,750,000	1.96
20	Beachfront Ltd	1,000,000	1.12
Total of top 20 Shareholders		**67,750,000**	**75.70**

2. Substantial Shareholders (Current as at 25 September 2013)

Substantial holders of equity securities in the Company are set out below.

Name	Shares held	% of total shares
91 High Nominees Pty Ltd	62,500,000	11.47
PT Quadra Mineral Energy	31,250,000	5.74
Glenella Pty Ltd <Beh Fund A/C>	31,250,000	5.74

3. Distribution of Equity Securities (Current as at 25 September 2013)

Analysis of numbers of equity security holders by size of holdings:

Class of Security – **Ordinary Shares**

Holding Range	Number of shareholders	Number of shares
1 – 1,000	17	1,652
1,001 – 5,000	33	115,446
5,001 – 10,000	84	800,997
10,001 – 100,000	279	12,075,908
100,001 and over	305	531,922,949
Total	**718**	**544,916,952**

Class of Security – **Listed Options**

Holding Range	Number of shareholders	Number of shares
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	51	89,500,000
Total	**51**	**89,500,000**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:

Advanced Share Registry Services Pty Ltd

Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Web: www.advancedshare.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Consolidated Entity's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code PXR.

Registered Office

The registered office of the Consolidated Entity is:	Palace Resources Limited Suite 4, 16 Ord Street WEST PERTH WA 6005
Telephone:	+61 8 9429 2900
Fax :	+61 8 9486 1011
E mail :	info@Palaceresources.com.au
Website :	www.Palaceresources.com.au
Company Secretary:	Roland Berzins

Tenement Status

Project	Tenement	Blocks	Holders
Tanami	EL25207	244	Palace Resources Ltd