

**PALACE RESOURCES LIMITED**

**ABN 74 106 240 475**

**CONSOLIDATED FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2014**

**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 74 106 240 475**

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**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 74 106 240 475**

**DIRECTORS' REPORT**

Your directors present their report on Palace Resources Limited and its controlled entities ("the consolidated entity" or "group") for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

**DIRECTORS**

The names of the directors and officers who held office during or since the end of the half-year are:

Mr Peter Wood	Non Executive Chairman	Appointed 11 July 2012
Mr Guy Le Page	Non Executive Director	Resigned 10 March 2015
Mr Ian Murie	Non Executive Director	Appointed 13 April 2011
Mr Roland Berzins	Non Executive Director	Appointed 10 March 2015
Mr Roland Berzins	Company Secretary	Appointed 27 January 2012

Directors and officers were in office for the entire period and until the date of this report unless otherwise stated.

**DIVIDENDS**

No dividends were paid or declared during the period. No recommendation for the payment of dividends has been made.

**REVIEW AND RESULTS OF OPERATIONS**

The net loss of the consolidated entity after income tax attributable to members for the half-year ended 31 December 2014 amounted to \$432,192 (Half year ended 31 December 2013 a loss of \$1,159,823).

*Operations*

On June 2014, the Company announced that it had formed a joint venture with SilikonRok, a specialist technology company, to assist the Company in the identification and acquisition of technologies that are at an advanced stage of development.

As at 30 September 2014, Palace informed the market that:

- As a result of the SilikonRok investigation, Palace has entered into a head of Agreement with TikForce Pty Ltd (TPL). TPL has created a product suite (TikForce) which is a web and mobile application platform that provides a simple way to track mobile workers, contractors and monitor the productivity and quality of their work;
- Via SilikonRok ,the Company identified Min – Trak, a Zambian incorporated company that provides affordable remote / satellite tracking services for regions with limited or non – existent mobile / cellular coverage.

In December 2014, TPL was able to enter into an agreement with Australia Post whereby Australia Post would provide an identity checking service to the TPL's employment services arm. This will allow companies to find contractors / workers who have the right skills and appropriate qualifications and conditions precedent, having utilized the validation process of such via the Australia Post identification and validation process.

The acquisition of TPL and Min – Trak is subject to shareholders approval, and documentation associated with this is currently being prepared.

**PALACE RESOURCES LIMITED  
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*Issued Capital*

In accordance with the approved resolution by shareholders on 2 September 2014, the Company issued a further 282,187,500 shares and 92,187,500 free attaching options (cumulative value of \$337,500). The purpose of this issue was to apply towards working capital and to fund the identification and evaluation of new opportunities.

**SUBSEQUENT EVENTS**

On 15<sup>th</sup> January 2015, the Company announced that it has completed the Security Sale Agreement with SiliciumRok Pty Ltd, the ultimate holder of TikForce Pty Ltd's entire share capital.

On 30<sup>th</sup> January 2015, the Company has also completed its Due Diligence with respect to the acquisition of Min-Trak and has entered into and completed a Share Sale Agreement with the vendors of Min-Trak. Palace intends to incorporate the Min-Trak technology to enhance its intended purchase of TikForce.

The completion of the acquisition of both Min-Trak and TikForce is subject to shareholders approval, the documents to which are being currently completed.

On 10 March 2015, Mr Guy Le Page resigned as non-executive director of the Company, and Mr Roland Berzins was appointed as a non-executive director of the Company.

Other than those events outlined under the Review of Results and Operations, there are no matters or circumstances that have arisen since the end of the half year period which 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 periods.

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Somes Cooke, to provide the directors of the consolidated entity with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 16 and forms part of this directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



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R H Berzins - Director

Dated this 12<sup>th</sup> day of March 2015, Perth, Western Australia.

**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITY  
ABN 74 106 240 475**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	NOTE	Half Year Ended 31 DECEMBER 2014	Half Year Ended 31 DECEMBER 2013
		\$	\$
<b>Continuing operations</b>			
Other revenue	2	-	6,416
Employee benefit expenses		(513)	(729)
Consulting fees		(121,125)	(101,000)
Compliance and regulatory expenses		(55,674)	(51,689)
Exploration expenses		-	(32,663)
Impairment of deferred exploration assets		-	(684,511)
Impairment of available-for-sale financial assets		(10,091)	(80,547)
Depreciation expense		-	(216)
Director fees		(34,500)	(32,864)
Travel and accommodation expenses		(26,851)	(6,765)
Occupancy expenses		(120,066)	(120,030)
Other expenses		(63,372)	(55,225)
		<hr/>	<hr/>
<b>Loss from continuing operations before income tax expense</b>		(432,192)	(1,159,823)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss for the period</b>		(432,192)	(1,159,823)
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		(432,192)	(1,159,823)
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income for the period attributable to:</b>			
- Members of the parent entity		(426,728)	(954,461)
- Non-controlling interest		(5,464)	(205,362)
		<hr/>	<hr/>
		(432,192)	(1,159,823)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share (cents)		(0.04)	(0.17)

The accompanying notes form part of these financial statements

**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 74 106 240 475**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	NOTE	31 DECEMBER 2014 \$	30 JUNE 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		22,010	3,096
Trade and other receivables	5	287,005	164,022
<b>TOTAL CURRENT ASSETS</b>		<u>309,015</u>	<u>167,118</u>
<b>NON-CURRENT ASSETS</b>			
Other assets		14,991	25,083
Exploration expenditure		112,312	112,312
<b>TOTAL NON-CURRENT ASSETS</b>		<u>127,303</u>	<u>137,395</u>
<b>TOTAL ASSETS</b>		<u>436,318</u>	<u>304,513</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	1,027,329	785,511
Provisions		8,574	8,159
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,035,903</u>	<u>793,670</u>
<b>TOTAL LIABILITIES</b>		<u>1,035,903</u>	<u>793,670</u>
<b>NET LIABILITIES</b>		<u>(599,585)</u>	<u>(489,157)</u>
<b>EQUITY</b>			
Contributed equity	7	13,420,362	13,098,598
Reserves		151,389	151,389
Accumulated losses		(14,101,351)	(13,674,623)
Parent entity interest		(529,600)	(424,636)
Non-controlling interest		(69,985)	(64,521)
<b>DEFICIT IN SHAREHOLDER FUNDS</b>		<u>(599,585)</u>	<u>(489,157)</u>

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Issued Capital	Option Premium Reserve	Available for Sale Asset Reserve	Accumulated Losses	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated 31 December 2014</b>						
Balance at 1 July 2014	13,098,598	141,940	9,449	(13,674,623)	(64,521)	(489,157)
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	-	(426,728)	(5,464)	(432,192)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	(426,728)	(5,464)	(432,192)
<i>Transactions with owners, recorded directly as equity</i>						
Other shares issued	337,500	-	-	-	-	337,500
Costs of capital	(15,736)	-	-	-	-	(15,736)
<b>Total transactions with owners</b>	321,764	-	-	-	-	321,764
<b>Balance as at 31 Dec 2014</b>	<b>13,420,362</b>	<b>141,940</b>	<b>9,449</b>	<b>(14,101,351)</b>	<b>(69,985)</b>	<b>(599,585)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR 31 DECEMBER 2014**

	Issued Capital	Option Premium Reserve	Available for Sale Asset Reserve	Accumulated Losses	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated 31 December 2013</b>						
Balance at 1 July 2013	12,604,672	44,500	9,449	(12,152,314)	140,841	647,148
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	-	(954,461)	(205,362)	(1,159,823)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(954,461)	(205,362)	(1,159,823)
<i>Transactions with owners, recorded directly as equity</i>						
Other shares issued	317,188	-	-	-	-	317,188
Costs of capital	(150,000)	-	-	-	-	(150,000)
Total transactions with owners	167,188	-	-	-	-	167,188
Balance as at 31 Dec 2013	12,771,860	44,500	9,449	(13,106,775)	(64,521)	(345,487)



**PALACE RESOURCES LIMITED  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	NOTE	HALF YEAR ENDED 31 DECEMBER 2014 \$	HALF YEAR ENDED 31 DECEMBER 2013 \$
<b>Cash Flow from Operating Activities</b>			
Interest received		-	6,416
Payments to suppliers and employees		(181,850)	(225,374)
Payment for exploration expenditure		-	(32,663)
		<hr/>	<hr/>
Net cash used in operating activities		(181,850)	(251,621)
		<hr/>	<hr/>
<b>Cash Flow from Investing Activities</b>			
Loans to other entities		(137,000)	-
Loans from other entities		16,000	-
		<hr/>	<hr/>
Net cash used in investing activities		(121,000)	-
		<hr/>	<hr/>
<b>Cash Flow from Financing Activities</b>			
Proceeds from issue of shares		337,500	194,940
Cost of issuing shares		(15,736)	(27,752)
Proceeds from borrowings		-	40,817
		<hr/>	<hr/>
Net cash provided by financing activities		321,764	208,005
		<hr/>	<hr/>
Net increase/(decrease) in cash held		18,914	(43,616)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period		3,096	47,679
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period		22,010	4,063
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

**PALACE RESOURCES LIMITED  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, applicable accounting standards including AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

**Basis of preparation**

The condensed half-year consolidated financial statements have been prepared on the basis of historical cost except for financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as outlined below.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

**Going concern**

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

The consolidated entity had net liabilities of \$599,585 at 31 December 2014, incurred a net loss after tax for the six months ended 31 December 2014 of \$432,192 (six months to 31 December 2013: loss \$1,159,823) and experienced net cash outflows from operating and exploration activities of \$181,850 (six months to 31 December 2013: \$251,621).

Whilst the directors have instituted measures to preserve cash and secure additional finance, they recognise that the Group's ability to continue as a going concern is dependent on its ability to raise additional capital to fund its business plans. Furthermore, the ability of the Group to continue as a going concern is subject to the ability of the Group to successfully develop and commercialise products. The Group is a listed company, and has been successful in raising capital on the ASX in the past. The Company expects to be able to raise additional capital from the Capital market, and on that basis, the directors believe that the going concern basis of the presentation is appropriate.

**PALACE RESOURCES LIMITED  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 –(CONT.)**

Nonetheless, the group's working capital position and other year end financial indicators show a significant uncertainty whether the Group 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 or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

**Significant Accounting Judgements and Key Estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

**Adoption of new and revised Accounting Standards**

The consolidated entity has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. The consolidated entity has decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to consolidated entity accounting policies.

**Change in Accounting Policy**

The consolidated entity has changed its accounting policy relating to the treatments of exploration and evaluation costs for the financial year ending 30 June 2014. Exploration and evaluation costs were previously capitalised, provided the rights to tenure of the area of interest were current and either;

- the exploration and evaluation costs were expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest had not, at the reporting date, reached a stage that permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relation to, the areas of interest was continuing.

The consolidated entity has now elected to expense as incurred all exploration and evaluation costs on areas of interest except for the costs of acquiring leases and other rights of tenure, which are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and either:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relation to, the areas of interest are continuing.

This change to the accounting policy has been implemented as management is of the opinion this will provide more relevant information, and result in more accurate report at the end of the reporting period.

**PALACE RESOURCES LIMITED  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (CONT.)**

**NOTE 2: LOSS FOR THE PERIOD**

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	<b>31 December 2014</b>	<b>31 December 2014</b>
	\$	\$
Interest received	-	6,416

**NOTE 3: 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, namely the mineral exploration industry, and two geographical segments, namely Australia and Indonesia.

<b>FOR THE PERIOD ENDED 31 DECEMBER 2014</b>	<b>Australia \$</b>	<b>Indonesia \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
Segment revenue	-	-	-	-
Segment result	-	(18,213)	(413,979)	(432,192)

**AS AT 31 DECEMBER 2014**

Segment assets	112,312	17,082	306,924	436,318
Segment liabilities	-	2,255	1,033,648	1,035,903

<b>FOR THE PERIOD ENDED 31 DECEMBER 2013</b>	<b>Australia \$</b>	<b>Indonesia \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
Segment revenue	-	-	6,416	6,416
Segment result	-	(684,541)	(475,281)	(1,159,822)

**AS AT 30 JUNE 2014**

Segment assets	112,312	17,082	175,119	304,513
Segment liabilities	-	-	793,670	793,670

**PALACE RESOURCES LIMITED  
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (CONT.)**

**NOTE 4: COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES**

The consolidated entity's commitments continue to be in place. For details of the nature of these commitments, please refer to the 30 June 2014 annual financial report.

The consolidated entity is not aware of any contingent assets and liabilities which existed at the end of the half-year or have arisen as at the date of this report.

**NOTE 5: TRADE AND OTHER RECEIVABLES**

	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
GST receivables	102,921	116,938
Other assets	47,084	47,084
Loan to other entity (i)	137,000	-
	<u>287,005</u>	<u>164,022</u>

(i) Balance as at 31 December 2014 relates to a loan to TikForce Pty Ltd.

**NOTE 6: TRADE AND OTHER PAYABLES**

	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Directors and other related parties	950,669	616,559
Other trade payables	76,660	168,952
	<u>1,027,329</u>	<u>785,511</u>

**NOTE 7: ISSUED CAPITAL**

Fully paid ordinary shares	<b>\$</b>	<b>NO. OF SHARES</b>
Balance as at 30 June 2014	13,098,598	818,428,308
Shares issued at 0.10 cent per share (i)	190,000	190,000,000
Shares issued at 0.16 cent per share (i)	147,500	92,187,500
Cost of capital raising	(15,736)	-
Balance as at 31 December 2014	<u>13,420,362</u>	<u>1,100,615,808</u>

(i) Issued following shareholders approval on 2 Sep 2014

**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 74 106 240 475  
NOTE 8: SUBSEQUENT EVENTS**

On 15<sup>th</sup> January 2015, the Company announced that it has completed the Security Sale Agreement with SiliciumRok Pty Ltd, the ultimate holder of TikForce Pty Ltd's entire share capital.

On 30<sup>th</sup> January 2015, the Company has also completed its Due Diligence with respect to the acquisition of Min-Trak and has entered into and completed a Share Sale Agreement with the vendors of Min-Trak. Palace intends to incorporate the Min-Trak technology to enhance its intended purchase of TikForce.

The completion of the acquisition of both Min-Trak and TikForce is subject to shareholders approval, the documents to which are being currently completed.

On 10 March 2015, Mr Guy Le Page resigned as non-executive director of the Company, and Mr Roland Berzins was appointed as a non-executive director of the Company.

Other than those events outlined under the Review of Results and Operations, there are no matters or circumstances that have arisen since the end of the half year period which 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 periods.

**PALACE RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES  
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**DIRECTORS' DECLARATION**

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory reporting requirements.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with Section 295A of the Corporations Act 2001 for the half year ended 31 December 2014.

This declaration has been made in accordance with a resolution of the directors.

On behalf of the Directors



R H Berzins

Director

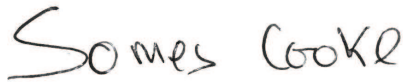
Dated this 12<sup>th</sup> day of March 2015

## Auditor's Independence Declaration

To those charged with the governance of Palace Resources Limited

As auditor for the review of Palace Resources Limited for the period ended 31 December 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 review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Somes Cooke



Nicholas Hollens  
Partner

Perth

12 March 2015



## Independent Auditor's Review Report

To the members of Palace Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Palace Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Palace Resources Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Palace Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Palace Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Palace Resources Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

### *Emphasis of matter – inherent uncertainty regarding continuation as a going concern*

Without modifying our conclusion, we draw attention to note 1 in the financial statements which indicates that the company made a net loss of \$432,192 in the six months ended 31 December 2014, while the company had net liabilities of \$599,585 as at that date.

The ability of the company to continue as a going concern is dependent on the company securing additional funding through the issue of further shares, options or 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.

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

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

12 March 2015

Perth  
Western Australia