

ASX ANNOUNCEMENT

28 May 2015

Palace Appoints Lead Manager Calibre Investments

Palace Resources Limited ("Palace" or "the Company") is pleased to announce the appointment of Calibre Investments as Lead Manager to assist with a planned capital raising to provide the Company with future funding for working capital and to complete the acquisition of Tikforce Pty Ltd (**Tikforce**) and Min-Trak Pty Ltd (**Min-Trak**).

In accordance with the Calibre agreement and the proposed acquisitions of Tikforce and Min-Trak, the Company will seek shareholder approval at a planned general meeting to be held in July 2015, for the following:

- Approval of the proposed acquisition of Tikforce through the purchase of all rights and title in 100% of the issued capital of Misto Nominees Pty Ltd (**Misto**). Note: pursuant to conditional Securities Sale Agreements, SilikonRok Pty Ltd proposes to acquire 100% of the issued capital of Tikforce through its nominee, Misto, and the Company in turn proposes (interdependent and conditional on Misto acquiring Tikforce) to acquire all rights and title in 100% of the issued capital of Misto. The Company has finalized a formal binding agreement for the acquisition of Misto which replaces the existing Securities Sale Agreement between the Company and Siliciumrok Pty Ltd, previously announced on 15 January and 27 February 2015, has been terminated by mutual agreement of all parties.
- Approval of the acquisition of Min-Trak through the purchase of all rights and title in 100% of the issued capital of Min-Trak Pty Ltd as announced on 30 January 2015.
- Approval for the issue of Converting Notes up to the value of \$1,000,000 and approval of conversion of the Converting Notes if required.
- Approval for the consolidation of capital in the Company at a consolidation rate where 100 fully paid ordinary shares will consolidate into 1 single share.
- Approval of the shareholders for the issue of 20,000,000 Options to advisors to the Company.

Securities Sale Agreement

Under the terms of the Securities Sale Agreement entered into between the Company and Misto, the consideration payable by the Company for the acquisition of Misto shall be the same as previously announced to the market, being:

- a) the issue of 30,000,000 Palace Post Consolidation Shares to be distributed amongst the Vendors of Misto; and;
- b) the issue of the following Post Consolidation Convertible Performance Shares on a pro-rata basis amongst the Vendors of Misto:
 - i. 8,000,000 Class A Post Consolidation Convertible Performance Shares (with the same milestones and on the same terms as previously announced on 15 January 2015).

- ii. 12,000,000 Class B Post Consolidation Convertible Performance Shares (with the same milestones and on the same terms as previously announced on 15 January 2015).
- iii. 16,000,000 Class C Post Consolidation Convertible Performance Shares (with the same milestones and on the same terms as previously announced on 15 January 2015).

Under the terms of the Min-Trak Security Sale Agreement (previously announced on 30 January 2015, the consideration payable by the Company for the acquisition of Min-Trak shall be:

- a) the issue of 9,000,000 Palace Post Consolidation Shares to be distributed amongst the Vendors of Min-Trak; and
- b) the issue of the following Post Consolidation Convertible Performance Shares on a pro-rata basis amongst the Vendors of Min-Trak:
 - i. 2,000,000 Class D Post Consolidation Convertible Performance Shares.
 - ii. 2,000,000 Class E Post Consolidation Convertible Performance Shares.
 - iii. 1,000,000 Class F Post Consolidation Convertible Performance Shares.

The Board of Palace believes that the synergy of the Tikforce and Min-Trak technologies will add value to the development of the Tikforce suite of management solutions.

The Tikforce suite currently consists of 4 operational Apps that are multi-platform, cloud based, cost effective and tailored to specific client requirements. When paired together the combined organisation can provide a complete business management solution for organisations and work seekers that integrally support the current changing business environment and labour markets.

Under the Securities Sale Agreements, completion of the acquisitions by Palace of both Tikforce (through the acquisition of Misto) and Min-Trak are subject to various conditions precedent, including all regulatory approvals required by law and the ASX Listing Rules and a number of shareholder approvals. Such conditions precedent include, ASX approving the performance shares proposed to be issued by the Company, shareholders approving the proposed consolidation of the Company's capital structure and a change in nature and scale of activities under Listing Rule 11.1.2, a successful capital raising by the Company to raise at least \$4.5 million (or such other amount that is sufficient to meet the re-compliance requirements under Listing Rule 1.3) and ASX approving the re-compliance of the Company under Chapters 1 and 2 of the ASX Listing Rules and reinstatement of the Company to official quotation on ASX. If the conditions are not satisfied or waived by 30 September 2015 (or such other date extended by the parties) then the parties may terminate the Securities Sale Agreements.

Converting Notes

The Company has undertaken the first stage of its funding arrangements with private equity investors by way of the issue of Converting Notes up to a value of \$1,000,000.

Under these agreements, the Company will have certainty of access to funding in a tight capital market. The investments will be made on the following terms:

- a) Repayment of Loan: The outstanding sums under the Converting Notes can be repaid by the Company as Borrower in cash or in shares at any time prior to the Repayment Date at the election of the Borrower.
- b) Interest Rate: The loan will bear interest at the rate of 10% per annum.
- c) Conversion of Loan: Shareholder approval will be sought at a general meeting proposed to be held in July 2015, to ratify the issue of these Converting Notes. In addition, shareholder approval (if required) will also be sought for mandatory conversion to fully paid (post consolidation) shares in the Company at \$0.05 (5 cents) per share for the outstanding amount of the Converting Notes. This would result in an issue of up to 20,000,000 (post consolidation) fully paid ordinary shares in the capital of the Company.
- d) Effect of Conversion: The issue of the Shares by the Borrower on the Repayment Date will be deemed to have satisfied the Borrower's obligations to repay outstanding sums under the Converting Notes.
- e) Shareholder approval and conversion: The Company will seek approval from its shareholders in general meeting to convert the outstanding amounts under the Converting Notes into Shares.
- f) The note holders do not have the right to convert without Shareholder approval.
- g) Repayment Date: Means 10th March 2017 or on the day the company receives shareholder approval for the conversion of the loan to fully paid ordinary shares.

Further details of the acquisitions of Tikforce and Min-Trak will be provided in a Notice of Meeting and Explanatory Memorandum which is expected to be dispatched shortly.

For further information please contact:

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Company Secretary