

ASX ANNOUNCEMENT

The directors of Palace Resources Ltd (“Palace”, “PXR” or the “Company”) have pleasure in presenting their quarterly report for the period ended 31 December 2015.

Operations Report

December Quarter 2015

Activity

With respect to the Acquisition of TikForce and Min Trak, the Company sought shareholder’s approval for this, and other matters, at a meeting of shareholders on 12 August 2015.

The combined resolutions were overwhelmingly approved by shareholders and the Company is now in the process of completing the capital raising associated with the acquisitions and other matters as approved by shareholders.

The prospectus was lodged with ASIC on 1 October 2015.

Due to the efflux of time, a supplementary prospectus was lodged on 8 January 2016,

On 20 October 2015, TikForce announced that it had entered into a commercial agreement with iSignthis Ltd to provide TikForce clients with a fully automated, digital complementary alternative to the current manual system on offer. The clients will now have the ability to digitally verify the identity of employees, worldwide, at a cost significantly cheaper than the physical process, per identity verified.

Capital Structure

Subsequent to the receipt of shareholder’s approval, and the completion of the consolidation, the following securities are on issue as at 31 December 2015:

- FPO 11,927,979; and
- Options 2,098,775 Exercisable at \$0.200 and expiring 28 Feb 2016.
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Roland Berzins
Company Secretary
29 January 2016

Schedule as per *ASX Listing Rule 5.3.3*

Tenement Status

Project	Location	Tenement	Blocks	Holders	Beneficial percentage interest held in farm out arrangements at the end of the quarter	Beneficial percentage interest held in farm out arrangements acquired or disposed of during the quarter
Tanami	Australia n Northern Territory	EL25207	244	Palace Resources Ltd	10%	Nil

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

PALACE RESOURCES LIMITED

ABN

74 106 240 475

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(1)	(2)
(b) development	-	-
(c) production	-	-
(d) administration	(156)	(204)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(157)	(206)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(117)	(158)
1.11 Loans from other entities	-	-
1.12 Other (Unsecured Loans)	-	-
Net investing cash flows	(117)	(158)
1.13 Total operating and investing cash flows (carried forward)	(274)	(364)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(274)	(364)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from convertible notes	245	348
1.16	Proceeds from borrowings	75	212
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (prospectus costs) (Share applications)	(88)	(194)
		3,453	3,453
	Net financing cash flows	3,685	3,819
	Net increase (decrease) in cash held	3,411	3,455
1.20	Cash at beginning of quarter/year to date	52	8
1.21			
1.22	Cash at end of quarter	3,463	3,463

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

All directors' fees, salaries and superannuation were accrued, no cash payment during the quarter – 1.2

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	45
Total	45

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	10	51
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Share application	3,453	-
Total: cash at end of quarter (item 1.22)	3,463	51

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	11,927,979	11,927,979		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (consolidation)				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,098,775	2,098,775	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 28 February 2016
7.8 Issued during quarter	,-	-		
.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement)

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Roland Berzins Date: 29 January 2016

 (Company secretary)

Print name: Roland Berzins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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