

**PALACE RESOURCES LIMITED**

**ABN 74 106 240 475**

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

**31 DECEMBER 2015**

<b>Contents</b>	<b>Page</b>
<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>6</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>7</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS</b>	<b>9</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>10</b>
<b>DIRECTORS' DECLARATION</b>	<b>15</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>16</b>
<b>AUDITOR'S INDEPENDENT REVIEW REPORT</b>	<b>17</b>

**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 2015. 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 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 OF RESULTS OF OPERATIONS**

The net loss of the consolidated entity after income tax attributable to members for the half-year ended 31 December 2015 amounted to \$1,935 (Half year ended 31 December 2014 a loss of \$432,192).

*Operations*

On 30 September 2014, Palace informed the market that:

- As a result of the SilikonRok investigation, Palace has entered into a Heads 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.

On 12 August 2015, the shareholders of Palace approved the contemplated acquisition of TikForce and Min – Trak plus the necessary changes to the Palace existing nature and scale of business activity and others plus the approval for the issue of shares associated with a capital raising to the minimum value of \$4,500,000 and with the potential to increase this to a maximum value of \$6,500,000.

As a result of the Shareholders approval, the Company has been suspended from official ASX quotation as it complies with the ASX Chapter 1 and 2 Listing Rules and it completes the proposed capital raising by way of Prospectus and Supplementary Prospectus.

*Issued Capital*

On 12 August 2015, the Shareholders approved a consolidation of the existing capital of the Company on a:

- a) Every one hundred Shares to be consolidated into One Share; and
- b) All options on issue to be adjusted in accordance with Listing Rule 7.22.

Post consolidation, the number of securities on issue was:

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

- |   |                 |
|---|-----------------|
| a) Fully paid ordinary shares ("FPO")                     | 11,208,602; and |
| b) Options exercisable at \$0.20 and expiring 28 Feb 2016 | 2,098,775       |

Subsequent to the consolidation and with the approval of shareholders, a further 719,377 FPO were issued to directors and past directors for nil consideration as payment for \$71,938 worth of outstanding directors fees, company secretarial fees and consulting fees.

**SUBSEQUENT EVENTS**

On 8<sup>th</sup> January 2016, the Company lodged a Supplementary Prospectus with ASIC and ASX in accord with seeking an extension of time to complete the capital raising associated with the acquisitions.

On 22 February 2016, the Company extended the closing date of the Supplementary prospectus to 4 March 2016.

On 28 February 2016, 2,097,525 of the Company's options expired. The balance, 1,250 options were converted to fully paid ordinary shares, following the payment of the exercise price of \$0.20 each. This resulted in the issued securities of the Company being :

FPO	11,927,979
Options	Nil

as at the date of this report.

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 2015.

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*.



---

R H Berzins - Director

Dated this 8<sup>th</sup> day of March 2016, Perth, Western Australia.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	NOTE	Half Year Ended 31 DECEMBER 2015	Half Year Ended 31 DECEMBER 2014
		\$	\$
<b>Continuing operations</b>			
Other revenue	2	344,408	-
Employee benefit expenses		(427)	(513)
Consulting fees		(91,680)	(121,125)
Compliance and regulatory expenses		(55,778)	(55,674)
Exploration expenses		(444)	-
Impairment of deferred exploration assets		(940)	-
Impairment of available-for-sale financial assets		(6,640)	(10,091)
Depreciation expense		-	-
Director fees		(52,500)	(34,500)
Travel and accommodation expenses		(32,409)	(26,851)
Occupancy expenses		(60,000)	(120,066)
Other expenses		(45,525)	(63,372)
		<u>                    </u>	<u>                    </u>
<b>Loss from continuing operations before income tax expense</b>		(1,935)	(432,192)
Income tax expense		-	-
		<u>                    </u>	<u>                    </u>
<b>Loss for the period</b>		(1,935)	(432,192)
		<u>                    </u>	<u>                    </u>
<b>Total comprehensive income for the period</b>		(1,935)	(432,192)
		<u>                    </u>	<u>                    </u>
<b>Total comprehensive income for the period attributable to:</b>			
- Members of the parent entity		(1,935)	(426,728)
- Non-controlling interest		-	(5,464)
		<u>                    </u>	<u>                    </u>
		(1,935)	(432,192)
		<u>                    </u>	<u>                    </u>
<b>Basic and diluted loss per share (cents)</b>		(0.02) <sup>1</sup>	(0.67) <sup>1</sup>

1. Following shareholders approval on 12 August 2015, the Company consolidated its shares on a 1 for 100 basis. Immediately post consolidation, the number of FPO on issue was 11,208,602. The comparative figure has been restated.

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 2015**

	NOTE	31 DECEMBER 2015 \$	30 JUNE 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,461,841	8,432
Trade and other receivables	5	750,350	583,488
Other assets		394,052	-
<b>TOTAL CURRENT ASSETS</b>		<u>4,606,243</u>	<u>591,920</u>
<b>NON-CURRENT ASSETS</b>			
Other assets		4,688	11,328
Exploration expenditure		123,176	123,176
<b>TOTAL NON-CURRENT ASSETS</b>		<u>127,864</u>	<u>134,504</u>
<b>TOTAL ASSETS</b>		<u>4,734,107</u>	<u>726,424</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	1,413,222	1,258,464
Provisions		14,349	10,708
Borrowings		857,488	459,988
Share applications received	7	3,453,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,738,059</u>	<u>1,729,160</u>
<b>TOTAL LIABILITIES</b>		<u>5,738,059</u>	<u>1,729,160</u>
<b>NET LIABILITIES</b>		<u>(1,003,952)</u>	<u>(1,002,726)</u>
<b>EQUITY</b>			
Contributed equity	8	13,400,480	13,399,761
Reserves		106,889	106,889
Accumulated losses		(14,441,336)	(14,439,401)
Parent entity interest		(933,967)	(932,751)
Non-controlling interest		(69,985)	(69,985)
<b>DEFICIT IN SHAREHOLDER FUNDS</b>		<u>(1,003,952)</u>	<u>(1,002,736)</u>

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Issued Capital	Option Premium Reserve	Available for Sale Asset Reserve	Accumulated Losses	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated 31 December 2015</b>						
Balance at 1 July 2015	13,399,761	97,440	9,449	(14,439,401)	(69,985)	(1,002,736)
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	-	(1,935)	-	(1,935)
Total comprehensive loss for the period	-	-	-	(1,935)	-	(1,935)
<i>Transactions with owners, recorded directly as equity</i>						
Other shares issued (Note 8)	719	-	-	-	-	719
Total transactions with owners	719	-	-	-	-	719
Minority interests	-	-	-	-	-	-
Balance as at 31 Dec 2015	13,400,480	97,440	9,449	(14,441,336)	(69,985)	(1,003,952)

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR 31 DECEMBER 2015**

	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)
Total comprehensive loss for the period	-	-	-	(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)
Total transactions with owners	321,764	-	-	-	-	321,764
Balance as at 31 Dec 2014	13,420,362	141,940	9,449	(14,101,351)	(69,985)	(599,585)

The accompanying notes form part of these financial statements



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE	HALF YEAR ENDED 31 DECEMBER 2015 \$	HALF YEAR ENDED 31 DECEMBER 2014 \$
<b>Cash Flow from Operating Activities</b>		
Payments to suppliers and employees	(209,981)	(181,850)
Payment for exploration expenditure	(1,384)	-
	<u>(211,365)</u>	<u>(181,850)</u>
<b>Cash Flow from Investing Activities</b>		
Loans to other entities	(158,623)	(137,000)
Loans from other entities	-	16,000
	<u>(158,623)</u>	<u>(121,000)</u>
<b>Cash Flow from Financing Activities</b>		
Proceeds from shares applications	3,453,000	-
Proceeds from issue of shares	-	337,500
Cost of issuing shares	(194,494)	(15,736)
Proceeds from convertible notes	352,045	-
Proceeds from borrowings	212,846	-
	<u>3,823,397</u>	<u>321,764</u>
Net cash provided by financing activities	<u>3,823,397</u>	<u>321,764</u>
Net increase in cash held	3,453,409	18,914
Cash and cash equivalents at the beginning of the period	<u>8,432</u>	<u>3,096</u>
Cash and cash equivalents at the end of the period	<u><u>3,461,841</u></u>	<u><u>22,010</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**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 2015 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 \$1,003,952 at 31 December 2015 (30 June 2015 Net Liabilities \$1,002,736), incurred a net loss after tax for the six months ended 31 December 2015 of, \$1,935 and experienced net cash outflows from operating activities of \$211,365 for six months to 31 December 2015.

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 – (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 2015. 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 - (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 2015</b>	<b>31 December 2014</b>
	\$	\$
Debt Forgiveness (i)	273,190	-
Gain on fair value of shares	71,218	-
	<u>344,408</u>	<u>-</u>

(i) Trade receivables relating to companies of related directors were forgiven during the period.

**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 2015</b>	<b>Australia \$</b>	<b>Indonesia \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
Segment revenue	344,408	-	-	344,408
Segment result	-	-	(1,935)	(1,935)
<b>AS AT 31 DECEMBER 2015</b>				
Segment assets	123,176	17,083	4,593,848	4,734,107
Segment liabilities	-	2,255	5,735,804	5,738,059
<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)
<b>AS AT 30 JUNE 2015</b>				
Segment assets	123,176	17,083	586,165	726,424
Segment liabilities	-	2,255	1,726,905	1,729,160

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 - (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 2015 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 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
GST receivables	130,074	121,835
Other assets	47,084	47,084
Loan to other entity (i)	573,192	414,569
	<u>750,350</u>	<u>583,488</u>

- (i) Balance as at 31 December 2015 relates to a loan to TikForce Holdings Pty Ltd and Min –Trak Pty Ltd.

**NOTE 6: TRADE AND OTHER PAYABLES**

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Trade Payables	1,037,512	1,097,310
Other trade payables and accruals	375,710	161,154
	<u>1,413,222</u>	<u>1,258,464</u>

**NOTE 7: SHARE APPLICATIONS RECEIVED**

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Share applications received	3,453,000	-
	<u>3,453,000</u>	<u>-</u>

**NOTE 8: ISSUED CAPITAL**

	<b>\$</b>	<b>NO. OF SHARES</b>
Fully paid ordinary shares		
Balance as at 30 June 2015	13,399,761	1,120,865,808
Consolidation (1:100 rounded down)	-	(1,109,657,206)
Balance following consolidation	<u>13,399,761</u>	<u>11,208,602</u>
Share in Lieu - Shareholder approved 12 August 2015	719	719,377
Balance as at 31 December 2015	<u>13,400,480</u>	<u>11,927,979</u>

**Options**

As at 31 December 2015, the Company had on issue 2,098,775 options. The options had an exercise price of \$0.20 each and an expiry date of 28 February 2016.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 - (CONT.)**

**NOTE 8: SUBSEQUENT EVENTS**

On 8<sup>th</sup> January 2016, the Company lodged a Supplementary Prospectus with ASIC and ASX in accord with seeking an extension of time to complete the capital raising associated with the acquisitions.

On 22 February 2016, the Company extended the closing date of the Supplementary prospectus to 4 March 2016.

On 28 February 2016, 2,097,525 of the Company's options expired. The balance, 1,250 options were converted to Fully paid ordinary shares, following the payment of the exercise price of \$0.20 each. This resulted in the issued securities of the Company being :

FPO	11,929,229
Options	Nil

as at the date of this report.

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.

**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 2015 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 2015.

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

On behalf of the Directors



R H Berzins

Director

Dated this 8<sup>th</sup> day of March 2016

## 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 half-year ended 31 December 2015, 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*

SOMES COOKE

*Nicholas Hollens*

Nicholas Hollens  
Partner

Perth

8 March 2016



## 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 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the 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 the company are responsible for the preparation of the half-year 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 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 the company's financial position as at 31 December 2015 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 the company's financial position as at 31 December 2015 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 \$1,935 in the six months ended 31 December 2015, and the company had net liabilities of \$1,003,952 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.

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  
Partner

8 March 2016

Perth  
Western Australia