

## ASX Announcement

28 October 2010

The directors of Palace Resources Ltd (“Palace” or the “Company”) have pleasure in presenting their quarterly report for the period ended 30 September 2010.

### Company Profile

Palace is an Australian based resources company focused on exploration and investment opportunities across the resources sector.

The Company has current landholdings in the North West of the Northern Territory and the Nabberu basin in Western Australia.

### Corporate

The current shareholding of the Company is:

- 160,347,706 fully paid ordinary shares;
- 37,283,858 options, exercisable at \$0.20 each and expiring on 30 June 2012; plus
- 123,057,896 options, exercisable at \$0.06 each and expiring on 30 June 2012.

During the quarter the Company did not issue any securities.

The directors take this opportunity to also advise that they have made a significant announcement in October 2010, concerning the potential to acquire an Indonesian coal asset.

- Palace Resources set to acquire a 75 per cent stake in extensive coal exploration projects in West Papua province, Indonesia
- The tenements cover approximately 1,970sqkm in an under-explored region and extend right up to an existing natural deep water port currently used for timber exports
- The tenements are immediately along strike from extensive coal outcrop on neighbouring tenements. This includes a 2.5m outcrop of high-grade, semi-soft metallurgical coal

- Numerous coal outcrops seen on the leases to be acquired by Palace
- Two geologists already on site, three more to arrive next week to collect samples for metallurgical test work
- Aggressive drilling campaign involving up to seven rigs to start in mid-November as part of strong push to establish a maiden JORC resource within six months
- The transaction is subject to due diligence at the absolute discretion of Palace as well as shareholder and relevant regulatory approvals to be considered at a General Meeting in late 2010.
- Discussions are underway with West Papuan authorities to upgrade the port to a bulk-loading port that has an unimpeded navigational lane to the Pacific Ocean;
- Experienced coal industry executive Frederik Suhren to be Palace Managing Director.

## **Operations**

### **Tanami**

As previously announced, the Company has entered into an exploration joint venture with Excalibur Mining Corporation Ltd (ASX Code: EXM) (“Excalibur”) in the Company’s Tanami tenements. Excalibur is the operator of the JV and earns its 90% interest in the tenements via 100% funding of the program, as previously detailed.

During the June 2010 quarter, drilling commenced on the tenement EL 25207.

The tenements are considered prospective for uranium and/or gold, and a program of 100,000 metres of shallow RAB drilling is anticipated to be completed in the first quarter of the 2010 / 2011 year pursuant to a strategy to locate and evaluate economic mineral deposits thereof.

The in-field program has been completed. The RAB rig and site infrastructure has been demobilized. A total of 267 holes for 8,760 metres has been undertaken on 9 targets which had been identified from previous airborne geophysics as having potential for potential economic deposits.

Results from the in-field sampling for non gold mineralization using the x-ray florescence gun and the geological logging will be compiled and assessed. Composite samples to be assayed from targets 4-9 have been sent to the laboratory for assaying.

Gold assay results from the initial batches of composite samples have been received and returned no anomalous gold intersections.

The Company’s joint venture partner, Excalibur Mining Corporation Ltd, who are the operators of the drilling program, will undertake a review of the potential to assay for other minerals.

With regard to the other tenements, E26697, E 26698 and E 26699 held in the Tanami region, the Company has conducted field work but at the time of this report, no results had been received from the samples taken.

Roland Berzins

Company Secretary

# 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")

30 September 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(14)	(14)
(b) development	-	-
(c) production	-	-
(d) administration	(355)	(355)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(366)</b>	<b>(366)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(32)	(32)
(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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(32)</b>	<b>(32)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(398)</b>	<b>(398)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(398)	(398)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(398)	(398)
1.20	Cash at beginning of quarter/year to date	607	607
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	209	209

**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	20
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of consulting fees, directors' salaries and superannuation during the quarter.

**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

N/A

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

N/A

+ 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	15
4.2 Development	
4.3 Production	
4.4 Administration	150
<b>Total</b>	<b>165</b>

**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	209	607
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>209</b>	<b>607</b>

**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		

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**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	160,347,706	160,347,706		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	37,283,858 123,057,896	37,283,858 123,057,896	<i>Exercise price</i> 20 cents 6 cents	<i>Expiry date</i> 30/06/2012 30/06/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

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