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ASX Announcement

30 July 2010

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

Company Profile

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

Corporate

Capital

The current shareholding of the Company is 160,347,706 fully paid ordinary shares and 160,341,754 options. All options expire on 30 June 2012, although 37,283,858 options have an exercise price of 20 cents each and 123,057,896 have an exercise price of 6 cents each. These options are traded separately on the ASX.

Board of Directors

Mr. Lloyd Flint was appointed a director of the Company on 15 June 2010.

Mr Flint is a chartered Accountant with over 20 years experience in the corporate and financial services arena. He has held a number of management and senior administrative positions as well as providing corporate advisory services as a consultant to corporate clients.

Mr Flint graduated from the University of Zimbabwe with a Bachelor of Accounts and has a graduate certificate in Financial Planning (FINSIA), plus a MBA (Manchester School of Business, UK)

The board of director also announce the resignation of Mr Robert Hyndes as a director of the Company. The Company would like to take this opportunity to thank Mr Hyndes for his commitment and service to the Company during his period of directorship and during the period of the Company’s refinancing.

Operations

Tanami

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.

Appendix 5B
Mining exploration entity quarterly report

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

The tenements are considered prospective for unconformity style uranium and / or gold mineralisation, 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.

No results have been received as yet.

Roland Berzins

Company Secretary

Information in this report pertaining to mineral resources and exploration results was compiled by Mr. J Jordan who is a member of Aus.I.M.M. Mr. J Jordan has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' Mr. J Jordan consents to the inclusion in the report of the matters based on his information in the form and context which it appears.

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 June 2010

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12.....months) \$A'000 |
|--|----------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 0 | 1 |
| 1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration | (41) (332) | (47) (917) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 6 | 18 |
| 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 | (367) | (945) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | (75) | (75) |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | | |
| 1.10 Loans to other entities | (250) | (250) |
| 1.11 Loans repaid by other entities | | 88 |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | (325) | (237) |
| 1.13 Total operating and investing cash flows (carried forward) | (692) | (1,182) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (692) | (1,182) |
| Cash flows related to financing activities | | | |
| 1.14 | Net Proceeds from issues of shares, options, etc. | 612 | 1,434 |
| 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 (provide details if material) | | |
| | Net financing cash flows | 612 | 1,434 |
| | Net increase (decrease) in cash held | (80) | 252 |
| 1.20 | Cash at beginning of quarter/year to date | 687 | 355 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 607 | 607 |

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 | 66 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | Nil |

1.25 Explanation necessary for an understanding of the transactions

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

| Amount available \$A'000 | Amount used \$A'000 |
|-----------------------------|------------------------|
| | |

+ See chapter 19 for defined terms.

| | | | |
|-----|-----------------------------|--|--|
| 3.1 | Loan facilities | | |
| 3.2 | Credit standby arrangements | | |

Estimated cash outflows for next quarter

| | | |
|--------------|----------------------------|------------|
| | | \$A'000 |
| 4.1 | Exploration and evaluation | 25 |
| 4.2 | Development | |
| 4.3 | Production | |
| 4.4 | Administration | 150 |
| Total | | 175 |

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 | 607 | 687 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 607 | 687 |

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 | 160,347,706 | 160,347,706 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 45,204,263 | 45,204,263 | 1.20 | 1.20 |
| 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> | 37,283,858 123,057,896 | 37,283,858 123,057,896 | <i>Exercise price</i> 20.0c 6.0c | <i>Expiry date</i> 30 June 2012 30 June 2012 |
| 7.8 Issued during quarter | 99,000,000 9,734,749 | 99,000,000 9,734,749 | 6.0c 6.0c | 30 June 2012 30 June 2012 |
| .9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:R Berzins..... Date:30 July 2010
(Director/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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