

ASX ANNOUNCEMENT

24 October 2011

PALACE RESOURCES IS APPROACHED TO EXTEND ITS AREA OF INTEREST IN WEST SUMATRA

Perth, Western Australia (Palace Resources Ltd) (ASX: PXR) is pleased to announce that it has been approached and is in discussions with the owner of the IUP immediately to the south of the Lumpo Project regarding the establishment of a Joint Venture.

The permit comprises a coal production permit (*IUP operasi/ produksi*) over 192 Ha and an exploration permit (*IUP explorasi*) of 1,686 Ha. Palace Resources has carried out an initial investigation to confirm mine ownership to ensure that Palace is dealing with the mine owner which has come back positive.

It is understood that the coal is of a similar calorific value as the Lumpo coal, ie greater than 6,500 kcal/kg.

In the event that Palace concludes an agreement with the owner, Palace would aim to extend its technical due diligence drilling to the neighbouring lease with a view to commencing a small production off take in early 2012.

This recent approach gives Palace Resources a further prospect to bolster the current exploration program being undertaken on Lumpo as well as increasing its commitment in the area.

Yours faithfully



Nicholas Clark
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About Palace Resources

Palace Resources' goal is to create a sustainable exploration and development business focussed on resource opportunities in the Indonesian resource rich region. Palace has a strong management team which has a track record of acquiring and developing mineral projects in the Asia Pacific region. Palace is aggressively exploring and developing resources in the south-east Asia region, particularly in Indonesia.

For more information visit www.palaceresources.com.au