

## ASX ANNOUNCEMENT

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31 October 2011

The directors of Palace Resources Ltd (“Palace” or the “Company”) have pleasure in presenting their quarterly report for the period ended 30 September 2011.

### Company Profile

Palace is an Australian based Resources Company focused on exploration and later production as well as investment opportunities across the international resources sector, in particular Indonesia.

Palace is strategically aligned to secure projects that are located in close proximity to all key infrastructure and support services which present Palace with the opportunity to take advantage of both the internal markets of South-East Asia and the export markets.

### Operations

#### West Sumatra

In August Palace secured a four month right to negotiate a joint venture on a prospective coal project in West Sumatra, Indonesia. As part of the Due Diligence program Palace commenced drilling to confirm both previous drilling on the Izin Usaha Pertambangan (“IUP”) and test earlier reconnaissance rock chip samples. The key points of the potential target are;

- Production license covers 922.7 hectares (ha) anticipated to be able to produce up to 10,000 tonnes per month immediately
- Only 28 ha of the IUP has been drilled representing just under 3% of the IUP area
- Samples analysed by the Vendor has returned several samples of high quality coal with elevated calorific values and low moisture/sulphur content.

In September our technical team conducted further site visits to the proposed coal project to survey and confirm IUP boundaries, collect additional samples, confirmation of the status of stockpiles and loading facilities at Painan Port and meet with local community elders and Bupati.

Palace had an exciting result in mid September with completion of the legal Due Diligence program and confirmation that the permit holder has obtained a Mining License for Operation and Production of Coal at Painan in the Regency of Pesisir Selatan in West Sumatra. The IUP gives the permit holder the right to conduct the activities of construction, production, hauling, sale and refining in the Mining Area.

The IUP has been confirmed as listed with the Status Clear and Clean on the “List of Clear and Clean IUP’s” published by the Directorate General of Mineral and Coal and that the IUP is therefore deemed valid. With a draft Memorandum of Understanding (MOU) in the hands of the permit holder for consideration, Palace has scheduled its drilling/exploration program to commence middle of November with preliminary results of the first 10 holes approximately scheduled for December with the further 40 holes being completed in January/February.

A detailed list of company announcements can be found on the website or through the ASX

## **West Papua**

In 2010, Palace announced the proposed acquisition of a 75% interest in 1,970 km<sup>2</sup> of tenements in West Papua province of Indonesia.

Palace is still not comfortable with the Due Diligence on this project and Palace is carefully and concisely establishing its next steps on West Papua.

## **Tanami Project**

Palace currently holds a granted exploration licence and has applications for other licences between Browns and Supplejack Ranges, 70 kilometres north of Tanami and 700 kilometres northwest of Alice Springs in the Northern Territory.

## **Corporate**

During the quarter Palace appointed Nicholas Clark to the role of Managing Director. Nick joins Palace with a vast amount of experience in Indonesia and speaks both Bahasa and some Mandarin. He was born, raised and educated in Jakarta until the age of 11 and returned there in 1998 to work for an Indonesian commercial organisation.

Nick’s qualifications in Law, Economics and as a CPA (AI) along with his intuitional, banking and investor relations experience provide a theoretical understanding to support his practical experience. Nick’s capability, contacts and understanding of Indonesia as well as his time working and operating in regions such as China and the US strengthen Palace’s commercial position.

Through the efforts of Nick Clark, Palace began the process of joining the OTCQX which is a premier tier of the OTC market in the U.S. In particular the OTCQX allows international companies a visible presence in the U.S. to help build investor confidence and expand their shareholder base. Palace has appointed The Lebrecht Group, APLC, Salt Lake City, Utah and Irvine, California USA to be its principal American Liaison and provide guidance on the international requirements set by the OTCQX. In addition to this Spartan Securities based out of St Petersburg, Florida USA has also been appointed by Palace as the Company’s sponsor and market maker for the OTCQX.

It is estimated that the OTCQX quotation should be effective early November.

A handwritten signature in black ink, appearing to read "Roland Berzins".

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 2011

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(57)	(57)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(336)	(336)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	12
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>(381)</b>	<b>(381)</b>
<b>Cash flows related to investing activities</b>			
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	1
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	19	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>20</b>	<b>20</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(361)</b>	<b>(361)</b>

1.13	Total operating and investing cash flows (brought forward)	(361)	(361)
	<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 (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(361)	(361)
1.20	Cash at beginning of quarter/year to date	1,527	1,527
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,166	1,166

**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	12
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 directors' fees, 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

## 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	120
4.2 Development	-
4.3 Production	-
4.4 Administration	350
<b>Total</b>	<b>470</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	166	227
5.2 Deposits at call	1,000	1,300
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,166</b>	<b>1,527</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			

## 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				
7.2				
7.3	301,471,017	301,471,017		
7.4				
7.5				
7.6				
7.7	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				
7.9				
7.10				
7.11				

7.12	<b>Unsecured notes</b> ( <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: .....Nicholas Clark.....Date: 31 October 2011  
(Managing Director)

Print name: Nicholas Clark

## 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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