

ASX ANNOUNCEMENT

Preparation for Commencement of Mining on KCM Project

As per Palace's announcement of 19 May 2013, the Company is completing the terms of the MOU with PT. Solusi Coalindo with respect to a potential coal production agreement.

The subject of the MOU is PT. Solusi Coalindo's 100% interest in a coal exploration project (KCM Project) which comprises approx. 200 hectares, which in turn is part of a larger 4,000 hectare Coal Contract of Works (CCOW)

Drilling activity associated with a complete Due Diligence program is still on-going.

As part of the continuing relationship building between the parties, the vendors have negotiated an off-take agreement with an independent third party, which will necessitate the commencement of a restriping process, with a view to commence mining of coal on the KCM project next month. As part of the off-take agreement, the KCM project will deliver 8,000 tonnes by the end of July 2013.

Under this off-take / sale agreement, the vendors will receive a prepayment for 50 % of the negotiated value of the coal to be delivered in the following month with the balance, including under and over provisions with respect to specifics associated with the final product, at the completion of the transaction.

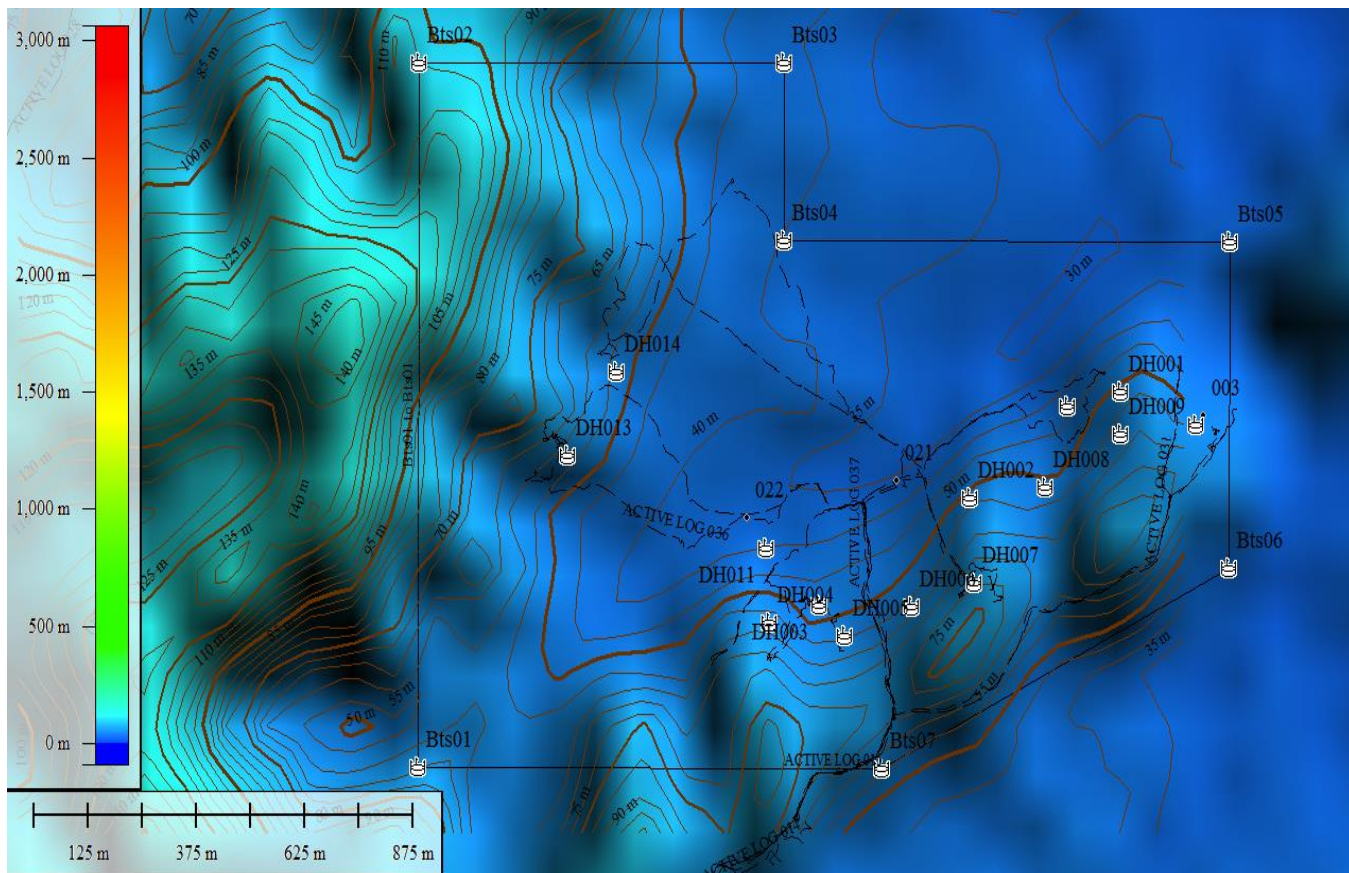
The vendor has undertaken to complete the mining operations as part of the MOU and will commence in the area running from drill hole #2 to drill hole #7.

This aspect of the KCM project, the actual operational activity and resultant sale of product, is being incorporated into the contract of sale and viewed by the directors as a significant sign of the unity between the vendor and the Company in striving to improve the Company's shareholder value.

Palace will continue to keep shareholders informed as to material developments regarding this project and continue to evaluate other projects in the Kalimantan region.

Roland Berzins
Company Secretary

28 June 2013



Control details associated with the drilling programme

PLAN BOR LOCATION SPK KCM- INDOMINERAL				
No	Hole ID	Koordinat		Total depth
		Easting	Northing	(m)
1	DH001	285478	9630310	150
2	DH002	285131	9630114	150
3	DH003	284785	9629915	150
4	DH004	284670	9629885	50
5	DH005	284844	9629860	50
6	DH006	284997	9629915	50
7	DH007	285141	9629958	50
8	DH008	285305	9630133	50
9	DH009	285478	9630231	50
10	DH010	285652	9630248	50
11	DH011	284661	9630020	50
12	DH012	285357	9630282	50
13	DH013	284205	9630190	50
14	DH014	284318	9630343	50
<u>TOTAL</u>				<u>1,000</u>