

---

**PALACE RESOURCES LIMITED**

**ACN 106 240 475**

---

**NOTICE OF GENERAL MEETING**

**A General Meeting of the Company will be held at Suite 4, 16  
Ord Street West Perth, Western Australia at 10:00AM 16  
October 2013 (WST)**

---

*This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please contact the Company Secretary on (08) 9429 2900.***

---

**CONTENTS PAGE**

---

Business of the Meeting (setting out the proposed resolutions)	1
Explanatory Memorandum (explaining the proposed resolutions)	9
Definitions	43
Schedule 1	44
Schedule 2	45
Proxy Form	End

---

**IMPORTANT INFORMATION**

---

**TIME AND PLACE OF MEETING**

---

Notice is given that the general meeting of Shareholders of Palace Resources Limited to which this Notice of Meeting relates will be held at Suite 4, 16 Ord Street West Perth, Western Australia at **10:00AM 16 October 2013 (WST)**.

**YOUR VOTE IS IMPORTANT**

---

The business of the Meeting affects your shareholding and your vote is important.

**VOTING ELIGIBILITY**

---

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 10.00am (WST) at 10:00AM 14 October 2013 (WST)

**VOTING IN PERSON**

---

To vote in person attend the Meeting at the time, date and place set out above.

**VOTING BY PROXY**

---

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

The accompanying Explanatory Statement and the Proxy and voting instructions form part of this Notice of Meeting.

Dated 13 September 2013

By Order of the Board

Mr Roland Berzins

Company Secretary

---

# PALACE RESOURCES LIMITED

A C N 1 0 6 2 4 0 4 7 5

---

## NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Palace Resources Limited (**Company** and/or **Palace**) will be held at Suite 4, 16 Ord St West Perth, WA at 10:00AM 16 October 2013 (WST) (**Meeting**).

The Explanatory Memorandum to this Notice of General Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 14 October 2013 at 10.00am (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in the 'Definitions' section of the Explanatory Memorandum.

### AGENDA

---

## 1. Resolution 1 – Change to Nature and Scale of Activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 2 to 5 (inclusive), for the purpose of ASX Listing Rule 11.1.2 and of the Corporations Act and for all other purposes, approval is given for the Company to acquire 80% of the issued capital in a Singapore incorporated company ('Kalimantan Mining and Logistics Pte Ltd '), which holds 100% interest in the Kalimantan Project (Project), on the terms and conditions set out in the Explanatory Statement and to consequently make a significant change in the nature and scale of its activities.”*

#### **Short Explanation:**

ASX has advised the Company that it is required to seek Shareholder approval to change the nature and scale of its activities by acquiring an interest in Kalimantan Mining and Logistics Pte Ltd .

ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature or scale of its activities

ASX has also advised the Company that it will not be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3.

#### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a shareholder, if this Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy

Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As Resolutions 1, 3,4 and 5 are inter-conditional, votes which are disregarded on Resolutions 3 to 5 will also be disregarded on Resolution 1.

---

## 2. Resolution 2 – Section 195 approval

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) of the Corporations Act and for all other purposes, the Directors are hereby approved and authorised to complete the transactions as contemplated in this Notice."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any of the Directors or Proposed Directors (or any of their associates). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Short Explanation:** Approval of Resolutions the various resolutions may result in the Directors or the Proposed Directors having a "material personal interest" in the Option Placement and/or the Share Placement and other matters referred to in this Notice. In the absence of this Resolution, the Directors may not be able to form a quorum at any meetings necessary to carry out various transactions contemplated by this Notice.

---

## 3. Resolution 3 - Issue of vendor securities to acquire an 80% interest in the Kalimantan Mining & Logistics Pte Ltd

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to Resolution 1, 4 and 5 being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, the Company be authorised to allot and issue 200,000,000 Ordinary Shares & 250,000,000 Convertible Performance Shares(**Vendor Shares**) to Kalimantan Mining & Logistics Pte Ltd (**Kalimantan**) (or their nominees) (**Vendors**) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who (and any associates of such a person) may participate in the issue of the Vendor Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (ii) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

**Subject to the passing of resolution 1, 2 and 3, the Company will seek shareholders' approval to raise up to \$1.4 Million.**

The method that the Company will use to raise these monies is by way of:

- (a) a Share Placement of securities to the value of \$700,000;
- (b) the issuing of Convertible Notes to the value of \$700,000;

such that the funds that are raised delivers to the Company the maximum net proceeds from the raising, but not exceeding the sum of \$1.4million.

---

**4. Resolution 4 – Approve to issue securities to raise up to \$700,000 or part thereof.**

To propose and, if thought fit, pass the following resolution as an **ordinary resolution**:

*“That, subject to resolutions 3 and 5 (inclusive) being passed, for the purpose of listing rule 7.1 and for all other purposes, shareholders' approval is given for the capital raising of an aggregate amount up to \$700,000, or part thereof, via the allotment and issue of up to 175M securities on the terms and condition in the Explanatory Memorandum (**Share Placement**);”*

**Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the issue of the Shares and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- (i) It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- (ii) It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 4 will be to allow the Company to issue the securities, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

## 5. Resolution 5 – Approve to issue Convertible Notes to raise up to \$700,000 or part thereof.

To propose and, if thought fit, pass the following resolution as an **ordinary resolution**:

*“That, subject to resolutions 3 and 4 (inclusive) being passed for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to a maximum of 700,000 Convertible Notes with an aggregate face value of up to \$700,000 and otherwise on the terms and conditions set out in the Explanatory Statement” (“Note Issue”)*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the issue of the Convertible note placement and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- (i) It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- (ii) It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 5 will be to allow the Company to issue the Convertible Notes pursuant to the Note Issue, without using the Company’s 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

## 6. Resolution 6 – Ratification of prior issue of Shares to Edentower Pty Ltd <ATF the A Scarfo family Trust>

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 20,000,000 Shares and 20,000,000 options on the terms and conditions set out in the Explanatory Statement.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 6 will be to allow the Company to issue securities, without using the Company’s 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

## **7 Resolution 7 – Issue Of Securities To RM Corporate Finance In Respect Of Debt Financing Agreement Fee**

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

*“That for the purposes of ASX Listing Rule 10.11, Chapter 2E and for all other purposes, approval is given for the Directors to issue and allot 37,500,000 shares to RM Corporate Finance, (each share having a deemed value of \$0.004 (0.4 cents)), on the terms and conditions set out in the Explanatory Statement.”*

### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr. Guy T Le Page and any Associate of his. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

---

## **8. Resolution 8 – Approval of Issue of Shares to Mr. Ian Murie (and / or nominee) in lieu of directors fees**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E and for all other purposes, approval is given for the Directors to allot and issue 4,125,000 Shares (each at a deemed price of \$0.004) to Mr Ian Murie (or his nominee) in lieu of Directors fees payable to Mr. Ian Murie on the terms and conditions set out in the Explanatory Memorandum.”*

### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr. Ian Murie and any Associate of his. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

---

## **9. Resolution 9 – Approval of Issue of Shares to Mr. Guy T Le Page (and / or nominee) in lieu of directors fees**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E and for all other purposes, approval is given for the Directors to allot and issue 2,200,000 Shares (each at a deemed price of \$0.004) to G T Le Page (or his nominee) in lieu of Directors fees payable to Mr. Guy T Le Page on the terms and conditions set out in the Explanatory Memorandum.”*

### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr. Guy T Le Page and any Associate of his. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a

person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

---

## **10. Resolution 10 – Approval of issue of Shares in Lieu of Consulting Fees – Varndell and Associates**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue 8,165,625 securities to Varndell & Associates (and or their nominees) (each at a deemed issue price of A\$0.004) in lieu of services and consultancy associated with geological services, on the terms and conditions set out in the Explanatory Statement”.*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Varndell (and any associates of Mr Varndell) who may participate in the issue of the issue of securities and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- i. It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- ii. It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 10 will be to allow the Company to issue securities, without using the Company’s 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

## **11. Resolution 11 – Approval of issue of Shares in Lieu of Consulting Fees – Fay Holdings Pty Ltd**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue 8,056,167 securities to Fay Holdings Pty Ltd (and or their nominees) (each at a deemed issue price of A\$0.004) in lieu of consultancy associated with corporate services, on the terms and conditions set out in the Explanatory Statement”.*

### **Voting Exclusion**



The Company will disregard any votes cast on this Resolution by Fay Holdings Pty Ltd (and any associates of Fay Holdings) who may participate in the issue of the issue of securities and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- i. It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- ii. It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 11 will be to allow the Company to issue securities, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

## **12. Resolution 12 – Approval of issue of Shares in Lieu of Consulting Fees – Spartan Nominees Pty Ltd**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue 13,750,000 securities to Spartan Nominees Pty Ltd (and or their nominees) (each at a deemed issue price of A\$0.004) in lieu of consultancy services associated with corporate services, on the terms and conditions set out in the Explanatory Statement”.*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Spartan Nominees (and any associates of Spartan Nominees) who may participate in the issue of the issue of securities and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- i. It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- ii. It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 12 will be to allow the Company to issue securities, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

### **13. Resolution 13 – Approval of issue of Shares in Lieu of Consulting Fees – Sealblue Investments Pty Ltd**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue 5,500,000 securities to Sealblue Investments Pty Ltd (and or their nominees) (each at a deemed issue price of A\$0.004) in lieu of consultancy associated with corporate services, on the terms and conditions set out in the Explanatory Statement”.*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Sealblue Investments Pty Ltd (and any associates of Sealblue investments) who may participate in the issue of the issue of securities and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- i. It is cast by the person as a proxy for a person who is entitled to vote, in accordance with direction on the Proxy Form; or
- ii. It is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The effect of Resolution 13 will be to allow the Company to issue securities, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

---

#### **BY ORDER OF THE BOARD**

Roland Berzins  
Company Secretary  
Dated: 13 September 2013

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 4, 16 Ord St West Perth, Western Australia on 16 October 2013 (WST) at 10.00am (WST)

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

---

### 1. Action to be taken by Shareholders

Shareholders should read the Notice and Explanatory Memorandum carefully before deciding how to vote on the Resolution.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative ("**proxy**") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

---

### 2. Summary of the Acquisition Transaction

#### (1) Background

By way of background:

- (a) The Company was incorporated on 8 September 2003 as "Mt Dimer Gold Mines Limited". On 14 December 2005, the Company changed its name to "Palace Resources Limited". The Company was admitted to the official list of ASX on 15 December 2006. On 30 November 2011, the company changed its name to "Padang Resources Limited". On 7 January 2013, the company changes its name back to "Palace Resources Limited". The current principal activities of the Company are the acquisition and development of mineral exploration and mining opportunities in Australia and overseas.
- (b) In Australia
  - (i) The Company holds two granted exploration licences and has applications for 4 others northwest of Alice Springs in the Northern Territory. The granted licence lie within an area of pastoral leasehold so access is relatively straightforward. The applications overlie land owned by Aboriginal interests and as a result, a grant is unlikely in the near term. The Company has been scheduled to meet with parties associated with the indigenous landowners, but due to circumstances beyond the control of the Company, these discussions have been delayed to an as yet undetermined date.
  - (ii) The Company also has a joint venture arrangement with Excalibur Mining Corporation Ltd (Excalibur) and in May 2010 commenced an

RAB Program. The in-field program has been completed and a total of 267 holes for 8,760 meters have been undertaken on 9 targets that had been identified from previous airborne geophysics as having potential for unconformity style gold and uranium mineralisation.

Excalibur has commissioned SRK, who are experienced in the Tanami Region, to review the projects potential and recommend the next steps in exploration.

(c) In Indonesia

Since October 2010 the Company has been actively pursuing acquisition opportunities in Indonesia and, specifically, transactions involving coal assets. The Company's activities in Indonesia over the last 18 months comprise the following:

(i) West Papua

On 27 October 2010 the Company entered into an agreement to acquire a 75% interest in three coal projects in the West Papua, Indonesia (West Papua Project). The agreement to acquire the West Papuan Project was subject to due diligence together with shareholder and regulatory approval. The Company was not satisfied with the results of its due diligence investigations and decided not to proceed with the acquisition of the West Papua Project.

(ii) West Sumatra

On 23 August 2011 the Company announced it had secured an exclusive right to negotiate a joint venture on a prospective coal project in West Sumatra, Indonesia (West Sumatra Project). As part of its due diligence investigations, the Company commenced a drilling program to confirm both previous drilling undertaken on the West Sumatra Project and test earlier reconnaissance rock chip samples. Palace did not proceed with the joint venture.

(iii) East Kalimantan

On 15 August 2012 the Company announced it had received shareholder approval to proceed with the acquisition of a 70% interest in the Paser Project, East Kalimantan. The Company's Indonesian geological consultants, as part of its due diligence procedures, completed an interpretation of results from the surface mapping, resistivity survey and previous drilling data. The project development is still on-going and a second lease is under negotiation .

**(2) Details of Kalimantan and the Project**

On 1 May 2013 Palace announced that it is completing a Memorandum of Understanding (**MOU**) with Kalimantan Mining & Logistics Pte Ltd (**Kalimantan / Vendors**). Palace and Kalimantan intend to incorporate a Singaporean company (**Kalimantan Mining and Logistics Pte Ltd**) to carry out the work in the South Kalimantan, Project. Kalimantan Mining and Logistics Pte Ltd will have a 100% interest in the Project. It is intended that Palace will acquire 80% of Kalimantan Mining and Logistics Pte Ltd. The Project comprises of a 400-

hectare project, within a Coal Contract Of Work (“**CCOW**”) of 4,000 hectares, with all environmental and mining approvals in place.

**(3) Overview of the current operations of Palace**

Since September 2010 the Company has been pursuing transactions in Indonesia and, specifically, transactions involving coal assets.

**(4) Material terms of the Acquisition Transaction Agreement**

The proposed terms of the Acquisition Transaction are as follows:

(a) Consideration

Subject to satisfaction of the Conditions Precedent (see below), the Company will enter into a Share Sale Agreement Project to acquire an 80% interest in Kalimantan Mining and Logistics Pte Ltd , in consideration for:

- (i) Initial tranche of 200,000,000 fully paid ordinary shares in the Company at a deemed issue price of 0.4c;
- (ii) Reimbursement of Kalimantan’s expenses in developing the project to date, up to a maximum of US\$350,000; and
- (iii) 250 million convertible performance shares (performance shares) converting into 250 million fully paid ordinary share on achieving the following milestones (Performance Shares):
  - (A) 50 million performance shares able to be converted to 50 million fully paid shares on sale of first production;
  - (B) 50 million performance shares able to be converted to 50 million fully paid shares after completion of sale of a further 200,000 tonnes of coal from the Project;
  - (C) 50 million performance shares able to be converted to 50 million fully paid shares after completion of sales of a further 500,000 tonnes of coal from the Project; and
  - (D) 100 million performance shares able to be converted to 100 million fully paid ordinary shares at the delimitation of a JORC Code compliant inferred mineral resource of at least 3,000,000 tonnes of coal at the Project.

The Company has received confirmation from the ASX that the Performance Shares are appropriate and equitable for purposes of Listing Rule 6.1.

(b) Conditions Precedent

Completion of the transaction is subject to the satisfaction of the following conditions precedent:

- (i) Palace completing and being satisfied with the outcome of the legal and geological due diligence on the JV Partner and the property of the joint venture;
- (ii) Palace and the JV Partners entering into a formal agreement to fully document the terms of the Acquisition Transaction;
- (iii) Palace obtaining all necessary regulatory and shareholder approvals to complete the Acquisition Transaction (together the conditions precedent);

- (iv) The Performance Shares are not quoted;
- (v) The Performance Shares are not transferable;
- (vi) The Performance Shares do not have voting rights, subject to those required by law;
- (vii) The Performance Shares do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues;
- (viii) The Performance Shares do not carry an entitlement to a dividend;
- (ix) The Performance Shares do not carry an entitlement to participate in the surplus profit or asset of the Company upon winding up of the Company;
- (x) The Performance Shares will convert on a one-for-one basis in four separate classes upon the relevant milestone for each class occurring. Each class of Performance Share requires a milestone to be achieved before conversion; and
- (xi) If the milestone is not achieved by that date which is 3 years from the date of issue of the Performance Shares, then all of the Performance Shares will be converted to one ordinary share per holder.

If all Conditions Precedent are not satisfied at the complete discretion of Palace the Acquisition Transaction will not proceed.

**(5) *Rationale of the Acquisition Transaction***

The Acquisition Transaction augments the current Indonesian operations, is complementary to the Company's existing business of acquiring and developing mineral opportunities in Australia and overseas and is consistent with the Company's objectives to consider new investment opportunities to improve shareholder value. The rationale for this Acquisition Transaction includes:

- The diminution of risks of operating on one project in country;
- The Project is advanced and drill ready with strong exploration targets;
- The Project is close to existing infrastructure providing a low cost of exploration and mining; and
- Experienced management and technical team are dedicated to development of the Project.

Following the Acquisition Transaction, the Company will continue to be in the business of exploring and developing gold and uranium properties through its existing projects and have additional exploration opportunities in Indonesia.

The Company still currently intends to progress development of its existing projects (set out above) utilising its current funds.

**(6) *Impact of the Acquisition Transaction and Capital Raising on the Company's capital structure***

At the date of this Notice, there are currently 544,916,952 Shares on issue. Assuming the Resolutions are passed, the pro forma capital structure of the Company, upon completion of the Acquisition Transaction is as follows:

	<b>Shares</b>
<b>Current issued capital - Shares</b>	544,916,952
Execution of the full Share Sale Agreement	200,000,000
Capital Raising to raise up to \$1.4 million via Share Placement & Convertible Note	<b>350,000,000</b>
RM Corporate Finance	37,500,000
<b>Subtotal</b>	<b>1,132,416,952</b>
Performance Shares (assuming completely issued)	250,000,000
<b>TOTAL SHARES</b>	<b>1,382,416,952</b>

**\$1.4M Capital raised by way of Share Placement & Note Issue**

**(7) Proforma Statement of Financial Position**

(A) The Acquisition will have the following impact on the Company's Balance Sheet (Assuming 100% Equity & 100% Note Issue).

Pro-forma balance sheet – Palace Resources Limited			
Description	Audit review as at 31 December 2012	(Notes) and adjustments	Pro-forma balance sheet at conclusion of Acquisition (excluding performance shares issue)
Current Assets			
Cash and Cash Equivalents	228,689	(1) (181,010) (2) (350,000) (3) (2,500) (4) 1, 400,000	1,095,179
Trade and Other Receivables	46,629		46,629
Total Current Assets	275,318		1,141,808
Non-Current Assets			
Other Assets	230,629		230,629
Plant and Equipment	1,013		1,013
Exploration Expenditure	2,394,112		2,394,112
Total Non-Current Assets	2,625,754		2,625,754
Total Assets	2,901,072		3,767,562
Current Liabilities			
Trade and Other Payables	125,067		125,067



Convertible notes		(4) 700,000	700,000
Provisions	4,182		4,182
Total Current Liabilities	129,249		829,249
Non- Current Liabilities			
Convertible notes			
Total Non-Current Liabilities			
Total Liabilities	129,429		829,249
Net Assets	2,771,823		2,938,313
Equity			
Contributed Equity	12,544,672	(4) 700,000	13,244,672
Reserves	9,449		9,449
Accumulated losses	(10,403,486)	(1) (181,010) (2) (350,000) (3) (2,500)	(10,936,996)
Parent Entity Interest	2,150,635		2,317,125
Non-Controlling Interest	621,188		621,188
Total Equity	2,771,823		2,938,313

Notes:

1. Cash movement in the period from 31 Dec 2012 to date of NOM
2. Expenses in developing project payable to vendors
3. Capital raising fee
4. Convertible note issued for capital raising

**(8) Use of funds and budget**

The Company's current cash position is approximately \$47,679. The funds to be raised pursuant to the Placement will, if fully subscribed, increase the Company's cash position to approximately \$ 1,297,679 (before costs of the Placement).

It is proposed that the funds raised pursuant to the Placement will be used as follows:

<b>Item</b>	<b>Amount</b>
Reimbursement of costs to Vendors Project	\$350,000
Resource definition, mine planning and working capital required to bring the Project into production	\$500,000
Expenditure on Australian assets	\$125,000
Working Capital	\$425,000
<b>TOTAL</b>	<b>\$1,400,000</b>

The above table is a statement of current intentions as at the date of this letter. Intervening events may alter the way funds are ultimately applied by the Company.

**(9) Risk factors**

Shareholders should be aware that the Company will be subject to a number of risks if the Acquisition Agreement is completed.

If the Acquisition Agreement is completed, some of the material risk factors include:

- 9.1 **(exploration and development)**: by its nature, the exploration and development of a resource project is a high risk undertaking with no assurance of the economic exploitation of mineral resources;
- 9.2 **(resource exploration)**: resource estimations are expressions of judgment which are imprecise;
- 9.3 **(commodity price volatility)**: an adverse fall in the prices of commodities including coal may adversely affect the development of the Project;
- 9.4 **(operating risks in Indonesia)**: changes to Indonesia's minerals exploration and development or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability;
- 9.5 **(environmental risks)**: the Company will be subject to environmental laws and regulations in connection with operations it may pursue in the mining industry, which operations are currently in Indonesia. Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure

to obtain such approvals will prevent the Company from undertaking its desired activities;

- 9.6 **(general economic and political risks)**: changes in the general economic and political climate in Indonesia, Australia and on a global basis could impact on economic growth, minerals prices, interest rate and the taxation and tariff laws which may affect the value and viability of any mineral mining activity that may be conducted by the Company; and
- 9.7 **(funding)**: the successful realisation of the Company's plans will be dependent upon obtaining financing for any additional projects that the Company may wish to invest in.

**(10) Directors' Recommendations**

The Directors consider that the Acquisition Transaction represents an opportunity for the Company to develop an advanced coal project in a favourable environment within a relatively short time frame.

For the above reasons, the Directors consider that the Acquisition Transactions the subject of the Resolutions are in the best interests of the Company and recommend that Shareholders vote in favour of all Resolutions. The current Directors have agreed to put the Resolutions to Shareholders and have approved the information contained in this Explanatory Memorandum.

Each of the current Directors intends to vote their Shares in favour of each of the Resolutions.

**(11) Forward looking statements**

The forward looking statements in this Notice of Meeting are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Notice of Meeting. These risks include but are not limited to, the risks outlined in Section 9 of the Explanatory memorandum, above. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

---

## **3. Resolution 1 – Change of Nature and Scale of Activities**

### **3.1 General**

Resolution 1 seeks approval from Shareholders for a change to the nature and scale of the activities of the Company to expand the focus of the Company's activities through the acquisition of Kalimantan Mining and Logistics Pte Ltd and consequently the Project currently held by the Vendors.

A detailed description of the Acquisition is set out above at section 2 of the Explanatory Statement.

Resolution 1 is conditional on Resolutions 2 to 5 (inclusive) in this Notice of Meeting being approved.

### **3.2 ASX Listing Rule 11.1**

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- 3.2.1 provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- 3.2.2 if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- 3.2.3 if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the Official List of ASX.

Given the change in the nature and scale of the Company's activities upon completion of the Acquisition, the Company is required to obtain Shareholder approval.

For this reason, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

---

## **4. Resolution 2 –Section 195 approval**

### **4.1 General**

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any of the Directors or Proposed Directors (or any of their associates). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

## **5. Resolution 3 – Issue of Vendor Shares to acquire Kalimantan**

### **5.1 General**

In accordance with the terms and conditions of the MOU the Company will acquire 80% interest in Kalimantan Mining and Logistics Pte Ltd in consideration for the issue of 200,000,000 Shares to the Vendors on a pro-rata basis as set out in Schedule 1.

Material terms of the MOU are set out in section 5.3 and 2.4 of the Explanatory Memorandum.

Resolution 3 seeks Shareholder approval for the authority to issue to the Vendors (or their nominees) the 200,000,000 Ordinary Shares & 250,000,000 Convertible Performance Shares (Vendor Shares).

Resolution 3 is an ordinary resolution and is subject to the approval of Resolution 1 “Change to Scale of Activities”.

### **5.2 Listing Rule 7.1**

Listing Rule 7.1 requires Shareholder approval for the issue of the Vendor Shares. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The issue of the Vendor Shares represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1. The Company is seeking Shareholder approval of the issue of the Vendor Shares so that the Company does not exceed its 15% capacity under Listing Rule 7.1. Accordingly, Shareholder approval is sought in accordance with Listing Rule 7.3.

### **5.3 Technical information required by Listing Rule 7.3**

For the purposes of the Shareholder approval of the issue of the Vendor Shares and the requirements of Listing Rule 7.3, information is provided as follows:

- (i) the maximum number of Shares to be issued to the Vendors is 200,000,000 Ordinary Shares & 250,000,000 Convertible Performance Shares;
- (ii) in accordance with the terms of the MOA it is intended that the Company will issue the Vendors Shares no later than 3 months after the date of the Meeting (or such longer period of time as permitted by an ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (iii) the Vendor Shares issued will be fully paid ordinary shares in the capital of the Company on the same terms as the Company's excising Shares on issue;
- (iv) the Vendor Shares will be issued in consideration of the Acquisition and as such no funds will be raised;
- (v) the Vendor Shares will be issued to the Vendors (or their nominees) in the proportion set out in Schedule 1.

## 5.4 Interests and recommendations of Directors

The existing Directors do not have an interest in Resolution 3. For the reasons outlined in Sections 2.5 of the explanatory memorandum above, the Directors therefore recommend that Shareholders vote in favour of Resolution 3.

	Number of Shares
Shares on Issue at 30 <sup>th</sup> June 2013	544,916,952
Resolution 3: Ordinary Shares to be Issued	200,000,000
Resolution 3: Convertible Performance Shares to be Issued	250,000,000
New Total	994,916,952
Dilution Effect	82.58%

---

## 6. Subject to the passing of Resolution 1, 2 and 3, the Company will seek shareholders' approval to raise up to \$1.4 Million.

In order to complete the Acquisition transaction, it is the intention of the Company to raise funds, specifically \$1.4Million.

A detailed in Section 2.6, 2.7 and 2.8 above, the Company has outlined the effect that such a capital raising will have on the Company's Share Structure, the Company's pro forma balance sheet and the use of the funds raised.

Based on this premise, the Company is seeking shareholders' approval, in accordance with Listing Rule 7.1 and 7.1.A, to raise up to \$1.4 Million, and to raise it in a manner outlined in Resolutions 4 and 5.

Please note that Resolutions 4 and 5 are conditional on each of the resolution being passed.

---

## 7. Resolution 4 – Approve to issue securities to raise up to \$700,000 or part thereof

### Share Placement

#### 7.1 General

Resolution 4 seeks Shareholder approval for the authority to undertake the Share Placement to raise funds up to \$700,000.

#### 7.2 Listing Rule 7.1 – Shareholder Approval

Listing Rule 7.1 requires Shareholder approval for the Share Placement. Listing Rule 7.1 and Listing Rule 7.1A provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue and where

the securities proposed to be issued represent more than 10% of the Company's securities then on issue

The issue of the Share Placement represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1.

The effect of Resolution 4 will be to allow the Company to issue the securities, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A

The Company is seeking Shareholder approval of the issue of the Placement Shares so that the Company does not exceed its 15% capacity under Listing Rule 7.1.

Accordingly, Shareholder approval is sought in accordance with Listing Rule 7.3.

### **7.3 Specific information required by Listing Rule 7.3**

For the purposes of the Shareholder approval of the Share Placement and the requirements of Listing Rule 7.3, information is provided as follows:

- 7.3.1 A maximum of 175,000,000 Shares, each at an issue price of at 80% VWAP to raise will be issued to raise \$700,000 (prior to costs);
- 7.3.2 The Company will issue the Shares no later than 3 months after the date of the General Meeting (or such longer period of time as ASX may in its discretion allow);
- 7.3.3 Each security will have an issue at the lesser of \$0.004 or 80% of the 5 Trading Day VWAP per Share to raise \$700,000 (prior to costs);
- 7.3.4 The Shares will be issued to clients of Sophisticated Investors, in accordance with S708 of the Corporations Act;
- 7.3.5 The Shares to be issued are ordinary fully paid shares in the capital of the Company;
- 7.3.6 The funds raised by the Share Placement will be used in accordance with Section 2.8 above; and
- 7.3.7 A voting exclusion statement is included in the Notice.

---

## **8 Resolution 5 – Approve to issue Convertible Notes to raise up to \$700,000 or part thereof.**

### **8.1 General**

Resolution 5 seeks Shareholder approval for the issue of Convertible Notes with an aggregate face value of up to \$700,000 in accordance with the Convertible Note Deed Poll (**Note Issue**).

The effect of Resolution 5 will be to allow the Company to issue the Convertible Notes pursuant to the Note Issue, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

### **8.2 Terms of Convertible Notes**

The key terms of the Convertible Notes are as follows:

- 8.2.1 the term of the Convertible Notes is twelve (12) months from the date of issue of the first Convertible Note by the holder in accordance with the Convertible Note Deed Poll;
- 8.2.2 the aggregate face value of the Convertible Notes is to be no more than \$700,000, being 700,000 convertible notes at a face value of \$1.00 per Convertible note;
- 8.2.3 the Convertible Notes will carry an interest rate of 10% per annum payable in shares at 80% of a 5 day VWAP prior to the termination of the Convertible Note;
- 8.2.4 the convertible note will be issued on an unsecured basis;
- 8.2.5 the Convertible Notes will be convertible into Shares at the lesser of \$0.004 or 80% of the 5 Trading Day VWAP per Share and at any time, the maximum number of 175,000,000 Shares to be issued under this Convertible note;
- 8.2.6 holders of Convertible Notes will have a right to call conversion anytime after the issue of the Convertible Notes;
- 8.2.7 the Company may draw down on the convertible note loan facilities during the availability period, which commences on the day the holder confirms the availability of a convertible note loan facility to the Company and ceases on a date that is no later than 12 months from the date of issue of the first Convertible Note to the holder;
- 8.2.8 the Company does not intend to list the Convertible Notes for quotation on ASX and it is not obliged to do so;
- 8.2.9 Shareholder approval will be sought for any interest payments applicable to the convertible note to be remitted to the note holder by way of securities issued in the Company to the holder at the rate of 80% of the 5 Trading Day VWAP per Share; and
- 8.2.10 The holder is not obliged to provide the Subscription Sum (and the Company is not obliged to issue the Convertible Notes) in respect of Tranche if, either
  - 8.2.10.1 on or prior to the relevant Issue Date, the volume weighted average closing Share price calculated over the calendar month prior to the Issue Date is less than 0.40 cents; or
  - 8.2.10.2 less than 20 million Shares have been traded in the prior calendar month at a volume weighted average of 0.40 cents or greater per Palace Resources Share or higher

### **8.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Note Issue:

- 8.3.1 the Convertible Notes will be issued with a total face value of no more than \$700,000, and are convertible into Shares at the lesser of \$0.004 or



80% of the 5 Trading Day VWAP per Share, with the maximum number of converted shares not exceeding 175,000,000;

- 8.3.2 the Convertible Notes will be issued to sophisticated investors, in accordance with S708 of the Corporations Act, who are not related parties of the Company;
- 8.3.3 the Shares issued on conversion of the Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the Company will make an application for Official Quotation by ASX of all Shares issued upon the conversion of the Convertible Notes;
- 8.3.6 The funds raised by the Convertible Note will be used in accordance with Section 2.8 above;
- 8.3.7 the Convertible Notes will be issued no later than three months after the date of this meeting, and it is intended they will be issued progressively as the Company draws down on the Convertible Note facility. In this regard, the Company has applied for a waiver from ASX to permit the Convertible Notes to be issued outside of the normal three month time frame contemplated by ASX Listing Rule 7.1; and
- 8.3.8 A voting exclusion statement is included in the Notice.

#### **8.4 Risk of voting dilution**

The conversion of Convertible Notes into Shares will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the Convertible Notes, the economic and voting dilution of existing Shares would be as shown in the table below.

<b>Number of Shares currently on issue</b>	<b>Draw down amount</b>	<b>Dilution</b>
<b>544,916,952*</b>	\$100,000	25,000,000 Shares (based on a conversion price of \$0.004 per share)
	<b>Dilution (%)</b>	<b>4.58%</b>
	Interest for term of Convertible Notes and maximum aggregate Shares on conversion of interest	(10% of \$100,000)/ (price per Share of \$0.004) = 2,500,000 Shares
	<b>Dilution (%)</b>	<b>0.4%</b>
	Maximum aggregate number of Shares on conversion of interest	27,500,000 Shares
	<b>Dilution (%)</b>	<b>4.62%</b>
	\$700,000 (maximum draw down amount)	175,000,000 Shares
	<b>Dilution (%)</b>	<b>32.12%</b>
	Interest for term of Convertible Notes and maximum aggregate Shares on conversion of interest**	(10% of \$700,000)/ (price per Share of \$0.004) = 17,500,000 Shares
	<b>Dilution (%)</b>	<b>3.02%</b>
	Maximum aggregate number of Shares on conversion of interest	17,500,000 Shares

\*The number of Shares on issue could increase if Options currently on issue are exercised or as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

\*\* Assumes entire facility drawn down at the commencement of the 12 month term.

**The table above uses the following assumptions:**

1. There are currently 544,916,953 Shares on issue as at the date of this Notice of Meeting.
2. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
3. It is assumed that no Options already existing are exercised into Shares before the date of issue of the Equity Securities.
4. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
5. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
6. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of conversion of Convertible Notes into Shares, based on that Shareholder's holding at the date of the Meeting.

---

## **9 Resolution 6 – Ratification of prior issue of Shares to Edentower Pty Ltd <ATF the A Scarfo family Trust>**

### **9.1 General**

Resolution 6 seeks Shareholder approval for the ratification of the share and options issued to Edentower Pty Ltd (“**Edentower Placement**”).

### **9.2 Listing Rule 7.4**

The Shares issued under the Edentower Placement were issued within the 15% limit permitted under Listing Rule 7.1 and within the 10% limit permitted under Listing Rule 7.1A, without the need for Shareholder approval. The effect of Shareholders passing Resolution 5 by ratifying the Edentower Placement will be to restore the Company’s ability to issue securities within that limit, to the extent of the 20,000,000 Shares and 20,000,000 listed options.

### **9.3 Specific Information required by Listing Rule 7.5**

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- 9.3.1 20,000,000 Shares and 20,000,000 listed options were issued prior to the Meeting;
- 9.3.2 The fully paid ordinary shares were issued at a price of \$0.03 each and each share issued was accompanied by a free attaching option;
- 9.3.3 The Shares issued were fully paid ordinary Shares in the capital of the Company once issued;
- 9.3.4 The Options issued had an exercise price of \$0.03 each and maturity date of 30 November 2014, as per terms and condition outlined in Schedule 2;
- 9.3.5 The Shares were issued to the client Edentower Pty Ltd <ATF the A Scarfo Family Trust> (who is not a related parties of the Company) prior to the Meeting;
- 9.3.6 The funds raised were used to supplement working capital and assist in the evaluation and identification of new project; and
- 9.3.7 A voting exclusion statement is included in the Notice.

For the terms and conditions associated with the listed Options refer to Schedule 2.

---

## **10 Resolution 7 – Placement – Shares to RM Corporate Finance**

## **10.1 General**

Resolution 7 seeks shareholder approval for the issue of 37,500,000 Shares, to RM Corporate Finance (or nominee) in respect of the fee for the Financing Agreement. The benefit associated with the 37,500,000 Share (each share having a deemed value of \$0.004 (0.4 cents)) the issue would be valued at \$150,000.

A summary of the Financing Agreement can be found in Section 10.3 below.

The effect of Resolution 7 will be to allow the Directors to issue the Shares to RM Corporate Finance during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity set out in ASX Listing Rule 10.11 and the additional 10% annual capacity set out in Listing Rule 10.11A

A summary of ASX Listing Rule 10.11 is set out in Section 10.2 below.

## **10.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

The effect of Resolution 7 will be to allow the Company to issue 37,500,000 to the RM Corporate Finance (or nominee), without using the Company's 15% annual placement capacity set out in ASX Listing Rule 10.11 and the additional 10% annual capacity set out in Listing Rule 10.11A.

## **10.3 Technical Information Required by ASX Listing Rule 10.11**

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to the issue:

- 10.3.1 the maximum number of Shares to be issued pursuant to Resolution 7 will be 37,500,000 ;
- 10.3.2 the Shares will be issued and allotted no later than one month after the date of this Meeting;
- 10.3.3 Shares will be issued for nil consideration and are issued in lieu of the fee for the Financing Agreement.
- 10.3.4 the allottee in respect of Resolution 7 is RM Corporate Finance or a nominee of RM Corporate Finance. For the purposes of Chapter 2E, RM Corporate Finance and Mr G T Le Page are related parties of the Company by virtue of section 228(2) of the Corporations Act and the issue of Shares would constitute the giving of a financial benefit;
- 10.3.5 the Shares allotted and issued will be fully paid ordinary Shares in the capital of the Company and will rank equally with the existing ordinary fully paid Shares on issue;

10.3.6 no funds will be raised from this issue as it is in respect of the fee for the Funding Agreement; and

10.3.7 The benefit associated with the 37,500,000 Share (each share having a deemed value of \$0.004 (0.4 cents)) the issue would be valued at \$150,000.

#### **10.4 Chapter 2E of the Corporations Act – Related Party Transactions**

The issue of Shares to the creditors constitutes a grant of a financial benefit to a related party for the purposes of Chapter 2E of the Corporations Act. Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, RM Corporate Finance and Mr G T Le Page are related parties of the Company by virtue of section 228(2) of the Corporations Act and the issue of Shares would constitute the giving of a financial benefit. As none of the exceptions set out in the Corporations Act apply, the grant of the Shares to the creditors requires Shareholder approval.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the issue of the Shares and options to the Directors under Resolution 7.

Mr G Le Page is a director of the Company. The Directors therefore consider it prudent to consider that whilst a Director may hold a “material personal interest” in the consideration of the matter, a quorum can be formed to consider the matter at Board level. However, by reason of section 195(4) of the Corporations Act, the Directors are permitted in such instances to put the matter before shareholders to resolve. The Directors have accordingly exercised their right under section 195(4) of the Corporations Act and have resolved to place the proposed issue of the Shares to the Directors to Shareholders to consider, and if thought fit, approve.

#### ***10.5 Identity of the related party to whom the proposed resolution would permit the financial benefit to be given.***

Subject to Shareholder approval, the issue of the Shares the subject of Resolution 7 will be granted to Directors or their nominees within one month of the passing of these Resolutions. Mr G Le Page is a Director of the Company and is therefore classified as related parties.

#### ***10.6 Nature of, reasons and basis for the financial benefit***

With regard to the issue of the 37,500,000 Shares in lieu of the fee for the Financing Agreement, given the current financial position of the Company, the Directors’ consider that the issue of Shares in lieu of a fee is a cost effective and efficient means for the Company to conserve cash but repay its creditors for financing fee made to the Company.

## **10.7 Directors' recommendations to members and reasons**

Resolution 7 – Mr G Le Page has an interest in the outcome of Resolution 7 and accordingly does not wish to make a recommendation. The remaining Directors do however note that if Shareholders do not approve Resolution 7 then the Company will be required to pay the fee which will have a significant effect on the current working capital position of the Company.

The remaining directors vote in favour of the resolution

### ***Dilution as a Result of the Resolution 7***

	Number of Shares
Shares on Issue	544,916,952
Resolution 7: Shares to be issued	37,500,000
New Total	582,416,952
Dilution Effect	6.88%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000
Resolution 7: Shares to be issued	37,500,000
New Total	651,916,952
Dilution Effect	6.10%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

### ***Current Shareholdings of the Directors***

#### **Name of Relate Party Director Shareholding**

G T Le Page                      Nil              Shares

### ***Share Price history***

Historical share price information for the last twelve months is as follows:

#### **Price Date**

**Highest**                      \$0.010    16 October 2012

**Lowest**                      \$0.003    5 September 2013 (multiple but this is latest date)

**Last**                              \$0.003    5 September 2013

### ***Valuation and Financial benefit***

The benefit associated with the 37,500,000 share issue (being issued at a deemed price of \$0.004 (0.4 cents)) would be \$150,000.

### **Other Directors recommendation**

The remaining directors, who have no financial interest in this resolution vote in favour of the resolution.

### ***Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.***

- (a) A voting exclusion statement is included in the Resolutions.
- (b) The Shares will be allotted and issued on a date which will be no later than 1 month after the date of the General Meeting

---

## **11. Resolutions 8 & 9 – Approval of Issue of Shares to the Directors in lieu of Directors’ Fees, expense reimbursement, consulting fees and loan repayment**

### **Shares to Directors**

The Company proposes to grant a total of 6,325,000 Shares to Directors, or their nominees, for nil consideration in lieu of \$25,300 worth of outstanding Management and Directors’ fees payable as follows:

Name	Directors Fees (\$)	Management Fees, expenses and loan repayment (\$)	Number of Shares	Avg Share Price Shares issued at (\$) <sup>1</sup>	Value of shares received at current Share Price (\$)
I B Murie	16,500	-	4,125,000	0.004	16,500
G T Le Page	8,800	-	2,200,000	0.004	8,800
TOTAL	25,300		6,325,000		25,300

**Table 1:** Particulars of Shares issued to Directors

Notes:

The deemed issue price of the Shares (\$0.004) is based on the closing price of the Company's share capital as at 30 June 2013.

## **11.1 General**

Resolutions 8 & 9 seeks shareholder approval for the issue of 6,325,000 Shares, to Messrs Murie & Le Page (or their nominee) in respect of outstanding Management and Directors' fees

A summary of the Financing Agreement can be found in Section 10.3 below.

The effect of Resolutions 8 & 9 will be to allow the Directors to issue the Shares to Messrs Murie & Le Page during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity set out in ASX Listing Rule 10.11 and the additional 10% annual capacity set out in Listing Rule 10.11A.

A summary of ASX Listing Rule 10.11 is set out in Section 11.2 below.

## **11.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

The effect of Resolutions 8 & 9 will be to allow the Company to issue 6,325,000 Shares, to Messrs Murie & Le Page (or their nominee), without using the Company's 15% annual placement capacity set out in ASX Listing Rule 10.11 and the additional 10% annual capacity set out in Listing Rule 10.11A.

## **11.3 Technical Information Required by ASX Listing Rule 10.11**

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to the issue:

- 11.3.1 the maximum number of Shares to be issued pursuant to Resolution 8 & 9 will be 6,325,000 ;
- 11.3.2 the Shares will be issued and allotted no later than one month after the date of this Meeting;
- 11.3.3 Shares will be issued for nil consideration and are issued in lieu of the fee in respect of outstanding Management and Directors' fees.
- 11.3.4 the allottees in respect of Resolution 8 & 9 are Messrs Murie & Le Page or a nominee of Messrs Murie & Le Page. For the purposes of Chapter 2E, Messrs Murie & Le Page and the Company are related parties of the Company by virtue of section 228(2) of the Corporations Act and the issue of Shares would constitute the giving of a financial benefit;



- 11.3.5 the Shares allotted and issued will be fully paid ordinary Shares in the capital of the Company and will rank equally with the existing ordinary fully paid Shares on issue;
- 11.3.6 no funds will be raised from this issue as it is in respect of the fee for the Funding Agreement; and
- 11.3.7 The benefit associated with the 6,325,000 Share (each share having a deemed value of \$0.004 (0.4 cents)) the issue would be valued at \$25,300.

#### **11.4 Chapter 2E of the Corporations Act – Related Party Transactions**

The issue of Shares to the Directors constitutes a grant of a financial benefit to a related party for the purposes of Chapter 2E of the Corporations Act. Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Messrs Murie and Le Page are related parties of the Company by virtue of section 228(2) of the Corporations Act and the issue of Shares would constitute the giving of a financial benefit. As none of the exceptions set out in the Corporations Act apply, the grant of the Shares to the Directors requires Shareholder approval.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the issue of the Shares to the Directors under Resolutions 8 and 9.

The Directors therefore consider it prudent to consider that each Director holds a “material personal interest” in the consideration of the matter and so a quorum cannot be formed to consider the matter at Board level. However, by reason of section 195(4) of the Corporations Act, the Directors are permitted in such instances to put the matter before shareholders to resolve. The Directors have accordingly exercised their right under section 195(4) of the Corporations Act and have resolved to place the proposed issue of the Shares to the Directors to Shareholders to consider, and if thought fit, approve.

#### **11.5 Identity of the related party to whom the proposed resolution would permit the financial benefit to be given.**

Subject to Shareholder approval, the issue of the Shares the subject of Resolutions 8 and 9 will be granted to Directors or their nominees within one month of the passing of these Resolutions. Messrs Murie and Le Page are Directors of the Company and are therefore classified as related parties.

## 11.6 Nature of, reasons and basis for the financial benefit

The issue of the 6,325,000 Shares is in lieu of \$25,300 in accrued Directors' fees payable to the Directors. Given the current financial position of the Company the Directors' consider that the issue of Shares in lieu of management and director fees is a cost effective and efficient means for the Company to conserve cash but remunerate its Directors for their services to the Company and repay past expenses incurred and loans made to the Company.

The deemed issue price of the Shares is based on the closing price of the Company's share capital on 30 June 2013.

The Directors' consider this a fair and appropriate way to work out the number of Shares to be issued and the deemed issued price of the Shares to be issued to the Directors in lieu of unpaid Directors' fees.

## 11.7 Directors' recommendations to members and reasons

Resolutions 8 & 9 – All of the Directors have an interest in the outcome of Resolutions 8 & 9 and accordingly do not wish to make a recommendation. The Directors do however note that if Shareholders do not approve resolutions X to Y then the Company will be required to pay the fees which will have a significant effect on the current working capital position of the Company.

### *Dilution as a Result of the Resolution 8 & 9*

	Number of Shares
Shares on Issue	544,916,952
Resolution 8 & 9: Shares to be issued	6,325,000
New Total	551,241,952
Dilution Effect	1.20%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000
Resolution 8 & 9: Shares to be issued	6,325,000
New Total	651,916,952
Dilution Effect	1.03%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

### ***Current Shareholdings of the Directors***

#### **Name of Relate Party Director Shareholding**

I B Murie	2,920,000	Shares
G T Le Page	Nil	Shares

### ***Share Price history***

Historical share price information for the last twelve months is as follows:

#### **Price Date**

<b>Highest</b>	\$0.010	16 October 2012
<b>Lowest</b>	\$0.003	5 September 2013 (multiple but this is latest date)
<b>Last</b>	\$0.003	5 September 2013

### ***Valuation and Financial benefit***

The benefit associated with the 6,325,000 share issue (being issued at a deemed price of \$0.004 (0.4 cents)) would be \$25,300.

### **Other Directors recommendation**

The remaining director, who have no financial interest in this resolution vote in favour of the resolutions.

***Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.***

A voting exclusion statement is included in the Resolutions.

The Shares will be allotted and issued on a date which will be no later than 1 month after the date of the General Meeting

---

## **12 Resolution 10– Approval of Issue of Shares in lieu of Consulting Fee**

The Company proposes to grant a total of 8,165,625 shares to consultants or their nominees, for nil consideration in lieu of \$32,662.50 worth of outstanding consulting fees payable as follows:

<b>Name</b>	<b>Consulting Fees (\$)</b>	<b>Number of Shares</b>	<b>Av Share Price for Shares issued at \$</b>	<b>Value of Shares Received at current Share Price \$</b>
Varndell and	32,662.50	8,165,625	\$.004	32,662.50

Associates				
Total	32,662.50	8,165,625	\$.004	32,662.50

**Table 2:** Particulars of Shares issued to Consultant

### Notes

The deemed issue price of the shares is based on the closing price for the Company's share capital on the 30 June 2013.

## 12.1 General

Resolution 10 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 8,165,625 Shares each at a deemed issue price as detailed to Varndell and Associates (or their nominees) as consideration for the provision of exploration and evaluation of mineral property services to the Company.

Resolution 10 is an ordinary resolution.

## 12.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Whilst the issue of the Shares to Varndell and Associates under Resolution 11 may not this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is still sought in accordance with Listing Rule 7.1.

The effect of Resolution 10 will be to allow the Company to issue 8,165,625 securities to Varndell and Associates, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

Resolution 10 is an ordinary resolution.

## 12.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of Shares to Varndell and Associates and the requirements of Listing Rule 7.3, information is provided as follows:

- 12.3.1 The maximum number of Shares to be issued pursuant to Resolution 10 is 8,165,625 Shares;
- 12.3.2 The 8,165,625 Shares to be issued pursuant to Resolution 10 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- 12.3.3 The 8,165,625 Shares will be issued for nil cash consideration to Varndell and Associates (and / or their nominees) but rather as consideration for the provision of exploration and evaluation of mineral property services;
- 12.3.4 The 8,165,625 Shares will be issued to Varndell and Associates (or their nominees), who are not related parties or associates of related parties of the Company;

- 12.3.5 The 8,165,625 Shares will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue;
- 12.3.6 The 8,165,625 Shares will be issued in consideration for the corporate advisory, marketing services and exploration & evaluation of mineral properties provided by to the Company and as such no funds will be raised from the issue of Varndell and Associates Shares; and

A voting exclusion statement is included in the Notice

***Dilution as a Result of the Resolution 10***

	Number of Shares
Shares on Issue at 30 <sup>th</sup> June 2013	544,916,952
Resolution 10: Shares to be Issued	8,165,625
New Total	553,082,577
Dilution Effect	1.50%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000
Resolution 10: Shares to be issued	8,165,625
New Total	622,582,577
Dilution Effect	1.33%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

---

## **13 Resolution 11– Approval of Issue of Shares in lieu of Consulting Fee**

The Company proposes to grant a total of 8,056,168 shares to consultants or their nominees, for nil consideration in lieu of \$32,224.67 worth of outstanding consulting fees payable as follows:

Name	Consulting Fees (\$)	Number of Shares	Av Share Price for Shares issued at \$	Value of Shares Received at current Share Price \$
Fay Holdings Pty Ltd	32,224.67	8,056,168	\$.004	32,224.67
Total	32,224.67	8,056,168	\$.004	32,224.67

**Table 3:** Particulars of Shares issued to Fay Holdings Pty Ltd

### Notes

The deemed issue price of the shares is based on the closing price for the Company's share capital on the 30 June 2013.

### 13.1 General

Resolution 11 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 8,056,168 Shares each at a deemed issue price as detailed to Fay Holding Pty Ltd (or their nominees) as consideration for the provision of consulting services to the Company.

Resolution 11 is an ordinary resolution.

### 13.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Whilst the issue of the Shares to the consultants under Resolution 11 does not exceed this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is still sought in accordance with Listing Rule 7.1.

The effect of Resolution 11 will be to allow the Company to issue 8,056,168 securities to Fay Holdings Pty Ltd, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

Resolution 11 is an ordinary resolution.

### 13.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of Shares to Fay Holdings Pty Ltd and the requirements of Listing Rule 7.3, information is provided as follows:

13.3.1 The maximum number of Shares to be issued pursuant to Resolution 12 is 8,056,168 Shares;

13.3.2 The 8,056,168 Shares to be issued pursuant to Resolution 11 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);

- 13.3.3 The 8,056,168 Shares will be issued for nil cash consideration to Fay Holdings Pty Ltd (and / or their nominees) but rather as consideration for the provision of the corporate advisory and marketing services;
- 13.3.4 The 8,056,168 Shares will be issued to Fay Holdings Pty Ltd (or their nominees), who are not related parties or associates of related parties of the Company;
- 13.3.5 The 8,056,168 Shares will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue;
- 13.3.6 The 8,056,168 Shares will be issued in consideration for the corporate advisory, marketing services provided by Fay Holdings Pty Ltd to the Company and as such no funds will be raised from the issue of the Shares; and

A voting exclusion statement is included in the Notice

***Dilution as a Result of the Resolution 11***

	Number of Shares
Shares on Issue at 30 <sup>th</sup> June 2013	544,916,952
Resolution 11: Shares to be Issued	8,056,168
New Total	552,973,120
Dilution Effect	1.48%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000
Resolution 11: Shares to be issued	8,056,168
New Total	622,473,120
Dilution Effect	1.31%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

---

## 14 Resolution 12– Approval of Issue of Shares in lieu of Consulting Fee

The Company proposes to grant a total of 13,750,000 shares to consultants or their nominees, for nil consideration in lieu of \$55,000.00 worth of outstanding consulting fees payable as follows:

Name	Consulting Fees (\$)	Number of Shares	Av Share Price for Shares issued at \$	Value of Shares Received at current Share Price \$
Spartan Nominees Pty Ltd	55,000.00	13,750,000	\$0.04	55,000.00
Total	55,000.00	13,750,000	\$0.04	55,000.00

**Table 4:** Particulars of Shares issued to Spartan Nominees Pty Ltd

### Notes

The deemed issue price of the shares is based on the closing price for the Company's share capital on the 30 June 2013.

#### 14.1 General

Resolution 12 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 13,750,000 Shares each at a deemed issue price as detailed to Spartan Nominees Pty Ltd (or their nominees) as consideration for the provision of consulting services to the Company.

Resolution 12 is an ordinary resolution.

#### 14.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Whilst the issue of the Shares to the consultants under Resolution 12 does not exceed this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is still sought in accordance with Listing Rule 7.1.

The effect of Resolution 12 will be to allow the Company to issue 13,750,000 securities to Spartan Nominees Pty Ltd, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

Resolution 12 is an ordinary resolution.

#### 14.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of Shares to Spartan Nominees Pty Ltd and the requirements of Listing Rule 7.3, information is provided as follows:



- 14.3.1 The maximum number of Shares to be issued pursuant to Resolution 12 is 13,750,000 Shares;
- 14.3.2 The 13,750,000 Shares to be issued pursuant to Resolution 12 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- 14.3.3 The 13,750,000 Shares will be issued for nil cash consideration to Spartan Nominees Pty Ltd (and / or their nominees) but rather as consideration for the provision of the corporate advisory and marketing services;
- 14.3.4 The 13,750,000 Shares will be issued to Spartan Nominees Pty Ltd (or their nominees), who are not related parties or associates of related parties of the Company;
- 14.3.5 The 13,750,000 Shares will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue;
- 14.3.6 The 13,750,000 Shares will be issued in consideration for the corporate advisory, marketing services provided by Spartan Nominees Pty Ltd to the Company and as such no funds will be raised from the issue of the Shares; and

A voting exclusion statement is included in the Notice

***Dilution as a Result of the Resolution 12***

	Number of Shares
Shares on Issue at 30 <sup>th</sup> June 2013	544,916,952
Resolution 12: Shares to be Issued	13,750,000
New Total	552,973,120
Dilution Effect	2.52%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000
Resolution 12: Shares to be issued	13,750,000
New Total	628,166,952
Dilution Effect	2.24%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

## 15 Resolution 13– Approval of Issue of Shares in lieu of Consulting Fee

The Company proposes to grant a total of 5,500,000 shares to consultants or their nominees, for nil consideration in lieu of \$22,000.00 worth of outstanding consulting fees payable as follows:

Name	Consulting Fees (\$)	Number of Shares	Av Share Price for Shares issued at \$	Value of Shares Received at current Share Price \$
Sealblue Investments Pty Ltd	22,000.00	5,500,000	\$0.04	22,000,000
Total	22,000.00	5,500,000	\$0.04	22,000,000

**Table 5:** Particulars of Shares issued to Sealblue Investments Pty Ltd

### Notes

The deemed issue price of the shares is based on the closing price for the Company's share capital on the 30 June 2013.

#### 15.1 General

Resolution 13 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 5,500,000 Shares each at a deemed issue price as detailed to Sealblue investments Pty Ltd (or their nominees) as consideration for the provision of consulting services to the Company.

Resolution 13 is an ordinary resolution.

#### 15.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Whilst the issue of the Shares to the consultants under Resolution 13 does not exceed this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, Shareholder approval is still sought in accordance with Listing Rule 7.1.

The effect of Resolution 13 will be to allow the Company to issue 5,500,000 securities to Sealblue Investments Pty Ltd, without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in Listing Rule 7.1A.

Resolution 13 is an ordinary resolution.

### 15.3 Specific information required by Listing Rule 7.3

For the purposes of the Shareholder approval of the issue of Shares to Sealblue Investments Pty Ltd and the requirements of Listing Rule 7.3, information is provided as follows:

- 15.3.1 The maximum number of Shares to be issued pursuant to Resolution 13 is 5,500,000 Shares;
- 15.3.2 The 5,500,000 Shares to be issued pursuant to Resolution 13 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- 15.3.3 The 5,500,000 Shares will be issued for nil cash consideration to Sealblue investments Pty Ltd (and / or their nominees) but rather as consideration for the provision of the corporate advisory and marketing services;
- 15.3.4 The 5,500,000 Shares will be issued to Sealblue Investments Pty Ltd (or their nominees), who are not related parties or associates of related parties of the Company;
- 15.3.5 The 5,500,000 Shares will be fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue;
- 15.3.6 The 5,500,000 Shares will be issued in consideration for the corporate advisory, marketing services provided by Sealblue Investments Pty Ltd to the Company and as such no funds will be raised from the issue of the Shares; and

A voting exclusion statement is included in the Notice

#### ***Dilution as a Result of the Resolution 13***

	Number of Shares
Shares on Issue at 30 <sup>th</sup> June 2013	544,916,952
Resolution 13: Shares to be Issued	5,500,000
New Total	550,416,952
Dilution Effect	1.0%

**Table 1:** Issued capital and dilution effect

	Number of Shares
Shares on Issue	544,916,952
Options on Issue	69,500,000

Resolution 13: Shares to be issued	5,500,000
New Total	619,916,952
Dilution Effect	0.90%

**Table 2:** Issued capital and dilution effect assuming all options are converted to shares.

---

## 16 ENQUIRIES

Shareholders are requested to contact Company Secretary on (08) 9429 2900 if they have any queries in respect of the matters set out in these documents.

## Definitions

---

In this Notice:

**\$** means Australian dollars.

**Acquisition Transaction** means the acquisition by the Company of 80% of the issued capital of Kalimantan Mining and Logistics Pte Ltd in accordance with the terms of the Memorandum of Understanding;

**ASX** means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited;

**Board** means the Company's current board of Directors;

**Capital Raising** means the proposed issue of Shares or Convertible Notes referred to in Resolution 4,5 and 6;

**Kalimantan Mining and Logistics Pte Ltd** means Kalimantan Mining and Logistics Pte Ltd Pte Ltd (Company Number **201209206M**);

**Kalimantan** means Kalimantan Mining and Logistics Pte Ltd Pte Ltd

**Kalimantan Mining and Logistics Pte Ltd Share** means an ordinary fully paid share in the issued capital of Kalimantan Mining and Logistics Pte Ltd;

**Kalimantan Mining and Logistics Pte Ltd (Vendors)** mean the holders of Kalimantan Mining and Logistics Pte Ltd Shares being those entities listed in Schedule 1;

**Company** or **Palace** means Palace Resources Limited (ACN 106 240 475);

**Constitution** means the constitution of the Company;

**Corporations Act** means the Corporations Act 2001 (Cth);

**Director** means a director of the Company and **Directors** means all of them;

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice;

**Listing Rules** means the listing rules of ASX;

**Meeting** or **Meeting** has the meaning given in the introductory paragraph of the Notice;

**Notice** or **Notice of Meeting** or **Notice of General Meeting** means the Notice of General Meeting to which the Explanatory Memorandum is attached;

**Project** has the meaning given in Section 2.2;

**Proxy Form** means the proxy form attached to the Notice;

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires;

**Schedule** means a schedule to this Notice;

**Section** means a section of this Notice;

**Share** means a fully paid ordinary share in the capital of the Company;

**Shareholder** means a shareholder of the Company;

**Vendors means as detailed in Schedule 1**

**Vendor Shares** has the meaning given in Resolution 3; and

**WST** means Western Standard Time as observed in Perth, Western Australia;

In this Notice, words importing the singular include the plural and vice versa.

**SCHEDULE 1 – KALAIMANTAN MINING & LOGISTICS PTE LTD (VENDORS) AND VENDOR SHARES**

#	Vendors	Vendor Shares
1	John Hopkins	25,000,000
2	Andrew Winstanley	25,000,000
3	Lismore Capital	25,000,000
4	Jurianti Afandi	25,000,000
5	Fay Holdings Pty Ltd	40,000,000
6	Aspiritual Pty Ltd	40,000,000
7	Gold Wells Pty Ltd	20,000,000
		<b>200,000,000</b>

---

## Schedule 2

### 1 Terms and conditions of the Listed Options

Each Option will entitle the holder the right to subscribe for one fully paid ordinary share in the capital of the Company (Share) on the following terms and conditions (Option).

- 1.1 The exercise price of each Option is \$0.03 (“Exercise Price”).
- 1.2 The Options expire at 5.00pm WST on 30 November 2014.
- 1.3 The Options can be exercised at any time and each Option shall entitle the holder to subscribe for and be allotted one ordinary fully paid share in the capital of Palace Resources Limited (“Share”) upon exercise of the Option and payment to the Company of the Exercise Price.
- 1.4 Shares issued as a result of the exercise of any of these Options will rank equally in all respects with all Shares in Palace Resources Limited.
- 1.5 The Option holder is not entitled to participate in new issues of securities offered to Shareholders unless the Option is exercised before the relevant record date for that new issue.
- 1.6 Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued Shares of the Company in all respects. If the Company is listed on Australian Securities Exchange (“ASX”) it will, pursuant to the exercise of an Option, apply to ASX for quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act 2001 and the ASX Listing Rules.
- 1.7 In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- 1.8 If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- 1.9 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options will be reduced in accordance with ASX Listing Rule 6.22.

### 2 Rights attaching to Securities

A summary of the rights attaching to Securities in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is

available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Securities in any specific circumstances, the Shareholder should seek legal advice.

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

## 2.1 Voting

At a general meeting, on a show of hands every Shareholder present in person has one vote. At the taking of a poll, every Shareholder present in person or by proxy and whose Shares are fully paid has one vote for each of his or her Shares. On a poll, the holder of a partly paid share has a fraction of a vote with respect to the share. The fraction is equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited).

## 2.2 General Meetings

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act and the Listing Rules.

## 2.3 Dividends

The Directors may pay to Shareholders any interim and final dividends as, in the Directors' judgement, the financial position of the Company justifies. The Directors may fix the amount, the record date for determining eligibility and the method of payment. All dividends must be paid to the Shareholders in proportion to the number and the amount paid on the Shares held.

## 2.4 Transfer of Shares

Generally, all Shares in the Company are freely transferable subject to the procedural requirements of the Constitution, and to the provisions of the Corporations Act, the Listing Rules and the ASTC Operating Rules. The Directors may decline to register an instrument of transfer received where the transfer is not in registrable form or where refusal is permitted under the Listing Rules or the ASTC Operating Rules. If the Directors decline to register a transfer the Company must give reasons for the refusal. The Directors must decline to register a transfer when required by the Corporations Act, the Listing Rules or the ASTC Operating Rules.

## 2.5 Variation of Rights

The Company may only modify or vary the rights attaching to any class of shares with the prior approval by a special resolution of the holders of shares of that class, or with the written consent of the holders of at least three-fourths of the issued shares of that class.



## 2.6 Directors

The minimum number of Directors is three. Currently, there are three Directors. Directors, other than the managing Director must retire on a rotational basis so that 1-third of Directors must retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. A retiring Director is eligible for re-election. The Directors may appoint a director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

## 2.7 Decisions of Directors

Questions arising at a meeting of Directors are decided by a majority of votes. The Chairman has a casting vote.

## 2.8 Issue of Further Shares

Subject to the Constitution, the Corporations Act and the Listing Rules, the Directors may issue, or grant options in respect of, Shares to such persons on such terms as they think fit. In particular, the Directors may issue preference shares, and may issue shares with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and participation in surplus on winding up.

## 2.9 Officers' Indemnity

To the full extent permitted by the law the Company shall indemnify each officer, auditor or agent of the Company, out of the property of the Company, against all losses and liabilities incurred by the person as an officer, auditor or agent of the Company, including costs and expenses incurred in defending proceedings, whether criminal or civil..

## 2.10 Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting. At least 28 days' notice of the intention to propose the special resolution must be given.

## 2.11 ASX Listing Rules Prevail

To the extent that there are any inconsistencies between the Constitution and the Listing Rules, the Listing Rules prevail.

**PALACE RESOURCES LIMITED**  
ACN 106 240 475

**PROXY FORM**  
**GENERAL MEETING**

The Company Secretary  
Palace Resources Limited

**By delivery:**  
Palace Resources Limited  
Suite 4, 16 Ord Street  
WEST PERTH WA 6005

**By post:**  
Palace Resources Limited  
PO Box 1779  
WEST PERTH WA 6872

**By facsimile:**  
08 9429 2900

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Shareholder/Shareholders of the Company and entitled to \_\_\_\_\_

votes in the Company, hereby appoint \_\_\_\_\_

OR  the Chair of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting of the Company to be held at Suite 4, 16 Ord St West Perth, WA on 16 October 2013 at 10.00am (WST). If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is \* [ ]% of the Shareholder's votes\*/ [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**OR**  
**Voting on Business of the Meeting**

		For	Against	Abstain
Resolution 1	Approve Change of Scale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Section 195 approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Vendor Shares to Kalimantan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for Capital Raising via Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval for Capital Raising via Convertible notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for Issue of Shares to Endentower P/L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval for Issue of Shares for RM Corporate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval for Issue of Shares for Directors Fees Mr Murie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval for Issue of Shares for Directors Fees Mr Le Page	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approval for Issue of Shares Varndell and Associates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Approval for Issue of Shares Fay Holdings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Approval for Issue of Shares Spartan Nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Approval for Issue of Shares Sealblue Investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_%

**Authorised signature/s** This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

<sup>1</sup> Insert name and address of Shareholder

<sup>2</sup> Insert name and address of proxy

\*Omit if not applicable

## Instructions for Completing 'Proxy' Form

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the 'Certificate of Appointment of Representative' prior to admission. A form of the certificate may be obtained from the Company's share registry.

A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

You must sign this form as follows in the spaces provided:

Individual:                      Where the holding is in one name, the member must

Joint Holding:                    Where the holding is in more than one name all of the holders must sign.

Power of Attorney:            if signed under a power of attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the power of attorney to this Proxy Form when you return it.

Companies:                      a director can sign jointly with another director or a company secretary. A sole director who is also a sole company secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Completion of a Proxy Form will not prevent individual members from attending the Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Company's office (Suite 4, 16 Ord Street, West Perth, WA 6005 or Facsimile number 9486 1011 if faxed within Australia or +61 8 9486 1011 if faxed from outside Australia) not later than 48 hours prior to the time of commencement of the Meeting being 10.00am (WST) on 14 October 2013 (WST).

**Proxy forms received later than this time will be invalid.**