

## ASX ANNOUNCEMENT

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The directors of Palace Resources Ltd (“Palace”, “PXR” or the “Company”) have pleasure in presenting their quarterly report for the period ended 31 December 2012.

### Operations Report

#### December Quarter 2012

#### Highlights

- Completion of initial ten (10) hole drill program on the Paser Project designed to investigate coal quality, depth, thickness and spread of coal seams below surface;
- Over \$500,000 (before costs) raised via a placement to professional and sophisticated investors at a price of \$0.01 per share;
- Palace majority owned subsidiary, Paser Pte Ltd enters into new MOU for exclusive rights to explore, mine and market coal from highly prospective coal concession in East Kalimantan, Indonesia (**Petangis Project**);

#### Company Profile

Palace is an Australian based Resources Company focused on the acquisition of exploration and near production assets across the international resources sector, in particular coal in Indonesia.

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

At the Annual General Meeting (AGM) of shareholders of the Company held on 27 November, 2012 the shareholders approved the change of Company name from Padang Resources Ltd to Palace Resources Ltd.

#### Corporate

During the period the Company issued a total of 51,708,384 shares at \$0.01 to raise approximately \$517,000 (before costs) to fund the development of the Paser Project and for working capital. The funds raised were completed via two consecutive placements (the initial placement was completed in late September, 2012. The second placement was completed in early October, 2012) to professional and sophisticated investors at a price of \$0.01 per share under the Company’s discretionary 15% capacity.

The Company ratified the issue and allotment of the 51,708,384 Shares at the AGM. In addition, the Company gained shareholder approval to issue equity securities up to 10% of its issued share capital

through placements over a 12 month period after the annual general meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

As at 31 December, 2012 the Company has on issue 524,916,952 fully paid ordinary shares. The Company has the capacity to issue 131,229,238 under its 25% discretionary capacity.

### **Activity**

Palace commenced an exploration program at the Paser Project in East Kalimantan designed to confirm coal quality and depth, thickness and spread of coal seams below surface. On 11 October, 2012 PXR announced the completion of the sampling program across the 43 ha location and the submission of approximately 150kg of coal samples to a laboratory in Samarinda for coal quality and processing analysis. The coal samples were collected along strike and down dip of the coal seams within the 43 ha location to ensure a representative sampling program.

The Company was targeting completion of the drill program by end of December, 2012

### **Subsequent events**

Subsequent to the end of the reporting period the Company announced that its majority owned subsidiary, Paser Pte Ltd entered into a MOU for exclusive rights to explore, mine and market coal from highly prospective coal concession in East Kalimantan, Indonesia (Petangis Project).

The Petangis Project comprises of a 100 hectare general survey licence (Izin Usaha Pertambangan Produksi or "IUP") with developed roads and good access to export infrastructure, in close proximity to Palace's Paser project.

The Company advised shareholders on 23 January 2013 of the temporary suspension of the proposed mining at the Paser Project due to high sulphur content at depth

Roland Berzins

**Company Secretary**

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

PADANG RESOURCES LIMITED

ABN

74 106 240 475

Quarter ended ("current quarter")

31 December 2012

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(105)	(344)
(b) development	-	-
(c) production	-	-
(d) administration	(250)	(612)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(348)</b>	<b>(945)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Unsecured Loans)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(348)</b>	<b>(945)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(348)	(945)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	500	500
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(28)	(28)
	<b>Net financing cash flows</b>	472	472
	<b>Net increase (decrease) in cash held</b>	124	(473)
1.20	Cash at beginning of quarter/year to date	104	701
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	228	228

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	11
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payment of directors' fees, salaries and superannuation during the quarter – 1.2

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issue of 1,708,384 shares at a deemed price of \$0.01 for Paser Pte Ltd formation cost.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	83
4.2 Development	-
4.3 Production	-
4.4 Administration	85
<b>Total</b>	<b>168</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	228	104
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>228</b>	<b>104</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	524,916,953	524,916,953		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	51,708,384	51,708,384	1 cent	1 cent
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	- -	- -	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Roland Berzins  
(Company secretary)

Date: 31 January 2013

Print name: Roland Berzins

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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