

PALACE ENTERS INTO MOU FOR ACTIVATED CARBON

PLANT

Further to the Company's announcement of 25 September 2013, the Board of Palace Resources Limited, through its subsidiary company, is pleased to announce that it has entered into a separate memorandum of understanding with its Indonesian partner, RBU, to collaborate on the development of a commercial facility for the beneficiation of coal through to an activated carbon product.

It is proposed that Palace will earn an initial 30% position in the final joint venture company.

Carbon raising is a coal upgrading process performed by driving off the volatiles in the coal & reducing the moisture content, thus yielding an end-product with higher fixed carbon content and minimal ash. It is the intention to conduct trials to determine if the sourced coal, once beneficiated through this process, can be used in the steel industry or treated again to create an activated carbon product.

It is the joint ventures intention to build a pilot plant to test feed stock and to define the process. Upon receipt of successful trial results, the parties intended to then build a commercial plant which will be specifically designed to accept coal from the projects currently controlled by RBU and Palace Resources .

This is an extension of the business activity for Palace from its traditional exploration and mining activities, but is an important step in achieving the highest return for the product being mined.

The joint venture will continue to identify other projects in Indonesia with coal suitable to act as a feedstock for the process and if necessary to expand the production capacity of the carbon beneficiation process or build duplicate plants in other locations.

Full feasibility documents are being prepared and independent experts will be retained to ensure that proper process is in place during the initial stages of the project, as further details become available they will be released to the market

For any further details please contact Anthony Short, on 9429 2900.