

ASX ANNOUNCEMENT

Drilling Programme Commenced on KCM Project

As announced to the market on 1 May 2013, Palace Resources Ltd (ASX code: PXR) is completing a MOU to enter into a potential coal production agreement with PT. Solusi Coalindo.

PT. Solusi Coalindo holds a 100% interest in a potential coal project (KCM Project) which comprises approx. 200 hectares, which is part of a larger 4,000 hectare Coal Contract of Works (CCOW)

As part of PXR's geological due diligence and in accordance with conditions precedent associated with the KCM project, the vendors of the KCM coal project have notified PXR that they have commenced a 1,000 meter drilling programme on the property.

The drilling programme is designed to better define the immediately mineable area and to test the extension of the known coal seams on the property.

This programme is expected to take 40 days to complete and Palace will have access to the drilling results as part of its due diligence process.

Details of the location of the project and coordinates of the drilling program are detailed below

The completion of PXR's acquisition interest in this project is subject to the completion of a favourable due diligence by PXR and PXR's shareholders support.

Palace will continue to keep shareholders informed as to material developments regarding this project.

Roland Berzins
Company Secretary

16 May 2013



Control details associated with the drilling programme

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

