

ASX ANNOUNCEMENT

The directors of Palace Resources Ltd (“Palace”, “PXR” or the “Company”) have pleasure in presenting their quarterly report for the period ended 31 March 2014.

Operations Report

March Quarter 2014

Activity

The Company has continued with its deliberation over the continuation over the joint venture’s plans to build a pilot plant to test feed stock and to define the process. As previously stated, the trial plant will be specifically designed to accept coal from the projects currently controlled by RBU and Palace Resources.

Capital Structure

As at 31 March 2014, the Company had 624,213,745 fully paid ordinary shares on issue plus 89,500,000 options, exercisable at \$0.03 and expiring on 30 November 2014.

On 6 March 2014, the Company announced its intention to raise funds via a non-renounceable Rights Issue. The pertinent matters of the offer document are:

- A non-renounceable pro rata entitlement issue to Shareholders of one (1) Ordinary Share for every one (1) ordinary share for every one (1) ordinary fully paid share held by eligible shareholders on the Record Date at an issue price of 0.2 cents (\$0.002) per share; and
- One (1) option for every two shares (2) issued at the issue price of 0.1 cents (\$0.001) exercisable at 0.2 cents (\$0.002) by 28th February 2016.

The non – renounceable rights issue was partially underwritten and it is the intention of the Company to raise approximately \$1,560,535 before costs.

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.

Roland Berzins
Company Secretary

30 April 2014

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

PALACE RESOURCES LIMITED

ABN

74 106 240 475

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
	(a) exploration & evaluation	-	(33)
	(b) development	-	-
	(c) production	-	-
	(d) administration	159	(66)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	9
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	162	(90)
Cash flows related to investing activities			
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)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	162	(90)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	162	(90)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	(316)	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4	45
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	147	(2)
	Net financing cash flows	(165)	43
	Net increase (decrease) in cash held	(3)	(47)
1.20	Cash at beginning of quarter/year to date	5	49
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2	2

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	12
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

--

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	15
4.2 Development	-
4.3 Production	-
4.4 Administration	15
Total	30

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	2	5
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2	5

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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	624,213,745	624,213,945		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	89,500,000	89,500,000	<i>Exercise price</i> \$0.03	<i>Expiry date</i> 30 November 2014
7.8 Issued during quarter				
.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule as per *ASX Listing Rule 5.3.3*

Tenement Status

Project	Location	Tenement	Blocks	Holder	Beneficial percentage interest held in farm out arrangements at the end of the quarter	Beneficial percentage interest held in farm out arrangements acquired or disposed of during the quarter
Tanami	Australian Northern Territory	EL25207	244	Palace Resources Ltd	10%	Nil

+ See chapter 19 for defined terms.