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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 it 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 maters 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

Rule 5.3

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

		Current quarter	Year to date
Cash f	flows related to operating activities		(9 months)
		\$A'ooo	\$A'ooo
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.

1.13	Total operating and investing cash flows (brought forward)	162	(22)
	(Drought forward)	102	(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'ooo
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	·

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
- Details of outlays made by other entities to establish or increase their share in projects in 2.2 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'ooo	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'ooo
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'ooo	Previous quarter \$A'ooo
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.

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	Amount paid up per security (see
				note 3) (cents)	note 3) (cents)
7.1	Preference				
	+securities				
	(description)				
7.2	Changes during				
	quarter				
	(a) Increases				
	through issues				
	(b) Decreases				
	through returns				
	of capital, buy-				
	backs,				
	redemptions				
7.3	⁺ Ordinary				
1.5	securities	624,213,745	624,213,945		
		עדזיעיד			
7.4	Changes during			1	
/· ⊤	quarter				
	(a) Increases				
	through issues				
	(b) Decreases				
	through returns				
	of capital, buy-				
	backs				
75	+Convertible				
7.5	debt				
	securities				
	(description)				
7.6	Changes during				
7.0	quarter				
	(a) Increases				
	through issues				
	(b) Decreases				
	through				
	securities				
	matured,				
	converted				
					E
7.7	Options	80.500.000	80.500.000	Exercise price	<i>Expiry date</i>
	(description and	89,500,000	89,500,000	\$0.03	30 November 2014
	conversion				
0	factor)				
7.8	Issued during				
	quarter				
.9	Exercised				
	during quarter				
7.10	Expired during				
	quarter				
7.11	Debentures				
	(totals only)				

⁺ 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	Date: 30 April 2014
	(Company secretary)	
Print name:	Roland Berzins	

Notes

- 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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Schedule as per ASX Listing Rule 5.3.3

Tenement Status

Project	Location	Tenement	Blocks	Holders	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.