

24th February 2014

Dear Shareholder

Notice of Non-Renounceable Rights Issue of Shares & Options

The Board of Palace Resources Ltd (**Company**) has announced a pro-rata non-renounceable offer to eligible shareholders of 1 ordinary fully paid share for every 1 share held on the Record Date at an issue price of \$0.002 each and 1 option for every 2 shares allotted at an issue price of \$0.0001 (**Offer**). The options have an exercise price of \$0.002 and an expiry date of 28th February 2015.

The Issue is partially underwritten by FMOF Nominees Pty Ltd.

The Prospectus for the Issue was lodged with the Australian Securities and Investments Commission on 21st February 2014 and will be sent to all eligible shareholders together with a personalised Entitlement and Acceptance Application Form by 14th March 2014. The Prospectus is available on the ASX website (www.asx.com.au). Only shareholders with a registered address in Australia and New Zealand are eligible to participate in the Rights issue

The Issue is non-renounceable which means that there will be no rights trading. For the purpose of calculating each shareholder's entitlement, fractions of entitlements have been rounded down to the nearest whole number of new shares. It is the directors belief that where a shareholders current holds less than a marketable parcel of securities (equity securities whose value is less than \$500 based on the closing price on a trading platform) this is an ideal opportunity to top up to a marketable parcel as the rights issue gives the shareholder an opportunity to minimise costs, as there is no brokerage associated with the application.

Details of the Issue are as follows:

Type of Issue	Pro-rata non-renounceable issue of ordinary fully paid shares on a 1 for 1 basis together with 1 option for every 2 shares issued.
Amount Payable	\$0.002 per share and \$0.0001 per option
Number of Shares & Options to be Issued	624,213,745 shares & 312,106,873 options
Amount to be Raised	\$1,279,638.00 before costs
Purpose of the Issue	The funds raised will be used to investigate new acquisitions proposals and for working capital purposes.

The Proposed timetable for the Offer is set out below:

Lodgement of Prospectus with ASIC	21 st February 2014
Lodgement of prospectus with ASX	21 st February 2014
Entities sent notice to Security holders containing information required by Appendix 3B	24 th February 2014
Last date to purchase Shares on market to participate in the Offer	26 th February 2014
Existing Shares quoted on an "ex" basis	27 th February 2014
Record date for determining entitlements	5 th March 2014
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders	12 th March 2014
Closing Date *	31 st March 2014
Securities quoted on a deferred basis	1 st April 2014
ASX notified of Notification of under subscriptions	3 rd April 2014
Anticipated date of issue of the Shares and Options **	8 th April 2014
Anticipated date of issuing of holding statements **	8 th April 2014
Deferred Settlement Trading Ends	8 th April 2014

*Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date of allotment and issue of the Shares and Options

** Indicative date only.

Details of the Issue are set out in the Prospectus. Any Eligible Shareholder who wishes to acquire new shares pursuant to the Issue should consider the Prospectus in deciding whether to subscribe for shares and options will need to complete the Entitlements and Acceptance Form that will accompany the Prospectus.

On behalf of the Board, I invite you to consider this investment opportunity and thank you for your ongoing support of our Company.

Yours faithfully

Guy Le Page
 Director
 24th February 2014