

24 February 2014

Entitlement Offer Cleaning Notice under Section 708AA(2)(f) Corporations Act

Palace Resources Ltd (Palace)(ASX:PXR) announced that it would be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares and options in the capital of the Company (Shares and Options) via a non-renounceable pro – rata rights entitlement offer. Those eligible to participate (Eligible Shareholders) will be entitled to subscribe for 1 ordinary Palace share for every 1 Palace shares held at the Record Date, being 5.00 pm (WST) on 5th March 2014 at an issue price of \$0.02 and 1 Option for every 2 Shares allotted at an issue price of \$0.0001 (**Entitlement**) to raise up to approximately \$1.3 million.

Eligible Shareholders may also apply for additional Palace shares in excess of their Entitlement at the same price as under the Entitlement Offer (Top-Up Facility). Additional New Shares will only be available under the Top-Up Facility where there is a shortfall between applications for New Shares received from Eligible Shareholders and the number of New Shares proposed to be issued under the Entitlement Offer. Directors have reserved the right to place any remaining shortfall in their discretion within 3 months of commencement of the Entitlement Offer.

The Entitlement Offer is partially underwritten by FMOF Nominees Pty Ltd

An offer document will be mailed to eligible shareholders on 12th March 2014 together with personalised Entitlement and Acceptance forms.

For the purposes of Section 708AA(7) Corporations Act, Palace advised that:

1. The Entitlement will be issued without disclosure under Part 6D.2 Corporations Act as notionally modified by CO 08/35 ;
2. This notice is given under Section 708AA(2)(f) Corporations Act as notionally modified by CO 08/35 ;
3. As at the date of this notice, Palace has complied with the provisions of:
 - a. Chapter 2M Corporations Act as they apply to Palace; and
 - b. Section 674 Corporations Act ;
4. At the date of this notice, there is no information that is “excluded information” within the meaning of section 708AA(8) and section 708AA(9) of the act; and
5. The potential effect that the Entitlement Offer will have on the control of Palace, and the consequences of that effect, is as follows:

- (a) If all Eligible Shareholders take up their Entitlement to New Shares, the Entitlement Offer will have no effect on the control of Palace as Eligible Shareholders would continue to hold the same percentage interest in Palace, subject only to changes resulting from ineligible shareholders being unable to participate in the rights issue;
- (b) In the more likely event that some Eligible Shareholders do not take up their full Entitlement, such shareholders will be diluted relative to those shareholders who subscribe for some or all of their entitlements.

The offer is partially underwritten.

If all Eligible Shareholders do not accept their full entitlement pursuant to the offer, the Company directors reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the Shortfall securities at its sole discretion.

Further details regarding the Entitlement Offer are set out in the Investor Presentation.

Signed for and on behalf of Palace:

Roland Berzins
Company Secretary