

ASX ANNOUNCEMENT

29 July 2011

The directors of Palace Resources Ltd (“Palace” or the “Company”) have pleasure in presenting their quarterly report for the period ended 30 June 2011.

Company Profile

Palace is an Australian based resources company focused on exploration and investment opportunities across the international resources sector.

Operations

The Board of Directors of Palace Resources Limited have received the following information concerning the due diligence process associated with the potential acquisition of Primecity Holding Pty Ltd (“Primecity”) , and its potential to acquire a 75 per cent stake in extensive coal exploration projects in the West Papua province of Indonesia

Primecity advised the Board of Palace that the Primecity have yet to verify:

1. the validity of all the Permits (Izin Usaha Pertambangan – IUP) granted to PT. West Papua Mining (**“the Vendors”**); and
2. the compliance of the Company to the terms and conditions of any and all of the IUPs granted to the Vendors as well as the prevailing laws and regulations.

Palace Resources is continuing to monitor this process and whilst having appointed a technical expert and independent expert, it is still preparing the necessary data for submission to the shareholders for their approval and before any acquisition can be completed.

As soon as these results come to hand the market will be informed.

Corporate

The Board of Directors of Palace Resources Limited are very pleased to announce the appointment of Mr Ian Murie as a director of the Company.

Mr. Murie was appointed a director of the Company on 13 April 2011.

Mr Murie has 30 years of experience as a commercial lawyer providing services to various clients including ASX listed and unlisted companies. His areas of expertise include corporate governance advisory roles to managed investment schemes.

Mr Murie is currently a director of Olea Australis Limited and Acuvax Limited and was formerly non – executive chairman of Excalibur Mining Corporation Ltd from 2005 to 2009.

Mr Murie holds a Bachelor of Law and a Bachelor of Jurisprudence and is the proprietor of his own legal business in West Perth, since 1983.

The board of directors also announce the resignation of Mr Lloyd Flint as a director of the Company, although Mr Flint will continue to work with the Company, in a consultative position.

Roland Berzins
Company Secretary

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")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	(18)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(18)	(1,242)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	35	69
1.5	Interest and other costs of finance paid	(2)	(4)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	15	(1,195)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(32)
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	(632)	(2,235)
1.11	Loans repaid by other entities	-	404
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(634)	(1,865)
1.13	Total operating and investing cash flows (carried forward)	(619)	(3,060)

1.13	Total operating and investing cash flows (brought forward)	(619)	(3,060)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	4,234
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(254)
	Net financing cash flows	1,059	3,980
	Net increase (decrease) in cash held	(619)	920
1.20	Cash at beginning of quarter/year to date	2,146	607
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,527	1,527

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	2
1.24	Aggregate amount of loans to the parties included in item 1.10	2,235

1.25 Explanation necessary for an understanding of the transactions

Payment of directors' fees, salaries and superannuation during the quarter.

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

N/A

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

N/A

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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	50

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	227	396
5.2 Deposits at call	1,300	1,750
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,527	2,146

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			

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 (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	301,471,017	301,471,017		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	37,283,858 123,057,896	37,283,858 123,057,896	<i>Exercise price</i> 20 cents 6 cents	<i>Expiry date</i> 30/06/2012 30/06/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				

7.12	Unsecured notes (<i>totals only</i>)		
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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: 29 July 2011
(Director)

Print name: Roland Berzins

Notes

- 1 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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