

ASX ANNOUNCEMENT

Exploration Update Regarding Lumpo Coal Project in West Sumatra

Palace Resources Ltd (ASX Code: PXR, OTCQX: PRCY) (the **Company**) is pleased to provide the following update regarding the Company's Lumpo coal project, in Western Sumatra, Indonesia.

To date, approximately 60% of the concession has been mapped, with three outcrops identified that may have significance in outlining the potentially coal-bearing horizon within the concession area. Exploration to date has focussed on known areas of coal occurrences, having easy access, and the exploration process will now seek to complete mapping of the remainder of the Lumpo concession area.

The Lumpo concession mapping programme has found a number of indications of a coal-bearing sequence trending north-northeast through the concession and dipping to the east at varying angles, but mostly less than 25°. The historical data shows a number of coal occurrences to the south of the concession area, including exposures in a number of pits and excavations. Recent mapping has identified 2 coal occurrences within the concession, with an exposure of coal at 1 location being measured at 2.80 metres in thickness. Strike continuity of this coal exposure has yet to be demonstrated.

The exposures of various lithologies reviewed to date shows that coal seams occur within sequence of carbonaceous claystone, hosted by the Lemau Formation, and this carbonaceous claystone sequence has been identified at a number of locations within the concession. The implications of the various outcrop data collected to date is yet to be determined and there has been no quality analysis data returned from the laboratory at the time of this release to quantify the coal quality. However, a number of samples have been collected from the coal outcrops identified within the concession.

Mr Nicholas Clark, Managing Director of the Company, commented recently "*I am pleased that after much work and effort of the company and its team in the area, the actual observance of coal within the concession area, in what appears to be a seam of reasonable thickness, supports the continuation of the mapping programme. I am very excited by the prospect of advancing to the next phases of exploration and equally as excited about the future of the company.*"

Competent Person's Statement

The data in this report that relates to Exploration Results is based on information evaluated by Mr Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Gunter is a fulltime employee of GMT Indonesia and he consents to the inclusion in the report of the Mineral Resource in the form and context in which it appears.

Yours Faithfully

A handwritten signature in black ink that reads "Nicholas Clark".

Nicholas Clark
Managing Director
+61 8 9429 2908

About Palace Resources

Palace Resources goals are to create a sustainable exploration and development business focussed on resource opportunities in the Indonesian resource rich region. Palace has a strong management team which has a track record of acquiring and developing mineral projects in the Asia Pacific region. Palace is aggressively exploring and developing resources in the south-east Asia region, particularly Indonesia.