

**PALACE RESOURCES LIMITED**  
**ACN 106 240 475**

**PROSPECTUS**

FOR

**The Offer of up to 99,000,000 Listed Options each at an issue price of \$0.001 to raise up to \$99,000 before the costs of the Offer**

**THIS OFFER CLOSSES AT 5.00PM WST ON 26 MARCH 2010**

**VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.**

**Please read the instructions in this Prospectus and on the accompanying Application Form prior to applying for Listed Options under the Offer.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**THE SECURITIES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.**

## IMPORTANT INFORMATION

This Prospectus is dated 10 March 2010 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at Suite 2, 16 Ord Street, West Perth 6005, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.5).

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the Securities offered pursuant to this Prospectus.

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

The Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the Application Form (free of charge) from the Company's principal place of business any time before the Closing Date by contacting the Company. The offer contemplated by this Prospectus is only available in electronic form to persons receiving an electronic version of this Prospectus and Application Form within Australia.

Applications for Securities will only be accepted on an Application Form which is attached to, or provided by the Company or Lead Manager with a copy of this Prospectus either in paper or electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in the Offer. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his/her stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 3.

By returning an Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Offer detailed in this Prospectus.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST, unless otherwise indicated.

A copy of this Prospectus can be downloaded from the website of the Company at [www.palaceresources.com.au](http://www.palaceresources.com.au). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

# CORPORATE DIRECTORY

## Current Directors

Guy Le Page	Chairman
Robert Hyndes	Director
Roland Berzins	Director

## Company Secretary

Roland Berzins

## Registered Office

Suite 2, 16 Ord Street  
West Perth 6005  
Western Australia

## Share Registry

Advanced Share Registry Services Pty Ltd  
150 Stirling Highway  
Nedlands 6009  
Western Australia

**ASX Code:** PXR

**Website:** [www.palaceresources.com.au](http://www.palaceresources.com.au)

## Lawyers

Hardy Bowen  
Ord Street  
West Perth 6005  
Western Australia

## Auditor

Ord Nexia  
Level 1  
47-49 Stirling Highway  
Nedlands 6009  
Western Australia

## Lead Manager

Indian Ocean Capital Pty Ltd  
Level 1, 11 Mounts Bay Road  
Perth 6000  
Western Australia

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## 1. Details of the Offer

### 1.1 The Offer

The Company is offering 99,000,000 Listed Options at an issue price of \$0.001 (0.1 cents) per Listed Option ("**Offer**").

Refer to Sections 4.1 and 4.2 for a summary of the rights attaching to the Listed Options and Shares.

The Offer is not underwritten.

### 1.2 Rights Issue and Share Placement

As announced on 18 December 2009 the Company is in the process of undertaking additional fundraising through separate prospectuses as follows:

(a) Rights Issue

A non-renounceable pro-rata offer to eligible Shareholders on the basis of 1 Share for every 1 Share held on the record date at an issue price of \$0.012 per Share together with 1 free attaching Listed Option for every 3 Shares subscribed for ("**Rights Issue**").

A prospectus for the Rights Issue was lodged with ASIC on 12 February 2010. If the Rights Issue is fully subscribed, the Rights Issue will result in the issue of an additional 72,173,853 Shares and 24,057,951 Listed Options. Further details are included in Section 2.1.

(b) Share Placement

A Share placement comprising the issue of up to 16,000,000 Shares at a price of \$0.012 per Share to raise up to \$192,000 (before costs) ("**Share Placement**").

A prospectus for the Share Placement was lodged with ASIC on 26 February 2010. If the Share Placement is fully subscribed, the Share Placement will result in the issue of an additional 16,000,000 Shares. Further details are included in Section 2.1.

The Rights Issue and Share Placement are not underwritten.

### 1.3 Purpose of the Offer, Rights Issue and Share Placement

Completion of the Offer will result in an increase in cash in hand of up to approximately \$99,000 (before the payment of costs associated with the Offer). The Company intends to raise up to a further \$965,086 (before costs) from the Rights Issue and the Share Placement.

Funds raised under the Offer, Rights Issue and Share Placement are proposed to be expended as follows:

Description of Cash Outflows	Offer (\$)	Rights Issue (\$)	Share Placement (\$)	Total
1. New acquisitions and	\$85,040	\$808,157	\$172,999	\$1,064,196

Description of Cash Outflows	Offer (\$)	Rights Issue (\$)	Share Placement (\$)	Total
working capital				
2. Costs of the Offer, Rights Issue and Share Placement	\$13,960	\$59,929	\$19,001	\$92,890
<b>Total funds raised under the Offer, Rights Issue and Share Placement</b>	<b>\$99,000</b>	<b>\$866,086</b>	<b>\$192,000</b>	<b>\$1,157,086</b>

#### 1.4 Opening and Closing Dates

The Company will accept Application Forms from 11 March 2010 until 5.00pm WST on 26 March 2010 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules ("**Closing Date**").

#### 1.5 Lead Manager

The Company has appointed Indian Ocean Capital as Lead Manager to the Offer, the Rights Issue and the Share Placement. Indian Ocean Capital will receive a fee of 5% of the total amount raised under the Offer, Rights Issue and Share Placement.

#### 1.6 Risks of the Offer

An investment in Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are set out in Section 3.

#### 1.7 Minimum commitment and no minimum subscription

There is no minimum amount sought to be raised by the Offer. If the Offer is fully subscribed, the Offer will raise approximately \$99,000 (before costs of the Offer). There is no minimum amount sought to be raised by the Offer. The Company will proceed to allot the Listed Options if a lesser amount is raised and irrespective of the amount raised. The Company intends to allot the Listed Options progressively as Applications are received and in any event will allot all Listed Options as soon as possible after the Closing Date.

There is no provision for oversubscriptions.

#### 1.8 Application Forms

If you wish to subscribe for Listed Options, you should complete and return the Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions set out in the Application Form. Completed Application Forms and Application Monies must be received by the Lead Manager prior to 5.00pm WST on the Closing Date. Cheques must be made payable to "Palace Resources Ltd - Subscription Account" and crossed "Not Negotiable". All cheques must be in Australian currency. Application Forms should be delivered to Indian Ocean Capital, Level 1, 11 Mounts Bay Road, Perth WA 6000 or mailed to GPO Box 5626 Perth WA 6001.

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Listed Options accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of Listed Options.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

## **1.9 Issue and dispatch**

Listed Options under the Offer are expected to be issued, and security holder statements dispatched, as soon as possible after the Closing Date.

It is the responsibility of Applicants to determine their allocation prior to trading in the Listed Options. Applicants who sell Listed Options before they receive their holding statements do so at their own risk.

## **1.10 Application Monies held on trust**

All Application Monies received for the Listed Options will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Listed Options are issued. All Application Monies will be returned (without interest) if the Listed Options are not issued.

## **1.11 ASX quotation**

Application will be made to ASX no later than 7 days after the date of this Prospectus of official quotation of the Listed Options. If permission is not granted by ASX for the official quotation of the Listed Options offered by this Prospectus within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

## **1.12 CHESS**

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Advanced Share Registry Services Pty Ltd and will contain the number of Listed Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Securityholders at the end of any calendar month during which the balance of their holding of Securities changes. Securityholders may request a statement at any other time. However, a charge may be made for additional statements.

### **1.13 Residents Outside Australia**

This Prospectus, and an accompanying Application Form, do not, and is not intended to, constitute an offer of Listed Options in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Listed Options. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **1.14 Taxation implications**

The Directors do not consider it appropriate to give investors advice regarding the taxation consequences of subscribing for Listed Options under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to investors. As a result, investors should consult their professional tax adviser in connection with subscribing for Listed Options under this Prospectus.

### **1.15 Major activities and financial information**

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2009 is in the Annual Report which is available on the Company's website at [www.palaceresources.com.au](http://www.palaceresources.com.au).

A summary of activities relating to the Company for the quarters ending 30 September 2009 and 31 December 2009 are in the quarterly activities reports, lodged with ASX on 30 October 2009 and 31 January 2010 respectively. The Company's continuous disclosure notices (i.e. ASX announcements) since 30 June 2009 are listed in Section 4.4.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that investors review these and all other announcements prior to deciding whether or not to participate in the Offer.

### **1.16 Privacy**

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Acceptance.



An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

#### **1.17 Enquiries concerning Prospectus**

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on 08 9486 1122.

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## 2. Effect of the Offer

### 2.1 Capital structure on completion of the Offer, Rights Issue and Share Placement

	Number of Shares	Number of Options
Balance at the date of this Prospectus	72,173,853	34,767,890 <sup>(1)</sup>
To be issued under Offer <sup>(2)</sup>		99,000,000
To be issued under the Rights Issue <sup>(3)</sup>	72,173,853	24,057,951
To be issued under Share Placement <sup>(4)</sup>	16,000,000	
<b>Balance after the Offer, Rights Issue and Share Placement</b>	<b>160,347,706</b>	<b>157,825,841</b>

(1) Options exercisable at \$0.20 on or before 30 June 2012.

(2) Maximum number of Options to be issued under the Offer.

(3) The maximum number of Securities to be issued under the Rights Issue assumes that no Options are exercised before the Record Date.

(4) Maximum number of Shares to be issued under the Share Placement.

## 2.2 Pro forma statement of financial position

	Audited 30 June 2009 \$	Unaudited 31 December 2009 \$	Pro-forma Balance Sheet if Offer fully subscribed \$	Pro-forma Balance Sheet if Rights Issue fully subscribed \$	Pro-forma Balance Sheet if Share Placement fully subscribed \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	355,315	133,767	218,807	1,024,694	1,197,963
Trade and other receivables	117,661	265,489	265,489	265,489	265,489
<b>TOTAL CURRENT ASSETS</b>	<b>472,976</b>	<b>399,256</b>	<b>484,296</b>	<b>1,290,453</b>	<b>1,463,452</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	152,148	34,333	34,333	34,333	34,333
Property plant and equipment	2,039	-	-	-	-
Deferred exploration expenditure	121,888	121,888	121,888	121,888	121,888
<b>TOTAL NON-CURRENT ASSETS</b>	<b>276,075</b>	<b>156,221</b>	<b>156,221</b>	<b>1,446,674</b>	<b>156,221</b>
<b>TOTAL ASSETS</b>	<b>749,051</b>	<b>555,477</b>	<b>640,517</b>	<b>1,534,633</b>	<b>1,619,673</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	57,605	92,613	92,613	92,613	92,613
Provisions	26,700	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>84,305</b>	<b>92,613</b>	<b>92,613</b>	<b>92,613</b>	<b>92,613</b>
<b>NON CURRENT LIABILITIES</b>					
Non-Current Liabilities	0	0	0	0	0
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>84,305</b>	<b>92,613</b>	<b>92,613</b>	<b>92,613</b>	<b>92,613</b>
<b>NET ASSETS</b>	<b>664,746</b>	<b>462,864</b>	<b>547,904</b>	<b>1,354,061</b>	<b>1,527,060</b>
<b>EQUITY</b>					
Contributed equity	4,118,452	4,318,044	4,717,044	5,283,130	45,475,130
Reserves	372,838	372,838	372,838	372,838	372,838
Accumulated losses	(3,826,544)	(4,228,018)	(4,241,978)	(4,301,907)	(4,320,908)
<b>TOTAL EQUITY</b>	<b>664,746</b>	<b>462,864</b>	<b>1547,904</b>	<b>1,354,061</b>	<b>1,527,060</b>

### Basis of Preparation

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the unaudited financial position as at 31 December 2009.

### **Subsequent Events**

There have been no subsequent events since balance date which would have had a significant effect of the Company's financial position.

The Company intends to continue its exploration activities on its existing tenements and to acquire further suitable tenements for exploration as opportunities arise.

### **Effect of the Offer and Placements**

The Offer and Placements will, if fully subscribed, have the following impacts on the Balance Sheet.

	<b>Offer</b>	<b>Rights Issue</b>	<b>Share Placement</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	99,000	866,086	192,000
Costs	13,960	59,929	19,001
Equity	99,000	866,086	192,000
Retained Earnings	(13,960)	(59,929)	(19,001)

### **2.3 Market price of Shares**

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.04 per Share on 21 January 2009

Lowest: \$0.016 per Share on 25 February 2010

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.016 per Share on 09 March 2010.

### **2.4 Dividend Policy**

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

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### **3. Risk factors**

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which investors need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Investors should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

#### **3.1 Risks specific to the Company**

(a) Exploration and Development Risks

The tenements held by the Company are in the early stages of exploration and investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests currently held by the Company, or any other projects that may be acquired in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

(b) Third Party Risks

The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(c) New Projects and Acquisitions

The Company may consider acquisitions that may add value to the Company. The acquisition of new business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Company will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of

additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with mineral exploration and exploitation activities will remain.

(d) Reliance on Key Personnel

The company is reliant on a number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the business of the Company.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

### 3.2 Mineral Industry Risks

(a) Operational Risks

The operations of the Company may be affected by various factors which are beyond the control of Company, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(b) Metallurgy

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- Identifying a metallurgical process through testwork to produce a saleable metal and/or concentrate;
- Developing an economic process route to produce a metal and/or concentrate; and
- Changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(c) Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the

Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(d) Payment Obligations

Under the exploration tenements and certain other contractual agreements to which the Company is or may in the future become a party, the Company is or may become subject to payment and other obligations. Failure to meet these work commitments will render the tenement or licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interest held by the Company.

(e) Commodity Price Volatility and Foreign Exchange Risk

In the event that the Company achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

(f) Tenement Title

Interests in tenements in Western Australia and the Northern Territory are governed by legislation and is evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

All of the tenements in which the Company has or may acquire an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement is usually at the discretion of the relevant government authority. If a Tenement is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.



(g) Native Title

The Native Title Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with Native Title in Australia and this may impact on the Company's operations and future plans.

Native Title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the Native Title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native Title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over Native Title to the extent of any inconsistency for the duration of the title.

Tenements granted before 1 January 1994 are valid or validated by the Native Title Act.

For tenements to be validly granted (or renewed) after 1 January 1994, the future act regime established by the Native Title Act must be complied with.

The existence of a Native Title claim is not an indication that Native Title in fact exists on the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

(h) Environmental Risks

Uranium mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. Future legislation and regulations governing uranium production may impose significant environmental obligations on the Company in relation to uranium mining. The Company intends to conduct its activities in a responsible manner which minimises its impact on the environment, and in accordance with applicable laws.

The Company's projects are subject to Northern Territory, Western Australian and Federal Australian Government regulations regarding environmental matters and the discharge of hazardous wastes and materials. The Governments and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(i) **Specific Risks Associated with the Uranium Industry**

The approval processes for uranium mining are more rigorous than for the mining of other metals, as both Commonwealth and State/Territory Government legislation needs to be satisfied. There is a risk that, should economic deposits of uranium be discovered, the necessary government approvals may not be granted, or may be significantly delayed.

The Federal Government currently permits the mining and export of uranium under strict international agreements designed to prevent nuclear proliferation. The export of uranium is tightly controlled by the federal government through its licensing process and Australian uranium can only be exported to those countries that choose to use it for peaceful purposes.

### **3.3 General Investment Risks**

(a) **Securities Investment**

There are risks associated with any investment in securities. The prices at which the Securities trade, may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for oil and gas exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Securities regardless of the Company's operational performance.

(b) **Share Market Conditions**

The Securities under this Offer are to be quoted on the ASX, where their price may rise or fall in relation to the issue price. The Securities issued under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Securities will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, and the Directors and officers of the Company. Such factors include, but are not limited to, the demand for and availability of the Securities, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in the Securities may also depend on general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in the Securities will develop or that the market price of the Securities will not decline below the issue price.

(c) Regulatory Risks

Changes to legislation in Australia, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(d) General Economic Conditions

Economic conditions in Australia, the USA and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenue and value of the Securities can be affected by these factors all of which are beyond the control of the Company or its Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

### **3.4 Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may, in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

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## **4. Additional information**

### **4.1 Terms and Conditions attaching to Listed Options**

(a) Entitlement

The Listed Options entitle the holder to subscribe for one (1) Share upon the exercise of each Listed Option.

(b) Exercise Price

The Exercise Price of each Listed Option is \$0.06.

(c) Expiry Date

Each Listed Option expires on 30 June 2012.

(d) Exercise Period

The Listed Options are exercisable at any time on or prior to the Expiry Date.

(e) Notice of Exercise

The Listed Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Listed Option being exercised. Any notice of exercise of a Listed Option received by the Company will be deemed to be a notice of the exercise of that Listed Option as at the date of receipt.

(f) Shares issued on exercise

Shares issued on exercise of the Listed Options rank equally with other issued Shares.

(g) Quotation of Shares on exercise

Application will be made by the Company to ASX for the official quotation of Shares issued upon the exercise of the Listed Options.

(h) Timing of issue of Shares

(i) After a Listed Option is validly exercised, the Company must as soon as possible:

(ii) issue the Share and do all such acts matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Listed Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Listed Options.

(i) Participation in new issues

There are no participation rights or entitlements inherent in the Listed Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Listed Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced. This will give Listed Optionholders the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of a Listed Option will be increased by the number of Shares which the Listed Optionholder would have received if the Listed Optionholder had exercised the Listed Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Listed Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Listed Option.

E = the number of underlying Shares into which one (1) Listed Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

(i) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Listed Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(l) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Listed Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) Quotation of Listed Options

Application for quotation of the Listed Options will be made by the Company.

(n) Listed Options transferable

The Listed Options are transferable.

(o) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Listed Options with the appropriate remittance should be lodged at the Company's share registry.

## **4.2 Rights attaching to Shares**

The Shares to be issued upon exercise of a Listed Option will rank equally with the existing Shares.

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) Issues of further shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing

Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) Variation of rights

At present, the Company has on issue one class of shares only, namely ordinary shares.

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) Transfer of Shares

Subject to the Constitution, the Corporations Act and the Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASTC Business Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC Business Rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares when required by law, by the Listing Rules or by the ASTC Business Rules.

(f) Partly paid shares

The Directors may, subject to compliance with the Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(g) Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

(h) Winding up

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus

assets of the Company in proportion to the percentage of the capital paid up on their shares when the winding up begins.

(i) Dividend reinvestment and share plans

The members of the Company, in general meeting, may authorise the Directors to implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

(j) Directors

The Constitution states that the minimum number of Directors is three.

(k) Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the members (except to sell or dispose of the main undertaking of the Company).

(l) Share buy backs

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

(m) Unmarketable parcels

The Company's constitution permits the board to sell the shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of the ASX Business Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the Shareholder notice of the intended sale.

If a Shareholder does not want his shares sold, he may notify the Company accordingly.

(n) Capitalisation of profits

The Company may capitalise profits, reserves or other amounts available for distribution to members. Subject to the Constitution and the terms of issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) Capital reduction

Subject to the Corporations Act and the Listing Rules, the Company may reduce its share capital.

(p) Preference shares

The Company may issue preference shares including preference shares that are liable to be redeemed. The rights attaching to preference shares are those



set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

#### **4.3 Directors' interests in Company Securities**

The Directors or their nominees currently each hold Securities as follows:

<b>Director</b>	<b>No. of Shares</b>	<b>No. of Options</b>
Guy Le Page	Nil	Nil
Robert Hyndes	Nil	Nil
Roland Berzins	1,508,100	1,131,075

Former Directors Anthony Short and Matt Sullivan who resigned in 2009 hold the following securities:

<b>Former Director</b>	<b>Date of Resignation</b>	<b>No. of Shares</b>	<b>No. of Options</b>
Anthony Short	14 October 2009	6,635,001	1,601,250
Matthew Sullivan	7 July 2009	1	Nil

#### **4.4 Company is a disclosing entity**

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Securities.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.4 below).

#### **4.5 Copies of documents**

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Annual Report of the Company for the year ended 30 June 2009, being the last financial year for which an annual financial report was lodged with the ASIC in relation to the Company before the issue of this Prospectus;
- (b) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company since the Company lodged its Annual

Report for the year ended 30 June 2009 and before the date of issue of this Prospectus are as follows:

<b>Date Lodged</b>	<b>Subject of Announcement</b>
26/02/2010	Share Placement Prospectus
15/02/2010	Appendix 3B and Revised Timetable
12/02/2010	Non Renounceable Rights Issue - Prospectus
29/01/2010	Quarterly Activities and Cash Flow Reports - December 2009
29/01/2010	Results of Meeting
25/01/2010	Amended Appendix 3B and Section 708(A) Notice
22/01/2010	Appendix 3B and Section 708(A) Notice
23/12/2009	Notice of Annual General Meeting/Proxy Form
18/12/2009	Annual Report to Shareholders
27/11/2009	Quarterly Activities Report and Appendix 5B
19/11/2009	Notice of General Meeting/Proxy Form
17/11/2009	Completion of Tranche No 2
30/10/2009	Quarterly Activities and Cashflow report September 2009
26/10/2009	Notice of General Meeting/proxy form
14/10/2009	Appointment/Resignation of Director
02/10/2009	Results of GM – all resolutions passed
30/09/2009	Annual Report for year ended 30 June 2009
17/09/2009	Completion of first tranche of Capital Placement
16/09/2009	Ceasing to be a substantial shareholder
16/09/2009	Initial substantial shareholder notice
02/09/2009	Notice of Meeting and Appendix 3B
07/08/2009	Director Appointment/Resignation
06/08/2009	Share Capital Placement
31/07/2009	Quarterly Activities and Cashflow Report

The following documents are available for inspection throughout the period of the Offer during normal business hours at the registered office of the Company at Suite 2, 16 Ord Street, West Perth, Western Australia:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 4.11 and the consents provided by the Directors to the issue of this Prospectus.

#### **4.6 Information excluded from continuous disclosure notices**

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

#### **4.7 Determination by the ASIC**

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

#### **4.8 Directors' interests**

Except as disclosed in this Prospectus, no Director or proposed director, and no firm in which a Director or proposed director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

#### 4.9 Directors remuneration

Shareholders have approved an aggregate amount of up to \$150,000 to be paid as Directors' fees only. The following table shows the total remuneration, including Directors' fees, paid to both current and former Directors since 30 June 2007.

Director	Director Fees, Consulting \$	Superannuation \$	Total \$
Mr Matthew Sullivan <sup>(1)</sup>			
2010*	12,583	-	12,583
2009	23,840	-	23,840
2008	45,840	-	45,840
Mr Anthony Short <sup>(2)</sup>			
2010*	50,000	-	50,000
2009	100,000	-	100,000
2008	105,833	-	105,833
Mr Roland Berzins			
2010*	27,083	4,310	31,393
2009	80,000	7,200	87,200
2008	85,000	7,650	92,7650
Mr Guy Le Page <sup>(3)</sup>			
2010*	11,548	-	11,548
2009	-	-	-
2008	-	-	-
Mr Robert Hyndes <sup>(4)</sup>			
2010*	3,333	-	3,333
2009	-	-	-
2008	-	-	-

<sup>(1)</sup> Resigned 7 July 2009

<sup>(2)</sup> Resigned 14 October 2009

<sup>(3)</sup> Appointed 7 July 2009

<sup>(4)</sup> Appointed 14 October 2009

\* Year to Date (1 July -31 December 2009)

#### 4.10 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, and has not had in the 2 years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Securities or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offer.

Hardy Bowen will be paid approximately \$5,000 (plus GST) in fees for legal services as at the date of this Prospectus in connection with the Offer. In addition, Hardy Bowen has been paid or is entitled to be paid approximately \$1,402.50 for legal services provided to the Company in the period of 2 years prior to the date of this Prospectus.

#### 4.11 Expenses of Offer and Placements

The estimated expenses of the Offer, Rights Issue and Share Placement are as follows:

	Offer	Rights Issue	Share Placement
	\$	\$	\$
ASIC Lodgement fee	2,010	2,010	2,010
ASX quotation fee	1,500	4,115	1,891
Lead Manager Fees	4,950	43,304	9,600
Legal and preparation expenses	5,000	10,000	5,000
Printing, mailing and other expenses	500	500	500
<b>Total</b>	<b>13,960</b>	<b>59,929</b>	<b>19,001</b>

#### 4.12 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

- (a) Hardy Bowen have given, and have not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen have had no involvement in the preparation of any part of this Prospectus other than being named as solicitors of the Company. Hardy Bowen have not authorised or caused the issue of this Prospectus or the making of the Offer. Hardy Bowen make no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.
- (b) Advanced Share Registry Services Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as the Company's share registry. Advanced Share Registry Services Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as the share registry of the Company. Advanced Share Registry Services Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.
- (c) Indian Ocean Capital has given and, as the date hereof, has not withdrawn its consent to be named in this Prospectus as the Lead Manager to the Offer. Indian Ocean Capital has had no involvement in the preparation of any part of this Prospectus other than being named as Lead Manager to the Offer. Indian Ocean Capital has not authorised or caused the issue of this Prospectus or the making of the Offer. Indian Ocean Capital makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.

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## **5. Directors' Statement and Consent**

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of the Company by:

Roland Berzins  
**Director**

Dated: 10 March 2010

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## 6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**\$** means Australian dollars.

**Acceptance** means a valid acceptance of Listed Options made pursuant to this Prospectus on an Application Form.

**Annual Report** means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2009 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2009, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2009.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for Listed Options under this Prospectus.

**Application Form** means the application form sent with this Prospectus.

**Application Monies** means application monies for Listed Options received by the Company from an Applicant.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

**ASX** means ASX Limited ABN 98 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the Directors meeting as a board.

**Business Day** means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

**CHESS** means ASX Clearing House Electronic Subregistry System.

**Closing Date** means the Closing Date as defined in Section 1.4.

**Company** or **Palace** means Palace Resources Limited ACN 106 240 475.

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the Corporations Act (Cth) 2001.

**Directors** mean the directors of the Company at the date of this Prospectus.

**Indian Ocean Capital** means Indian Ocean Capital Pty Ltd ACN 120 576 892.

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**Lead Manager** means Indian Ocean Capital.

**Listed Option** means the Option in Section 4.1.

**Listed Optionholder** means a holder of Listed Options.

**Listing Rules** means the Listing Rules of ASX.

**Offer** means the Offer as defined in Section 1.1.

**Option** means the right to acquire one Share in the capital of the Company.

**Prospectus** means this prospectus dated in Section 5.

**Rights Issue** means the rights issue as defined in Section 1.2.

**Section** means a section of this Prospectus.

**Securities** mean a Share or Option.

**Securityholder** means a holder of Securities.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Placement** means the Share placement as defined in Section 1.2.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

# PALACE RESOURCES LIMITED

ACN 106 240 475

## APPLICATION FORM

Please read all instructions on reverse of this form and the Company's Prospectus dated 10 March 2010

Share Registrars use only

**Broker reference – stamp only**

**A** Number of Listed Options applied for

**B** Total amount payable  
cheque(s) to equal this amount

at  each =

you may be allocated all of the Listed Options above or a lesser number

Broker code  Adviser Code

**C** Full name details title, given name(s) (no initials) and surname or company name

**D** Tax file number(s)  
Or exemption category

Name of applicant 1

Applicant 1/company

Name of joint applicant 2 or <account name>

Joint applicant 2/ trust

Name of joint applicant 3 or <account name>

Joint applicant 3/exemption

**E** Full postal address

Number/street

**F** Contact details

Contact name

Contact daytime telephone  
number

(  )

Suburb/town

State/postcode

Home telephone number

(  )

**G** CHESS HIN (if applicable)

Contact email address

**H** Cheque payment details please fill out your cheque details and make your cheque payable to:  
"Palace Resources Limited – Subscription Account"

Drawer	Cheque number	BSB number	Account number	Total amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Return of the Application Form will constitute your offer to subscribe for Listed Options in the Company. I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/we have received personally a copy of the Prospectus accompanying the Application Form, before applying for Listed Options.

### No signature is required.

You should read the Prospectus dated 10 March 2010 carefully before completing this Application Form. The Corporations Act 2001 (Cth) prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form)



## This Application Form does not require execution

### Guide to Palace Resources Limited Application Form

This Application Form relates to the Offer of up to 99,000,000 Listed Options in Palace Resources Limited at \$0.001 (0.1 cents) per Listed Option pursuant to the Offer under the Prospectus dated 10 March 2010. The Prospectus contains information about investing in the Securities of the Company and it is advisable to read this document before applying for Securities. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and any Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Listed Options you wish to apply for.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Listed Options applied for by the sum of \$0.001 (0.1 cents).
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Official Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.
- If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you.

Correct form of Registrable Title		
Note that only legal entities are allowed to hold shares or options. Applications must be in the name(s) of a natural person(s), companies of other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:		
Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor (a person under the age of 18)</b> Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estates</b> Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnerships</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

- H** Please complete cheque details as requested:

Make your cheque payable to "**Palace Resources Ltd – Subscription Account**" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

### Lodgement of Application Form

Return your completed Application Form to the Lead Manager by hand or fax

#### By Post

Indian Ocean Capital Pty Ltd  
GPO Box 5626  
Perth WA 6001

#### Or Delivered to

Indian Ocean Capital Pty Ltd  
Level 1, 11 Mounts Bay Road  
Perth 6000  
Western Australia

**Application Forms must be received no later than 5.00 pm WST time on the Closing Date.**