

ASX ANNOUNCEMENT

The directors of Palace Resources Ltd (“Palace”, “PXR” or the “Company”) have pleasure in presenting their quarterly report for the period ended 30 June 2013.

Operations Report

June Quarter 2013

Activity

Palace Resources Ltd (**Palace**) entered into a conditional and non-binding MOU with the JV Partner that holds 100% of the coal development project (KCM Project) in South Kalimantan, Indonesia

The KCM Project covers a total licence area of approximately 200 hectares and is part of a large Contract of Work (**CCOW**) approximately 4,000 hectares.

Subsequent to the Company’s announcement, the Company has been informed by the vendors of the KCM project, that they have successfully negotiated with the owners of the entire CCOW proposal to expand the initial project area, and to include a further 346 hectares.

In addition, as part of the continuing relationship building between the parties, the vendors have negotiated an off-take agreement with an independent third party, which will necessitate the commencement of a restriping process, with a view to commence mining of coal on the KCM project.

The vendor has undertaken to complete the mining operations as part of the MOU. This aspect of the KCM project, the actual operational activity and resultant sale of product, is being incorporated into the contract of sale and viewed by the directors as a significant sign of the unity between the vendor and the Company

A comprehensive due diligence process including a drill program is being completed.

Details of the terms and conditions of the MOU are contained in the announcement made to the market during the period.

Corporate

During the period the Company issued a total of 20,000,000 fully paid ordinary shares and 20,000,000 Options exercisable at 3 cents expiring 30 November, 2014 for working capital purposes.

Company Profile

Palace is an Australian based Resources Company focused on the acquisition of exploration and near production assets across the international resources sector, in particular coal in Indonesia.

Palace is strategically aligned to secure advanced projects that are located in close proximity to all key infrastructure and support services. This presents Palace with the opportunity to take advantage of both the internal markets of South-East Asia and the export markets.

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 2013

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	(34)	(1,007)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(65)	(260)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	19
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(96)	(1,248)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Unsecured Loans)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(96)	(1,248)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(96)	(1,248)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	60	622
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)	-	(28)
	Net financing cash flows	60	594
	Net increase (decrease) in cash held	(36)	(654)
1.20	Cash at beginning of quarter/year to date	83	701
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	47	47

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	34
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payment of directors' fees, salaries and superannuation during the quarter – 1.2

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

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

+ See chapter 19 for defined terms.

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	25
4.2 Development	-
4.3 Production	-
4.4 Administration	110
Total	135

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	47	83
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	47	83

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				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	544,916,952	544,916,952		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,000,000	20,000,000		
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	89,500,000	89,500,000	<i>Exercise price</i> \$0.03	<i>Expiry date</i> 30 November 2014
7.8	Issued during quarter	20,000,000	20,000,000	\$0.03	30 November 2014
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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: 31 July 2013
(Company secretary)

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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