

## ASX Announcement

31 July 2009

The directors of Palace Resources Ltd ("Palace") have pleasure in presenting their quarterly report for the period ended 30 June 2009.

## Operations

### Marla

During the June Quarter, Palace surrendered all of the Marla Project tenements, which it had acquired through an option agreement with Newmont Australia in August 2006.

The land, the subject of the Marla tenements, is aboriginal freehold land and exploration is only permitted in accordance with exploration agreements with the Central Land Council ("CLC") on behalf of the traditional Aboriginal landowners that they represent. As documented in the Prospectus of 6 Oct 2006, the CLC is not required to enter into an agreement for the mining of or to consent to the granting of the mineral lease for the mining of Uranium.

Also documented in the Prospectus, the Company assigned the rights to gold in the Marla Tenements.

Excalibur Mining Corporation Ltd, which subsequently acquired the gold rights, considered the Project to be too grass-roots to justify the large land access costs and preferred to concentrate on more advanced prospects, such as Tanami and Tennant Creek.

Pursuant to the option agreement, the tenements were first offered back to Newmont which agreed with Excalibur's assessment as to their prospectivity, and declined the offer.

### Tanami

As previously informed, airborne magnetics and EM by Palace have outlined a number of anomalies prospective for gold and uranium mineralisation in a geological environment with affinities to those displayed in the East Alligator region.

Several parties have approached Palace and Excalibur with regard to their earning of a joint venture interest with regard to the Uranium and Gold rights in the Tanami region.

Of particular interest is a proposal which could see field exploration recommence in the September Quarter. As and when the negotiations are completed, Palace will immediately inform the market.

## Corporate

As outlined in the above mentioned Operations report, the Company directors are currently reviewing the overall Company direction and structure and assessing the most beneficial means of maximizing it potential for the shareholders.

R Berzins

Director

Information in this report pertaining to mineral resources and exploration results was compiled by Mr J Jordan who is a member of Aus.I.M.M. Mr J Jordan has sufficient experience which is relevant to the style of mineralization 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' Mr J Jordan consents to the inclusion in the report of the matters based on his information in the form and context which it appears.

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PALACE RESOURCES LIMITED

ABN

74 106 240 475

Quarter ended ("current quarter")

30 JUNE 2009

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
	Receipts from product sales and related debtors	4	6
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(22)  (156)	(68)  (652)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	12	48
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	<b>Net Operating Cash Flows</b>	<b>(162)</b>	<b>(667)</b>
<b>Cash flows related to investing activities</b>			
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	(32)	(469)
1.11	Loans repaid by other entities	-	-
1.12	Other (share application funds)		
	<b>Net investing cash flows</b>	<b>(32)</b>	<b>(469)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(194)</b>	<b>(1,136)</b>

1.13	Total operating and investing cash flows (brought forward)	(194)	(1,136)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
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 (provide details if material)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(194)	(1,136)
1.20	Cash at beginning of quarter/year to date	549	1,491
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	355	355

### 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	75
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

### 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

Nil

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

Nil

## 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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	25
4.2 Development	
<b>Total</b>	25

## 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	355	549
5.2 Deposits at call	-	-
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	355	549

## 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	EL7357	Surrendered	100%	-
		EL8953	Surrendered	100%	-
		EL8970-71	Surrendered	100%	-
		EL9559	Surrendered	100%	-
		EL9563	Surrendered	100%	-
		EL22355-56	Surrendered	100%	-
		EL22358	Surrendered	100%	-
		EL22389	Surrendered	100%	-
		EL22511	Surrendered	100%	-
		EL23084-85	Surrendered	100%	-
		EL23132-36	Surrendered	100%	-
		EL23747	Surrendered	100%	-
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	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	46,173,853	46,173,853		
7.4	Changes during quarter (a) Increases through issues and release from escrow.  (b) Decreases through returns of capital, buy-backs				

7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	37,283,858	37,283,858	<i>Exercise price</i> 20.0c	<i>Expiry date</i> 30 June 2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

## 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 2009.  
Director/Company Secretary)

Print name: .....Roland H 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.

== == == == ==