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6 July 2009  
The Manager  
Announcements  
Company Announcements Office  
Australian Securities Exchange limited  
PO Box H224  
Australia Square  
Sydney NSW 2000

Dear Sir / Madam,

Placement to Raise \$204,000

Palace Resources Ltd is pleased to announce that it proposes to make a placement of 17,000,000 new fully paid ordinary shares at an issue price of \$0.012 each, to raise \$204,000, before the expenses of the issue.

RM Capital Limited will act as lead manager for the placement, which is being made to a range of Australian and international professional and sophisticated investors, meeting the requirements of Section 708 of the Corporations Act.

The Company has currently on issue 46,173,853 fully paid ordinary shares and initially 6,900,000 new fully paid shares will be issued under the Company's 15% capacity.

The balance of the new shares (10,100,000) will be issued following shareholders approval.

The new shares will issued following completion of documentation and will rank parri passu with the Company's existing shares. With regard to the new 10,100,000, a Notice of Meeting seeking shareholders approval is being prepared and will be distributed as soon as possible.

The funds raised will be used for working capital and to assist the Company in determining its to future direction.

Yours faithfully,

Anthony Short

Chairman