

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 2014.

Operations Report

June Quarter 2014

Activity

In the difficult economic conditions, the Company continued to assess the most suitable method of returning value to the shareholders investment in the Company. As part of the process, the Company has entered into a 6 month mandate with SilikonRok Pty Ltd (“SilikonRok”), a specialist technology group that specialises in identifying and acquiring information technologies that are at or near to positive cash flow. SilikonRok has an experienced and “track proven” team which has the ability to assess and evaluate an emerging technology company’s potential by evaluating the risk and opportunities concerning the technology and to provide advice and assistance with its roadmap to commercialisation.

The Company is continuing to assess its current business projects and is continually reviewing additional resource projects that are assessable within its investment criteria.

Capital Structure

As a result of the Rights Issue announced to the market in the March 2014 quarter, the Company has issued a further 194,214,562 Fully paid ordinary shares and 97,440,291 options.

As at 30 June 2014, the company had the following securities issued:

- 818,428,307 Fully paid ordinary shares;
- 89,500,000 Options – exercisable at \$0.03 each and expiring on 30 November 2014; and
- 97,440,291 Options – exercisable at \$0.002 each and expiring on 28 February 2016

Roland Berzins
Company Secretary

31 July 2014

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 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	27	(6)
(b) development	-	-
(c) production	(71)	(137)
(d) administration	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	12
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	(41)	(131)
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)	(41)	(131)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(41)	(131)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	42	42
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	45
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(2)
	Net financing cash flows	42	85
	Net increase (decrease) in cash held	1	(46)
1.20	Cash at beginning of quarter/year to date	2	49
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3	3

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	3
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

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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

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+ 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	1
4.2 Development	-
4.3 Production	-
4.4 Administration	2
Total	3

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	3	2
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3	2

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	818,428,307	818,428,307		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	194,214,562	194,214,562		
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 97,440,291	89,500,000 97,440,291	<i>Exercise price</i> \$0.03 \$0.002	<i>Expiry date</i> 30 November 2014 28 February 2016
7.8 Issued during quarter	97,440,291	97,440,291	\$0.002	28 February 2016
.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule as per *ASX Listing Rule 5.3.3*

Tenement Status

Project	Location	Tenement	Blocks	Holder	Beneficial percentage interest held in farm out arrangements at the end of the quarter	Beneficial percentage interest held in farm out arrangements acquired or disposed of during the quarter
Tanami	Australian Northern Territory	EL25207	244	Palace Resources Ltd	10%	Nil

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