Palace Resources Ltd

Annual Report

July 2008

Tanami Project

EL 25207

Matthew Sullivan

July 2008
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Appendix 1 – GPX Report
1.0 Summary.

Palace Resources Ltd. are targeting and uranium mineralisation in both recent sediments, derived from the weathering and remobilisation of older uraniferous lithologies as well as structurally controlled and uranium mineralisation associated within graphitic and pyritic members of the Lower Proterozoic Dead Bullock Formation and chloritic members of the Killi Kill beds which unconformably overlie the Dead Bullock Formation.

Palace’s partner Excalibur Mining Corporation Ltd. are pursuing structurally controlled gold mineralisation. Often at lithological contacts, fault structures can re-mobilise gold and other rare earth elements along these conduits to areas of lower pressure where ore formation occurs.

Exploration during this period consisted of data review of previous results, interpretation of available regional magnetic and landsat data – targeting possible dispersion halos related to mineralisation and a major magnetic and EM aerial survey. The aerial survey was conducted by GPX utilising a helicopter which was based at Suplejack Downs.

2.0 Introduction.

This is a technical report outlining exploration activities undertaken by Palace Resources Ltd and Excalibur Mining Corporation Ltd. across the Tanami Project tenements in the year to 10th March 2008.

The Tanami Project tenement consists of EL 25207

Palace Resources Ltd. listed on the Australian Stock Exchange (ASX) during December 2006, whilst Excalibur Mining Corporation Ltd. relisted on the ASX in early 2007, following approximately twelve months of being delisted.

Between the two companies a total of $9 million has been raised to fund exploration activity.

Under an agreement between the two companies, Palace retains the rights to uranium and Excalibur has the rights to precious metals. These tenements were acquired by Palace from Newmont Tanami Pty Ltd on listing in December 2006. Newmont Tanami retains a royalty from any gold production, and also retains a claw back on a significant gold resource being discovered. This gives Excalibur a potential treatment scenario should a very large gold resource be discovered on the tenements.
3.0 Location.

The Tanami Project lies approximately 400 kilometres northwest of Alice Springs in the Northern Territory. The area is accessed via station, community and historical exploration tracks from the Stuart Highway. The tenement area covers 244 blocks. The Tanami Project area is situated within the Granites-Tanami Complex to the north and Aileron Province to the south. Both provinces consist of similar rock sequences and have comparable Palaeoproterozoic magmatic, metamorphic and deformational histories.
4.0 Geology.

The Project Area lies astride the Granites - Tanami and Arunta provinces. Basement metasedimentary sequences in both regions are thought to be lateral equivalents and the sequences merge with one another. The Granites - Tanami and the Northern Arunta provinces contain similar rock sequences and share similar Palaeoproterozoic magmatic, metamorphic and deformational histories.

Both provinces comprise of a deformed Palaeoproterozoic basement turbiditic sequence of greywacke, quartz sandstone, siltstone, shale, and minor mafic
rocks and their moderate to high grade metamorphic equivalents (schist, gneiss, quartzite, amphibolite). The Tanami Block also contains chert, pyritic carbonaceous sediments and ironstone, whereas the Arunta Block has minor calc-silicates and meta-felsic volcanics (felsic orthogneiss).

During the Barramundi Orogeny (1890-1850 Ma, Page and Williams, 1988), the sedimentary sequences in the Arunta were intruded by mafic rocks, deformed and metamorphosed up to amphibolite facies.

Granite plutons were emplaced in the closing stages of the Barramundi Orogeny, at about 1820 - 1800 Ma. In the Arunta province, platform quartzite-shale-carbonate sediments (Reynolds Range Group) unconformably overlie the Barramundi metamorphic rocks and probably represent correlatives of the Hatches Creek Group of the Davenport Province to the north (Blake et al. 1987).

Deformation of the Hatches Creek Group preceded granite intrusion at about 1660 Ma (Page and Williams 1988) and involved an early phase of upright northwest-trending folds and a second episode of northeast-trending folds. Faulting, thrusting and metamorphism accompanied both episodes of folding. The Arunta province remained tectonically active after the Barramundi Orogeny with several metamorphic and deformational events, including the ~1800 Ma Strangways granulite event (Shaw et al., 1984), the 1760-1650 Ma Aileron retrogressive event (Windrim and McCulloch, 1986) and the most recent Carboniferous Alice Springs Orogeny.

In the northern Arunta region, significant granitic magmatism occurred at 1780-1770, 1713, 1635 and 1570 Ma. The basement provinces described above are unconformably overlain by younger, Neoproterozoic and Palaeozoic sediments of the Birrindudu, Wiso, Georgina and Ngalia basins (Wells and Moss, 1983).
5.0 Exploration Objectives.

5.1 Gold

Exploration and mine studies have indicated that gold mineralisation in the region has an association with a range of geological environments. Models of gold occurrence for which the Tanami is believed to be most prospective include:

- Disseminated, stratabound deposits hosted by banded iron formations;
- Dead Bullock Soak-Granites styles of mineralisation, controlled by anticlinal folding and iron-rich lithologies
- Discordant stockwork deposits of gold in relatively late stage quartz veins;
• Gold mineralisation in veins hosted by shear zones with strong alteration characteristics;
• Deposits in regolith containing gold concentrated by alluvial, eluvial or lateritic processes.

With these models in mind, the Company’s geologists have selected prospective target exploration areas based on regional geological, structural, geophysical and geochemical data.

The detailed assessment of these targets has been undertaken by a range of exploration techniques, designed to reveal the geology of the target area, and the presence of indicator elements, particularly gold itself, in anomalous quantities. The task has been made difficult by the very extensive cover of windblown sand and other transported material, which conceals the rock and associated soil, typically to a thickness of several metres. This blanket covers as much as 98% of the region. Consequently the exploration process has relied heavily on point samples obtained by drilling to expose bedrock.

5.2 Uranium

Little is really known about the uranium models available in this region. To the north lies the unconformity between the Tanami and the Victoria/Burrindudu basin. To the south lies the sandstone hosted Bigryli V-U mineralisation. Exploration to date has been hampered by a lack of regional airborne radiometric data and has relied on uranium in soils as a regional targeting tool.

6.0 Previous Exploration.

Gold mineralisation was discovered by Davidson in 1900 at a number of sites within the Tanami region. Gold was reported as having been found by Wickham in the 1920’s in an area about 75km south west of gold occurrences at the Granites. However, there are no reliable records to substantiate this report.

Hossfield, on his journey to Lake Mackay in 1940, collected a single sample consisting of surface stones from low ironstone gravel hills on the eastern margin of the Highland Rocks sheet. The sample returned an assay of 0.15g/t gold and 3.7g/t silver.

The area was mapped by the Bureau of Mineral Resources in the 1960’s and 1970’s, the results of which constitute the 1:250000 Mt. Theo, Mt. Solitaire, The Granites and Highland Rocks map sheets and explanatory notes. In 1994, the Australian Geological Survey Organisation conducted regolith mapping of the Highland Rocks using airborne gamma-ray and Landsat MSS data.
No records exist of exploration within these licenses prior to granting of the ground to Normandy NFM.

7.0 Exploration Activity 11/03/07 to 10/03/08.

Palace Resources Ltd and Excalibur Mining Corporation Ltd have completed a thorough review of available data, generated largely by Newmont Tanamai Pty Ltd (“Newmont”). This work has also seen structural geology interpretations from available geological and aeromagnetic data.

An aerial magnetic and EM survey was conducted by Perth based company GPX using a helicopter which, for the duration of the survey was based at Suplejack Downs. Appendix 1 (GPX Report) contains all the necessary technical data for the survey.

8.0 Results and Conclusions.
A Perth based company (Southern Geoscience) has been contracted to interpret the data gained from the airborne survey. Their interpretation is incomplete and only preliminary data has been received. However, the preliminary data indicates the presence of significant conductors along with a pronounced unconformity. No real impression can be gained until Southern Geoscience has completed it’s appraisal of the geophysical data.
9.0 Proposed Exploration.

Given the amount of work conducted by previous operators, it is apparent that the area has economic potential for both gold and uranium mineralization. There are a number of targets which should be further investigated.

Given the encouragement of the initial preliminary interpretation of the geophysical data, it is likely that the next stage of exploration will be an aircore drilling programme covering areas of interest.

10.0 Discussion.
The tenement is prospective for both gold, PGE’s and uranium and deserves follow up work, which will most likely be in the form of a drilling programme.
11.0 References.


APPENDIX 1 – GPX Report

RepTEM Airborne Geophysical Survey

Browns Range, Northern Territory.

January - February 2008
Survey Operations and Logistics Report

For
PALACE RESOURCES

Survey Flown by:

GPX Airborne
JOB NUMBER 2301
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GPX Airborne
RepTEM (MkI) Survey

SURVEY SUMMARY

Client: PALACE RESOURCES
Job Number: 2301
Survey Area: Browns Creek, Northern Territory
Data Processing Base: Base of Operations and processing base was Supplejack Downs Station

Mobilisation: 11th January 2008
Production: 12th January – 2nd February 2008
Demobilisation: 2nd February 2008

Line km surveyed: 1801.146 km

Survey Crew: Brett Hanlon (Crew Leader)
              Kent Andrews
              Jeffery Kerferd
              Nick Scott (Pilot)
              Hamish Henderson (Pilot)

Survey Specifications: Traverse Line Spacing - 200 m
                       Traverse Line Direction - 090 – 270 degrees
                       Tie Line Spacing - 2000 m
                       Tie Line Direction - 000 – 180 degrees

In January 2008, GPX Airborne was contracted by Palace Resources to perform a RepTEM survey over the browns Range survey area in the Northern Territory. The job was flown between the 12th January and the 2nd February 2008.

The base of operations and processing was located at the Supplejack Downs Station.
RepTEM System Specifications

**Transmitter**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waveform</td>
<td>25% duty cycle square wave</td>
</tr>
<tr>
<td>Pulse on Time</td>
<td>5 ms (inclusive of 1 ms cosine ramp on)</td>
</tr>
<tr>
<td>Pulse off Time</td>
<td>15 ms</td>
</tr>
<tr>
<td>Pulse Current</td>
<td>320 Amps</td>
</tr>
<tr>
<td>Switch on Ramp</td>
<td>1 ms</td>
</tr>
<tr>
<td>Switch off Ramp</td>
<td>55 µs</td>
</tr>
<tr>
<td>Tx Loop Area</td>
<td>~350 m²</td>
</tr>
<tr>
<td>Tx NIA –</td>
<td>112,000</td>
</tr>
<tr>
<td>Tx Frequency –</td>
<td>25 Hz</td>
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</tbody>
</table>

**Receiver**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Specification</th>
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</thead>
<tbody>
<tr>
<td>A-D Circuitry</td>
<td>24 bit</td>
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<tr>
<td>Sample Time</td>
<td>0 - 12 ms</td>
</tr>
<tr>
<td>Sampling</td>
<td>121 Linear channels</td>
</tr>
<tr>
<td>Windowed Data</td>
<td>21 channels</td>
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</tbody>
</table>

**Receiver Coil**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective NA</td>
<td>10,000 Square Metres</td>
</tr>
<tr>
<td>Bandwidth –</td>
<td>45,000 Hz</td>
</tr>
</tbody>
</table>
Geometry.

Transmitter loop is towed 35 m below helicopter - Receiver coil is located at centre of Tx loop.

Transmitter / Receiver at nominal 35 m terrain clearance.

Helicopter survey speed is between 45 and 55 knots.

Along line sample interval is between 9 and 11 metres
EM Data Channel Specifications

NB: Time 0 is at the start of the switch off ramp

<table>
<thead>
<tr>
<th>Channel</th>
<th>Begin Time</th>
<th>End Time</th>
<th>Centre Time</th>
<th>Width in Time</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>55</td>
<td>80</td>
<td>67.500</td>
<td>25.00</td>
</tr>
<tr>
<td>2</td>
<td>80</td>
<td>105</td>
<td>92.500</td>
<td>25.00</td>
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<td>3</td>
<td>105</td>
<td>130</td>
<td>117.500</td>
<td>25.00</td>
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<tr>
<td>4</td>
<td>130</td>
<td>155</td>
<td>142.500</td>
<td>25.00</td>
</tr>
<tr>
<td>5</td>
<td>155</td>
<td>255</td>
<td>205.000</td>
<td>100.00</td>
</tr>
<tr>
<td>6</td>
<td>255</td>
<td>355</td>
<td>305.000</td>
<td>100.00</td>
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<tr>
<td>7</td>
<td>355</td>
<td>456.25</td>
<td>405.625</td>
<td>101.25</td>
</tr>
<tr>
<td>8</td>
<td>456.25</td>
<td>557.50</td>
<td>506.875</td>
<td>101.25</td>
</tr>
<tr>
<td>9</td>
<td>557.50</td>
<td>760.00</td>
<td>658.750</td>
<td>202.50</td>
</tr>
<tr>
<td>10</td>
<td>760.00</td>
<td>1063.75</td>
<td>911.875</td>
<td>303.75</td>
</tr>
<tr>
<td>11</td>
<td>1063.75</td>
<td>1468.75</td>
<td>1266.250</td>
<td>405.00</td>
</tr>
<tr>
<td>12</td>
<td>1468.75</td>
<td>1975.00</td>
<td>1721.875</td>
<td>506.25</td>
</tr>
<tr>
<td>13</td>
<td>1975.00</td>
<td>2582.50</td>
<td>2278.750</td>
<td>607.50</td>
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<tr>
<td>14</td>
<td>2582.50</td>
<td>3291.25</td>
<td>2936.875</td>
<td>708.75</td>
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<td>15</td>
<td>3291.25</td>
<td>4101.25</td>
<td>3696.250</td>
<td>810.00</td>
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<tr>
<td>16</td>
<td>4010.25</td>
<td>5012.50</td>
<td>4556.875</td>
<td>911.25</td>
</tr>
<tr>
<td>17</td>
<td>5012.50</td>
<td>6025.00</td>
<td>5518.750</td>
<td>1012.50</td>
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<tr>
<td>18</td>
<td>6025.00</td>
<td>7138.75</td>
<td>6581.875</td>
<td>1113.75</td>
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<tr>
<td>19</td>
<td>7138.75</td>
<td>8353.75</td>
<td>7746.250</td>
<td>1215.00</td>
</tr>
<tr>
<td>20</td>
<td>8353.75</td>
<td>9670.00</td>
<td>9011.875</td>
<td>1316.25</td>
</tr>
<tr>
<td>21</td>
<td>9670.00</td>
<td>11391.25</td>
<td>10530.626</td>
<td>1721.25</td>
</tr>
</tbody>
</table>
Magnetic Data Specifications
The helicopter was equipped with a bird-mounted Geometrics G 822A Cesium vapor, optically pumped magnetometer continuously sampling at 1200 Hz.
The instrument has a sensitivity of 0.001 nT, with a sensor noise level of less than 0.1 nT.
The magnetic readings are resampled to 50Hz with each sample containing an array of 24 readings. Adjacent readings are summed to minimise bias from the EM transmissions to produce the 25Hz magnetic array data. The mid time array positions are averaged to create the magnetic response.
The time-synchronized ground magnetic field data was digitally recorded at a 5.0 sec interval with a Geometrics G856 magnetometer to an accuracy of 0.1 nT.

Base Station Location: 563174mE, 7866276mN  MGA Zone 52

DATA PROCESSING SUMMARY
The following processes were carried out at the field processing office:
• Spline removal of birdswing
• Negative decays paired and reversed
• Filtering and correction of laser altimeter
• Data is splined to a uniform sample spacing
• Butterworth filter applied to each channel
• Preliminary gridding and data verification

Final EM Processing
Software used for processing at the GPX Perth office:
• Geosoft
• EmaxAIR by Fullagar Geophysics
• ChrisDBF

System response obtained from high level flights is removed from the data. CDIs are generated using EmaxAIR, and depth slice data is interpolated from the Emax output using in-house software. Final plots are created in Geosoft .MAP format, and include CDIs that are masked to the first and last depth solution at each station.

Magnetic Data processing.
The aircrafts magnetic data is corrected for diurnal and the mean diurnal value added back to the channel. Parallax is applied, followed by the IGRF correction, the mean IGRF value being added back to data. Where required tie line and a micro-level will be applied to the final magnetic channel.

<table>
<thead>
<tr>
<th>Area Name</th>
<th>Diurnal Value</th>
<th>IGRF Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Browns Range</td>
<td>50699.81 nT</td>
<td>50699.73 nT</td>
</tr>
</tbody>
</table>
Digital Elevation Model

The laser altimeter data was subtracted from the GPS height to give a digital elevation model which represents height above the WGS84 spheroid. This data was then mean levelled with the SRTM (Satellite Radar Topography Mission, NASA) to remove any levelling.
Final DVD Contents

\images
GeoTiff format images of all depth slices, minimum, maximum and last conductivity, digital elevation and magnetic data.

\grids
Conductivity depth slices with name convention of dnnn.grd where nnn is the depth of the conductivity slice, grids are in Geosoft GRD format. ERMapper format grids have also been provided, with a ERM_Dnnn.ers naming convention.

Final Magnetic grid: ERM_Magnetics.ers
Final Digital Terrain: ERM_DEM.ers (WGS84 spheroid)

 grids\cdi_grids
Geosoft format files of the CDI grids.

\located_data

TEMLDT
Line: Line number
Fiducial: Fiducial number as displayed on the CDI sections.
East: Easting (GDA94 MGA52)(metres)
North: Northing (GDA94 MGA52)(metres)
Heli_Z: GPS altitude of helicopter (metres)
TX_Laser: Height of the laser altimeter on the hoist (metres)
DEM_F: Levelled Digital Elevation Model, WGS84 (metres)
Current: Transmitter current (amps)
Ch[*]: EM response, channels 1-21 (uV)
Mag: Interpolated magnetic channel.
CDILDT
Line: Line number
East: Easting (GDA94 MGA52)(metres)
North: Northing (GDA94 MGA52)(metres)
Distance: Distance along line (metres)
Depth: Depth below surface (metres)
Conductivity: Conductivity (mS/m)
RL: GPS depth (WGS84)(metres)

DEPTHSLICE.LDT
Line: Line number
East: Easting (GDA94 MGA52)(metres)
North: Northing (GDA94 MGA52)(metres)
Distance: Distance along line (metres)
RL: GPS depth (WGS84)(metres)
[35-150]: Conductivity at specified depth (mS/m)

COND_SUMMARY.LDT
Line: Line number
East: Easting (GDA94 MGA52)(metres)
North: Northing (GDA94 MGA52)(metres)
Firstcond: First recorded conductivity in a decay (mS/m)
Maxcond: Maximum recorded conductivity in a decay (mS/m)
Lastcond: Last recorded conductivity in a decay (mS/m)
Mincond: Minimum recorded conductivity in a decay (mS/m)

MAGNETICS.LDT (25Hz data)
Line: Line Number
SPM: Seconds past midnight.
East: Easting (GDA94 MGA52)(metres)
North: Northing (GDA94 MGA52)(metres)
Rawmag: Raw magnetics channel
Diurnal: Diurnal data
PreMag: Diurnal corrected.
IGRF: Calculated IGRF value for each point.
MagF : Final magnetics channel
GPS_Z: GPS altitude of helicopter (metres)
Clearance: Ground clearance of the Magnetic Sensor.

Each data type is also accompanied with a similar Geosoft database.

\sections

Linear & logarithmic profiles, and conductivity depth images for each line. In Geosoft .MAP format (viewable with the free interface at http://www.geosoft.com).

\images

Linear & logarithmic profiles, and conductivity depth images for each line. In PNG (Portable Network Graphics) format.
IMAGES

60m Depthslice
125m Depthslice
Total Magnetic Intensity
GPX Airborne
A.B.N. 74 094 570 028
Locked Bag 3, Applecross,
Western Australia. 6153
Telephone:  (08) 9316 8111
Fax:  (08) 9316 8033
Web:  www.gpxair.com.au