Force Commodities Limited

(formerly Sovereign Gold Company Ltd)

ABN 12 145 184 667

And its Controlled Entities

2016 Annual Report

CORPORATE DIRECTORY

Directors
Mr Mark Darras, Non-Executive Chairman
Mr Alistair Stephens, Executive Director
Mr Patrick Glovac, Non-Executive Director
Mr Peter Smith, Non-Executive Director

Company Secretary
Mr Henry Kinstlinger

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Northbridge WA 6003
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Perth WA 6000

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Share Registrar
Computershare Investor Services Pty Limited
GPO Box 2975
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Telephone: 1300 850 505 (within Australia)

Securities Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Level 40, Central Park
152-158 St Georges' Terrace
Perth WA 6000
Code: 4CE

Website
www.forcecommodities.com.au

CHAIRMAN'S LETTER

Dear Shareholders,

The resources industry has experienced a recent period of uncertainty but enters a new era of renewed interest and optimism. Often structural reviews both in management and corporate are needed to implement and move with change.

Force Commodities (formerly Sovereign) has acted decisively by taking the strategic decision to bring in a new board and management team, to review operations and reinvigorate project activity. By making the right decision at the right time, Force Commodities is now ready to embark on the real job at hand which is to deliver shareholder value.

The previous Board, and the new Board, are committed to putting in place the foundations for the Company to thrive and prosper. Retiring directors Rocco Tassone and Charlie Thomas, along with Patrick Glovac, have worked hard to turn around the fortunes of Force Commodities. I thank them for their service.

As a consequence, Force is now well-positioned to generate significant value for its shareholders. The Company is in a sound financial position with sufficient funding in place for its immediate exploration programs, and our two highly prospective projects (gold and zinc) are poised to be advanced and we expect will soon have significant market appeal. Furthermore, following the capital consolidation completed in late 2016, the Company has a tight capital structure, and the strong support of its major shareholders.

I welcome to Force, Alistair Stephens and Peter Smith, two very talented and experienced executives, with many decades of resources and mining sector experience. I also welcome the new executive team, a team full of enthusiasm but also very well versed and knowledgeable in finance, geology and metallurgy.

I am genuinely excited about the next twelve months and what can be achieved.

I would like to thank you for your support of the Company, and I look forward to meeting with you and presenting our plans at the upcoming Annual General Meeting.

Yours sincerely

MARK DARRAS
CHAIRMAN

DIRECTORS' REPORT

The directors of Force Commodities Limited ('**Force'** or '**Company'**) hereby submit the financial report of the Company and its controlled entities (the '**Group'**) for the year ended 31 December 2016.

DIRECTORS

The names and particulars of directors who held office during the financial year and up to the date of this report are:

Mark Darras	Non-Executive Chairperson	appointed 28 February 2017
Alistair Stephens	Executive Director	appointed 28 February 2017
Patrick Glovac	Non-Executive Director	appointed 14 December 2015
Peter Smith	Non-Executive Director	appointed 27 March 2017
Charles Thomas	Non-Executive Chairperson	appointed 14 July 2015; resigned 28 February 2017
Rocco Tassone	Executive Director	appointed 14 July 2015; resigned 27 March 2017
Simon Bird	Managing Director	appointed 23 February 2015; retired 29 February 2016

Directors have held office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Company Secretary of Australian Bauxite Limited, Frontier Capital Group Limited, and Raffles Capital Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was mineral exploration and development. There were no significant changes in the nature of the Group's principal activity during the financial year.

RESULTS

The result for the year ended 31 December 2016 attributable to members of Force was a net loss after tax of \$1.690 million (2015 loss: \$6.735 million). The improved result as compared with the previous year is largely due to the 2015 impairment of \$5.3 million, which provided for the diminution of exploration assets.

DIVIDENDS

No amounts have been paid or declared by way of dividend during or since the end of the financial year.

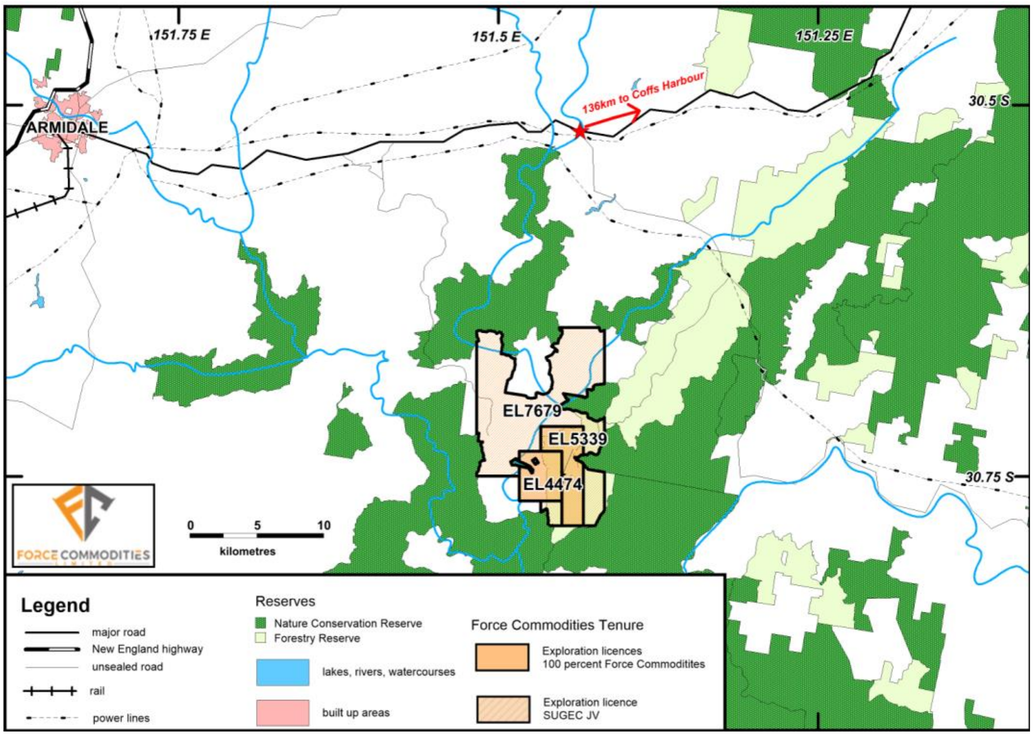
REVIEW OF OPERATIONS

During the year ended 31 December 2016, the Group's operational focus was primarily on the advancement of its Halls Peak Base Metals Project and its Mt Adrah Gold Project.

Halls Peak, Zinc Project (100% owned)

The Halls Peak project area is located approximately 80 kilometers, by road, south-east of Armidale – see map following.

The project area comprises three Exploration Licences covering all identified areas of polymetallic mineralisation - Zinc (Zn), Lead (Pb), Copper (Cu), Gold (Au) and Silver (Ag).



Location Map: Halls Peak Project, NSW, Australia

In the latter part of 2016, a diamond drilling program was undertaken at Halls Peak for the purposes of determining the potential for direct shipping of ore containing high-grade zinc and silver, as well as lead and copper. The drill program consisted of 6 drill holes (SG 01 – SG 06) with the drilling program designed to test the vertical and lateral extent of base metal and silver mineralised lodes, which were previously drilled in 2014.

Best drilling results from the program are summarised in the following table.

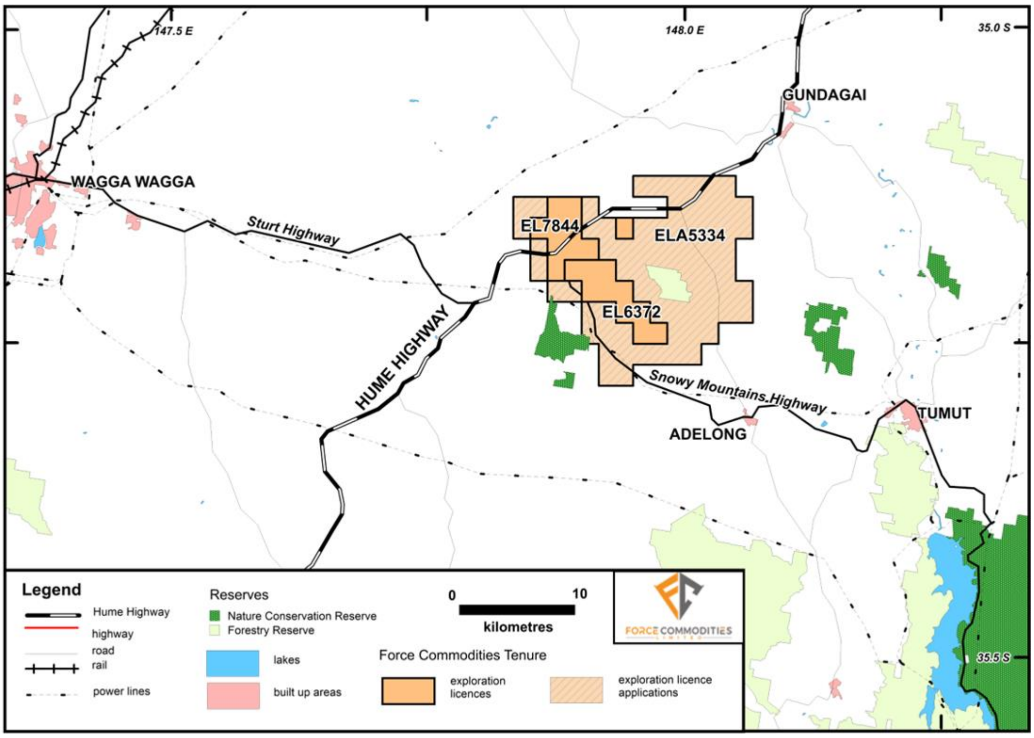
Hole ID	Best Results
SG 01 **(83m length)**	**43.3m (from 2.40 – 45.7m) @5.06% Zn+Pb, 0.98% Cu, 23.79 g/t Ag and 0.14 g/t Au** inc. 3.8m (from 27.8 – 37.6m) @ 16.78% Zn, 3.85% Pb, 2.13% Cu, 41.84 g/t Ag and 0.22 g/t Au
SG 02 **(110m length)**	**47.6m (from 21.4 – 69.0m) @ 3.91% Zn+Pb, 0.48% Cu, 10.92 g/t Ag and 0.07 g/t Au** inc. 16.4m (from 52.6 – 69m) @5.93% Zn, 2.27% Pb, 0.77% Cu, 17.01% Ag and 0.13 g/t Au
SG 03 **(107m length)**	**102.3 m (from surface) @4.4% Zn+Pb, 0.39% Cu, 88.94 g/t Ag and 0.26 g/t Au** inc. 11.3m (from 3.7 – 15.0m) @ 15.18 % Zn, 8.02% Pb, 1.61% Cu, 597.8 g/t Ag and 1.56 g/t Au inc. 5.7 m (from 44.1 – 50.4m) @9.44% Zn, 7.09% Pb, 0.53% Cu, 155.21 g/t Ag and 0.45 g/t Au
SG 04 **(58m length)**	**44.9m @ 2.91% Zn+Pb, 0.21% Cu, 39.99 g/t Ag and 0.21 g/t Au (8.8m EOH)** inc. 13.2m @5.53% Zn, 2.71% Pb, 0.43% Cu, 94.33 g/t Ag and 0.52 g/t Au.
SG 05 **(40m length)**	**33m @ 6.66% Zn+Pb, 0.33% Cu, 10.67 g/t Ag and 0.05 g/t Au (7m EOH)** inc. 7.2m @20.19% Zn, 7.17% Pb, 0.66% Cu, 30.93 g/t Ag and 0.1 g/t Au
SG 06 **(106m length)**	**99.1m @ 3.59% Zn+Pb, 0.15% Cu, 17.53 g/t Ag and 0.05 g/t Au (6.1m EOH)** inc. 11.2m @ 19.71% Zn, 10.77% Pb, 0.8% Cu, 134.96 g/t Ag and 0.23 g/t Au,

Drilling intersected massive sulphide bands of high grade Zn, Pb, Cu and Ag. The developing picture at Halls Peak, as shown by these results, is that high grade mineralisation observed at surface and in shallow areas does extend to depth. With a relatively large amount of new data from the above holes, Force geologists are now assessing drill data and logs to produce a model of the deposit prior to further resource definition drilling programs.

Drilling and data interpretation reinforces that Halls Peak has potential for (i) the development of multiple shallow, small-scale, high grade deposits, and (ii) larger-scale sulphide deposit at depth. Both will be targeted during 2017.

Mount Adrah Gold Project (99.5% owned)

The Mt Adrah Gold Project is located approximately 400 km SW of Sydney, 30 km E of the regional centre of Wagga Wagga and approximately 25 km NW of the township and historic gold mining centre of Adelong.



Location Map: Mt. Adrah Gold Project, NSW, Australia.

The Project has been the subject of historic drilling. A resource estimate was completed in 2013 for the Hobbs Pipe deposit of 20.5 Mt at 1.1 g/t, for 765,900 oz of gold. The mineral resource is summarised in the table below:

Classification	Material	COG Au (g/t)	Tonnage (Mt)	Grade Au (g/t)	Contained AU (oz)
Indicated (surface to 150m depth)	Oxide	0.4	0.6	0.9	17,800
Indicated (surface to 150m depth)	Primary	0.9	3.0	1.0	95,800
Indicated (150m to 700m below surface)	Primary	0.9	8.5	1.2	324,000
Total Indicated			**12.1**	**1.1**	**437,600**
Inferred (surface to 150m depth)	Primary	0.5	0.2	0.6	39,000
Inferred (150m to 700m below surface)	Primary	0.9	8.2	1.1	289,300
Total Inferred			**8.4**	**1.1**	**328,300**
Total			**20.5**	**1.1**	**765,900**

Table: Mt Adrah - Hobbs Pipe Mineral Resource by classification (as reported on 30 December 2013)

Notes:
1. The Mineral Resource is reported in accordance with the JORC Code, 2012.
2. All Mineral Resource tonnes have been rounded to the nearest 100,000 tonnes.
3. Ounces have been rounded to two significant figures.
4. COG is an abbreviation for cut-off grade.
5. A top cut / top cap of 5 g/t gold has been used to reduce 8 composited samples to 5 g/t gold.
6. The Mineral Resource has been reported with a 0.4 g/t gold cut-off grade for oxide material and 0.5 g/t gold cut-off grade for primary material, from surface to a depth of 150 m below surface. From 150 m below surface to 700 m below surface a higher cut-off grade of 0.9 g/t gold has been used. The different cut-off grades used take into account potential for use of different mining methods and oxidation states of the mineralisation.

During the financial year, an independent consultant was appointed, Cadre Geology and Mining, to review data and devise a resource development plan which highlighted that the two most prospective avenues for monetising the project are to focus on development of narrow, high-grade reef mineralisation, and exploitation of the higher grade, oxide portion of the Hobbs Pipe resource. It was also noted that several potential Hobbs Pipe-style targets are evident in the region, which would bolster global mineral resources (and ensuing mine reserves) for potential development and mining of the Hobbs Pipe resource.

Also during the financial year, Eureka Consulting was engaged for the purposes of undertaking a geophysical review and interpretation of airborne survey data. The review was focused to provide a range of targets that may host gold mineralisation. The work identified 31 geophysical targets that may host gold mineralisation, and are ranked by geophysical anomalism and association to known mineralisation. This guiding work is highly valuable in setting direction of future exploration work.

Additional geophysical work established a method for discriminating Hobbs Pipe type occurrences from surrounding highly magnetic rocks. This has been used to short-list and rank Hobbs Pipe look-a-like targets in the region from airborne-collected geophysical data. It may also assist in targeting additional shallow high-grade reef structures.

A 1,200m diamond drilling program was approved, with the program focused on further defining high-grade near-surface gold mineralisation and other shallow high-grade gold targets, as well as other Hobbs Pipe deposit look-a-like targets. This program was postponed in late 2016 due to flooding which prevented access. The drilling is now planned to be commenced in mid-2017 once site access is re-established.

Other Projects

During the year ended 31 December 2016, the Group sought out projects with lithium exposure:

Crescent Lake Lithium Project

The Company secured a 150-day exclusive option from Stockport Exploration to acquire 100% of 28 unpatented mining claims within the Crescent Lake lithium prospects in Ontario, Canada. Mercator Geological Services Ltd was appointed to manage site due diligence work including field evaluation, mapping, channel sampling and diamond drilling program.

Initial grab samples confirmed lithium-bearing mineralisation with grades of up to 1.84% Li_2O, and subsequent channel sampling and drilling returned grades of up to 3.14% Li_2O.

The results whilst encouraging did not support the investment required and a decision was made to let the option expire in November 2016.

Clayton Valley Lithium Project

In May 2016, the Company acquired an option from Nevlith Pty Ltd to acquire 100% of the 111 Clayton Valley lithium claims in Nevada (USA) it owned.

The Company appointed GEOS Mining Minerals Consultants to conduct a high-level review of data, concentrating on lithium prospectivity and the potential to identify an exploration target. It was determined that there was excellent potential for hosting Li-bearing sediment for discovery of a surface or near-surface solid Li resource and additional potential for the existence of reservoirs of brine within deeper aquifers proximal to basin defining structures. A first-stage exploration program was subsequently devised.

In June 2016, the acquisition of the Clayton Valley lithium claims was completed. The Company subsequently resolved to spin-off the Clayton Valley Lithium project into the newly formed public company named Marquee Resources Limited (Marquee).

In March 2017, Marquee listed on the Australian Stock Exchange (ASX Code: MQR). The Company retains an ownership interest in Marquee of 2,250,000 shares representing an ownership interest of 11.32%.

Annual Review of Mineral Resources

There has been no change during the 2016 financial year to the Mineral Resources previously reported.

Exploration Results, Mineral Resources and Ore Reserve Estimation Governance Statement

Force Commodities Limited ensures that Exploration results and Mineral Resource estimates are subject to appropriate levels of governance, internal controls and external independent review. The Exploration results and Mineral Resource estimation of the Company's projects are subject to appropriate procedural controls and systematic internal and external technical review by competent and qualified professionals on an as needed basis. These reviews have not identified any material issues undertaken as part of a formal risk assessment. The Company periodically reviews the governance framework in line with the business expectations.

The Mineral Resource table in this report is undertaken in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC) 2012 Edition. Competent persons named by the Company are members of the Australian Institute of Mining and Metallurgy and are qualified as competent persons as defined in the JORC Code.

Qualifying Statements

Halls Peak Base Metal Project

The information in this report that relates to Exploration Results in relation to the Halls Peak Base Metals Project is extracted from an ASX Announcement dated 29 December 2016, (see ASX Announcement – "Final Assay Results Confirm Extensive High Grade Zinc and Lead Mineralisation – Up to 46% Zinc and 27% Lead", www.forcecommodities.com.au and www.asx.com.au).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Mt Adrah Gold

The information in this report that relates to Mineral Resources in relation to the Mt Adrah Gold Project is extracted from an ASX Announcement dated 27 December 2013, (see ASX Announcement – "Hobbs Pipe – Mineral Resource Update Additional Information", www.forcecommodities.com.au and www.asx.com.au).

The information in this report that relates to Exploration Results in relation to the Mt Adrah Gold Project is extracted from an ASX Announcement dated 27 July 2016, (see ASX Announcement – "Mt Adrah Gold Project Targets High Grade Gold Potential", www.forcecommodities.com.au and www.asx.com.au).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Exploration Results or Minerals Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Crescent Lake Lithium Project

The information in this report that relates to Exploration Results in relation to the Crescent Lake Lithium Project is extracted from an ASX Announcement dated 15 November 2016, (see ASX Announcement – "Drilling Update – Crescent Lake Lithium Project, Canada", www.forcecommodities.com.au and www.asx.com.au).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Clayton Valley Lithium Project

The information in this report that relates to Exploration Results in relation to the Clayton Valley Lithium Project is extracted from an ASX Announcement dated 28 July 2016, (see ASX Announcement – "Clayton Valley Lithium – High Level Review", www.forcecommodities.com.au and www.asx.com.au).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Corporate

The following timeline of events summarises the major corporate activities and initiatives during the past financial year:

- in January 2016, the Company initiated a sale facility for unmarketable parcels of shares. At the time, 315 shareholders held unmarketable parcels of shares with holdings totalling 8,078,960 shares;
- in February 2016, the Company completed a Rights Issue and Placement to raise $93,037.71 before costs for working capital purposes;
- in mid-March 2016, Mr Tassone was appointed Managing Director following the retirement of Mr Bird;
- in late-March 2016, the Company received an R&D Tax Incentive Offset Refund in the amount of $1,533,398 (after costs) for the 2012, 2013 and 2014 financial years with respect to its Core Research & Development Activity, "Development of IRGS diagnostic mineralisation characteristics";
- in April 2016, notice was given to Hudson Capital Limited terminating the services agreement with the Company with effect on 30 June 2016;
- in May 2016, the Company completed a 2 for 5 non-renounceable rights issue at $0.003 raising $1,180,842 for the purposes of accelerating exploration at the Mt Adrah and Halls Peak Projects;
- in June 2016, the Company exercised its option to acquire 100% of the issued share capital of Nevlith Pty Ltd, the owner of 111 claims in Clayton Valley (Nevada) prospective for lithium;
- also in June 2016, the Company secured an exclusive option to acquire 28 un-patended mining claims prospective for lithium at Crescent Lake in Canada;
- in July 2016, a review of Mt Adrah was undertaken highlighting the near surface high-grade vein potential;
- in August 2016, the Company applied for a co-operative drilling program grant. The program is expected to fund between 50% and 100% of drilling metre-rate costs for individual projects, with a maximum of $200,000 awarded per project;
- also in August 2016, the Company moved its registered address and principal place of business to Perth, Western Australia to minimise corporate costs;
- in October 2016, approval was granted for drilling at the Mt Adrah Gold Project in New South Wales. The initial drill program of 1,280 metres will target near-surface mineralisation;
- in November 2016, the Company resolved to spin out the Clayton Valley (Nevada) Lithium Project into a newly incorporated entity Marquee Resources Limited and made the key appointments of Mr Ashley and Mr Bontempo which were considered to be a major step forward in realising value for the Clayton Valley Project - introducing a high degree of experience and knowledge to Marquee Resources Limited;
- also in November 2016, the Company resolved not to exercise its option to acquire the Crescent Lake Project in Canada;
- on 8 December 2016, the Company held a General Meeting of its Shareholders where shareholders approved resolutions for: (i) a change of name to Force Commodities Limited (formerly Sovereign Gold Limited), and (ii) a 1 for 8 share consolidation; and
- in December 2016, a drilling program being undertaken at the Company's Halls Peak Project in New South Wales returned a 99.1m intersection of high-grade zinc mineralisation (up to 46% Zn).

INFORMATION ON DIRECTORS

Mark Darras	**Non-Executive Chairperson (*appointed 28 February 2017)***
Qualifications	LLM, BA, LLB, BEd
Experience	Mr Darras for the most part of his professional life has worked as a practising lawyer principally in the areas of corporate advisory, commercial and corporate governance law. Mr Darras has extensive board experience having served on boards such as Australia Post, John Holland Engineering, John Holland Queensland, the Forestry Corporation and Amanie Advisors. Mr Darras has worked in various sectors including infrastructure, mining and resources, fast moving consumer goods and government. Mr Darras is a past member of the Takeovers Panel.
Special Responsibilities	Nil
Interest in Shares and Options	Nil
Former Directorships of other ASX Listed Companies in the Last Three Years	Nil

Alistair Stephens	**Executive Director (*appointed 28 February 2017*)**
Qualifications	Masters of Business Administration Bachelor of Science (Honours) Graduate of the Australian Institute of Company Directors (GAICD)
Experience	Mr Stephens is a qualified geologist with more than 30 years' experience in the resources industry, in a broad range of technical and corporate management, including corporate governance, strategic development and delivery, technical program development, marketing, shareholder communications and capital funding. Mr Stephens commenced his career in gold and copper exploration and development with Newmont before progressing into mining, planning and processing operations in gold with Normandy Poseidon and KCGM Pty Ltd and nickel with WMC Resources. He also has marketing and commercial experience with Orica Ltd in explosives. Between 2004 and 2009, Mr Stephens held the position of Managing Director and Chief Executive Officer of Arafura Resources Limited (ASX: ARU). Mr Stephens is currently the Deputy Chairperson, Managing Director and Chief Executive Officer of Globe Metals and Mining Limited (ASX Code: GBE)
Special Responsibilities	Nil
Interest in Shares and Options	Nil
Former Directorships of other ASX Listed Companies in the Last Three Years	Globe Metals and Mining Limited

Patrick Glovac	**Non-Executive Director**
Qualifications	B Com, Murdoch University
Experience	Mr Glovac is an Executive Director of GTT Ventures Pty Ltd, a boutique corporate advisory firm based in Western Australia. From 2003 to 2014, Mr Glovac worked as an Investment Adviser for Bell Potter Securities Ltd focussing on high net worth clients & corporate advisory.
Special Responsibilities	Nil
Interest in Shares and Options	6,297,324 shares and 4,375,000 options (directly) 9,627,492 shares and 8,750,000 (indirectly held)
Current Directorships of other ASX Listed Companies	Robo 3D Ltd (formerly Falcon Minerals Ltd) and Cirrus Networks Holdings Ltd
Former Directorships of other ASX Listed Companies in the Last Three Years	GB Energy Ltd and The Search Party Ltd (formerly Applabs Technology)

Peter Smith	**Non-Executive Director (*appointed 27 March 2017*)**
Qualifications	FAusIMM, . MBA USQ
Experience	Mr Smith is a highly experienced mining industry executive having held a number of senior positions with industry heavyweights Rio Tinto, WMC Resources, Lihir Gold and Newcrest Mining during a career spanning 40 years. Most recently, Mr Smith was Executive Vice President Potash and Magnesium for the ICL Group and immediately prior to that Mr Smith was Executive General Manager of Operations (Australia and Indonesia) for Newcrest Mining. In addition, Mr Smith has extensive experience in the role of director having been a director of a number of publicly-listed companies and industry bodies including Western Metals, Evolution Mining, and the New South Wales Mineral Council.
Special Responsibilities	Nil
Interest in Shares and Options	Nil
Current Directorships of other ASX Listed Companies	Nil
Former Directorships of other ASX Listed Companies in the Last Three Years	Nil

Rocco Tassone	**Executive Director (*resigned 27 March 2017*)**
Qualifications	B.Bus, Curtin University
Experience	Mr Tassone is an Executive Director of GTT Ventures Pty Ltd, a boutique corporate advisory firm based in Western Australia. Prior to joining GTT, Mr Tassone worked as an Investment Adviser for Bell Potter Securities Ltd for approximately 8 years focussing on institutional dealing, high net worth clients and corporate advisory.
Special Responsibilities	Chief Executive Officer
Interest in Shares and Options	6,708,334 shares and 4,375,000 options (directly) 9,206,482 shares and 8,750,000 (indirectly held)
Current Directorships of other ASX Listed Companies	Nil
Former Directorships of other ASX Listed Companies in the Last Three Years	xTV Networks Limited, Lepidico Ltd (formerly Platypus Minerals Ltd) The Search Party Ltd (formerly Applabs Technologies)

Charles Thomas	Non-Executive Director (*resigned 28 February 2017)*
Qualification	BCom – University of Western Australia
Experience	Mr Thomas is an Executive Director of GTT Ventures Pty Ltd, a boutique corporate advisory firm based in Western Australia. Between 2009 and 2014, Mr Thomas worked as an Investment Adviser for Bell Potter Securities Ltd focussing on high net worth clients & corporate advisory. Prior to this, Mr Thomas worked for State One Stockbroking for a period of approximately 3 years.
Special Responsibilities	Nil
Interest in Shares and Options	2,919,161 shares and 4,375,000 options (directly) 9,206,482 shares and 8,750,000 (indirectly held)
Current Directorships of other ASX Listed Companies	Marquee Resources Ltd
Former Directorships of other ASX Listed Companies in the Last Three Years	AVZ Minerals Ltd, Cirrus Networks Holdings Ltd, xTV Networks Limited, The Search Party Ltd (formerly Applabs Technologies)

Simon Bird	Managing Director (*retired 29 February 2016)*
Qualifications	CPA, FAICD
Experience	Mr Bird has extensive experience in corporate finance. In a professional career spanning over 30 years, Mr Bird has held various senior executive roles including CEO of King Island Scheelite Ltd (ASX: KIS), GM Finance of Stockland Ltd (ASX: SGP), CFO of GrainCorp Ltd (ASX: GNC); and CFO of Wizard Mortgage Corp. Mr Bird also has extensive board experience having been a director of a number of ASX listed companies.
Special Responsibilities	Nil
Interest in Shares and Options	Nil
Current Directorships of other ASX Listed Companies	Mount Gibson Iron Limited; Pacific American Coal Limited
Former Directorships of other ASX Listed Companies in the Last Three Years	Rawson Resources Limited

MEETINGS OF DIRECTORS

The number of Directors' Meetings and the number of meetings attended by each of the Directors of the Company during the financial year were:

Directors Meetings

Directors	Held Whilst in Office	Attended
Mark Darras (i)	-	-
Alistair Stephens (ii)	-	-
Patrick Glovac	14	14
Peter Smith (iii)	-	-
Charles Thomas (iv)	14	14
Rocco Tassone (v)	14	14
Simon Bird (vi)	1	1

(i) Appointed 28 February 2017
(i) Appointed 28 February 2017
(ii) Appointed 27 March 2017
(iii) Resigned 28 February 2017
(iv) Resigned 27 March 2017
(v) Retired 29 February 2016

REMUNERATION REPORT - AUDITED

This remuneration report outlines the remuneration arrangements of the Group for the year ended 31 December 2016 in accordance with the requirements of Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by Section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent.

For the purposes of this report, the term “executive” includes the Managing Director (MD), executive directors (where applicable) and senior executives of the Group.

A. Remuneration Governance

The Board of Directors is responsible for the remuneration practices of the Group.

The Board of Directors has determined that a separate Remuneration Committee is not necessary at this time due to the size of the Group and the scale and nature of its operations.

B. Remuneration Policy

The remuneration policy of the Group has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific incentives, from time to time, that are based on share price and key performance areas affecting the Group’s financial results.

The Board of Directors of Force believes the remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced Directors and executives to run and manage the Group, as well as create goal congruence between the Directors, executives and the Company’s shareholders.

C. Remuneration Arrangements

All executives receive a base salary or allowance (which is based on factors such as length of service and experience). Executive remuneration may also incorporate a component of performance based remuneration.

The Board reviews executive packages annually by reference to the economic entity’s performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Non-executive directors are remunerated at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000).

The Board of Directors may exercise discretion in relation to approving incentives, bonuses and options.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are independently valued by corporate advisers using the Black-Scholes method.

D. Performance Based Remuneration

The Company believes that linking the remuneration of Directors and executives with performance will be effective in increasing shareholder wealth.

From time to time, the Board of Directors may establish performance targets and a bonus system for the purposes of providing directors and executives with short-term and long-term performance incentives. Such incentives are offered to increase goal congruence between shareholders and directors and executives.

There are currently no incentive programs in place, apart from options which were issued To Messrs Tassone, Glovac and Thomas in (date). The options were not based on a percentage of salary. The Board of Directors issued the options as an incentive.

Options granted to directors and key management personnel do not have performance conditions. As such, the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

E. Performance Summary

The tables below set out summary information about Force's earnings and movements in shareholder wealth for the five years to 31 December 2016:

	31 December 2016 $'000	31 December 2015 $'000	31 December 2014 $'000	31 December 2013 $'000	31 December 2012 $'000
Revenue	1,040	100	165	1,433	345
Comprehensive loss before tax	(1,690)	(6,735)	(17,063)	(1,640)	(917)
Comprehensive loss after tax	(1,690)	(6,735)	(17,063)	(1,640)	(917)

	31 December 2016 $'000	31 December 2015 $'000	31 December 2014 $'000	31 December 2013 $'000	31 December 2012 $'000
Share price at start of year	$0.022	$0.052	$1.26	$1.71	$2.08
Share price at end of year	$0.030	$0.022	$0.052	$1.26	$1.71
Dividend	-	-	-	-	-
Basic (loss) per share	($0.010)	($0.011)	($0.089)	($0.012)	($0.009)
Diluted /(loss) per share	($0.010)	($0.011)	($0.089)	($0.012)	($0.009)

F. No Hedging Contracts

The Company does not permit executives to enter into contracts to hedge their exposure to options or performance rights to shares granted as part of their remuneration package.

G. Securities Trading Policy

The Board has in place a Securities Trading Policy to ensure that:

- any dealings in securities by the Directors, employees and contractors comply with legal and regulatory obligations (including the prohibition against insider trading); and
- the Company maintains market confidence in the integrity of dealings in its securities.

H. Details of Remuneration

Compensation of key management personnel for the year ended 31 December 2016

2016	SHORT-TERM BENEFITS Salary & Fees	TP[a]	Other	PES[b]	SBP[c] Options	TOTAL $	SBP TOTAL %
Directors							
Mark Darras – Chairman(i)	-	-	-	-	-	-	0
Alistair Stephens – Executive Director(ii)	-	-	-	-	-	-	0
Patrick Glovac – Non-Executive Director	108,493	-	-	10,307	129,500	248,300	52
Peter Smith – Non-Executive Director(iii)	-	-	-	-	-	-	0
Rocco Tassone – Executive Director(iv)	155,833	-	17,893	14,804	129,500	318,030	41
Charles Thomas – Non-Executive Director(v)	108,493	-	-	10,307	129,500	248,300	52
Simon Bird – Managing Director(vi)	22,000	-	-	-	-	22,000	0
Total remuneration directors 2016	**394,820**	**-**	**17,893**	**35,418**	**388,500**	**836,630**	**46**
Specified Executives							
Henry Kinstlinger – Company Secretary	36,000	-	-	-	18,500	54,500	34
Benjamin Amzalak – Investor Relations	60,000	-	-	-	18,500	78,500	24
Francis Choy – CFO(vii) Note 1	-	-	-	-	-	-	-
Total remuneration specified executives 2016	**96,000**	**-**	**-**	**-**	**37,000**	**133,000**	**28**
Total key management personnel 2016	**490,820**	**-**	**17,893**	**35,418**	**425,500**	**969,630**	**44**

[a] Termination payment
[b] Post employment superannuation
[c] Shared-based payment
(i) Appointed 28 February 2017
(ii) Appointed 28 February 2017
(iii) Appointed 27 March 2017
(iv) Resigned 27 March 2017
(v) Retired 28 February 2016
(vi) Resigned 28 February 2017
(vii) Retired 30 June 2016

Compensation of key management personnel for the year ended 31 December 2015

2015	SHORT-TERM BENEFITS Salary & Fees	TP[a]	Other	PES[b]	SBP[c] Options	TOTAL $	SBP TOTAL %
Directors							
John Dawkins – Non-Executive Chairman(i)	51,174	-	-	-	-	51,174	0
Charles Thomas – Non-Executive Chairman(ii)	20,500	-	-	-	-	20,500	0
Patrick Glovac – Non-Executive Director(iii)	-	-	-	-	-	-	0
Rocco Tassone – Executive Director(iv)	20,500	-	-	-	-	20,500	0
Simon Bird – Managing Director(v)	70,900	-	10,800	-	-	81,700	0
Michael Leu – Non-Executive Director(vi)	69,000	-	-	-	-	69,000	0
Total remuneration directors 2015	**232,074**	**-**	**10,800**	**-**	**-**	**242,874**	**0**
Specified Executives							
Henry Kinstlinger – Company Secretary	59,625	-	-	-	-	59,625	0
Benjamin Amzalak – Investor Relations	66,000	-	-	-	-	66,000	0
Francis Choy – CFO Note 1	-	-	-	-	-	-	0
Total remuneration specified executives 2015	**125,625**	**-**	**-**	**-**	**-**	**125,625**	**0**
Total key management personnel 2015	**357,699**	**-**	**10,800**	**-**	**-**	**368,499**	**-**

[a] Termination payment
[b] Post employment superannuation
[c] Shared-based payment
(i) Resigned 15 December 2015
(ii) Appointed 14 July 2015
(iii) Appointed 14 December 2015
(iv) Appointed 14 July 2015
(v) Appointed 23 February 2015
(vi) Resigned 10 December 2015 – subsequently appointed Geology manager and no longer considered key management personnel

Note 1: Francis Choy was not in receipt of any remuneration or any other fees from Force Commodities Limited during the years ended 31 December 2015 or 31 December 2016. Mr Choy is a director of Hudson Corporate Limited, to which Force Commodities Limited paid corporate service fees. Refer to Note 19

Compensation options granted to key management personnel during the year ended 31 December 2016

At the 2016 Annual General Meeting of the Company held on 31 May 2016, shareholder approval was obtained to grant 120 million unlisted options (exercisable at $0.004; expiry 30 June 2019) of which 115 million were issued to key management personnel as follows:

	Number of Options issued	Black & Scholes Value (i)	Consolidation Adjustment	Number of Options
Directors				
Patrick Glovac - Non-Executive Director	35,000,000	$129,500	(30,625,000)	4,375,000
Rocco Tassone - Managing Director	35,000,000	$129,500	(30,625,000)	4,375,000
Charles Thomas - Non-Executive Chairman	35,000,000	$129,500	(30,625,000)	4,375,000
Specified Executives				
Henry Kinstlinger – Company Secretary	- 5,000,000	$18,500	- (4,375,000)	625,000
Benjamin Amzalak – Investor Relations	5,000,000	$18,500	(4,375,000)	625,000
Total key management personnel	**115,0000,000**	**$425,000**	**(100,625,000)**	**14,375,000**

Notes:

(i) the options were valued using the Black & Scholes method. Refer to Note 8 for inputs to determine fair value.

(ii) In December 2016, the Company completed a 1 for 8 share consolidation. Accordingly, on consolidation the total number issued was reduced by 100,625,000 to 14,375,000 (exercisable at $0.032 expiring 30 June 2019) and the holdings were adjusted accordingly – refer table above.

<u>Option Holdings of Directors and Key Management Personnel as at 31 December 2016</u>

The numbers of options over ordinary shares in the company granted under the executive short term incentive scheme that were held during the financial year by each director and the key management personnel of the group, including their personally related parties, are set out below.

2016	Balance at beginning	Granted as Remuneration	Con. Adj.[a]	Exercised (Lapsed)		Balance at 31 December 2016	Exercisable	Not Exercisable
Directors								
Mark Darras	-	-	-	-	-	-	-	-
Alistair Stephens	-	-	-	-	-	-	-	-
Peter Smith	-	-	-	-	-	-	-	-
Simon Bird	-	-	-	-	-	-	-	-
Rocco Tassone	-	35,000,000	(30,625,000)	-	-	4,375,000	4,375,000	-
Patrick Glovac	-	35,000,000	(30,625,000)	-	-	4,375,000	4,375,000	-
Charles Thomas	-	35,000,000	(30,625,000)	-	-	4,375,000	4,375,000	-
Specified Executives								
Henry Kinstlinger	-	5,000,000	(4,375,000)	-	-	625,000	625,000	-
Benjamin Amzalak	-	5,000,000	(4,375,000)	-	-	625,000	625,000	-
Francis Choy	-	-	-	-	-	-	-	-
	-	**115,000,000**	**(100,625,000)**	**-**	**-**	**14,375,000**	**14,375,000**	**-**

[a] Consolidation adjustment

2015	Balance at beginning	Granted as Remuneration	Con. Adj.[a]	Exercised (Lapsed)		Balance at 31 December 2015	Exercisable	Not Exercisable
Directors								
John Dawkins	-	-	-	-	-	-	-	-
Patrick Glovac	-	-	-	-	-	-	-	-
Rocco Tassone	-	-	-	-	-	-	-	-
Charles Thomas	-	-	-	-	-	-	-	-
Simon Bird	-	-	-	-	-	-	-	-
Michael Leu	-	-	-	-	-	-	-	-
Specified Executives								
Henry Kinstlinger	-	-	-	-	-	-	-	-
Benjamin Amzalak	-	-	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-	-	-

[a] Consolidation adjustment

Shareholdings of Directors and Key Management Personnel as at 31 December 2016

2016

	Balance at Beginning	Acquired	Disposed	Share Consolidation (1:8)	Balance at end
Directors					
Mark Darras – Chairman (i)	-	-	-	-	-
Alistair Stephens – Executive Director (ii)	-	-	-	-	-
Patrick Glovac - Non-Executive Director	48,070,418	82,228,168	-	(114,011,262)	16,287,324
Peter Smith – Non-Executive Director (iii)	-	-	-	-	-
Rocco Tassone - Executive Director (iv)	38,333,333	28,234,568	(12,901,234)	(46,958,333)	6,708,334
Charles Thomas - Non-Executive Director (v)	10,000,000	23,353,262	(10,000,000)	(20,434,104)	2,919,158
Simon Bird – Managing Director (vi)	-	-	-	-	-
Total directors 2016	**96,403,751**	**133,815,998**	**(22,901,234)**	**(181,403,699)**	**25,914,816**
Specified Executives					
Henry Kinstlinger – Company Secretary	10,000	-	-	(8,750)	1,250
Benjamin Amzalak – Investors Relations	-	-	-	-	-
Francs Choy – CFO (vii)	-	-	-	-	-
Total specified executives 2016	**10,000**	**-**	**-**	**(8,750)**	**1,250**
Total key management personnel 2016	**96,413,751**	**133,815,998**	**(22,901,234)**	**(181,412,449)**	**25,916,066**

(i) Appointed 28 February 2017
(ii) Appointed 28 February 2017
(iii) Appointed 27 March 2017
(iv) Resigned 27 March 2017
(v) Resigned 28 February 2017
(vi) Retired 29 February 2016
(vii) Retired 30 June 2016

Shareholdings of Directors and Key Management Personnel as at 31 December 2015

2015

	Balance at Beginning	Acquired	Disposed	Balance at end
Directors				
John Dawkins - Chairman (i)	3,100,000	-	(3,100,000)	-
Michael Leu - Executive Director (ii)	7,675,000	-	(7,675,000)	-
Bruce Dennis – Non-Executive Director (iii)	4,527,000	-	(4,527,000)	-
Rado Rebek – Non-Executive Director (iv)	-	-	-	-
Patrick Glovac - Non-Executive Director (v)	-	48,070,418	-	48,070,418
Rocco Tassone - Executive Director (vi)	-	38,333,333	-	38,333,333
Charles Thomas - Non-Executive Director (vii)	-	10,000,000	-	10,000,000
Simon Bird – Managing Director (viii)	-	-	-	-
Total directors 2015	15,302,000	96,403,751	(15,302,000)	96,403,751
Specified Executives				
Henry Kinstlinger – Company Secretary	20,000	-	(10,000)	10,000
Benjamin Amzalak – Investors Relations	-	-	-	-
Francs Choy – CFO	-	-	-	-
Total specified executives 2015	20,000	-	(10,000)	10,000
Total key management personnel 2015	15,322,000	96,403,751	(15,312,000)	96,413,751

(i) Retired 15 December 2015
(ii) Retired 10 December 2015
(iii) Retired 14 July 2015
(iv) Retired 14 July 2015
(v) Appointed 14 December 2015
(vi) Appointed 14 July 2015
(vii) Appointed 14 July 2015
(viii) Appointed 23 February 2015

All equity transactions with key management have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

I. Executive Service Agreements

Mark Darras - Chairman (appointed 28 February 2017)
The key terms of Mr Darras's service contract which commenced on 28 February 2017 are:
- Non-Executive Director fee of $60,000 per annum.

Alistair Stephens –Executive Director (appointed 28 February 2017)
The key terms of Mr Stephen's service contract which commenced on 28 February 2017 are:
- One-off establishment fee of $10,000;
- Executive Director fee of $10,000 per month for period 1 March 2017 to 30 June 2017; increasing to $15,000 per month from 1 July 2017; increasing to $20,000 per month from 1 January 2018;
- Entitled to 4 weeks paid annual leave, 10 days sick leave and long service leave in accordance with the provision of the relevant legislation.
- Termination Notice 12 months by either party.

Peter Smith – Non-Executive Director (appointed 27 March 2017)
The key employment terms of Mr. Smith's service contract are:
- Non-Executive Director fee of $36,000 per annum.

Patrick Glovac – Non-Executive Director
The key employment terms of Mr. Glovac's service contract are:
- From 1 July 2016 a Director's fee of $150,000 per annum.
- For the period 1 January to 28 February 2016 a Directors fees were $5,000 per month
- 1 March 2016 to 30 June 2016 Directors fees were $7,500 per month.
- Three month termination benefit

Rocco Tassone - Managing Director (resigned 27 March 2017)
The key terms of Mr Tassone's service contract which commenced 1 March 2016 are:
- Executive Director fee of $175,000 per annum plus statutory superannuation.
- Entitled to 4 weeks paid Annual Leave, 10 days' sick leave and long service leave in accordance with the provision of the relevant legislation.
- For the period 1 January to 28 February 2016, Mr Tassone received $5,000 per month in Directors Fees.
- Termination Notice 3 months by either party.
- Termination Benefit - fixed annual remuneration amount.

Charles Thomas – Non-Executive Director (resigned 28 February 2017)
The key employment terms of Mr Thomas's service contract are:
- From 1 July 2016 Director's fee of $150,000 per annum.
- For the period 1 January to 28 February 2016 Directors fees were $5,000 per month
- 1 March 2016 to 30 June 2016 Directors fees were $7,500 per month.
- Three month termination benefit.

Simon Bird – Managing Director (retired 29 February 2016)
The key employment terms of Mr Bird's service contract were:
- A fee of $5,000 per month.
- Fixed term expiring 28 February 2016.
- No termination benefit.

J. Corporate Services agreement

The Corporate Service Agreement with Hudson Corporate Limited was terminated 30 June 2016. This service previously consisted of provision of its registered office, office administration, accounting, and secretarial services.

Fees paid to Hudson Corporate Limited over the previous two financial years:

- 2015 $ 306,800 (excluding GST)
- 2016 $ 120,000 (excluding GST)

End of audited remuneration report

DIRECTORS' REPORT *(continued)*

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group proposes to continue its exploration activities across its various mineral industry interests. Other than the information disclosed in this report, further information in relation to likely developments and the impact on the operations of the Group has not been included.

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of options
Options	31 May 2016	30 June 2019	$0.032	15,000,000
Options	5 August 2016	5 August 2019	$0.048	1,562,500
				16,562,500

No options have been exercised during the financial year and in the period up to the date of this report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, apart from:

Spin-out of Clayton Valley Lithium Project

On 15 March 2017, the Company concluded the spin-out of the Clayton Valley Lithium Project through Marquee Resources Limited (ASX: MQR) via an initial-public-offering(IPO).

The legal transfer of the Project has resulted in the Company being issued with 2,250,000 shares in MQR; reflecting consideration of $450,000 at the $0.20 issue price of the MQR shares.

Force shareholders were offered a Priority Offer to participate in the Marquee Resources Limited IPO.

The Company received a sum of $125,000 (excluding GST) in March 2017 from Marquee Resources Limited in reimbursement of expenses paid by Force Commodities Ltd in relation to the Marquee Resources Limited IPO.

Share Placement

In January 2017, the Company issued 37,924,800 shares under a placement and raised $948,120 (before costs) for the principal purpose of accelerating the development of the Company's gold and base metals projects.

Director Appointments / Resignations

On the 28 February 2017, the Company announced the appointment of Mr Mark Darras as Non-Executive and Independent Chairman and Mr Alistair Stephens as Executive Director to the Board of the Company. On the same day Mr Charles Thomas, Non-Executive Chairman, resigned.

On 27 March 2017, the Company announced the appointment of Mr Peter Smith as a Non-Executive Director to the Board of the Company. On the same day Mr Rocco Tassone, Managing Director tendered his resignation.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of New South Wales involve exploration activities. These operations are governed by the *Environment Planning and Assessment Act 1979*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Environmental code of practice for mineral exploration

The Company is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to gold exploration on the Company's exploration projects.

Access to land

Prior to the commencement of any work, the Company makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

The Company establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

The Company endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

Type of land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Mineral exploration programs

Access

The Company utilises existing tracks for access where possible.

Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain.

Surface disturbances are kept to a minimum.

Drilling

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing. Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction. Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site. Ground sheets are used where required to avoid oil/fuel spills contaminating the s oil.

Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary. Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

INDEMNIFYING OFFICERS OR AUDITOR

The Group has agreed to indemnify all the directors and executive officers for any costs or expenses that may be incurred in defending civil and criminal proceedings that may be brought against them in their capacity as directors and officers for which they may be held personally liable.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

The Company has not entered into any agreement to indemnify BDO Audit (WA) Pty Ltd against any claims by third parties arising from their report on the annual financial report.

AUDITOR

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid or payable to the auditor BDO Audit (WA) Pty Ltd and related entities for audit and non-audit services provided during the year are set out in note 24 to the financial Statements.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 21.

Signed in accordance with a resolution of the Board of Directors.

ALISTAIR STEPHENS
EXECUTIVE DIRECTOR

Dated this 31st day of March 2017

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF FORCE COMMODITIES LIMITED

As lead auditor of Force Commodities Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Force Commodities Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2017

CORPORATE GOVERNANCE STATEMENT

Force Commodities Limited (**Force** or **Company**) and the entities it controls believe corporate governance is a critical pillar on which business success, and in turn shareholder value is built.

The Board of Directors (**Board**) of Force has adopted a suite of corporate governance charters and policies, commensurate with the Company's needs, which articulate the practices and procedures followed by Force.

These charters and policies are available in the Corporate Governance section of the Company's website www.forcecommodities.com.au.

This Corporate Governance Statement (**Statement**) reports Force's compliance with the ASX Corporate Governance Council's "*Corporate Governance Principles and Recommendations -3rd Edition*" (**ASX Principles and Recommendations**) in relation to the financial year ended 31 December 2016

In addition to the ASX Principles and Recommendations, the Board has taken into account a number of important factors in determining its corporate governance practices and procedures, including the:

- size and scale of the Company;
- relatively simple operations of the Company, which currently only undertakes mineral exploration and development activities;
- cost verses benefits of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum; and
- direct shareholder feedback.

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
Principle 1: Lay solid foundations for management and oversight		
1.1 Role of Board and management	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Company's Board Charter. A copy of the Board Charter is available in the Corporate Governance section of the Company's website.	Yes
1.2 Information regarding election and re-election of director candidates.	The Company conducts background and reference checks including those described in Guidance Note 1, paragraph 3.18 issued by the ASX before appointing any additional person, or putting forward to Shareholders a candidate for election, as a Director.	Yes
1.3 Written contracts of appointment	All Directors and the Company Secretary have written agreements setting out the terms of their appointment.	Yes
1.4 Company Secretary	The Company Secretary reports directly to the Board through the Chairman on Board matters and all Directors have access to the Company Secretary. In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Directors' Report of the Company's Annual Report.	Yes
1.5 Diversity	The Company is committed to providing an environment in which all	Yes

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
	employees and consultants are treated with fairness and respect, and have equal access to opportunities available at work. The Company believes diversity enables it to attract people with the best skills and attributes, and contributes to the achievement of the Company's corporate objectives. Due to its size, the Company has not set any measurable objectives with respect to diversity. At the reporting date, the Company has 4 male and 1 female full time equivalent employees/contractors. The Company has established a Diversity Policy. A copy of the Diversity Policy is available in the Corporate Governance section of the Company's website.	
1.6 Board Reviews	The Board has not conducted a formal performance evaluation. The Company is a junior resources company and the Board believes that a formal performance evaluation is not required at this point in time and that no efficiencies or other benefits would be gained from a formal performance evaluation process. The Chairman is responsible for evaluating the Board and Committees. Informal discussion between the Chairman and individual Directors is undertaken periodically to focus performance. As the Company grows and develops, it will continue to consider the efficiencies and merits of a more formal performance evaluation of the Board, its committees and individual Directors.	No
1.7 Management Reviews	Due to its size, the Board has not conducted a formal performance evaluation of management. As the Company grows it is expected that a management team will be put in place together with a formal performance evaluation plan.	No
Principle 2. Structure the Board to add value		
2.1 Nominations Committee	The Board has decided not to form a separate Nomination Committee. The Board believes that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. The Board periodically reviews whether it has the appropriate balance of skills, knowledge, and experience suitable for a Company in the junior resources sector. As the Company grows and develops, it will review the merits of establishing a formal Nomination Committee.	No
2.2 Board skills matrix	The Board seeks a mix of skills suitable for a junior resources company. A summary of the key board skills matrix is set out below. Further details regarding the skills and experience of each Director are included in the Directors' Report of the Company's Annual Report.	Yes

Director/Skills	Capital Markets	Resources	Mining/ Geology	Finance/ Accounting	Listed Company
Mark Darras	✓	✓	×	✓	✓
Peter Smith	✓	✓	✓	×	✓
Patrick Glovac	✓	✓	✓	✓	✓
Alistair Stephens	✓	✓	✓	×	✓

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
2.3 Disclose independence and length of service	The Board has assessed the independence status of its Directors and has determined the following as at 31 December 2016:	Yes

Name	Position	Independent	Length of Service
Mark Darras	Non-Executive Chairman	✓	N/A
Peter Smith	Non-Executive Director	✓	N/A
Patrick Glovac	Non-Executive Director	×	0.5 years
Alistair Stephens	Executive Director	×	N/A

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
2.4 Majority of directors independent	As reported above Mr Darras and Mr Smith are independent Directors; therefore 2 of the 4 or 50% directors are independent. Under the Company's Constitution, the Chairman has the casting vote in the event that voting on a resolution is deadlocked. As such, the independent directors on the Board are effectively in the majority, when it comes to decision-making. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of further independent non-executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interest of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business they must absent themselves form the Board meeting before commencement of discussion on the topic.	No
2.5 Chair Independent	The Chairman, Mr Darras, is an independent non–executive Director. Further details regarding the Directors are set out in the Directors' Report of the Company's Annual Report.	Yes
2.6 Induction and professional development	Currently the induction of new directors and plan for professional development is managed informally by the full Board. The Company intends to develop a formal program for inducting new directors and providing appropriate professional development opportunities consistent with the development of the Company.	No
Principle 3. Act ethically and responsibly		
3.1 Code of Conduct	The Board has established a Code of Conduct for its Directors, executives, employees and consultants. A copy of the Code of Conduct is available in the Corporate Governance section of the Company's website.	Yes
Principle 4. Safeguard integrity in corporate reporting		
4.1 Audit Committee	The Board has decided not to form a separate Audit Committee. The Board believes that no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board has adopted an Audit Committee Charter, however the Board as a whole performs the function of the Audit Committee. Due to the size and scale of its operations, the Board as a whole considers that it is more efficient and effective for the corporate reporting process to not have an Audit Committee at this stage. The Board will monitor this position as the Company's circumstances	No

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
	change. The Board as whole determines when to seek the appointment or removal of the external auditor, and subject to any statutory requirements, the Board will also seek rotation of the audit partner on an as required basis. A copy of the Audit Committee Charter which is available in the Corporate Governance section of the Company's website.	
4.2 CEO and CFO certification of financial statements	In respect to full year and half year financials reports, the Board has obtained a written declaration from the CEO (or equivalent) and CFO (or equivalent) that: in their opinion, the financial records of the Company have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that opinion is formed on the basis of a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting and material business risks.	Yes
4.3 External Auditor at AGM	The Company has engaged a reputable and suitably qualified external auditor to perform the external audit function. At least one senior representatives of the auditor will attend the Annual General Meeting ('AGM") and be available to answer shareholder questions regarding the audit.	Yes
Principle 5. Make timely and balanced disclosure		
5.1 Disclosure and Communications Policy	The Company has adopted a Continuous Disclosure Policy which sets out the processes and practices that ensure its compliance with the continuous disclosure requirements under applicable Listing Rules and applicable corporation law (including the Corporations Act). A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website.	Yes
Principle 6. Respect the rights of security holders		
6.1 Information about governance and itself on Website	The Company keeps the investors informed of its corporate governance, financial performance and prospects via its website. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports, financial statements, corporate governance charters and policies, investor presentations and general information regarding the Company on the Company's website.	Yes
6.2 Design and implement Investors relations program	The Company conducts periodic investor briefings, roadshows, site visits and attends regional and industry specific conferences in order to facilitate effective two way communication with investors and other financial market participants. Access to Directors and KMP is provided at these events with separate one-on-one or group meetings offered whenever possible. The presentation material provided at these events is posted on the Company's website, which also provides the opportunity for interested parties to join the mailing list to receive regular updates from the Company. The Company has adopted a Shareholder Communication Policy because the Board is pf the view that an effective policy for communication with shareholders enhances its strong culture of	Yes

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
	disclosure to keep the shareholders and the relevant markets informed of all major developments affecting the Company. A copy of the Shareholder Communication Policy is available on the Company's website.	
6.3 Facilitate participation at meetings of security holders	The Board encourages participation of Shareholders at its meetings and Shareholders are provided with all notices of meeting prior to meetings, which are set at times and places to promote maximum attendance by Shareholders. Shareholders are always given the opportunity to ask questions of Directors and management, either during or after meetings. In addition, the company's auditor is also made available for questions at the Company's AGM of Shareholders.	Yes
6.4 Facilitate electronic communications	The Company welcomes electronic communications from its Shareholders via the Contacts page on the Company's website. The Company's share registry also engages with Shareholders electronically and makes available a range of relevant forms on its website and provides Shareholders with options to receive communications from, and send communications to, the Company and its security registry electronically. Shareholders can register with the share registry to access their personal information and shareholdings via the internet.	Yes
Principle 7. Recognise and manage risk		
7.1 Risk Committee	The Board has decided not to from a separate Risk Committee. The Board believes that no efficiencies or other benefits would be gained by establishing a separate Risk Committee. The Board has adopted a Risk Committee Charter, however the Board as a whole performs the function of the Risk Committee. Due to the size and scale of its operations, the Board as a whole considers that no efficiencies or other benefits would be gained by establishing a Risk Committee at this stage. The Board will monitor this position as the Company's circumstances change. The Board as whole is responsible for identifying the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage those risks. A copy of the Risk Committee Charter is available in the Corporate Governance section of the Company's website.	No
7.2 Annual Risk Review	On at least an annual basis, the Board reviews its material risks and how its material business risks are being managed. For the 2016 year, management provided to the Board the Company's Risk Register summarising the significance of each risk as well as actions taken by management to mitigate the risks. Management also provided to the Board a report on the effectiveness of the Company's management of its material business risks throughout the 2016 year.	Yes
7.3 Internal Audit	The Board has not established an internal audit function at this time. The Board as a whole oversees the effectiveness of risk management and internal control processes.	Yes
7.4 Sustainability risks	The Company identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Environmental and Social Charter which is available in the Corporate Governance section of the Company's website.	Yes

RECOMMENDATION	FORCE'S CORPORATE GOVERNANCE APPROACH	COMPLIES
	The material risk faced by the Company that could have an effect on the Company's future prospects, include: (a) availability of further funding: (b) exploration and development risk: (c) fluctuations in commodity prices: (d) title risks: (e) Government regulations risks; and (f) global financial conditions.	
Principle 8. Remunerate fairly and responsibly		
8.1 Remuneration Committee	The Board has decided not to form a separate Remuneration Committee. The Board believes that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. The Board has adopted a Remuneration Committee Charter, however the Board as a whole performs the function of the Remuneration Committee. The Board periodically undertakes a review to ensure that the level and composition of remuneration for directors and senior executives is appropriate and not excessive.	No
8.2 Disclosure of Executive and Non-Executive Director remuneration Policy	The Company seeks to attract and retain high performance Directors and Executive with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. It reviews requirements of additional capabilities at least annually. Executive remuneration is to reflect performance and, accordingly, remuneration is structured with a fixed component and performance-based remuneration component. Non-Executive Directors are paid fixed fees for their services in accordance with the Company's Constitution. Fees paid are composite fee (covering all Board and Committee responsibilities) and any contributions by the Company to a fund for the purposes of superannuation benefits for a Director. No other retirement benefits schemes are in place in respect to Non-Executive Directors Further details regarding the remuneration of the Executive and Non-Executive Directors are set in the Remuneration Report within the Annual Report.	Yes
8.3 Policy on hedging equity incentive schemes	The Company's Share Trading Policy prohibits executive staff from undertaking hedging or other strategies that could limit the economic risk associated with Company Securities issued under any equity based remuneration scheme. The Share Trading Policy can be viewed on the Company's website.	Yes

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

	Notes	Consolidated 2016	Consolidated 2015
		$	**$**
Continuing Operations			
Other Income	4	**1,040,313**	99,674
Administration and exploration expenses	5	**(2,758,644)**	(1,261,274)
Finance costs	5	**39,565**	(273,493)
Impairment of exploration asset	11	**(11,651)**	(5,300,000)
(Loss) before tax		**(1,690,417)**	(6,735, 093)
Income tax expense	6	**-**	-
Net (Loss) for the year		**(1,690,417)**	(6,735, 093)
Profit attributable to owners		**(1,689,250)**	(6,732,731)
Non-controlling interests		**(1,167)**	(2,362)
Total comprehensive loss		**(1,690,417)**	(6,735,093)
(Loss) per share attributable to ordinary holders of the Company:			
		Cents	Cents
Basic and diluted (loss) per share (cents)	22	**(1.04)**	(1.14)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**676,478**	60,339
Trade and other receivables	9	**327,424**	177,843
Term Deposit	9	**90,000**	-
Financial assets	10	**65,639**	16,267
Available for sale	11	**332,991**	-
Other current assets	9	**-**	586
Total current assets		**1,492,532**	255,035
Non-current assets			
Exploration & Evaluation	11	**2,669,434**	3,508,287
Plant and equipment	12	**8,622**	10,218
Total non-current assets		**2,678,056**	3,518,505
Total Assets		**4,170,588**	3,773,540
LIABILITIES			
Current liabilities			
Trade and other payables	13	**297,823**	164,908
Employee benefits provision	14	**17,893**	-
Total current liabilities		**315,716**	164,908
Non-current liabilities			
Other payable	13	**20,000**	20,000
Total non-current liabilities		**20,000**	20,000
Total Liabilities		**335,716**	184,908
Net Assets		**3,834,872**	3,588,632
EQUITY			
Issued capital	15	**29,706,305**	28,266,147
Reserves	15	**3,681,761**	2,658,887
Accumulated losses		**(29,552,424)**	(27,863,173)
		3,835,642	3,061,861
Non-Controlling interest		**(770)**	526,771
Total Equity		**3,834,872**	3,588,632

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

Consolidated	Notes	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interest	Total Equity
		$	$	$	$	$
Balance at 1 January 2016		**28,266,147**	**2,658,887**	**(27,863,173)**	**526,771**	**3,588,632**
Loss for the period		**-**	**-**	**(1,689,250)**	**(1,167)**	**(1,690,418)**
Total comprehensive loss for the period		**-**	**-**	**(1,689,250)**	**(1,167)**	**(1,690,418)**
Transactions with owners in their capacity as owner						
Transactions with non-controlling interests	15	**-**	**526,374**	**-**	**(526,374)**	**-**
Issue of securities	15	**1,273,879**	**-**	**-**	**-**	**1,273,879**
Security Issue costs	15	**(22,621)**	**-**	**-**	**-**	**(22,622)**
Share Based Payments	8,15	**188,900**	**496,500**	**-**	**-**	**685,400**
		1,440,157	**1,022,874**	**-**	**(526,374)**	**1,936,657**
Balance at 31 December 2016		**29,706,305**	**3,681,761**	**(29,552,424)**	**(770)**	**3,834,872**
Balance at 1 January 2015		26,867,404	2,901,694	(21,125,718)	237,041	8,880,421
Loss for the period		-	-	(6,735,093)	(2,362)	(6,737,455)
Total comprehensive loss for the period		-	-	(6,735,093)	(2,362)	(6,737,455)
Transactions with owners in their capacity as owner						
Issue of securities	15	1,268,668	-	-	-	1,268,668
Note Conversion	15	200,000	-	-	-	200,000
Security Issue Costs	15	(69,925)	-	-	-	(69,925)
Transaction with non-controlling interests	15	-	(242,807)	-	289,730	46,923
		1,398,743	(242,807)	-	289,730	1,445,666
Balance at 31 December 2015		28,266,147	2,658,887	(27,863,173)	526,771	3,588,632

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2016

	Notes	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Interest Received	4	**90,191**	1,936
Other Income	4	**80,400**	-
Payments to suppliers and employees		**(1,379,156)**	(1,225,805)
Interest paid		**-**	(40)
R&D grant (net of costs)	4	**744,722**	-
Net cash (used in) operating activities	17	**(463,843)**	(1,223,909)
Cash flows from investing activities			
Proceed from sale of investment		**21,768**	1,100,000
Payment for exploration and evaluation expenditure		**(1,248,686)**	-
R&D Grant offset against exploration and evaluation (net of costs)	11	**1,172,922**	-
Payment for plant and equipment	12	**(7,724)**	-
Advance from/(repayment to) other entities		**-**	(395,913)
Advance to other parties		**-**	(175,000)
Payment for term deposit	9	**(90,000)**	-
Payment for equity investments		**(19,555)**	-
Net cash provided by/(used in) investing activities		**(171,275)**	529,087
Cash flows from financing activities			
Proceeds from issue of shares	15	**1,273,879**	1,268,668
Share issuing cost	15	**(22,622)**	(25,364)
Convertible note redemption		**-**	(500,000)
Net cash provided by financing activities		**1,251,257**	743,304
Net increase in cash held		**616,139**	48,482
Cash and cash equivalents at beginning of the financial year		**60,339**	11,857
Cash and cash equivalents at Cash end of the financial year	7	**676,478**	60,339

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

1. CORPORATE INFORMATION

The consolidate financial statements and notes of Force Commodities Limited (the Company) for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors and covers Force Commodities Limited as an individual parent entity as well as the consolidated entity consisting of Force Commodities Limited and its subsidiaries (the Group) as required by the Corporations Act 2001.

The consolidated financial statements and notes is presented in the Australian currency.

Force Commodities Limited (formerly Sovereign Gold Company Ltd) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Company was incorporated as an unlisted public company on 10 August 2010 and successfully listed on the ASX on 3 December 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

Statement of Compliance

Compliance with Australian Accounting Standards Board (AASB's) ensures that the financial report of Force Commodities Limited also complies with International Financial Reporting Standards (IFRS).

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

– Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement and assumes the right to tenure of the area of interest is current. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.
- A provision for diminution was raised to recognise that commodity prices are variable, and the share price of the company reflects market recognition of possible impairment due to this variability.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Going Concern

This financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

A capital raising was completed in January 2017 (post financial year end) and raised $948,120 before costs, providing sufficient working capital for corporate overhead and initial exploration programs at Mt Adrah and Halls Peak for 12 months from the date of this report.

The Group has prepared a budget that contemplates an equity raising during the next financial year to fund additional exploration beyond the existing programs which is in excess of its current cash reserves. The additional expenditure is not committed at the date of this letter. The Group has the ability to defer the additional exploration expenditure or divest assets in the event that the terms of an equity raising are not considered suitable to the Group.

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Force Commodities Limited (the parent entity) as at reporting date and the results of all subsidiaries for the year then ended. Force Commodities Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interests over the acquisition date fair value of net assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (GST).

Research & Development (R&D) incentives refundable

Companies within the group may be entitled to claim R&D refundable tax offsets for the investment in qualifying assets. R&D tax incentives are only recognised by the group when all conditions attached to the R&D incentive have been complied with and the grant will be received. The group accounts for R&D refundable tax incentives by offsetting the refund against the original expenditure or capitalised evaluation and exploration asset.

e. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Force Commodities C Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

f. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.
- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

i. Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

j. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss. pricing models.

k. Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight line, over their estimated useful lives, as follows:

- Plant and equipment 5 – 15 years (depreciation rate 6.7% to 20%)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

l. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Tenement exploration, valuation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

n. Contributed equity

Ordinary shares are classified as equity.

o. Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

p. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

q. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

The adoption of new and revised standards has not resulted in any significant changes to the Company's accounting policies or to the amounts reported for the current or prior periods.

Accounting Standards and Interpretations issued but not yet effective:

Reference	Title	Application date of standard	Application date for Group
AASB 9	*Financial Instruments*	1 January 2018	1 January 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 January 2016	1 January 2016
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 January 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	1 January 2018
AASB 16	Leases	1 January 2019	1 January 2019
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	1 January 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 January 2017
2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	1 January 2018
2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions	1 January 2018	1 January 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	1 January 2018	1 January 2018

The impact of the above new and revised standards are in the process of being determined.

3. FINANCIAL RISK MANAGEMENT

a. **General objectives, policies and processes**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also reviews the risk management policies and processes and reports their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

Further details regarding these policies are set out below.

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at reporting date is as follows:

	Note	Consolidated 2016	2015
		$	$
Current			
Cash and cash equivalents	**7**	**676,478**	60,339
Trade and other receivables	**9**	**417,424**	178,429
		1,093,902	238,768

c. Liquidity risk

Liquidity risk is the risk that the group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the reporting date. It is the policy of the board of directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

Maturity Analysis of Financial Liabilities	Note	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
		$	$	$	$	$	$
Consolidated 2016							
Financial Liabilities							
Current							
Trade and other payables	**13**	**78,236**	**78,236**	**78,236**	-	-	-
Employee Provisions	**14**	**17,893**	**17,893**	**17,893**			
Accrued payable	**13**	**219,587**	**219,587**	**219,587**	-	-	-
Non-Current							
Other Liabilities	**13**	**20,000**	**20,000**	-	-	**20,000**	-
Total financial liabilities at amortised cost		**335,716**	**335,716**	**315,716**	-	**20,000**	-
Consolidated 2015							
Financial Liabilities							
Current							
Trade and other payables	13	148,453	148,453	148,453	-	-	-
Accrued payable	13	16,455	16,455	16,455	-	-	-
Non-Current							
Other Liabilities	13	20,000	20,000	-	-	20,000	-
Total financial liabilities at amortised cost		184,908	184,908	164,908	-	20,000	-

d. Interest rate risk

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the reporting date, therefore there is no material exposure to interest rate risk.

Sensitivity Analysis

There is no bank borrowing at the reporting date.

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on fluctuation on deposit interest rate). There is no impact on the Group's equity.

	Note	Carrying Amount	+1% Profit/ (Loss)	-1% Profit/ (Loss)
Consolidated 2016		**$**	**$**	**$**
Cash and cash equivalents	**7**	**676,478**	**6,765**	**(6,765)**
Tax charge of 30%		**-**	**(2,030)**	**2,030**
After tax increase/(decrease)		**676,478**	**4,735**	**(4,735)**
Consolidated 2015				
Cash and cash equivalents	7	60,339	603	(603)
Tax charge of 30%		-	(181)	181
After tax increase/(decrease)		60,339	422	(422)

The above analysis assumes all other variables remain constant.

e. Currency risk

In 2016, the consolidated entity and parent entity were not exposed to foreign currency risk (2015: nil)

f. Capital risk management

The group considers its capital to comprise its ordinary share capital and reserves. In managing its capital, the group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

4. OTHER INCOME

	Consolidated	
	2016	**2015**
	$	**$**
Other income		
Interest income	**90,191**	1,936
R&D (previous held subsidiary and tenements)	**744,722**	-
Other Expenses Reimbursement	**125,000**	-
Other Refunds	**80,400**	58,401
Write off payable	-	200,523
Loss on disposal of investment	-	(161,186)
	1,040,313	99,674

5. EXPENSES

	Consolidated 2016 $	2015 $
(Loss)/profit before income tax includes the following specific expenses:		
Administration and exploration expenses		
Directors fees and employee on-costs	**446,130**	157,172
Consulting and professional fee	**329,795**	205,371
Exploration expense not capitalised (Canadian Lithium option)	**697,476**	334,044
Depreciation and amortisation	**5,048**	12,191
Share Based Payment	**557,900**	-
Legal fees	**247,650**	86,438
Other administrative expenses	**474,645**	466,058
	2,758,644	1,261,274
Finance expenses		
Bad debt reversal(1)	**(175,000)**	175,000
Change in fair value of investments	**123,414**	-
Other expenses	**12,021**	98,493
	(39,565)	273,493

(1) The credit amount is a reversal of a bad debt provision from the previous period of $175,000.

6. INCOME TAX

	Consolidated 2016 $	2015 $
a. Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense	-	-
Deferred tax expense		
Increase/(decrease) in deferred tax expense	-	-
b. Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	**(1,690,417)**	(6,735,093)
Prima facie tax payable on profit/(loss) Income tax expense/(benefit) calculated at 28.5% (2015:30%)	**(481,769)**	(2,020,528)
Permanent differences	**366,925**	-
Timing differences not brought to account	**7,045,161**	22,210
Tax losses not brought to account	**(6,930,317)**	(1,998,318)
	-	-
c. Unrecognised deferred tax assets and liabilities		
Deferred tax assets and liabilities that have not been recognised in respect of the following items	-	-
Provisions and accruals	**112,296**	(1,388)
Capital raising costs recognised directly in equity	**38,284**	-
Deferred tax asset in respect of exploration activities not brought to account	-	967,741
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	**(95,210)**	(944,143)
Revenue Loss	**2,953,103**	-
Capital Loss	**4,036,688**	-
	7,045,161	22,210

The deferred tax asset on the unused cumulative 2016 tax loss of $10,361,764 (2015:$10,066,477) has not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Group satisfying the requirements imposed by the regulatory authorities. The benefit of deferred tax assets not brought to account will only be brought to account if the conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the group in realising the benefit. The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise these benefits.

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	2015
	$	$
Cash at bank and in hand	**676,478**	60,339
Weighted average interest rates	***0.58%***	*1.30%*

Interest Rate Exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

8. EQUITY BASED PAYMENTS

The following share-based payments arrangements were in existence during the current year (2015: Nil).

a. **Options**

Options Series	Number	Grant Date	Vested Number	Expiry date	Exercise Price	Fair Value at Grant Date
30 June 2016[(1)]	120,000,000	31/05/2016	120,000,000	30/06/2019	$0.004	$0.0037
5 August 2016[(2)]	12,500,000	05/08/2016	12,500,000	05/08/2019	$0.006	$0.0042

(1) an issue of options was approved at the Company's Annual General meeting held 31 May 2016:

- 35 million unlisted options each to Rocco Tassone (Director), Charles Thomas (Director) and Patrick Glovac (Director).
- 5 million unlisted options were issued to each of Michael Leu (Company Geologist and former Director), Henry Kinstlinger (Company Secretary) and Benjamin Amzalak (Company Advisor).

Fair value of the unlisted options was determined using the Black Scholes Method. Total value of the options expense is $444,000. Inputs used to determine the valuation were:

Number of Options: 120,000,000
Share Price: $0.005
Exercise Price: $0.004
Expected Volatility: 120%
Expiry date (years): 3
Expected dividend yield: nil
Risk free rate: 1.63%

(2) 12.5 million options were Issued to advisors in relation to the Clayton Valley Nevada acquisition. This cost has been applied to the exploration & evaluation asset shown in the Statement of Financial Position in accordance with Company accounting policy for Exploration and Evaluation.

Fair value of the unlisted options was determined using the Black Scholes Method. Total value of the options expense is $52,500. Inputs used to determine the valuation were:

Number of Options: 12,500,000
Share Price: $0.006
Exercise Price: $0.006
Expected Volatility: 120%
Expiry date (years): 3
Expected dividend yield: nil
Risk free rate: 1.41%

Please note a 1 for 8 consolidation of the Company's Issued capital occurred 9 December 2016. The above option amounts have been adjusted accordingly. Refer to Note 15(d).

b. Shares

Date	Number	Effective share price	Fair value
i) shares issued to Advisors with respect to the acquisition of the Crescent Lake Lithium Deposit in Canada.			
21 June 2016	8,333,333	$0.006	$50,000
22 June 2016	4,000,000	$0.006	$24,000
ii) shares issued to Advisors in relation to the Clayton Valley Nevada acquisition.			
5 August 2016	12,500,000	$0.006	$75,000
iii) shares issued to an advisor in lieu of services.			
4 November 2016	5,700,000	$0.007	$39,900

The total expenses of the share based payments for the period is $650,400 of which $557,900 (See Note 5) was expensed and $127,500 was allocated to the Clayton Valley Nevada asset in the Statement of Financial Position (available for sale).

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	$	$
Current		
Receivables - other parties	**125,000**	175,000
Provision for doubtful debt	**-**	(175,000)
Receivable – other	**-**	(302)
Receivable – tenement deposit (b)	**160,000**	170,000
Prepayment (1)	**8,137**	586
Term deposit (credit card)	**90,000**	-
Receivables – GST	**34,287**	8,145
	417,424	178,429

(1) Relates to prepaid insurance

a. Impaired receivables and receivables past due.

None of the current receivables are impaired or past due but not impaired.

b. Receivable - other parties

Largely relates to tenement deposits held with Department of industry NSW

c. Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

d. Fair value and credit risk

Current trade and other receivables

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current trade and other receivables

There were no non-current trade and other receivables

10. FINANCIAL AND OTHER ASSETS AND FAIR VALUE MEASUREMENT

	Consolidated	
Current	**2016**	2015
	$	$
Investments Listed Securities (at cost)	**147,464**	16,267
Provision for diminution	**(81,825)**	-
	65,639	16,267

Fair Value Measurement

Fair value hierarchy

The following table details the consolidated entity's assets measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

Consolidated 31 December 2016	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial Assets at fair value through profit and loss	**65,639**	**-**	**-**	**65,639**

11. EXPLORATION & EVALUATION

	Consolidated	
	2016	2015
	$	$
Balance at beginning of year	**3,508,287**	8,801,638
Capitalised exploration expenditure incurred during the period	**345,721**	6,649
Clayton Valley exploration asset(1)	**332,991**	-
R&D Grant credit	**(1,172,922)**	-
2016 exploration impairment on relinquished EL's or EL's not yet granted	**(11,652)**	-
2015 exploration impairment	**-**	(5,300,000)
Transfer to asset held for sale (Clayton Valley)(1)	**(332,991)**	-
Balance at end of year	**2,669,434**	3,508,287
Current Asset held for Sale (Clayton Valley)(1)	**332,991**	**-**

(1) On 15 March 2017, the Company concluded the spin-out of the Clayton Valley Lithium Project through Marquee Resources Limited (ASX: MQR) via an initial-public-offering.

The legal transfer of the Project has resulted in the Company being issued with 2,250,000 shares in MQR; reflecting consideration of $450,000 at the $0.20 issue price of the MQR shares. Refer to Note 21.

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

Details of the tenement schedule as follow:

Tenement No.	Location	% Interest	$
EL 6483	Rocky River-Uralla	100	12,102
EL 4474	Halls Peak	100	216,983
EL 5339	Halls Peak	100	21,230
EL 7491	Uralla	55	5,925
EL 7679	Halls Peak	55	3,770
EL 6372	Mt Adrah	99.5	2,386,164
EL 7844	Mt Adrah	99.5	23,260
EL 8127	Mt Adrah (relinquished)	99.5	-
			2,669,434
Capitalised Acquisition – 111	Clayton Valley held for sale (1)	100%	332,991
Refer Note 21			3,002,425

12. PLANT AND EQUIPMENT

	Consolidated	
	2016	2015
	$	$
Plant and equipment - at cost	**54,423**	61,545
Less: Accumulated depreciation	**(45,801)**	(51,327)
Total plant and equipment	**8,622**	10,218
Reconciliations		
Consolidated entity		
Carrying amount at beginning at year	**10,218**	22,409
Additions	**7,724**	-
Transfer out	**(4,272)**	-
Depreciation	**(5,048)**	(12,191)
Carrying amount at end of year	**8,622**	10,218

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	$	$
Current		
Trade payables	**78,236**	88,053
Accrued payables	**219,587**	16,455
Advance from other entity	**-**	60,400
	297,823	164,908
Non-Current		
Other payable	**20,000**	20,000
	20,000	20,000

Refer to Note 3 (c) for liquidity risk assessment

14. EMPLOYEE BENEFITS PROVISIONS

	Consolidated	
	2016	2015
	$	$
Current		
Provision for employee benefits	**17,893**	-

15. ISSUED CAPITAL

	Consolidated		Consolidated	
	2016	2015	**2016**	2015
	Number of Ordinary Shares	Number of Ordinary Shares	**$**	$
	177,032,624	953,348,034	**29,706,305**	28,266,147

a. Movements in ordinary share capital during the year:

	Consolidated		Consolidated	
	2016	2015	**2016**	2015
	Number of Ordinary Shares	Number of Ordinary Shares	**$**	$
Opening Balance	**953,348,034**	257,984,445	**28,266,147**	26,867,404
Convertible note conversion	**-**	47,281,324	**-**	200,000
Share purchase plan	**-**	91,579,730	**-**	146,528
Share placement	**38,765,711**	515,899,149	**93,038**	1,031,798
Share placement	**-**	40,603,386	**-**	90,342
Entitlement Issue	**393,613,914**	-	**1,180,842**	-
Advisor Shares (in lieu of services) Refer Note 8	**12,333,333**	-	**74,000**	-
Advisor Share (Nevada Lithium project) Refer Note 8	**12,500,000**	-	**75,000**	-
Advisor Shares (in lieu of services) Refer Note 8	**5,700,000**	-	**39,900**	-
Sharing issuing costs	**-**	-	**(22,622)**	(69,925)
Closing Balance	**1,416,260,992**	953,348,034	**29,706,305**	28,266,147
Consolidation 1 for 8	**177,032,624**	**-**	**29,706,305**	**-**

b. Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

c. Performance Options

No performance options were granted or exercised in 2016 (2015: Nil).

d. Options

	2016 Number	2015 Number
Balance at beginning of year	**1,800,000**	1,800,000
Issue of options 30 June 2016	**120,000,000**	-
Issue of options 5 August 2016	**12,500,000**	-
Expiry of options	**(1,800,000)**	-
Balance at end of year	**132,500,000**	1,800,000
Consolidated 1 for 8	**16,562,500**	**-**

e. Reserves

Movements in reserves were as follows:

2016	Non-Controlling Interest	Equity payment reserve	Acquisition reserve	Total
	$	**$**	**$**	**$**
Balance at beginning of year	**(242,807)**	**359,765**	**2,541,929**	**2,658,887**
Transaction with NCI (1)	**526,374**	**-**	**-**	**526,374**
Equity based payment	**-**	**496,500**	**-**	**496,500**
Balance at end of year	**283,567**	**856,265**	**2,541,929**	**3,681,761**

2015	Non-Controlling Interest	Equity payment reserve	Acquisition reserve	Total
	$	**$**	**$**	**$**
Balance at beginning of year	-	359,765	2,541,929	2,901,694
Transaction with NCI	(242,807)	-	-	(242,807)
Balance at end of year	(242,807)	359,765	2,541,929	2,658,887

(1)During the year, Sugec Mining Company Pty Ltd earned in an additional 20.9% of the issued shares of SUGEC Resources Limited. The Group recognised an increase in non-controlling interest of $526,374 and a decrease in equity attributable to the owners of the parent of $526,374. There were no other movements with non-controlling interests in 2016.

Nature and purpose of reserves

Equity Based Payment Reserve

The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. The option premium reserve arises on the grant of share options for consideration.

16. INVESTMENT IN CONTROLLED ENTITIES

Entities in Group

Name of Entity	Class of Shares	Equity Holding (%) 2016	Equity Holding (%) 2015	Country of Incorporation
Biacil Holdings Pty Ltd	Ordinary	**100**	100	Australia
Micksture Pty Ltd	Ordinary	**100**	100	Australia
Uralla Gold Pty Ltd	Ordinary	**100**	100	Australia
IRGS Northern Gold Pty Ltd	Ordinary	**100**	100	Australia
IRGS Southern Gold Pty Ltd	Ordinary	**100**	100	Australia
MAS Gold Pty Ltd	Ordinary	**100**	100	Australia
Pahang Minerals Pty Ltd	Ordinary	**100**	100	Australia
SOC1 Pty Ltd	Ordinary	**100**	100	Australia
SOC2 Pty Ltd	Ordinary	**100**	100	Australia
Hudson SPC Pty Ltd	Ordinary	**100**	100	Australia
SUGEC Resources Limited	Ordinary	**55**	75.9	Australia
Mount Adrah Gold Limited	Ordinary	**99.5**	99.5	Australia
Tasman Goldfields NSW Pty Ltd	Ordinary	**99.5**	99.5	Australia
Sovereign Gold Nevada USA	Ordinary	**100**	-	USA

17. RECONCILIATION OF PROFIT/ (LOSS) TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	Consolidated 2016 $	Consolidated 2015 $
(Loss) for the year	**(1,690,417)**	(6,737,455)
Operating Exploration Expenditure	**697,476**	6,649
Change in Investment fair value	**123,414**	-
Doubtful debt provision	**(175,000)**	175,000
Reimbursement income	**125,000**	-
Non-cash item	**(1,773)**	-
Gain on disposal of shares and PP&E	**20,417**	161,186
Equity based Payment	**557,900**	-
Exploration impairment	**11,651**	5,300,000
Depreciation and amortisation	**5,048**	12,191
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**(149,581)**	(12,927)
(Increase)/Decrease in other current assets	**(138,785)**	57,307
Increase/(Decrease) in trade and other creditors and provisions	**150,807**	(185,860)
Net cash used in operating activities	**(463,843)**	(1,223,909)

18. OPERATING SEGMENT REPORTING

The consolidated entity during 2016 has commenced business in the US and Canada. The Board of Force Commodities Ltd act in the Chief Operating Role and review all operation by geographical location. As a result segment reporting will be done by geographical location, Exploration Australia, Exploration Canada, Exploration US and Corporate.

31 December 2016	**Exploration Australia**	**Exploration Canada(1)**	**Exploration US(2)**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Segment performance					
Profit/(Loss) before Income Tax	**(20,819)**	**(697,476)**	**-**	**(972,122)**	**(1,690,417)**
Segment Assets					
Cash	**4,524**	**-**	**-**	**671,954**	**676,478**
Exploration and evaluation	**2,669,434**	**-**	**332,991**	**-**	**3,002,425**
Other	**161,762**	**-**	**-**	**329,923**	**491,685**
Total segment Assets	**2,835,720**	**-**	**332,991**	**1,001,877**	**4,170,588**
Segment Liabilities					
Creditors	**11,260**	**-**	**-**	**286,563**	**297,823**
Employee benefits provision	**-**	**-**	**-**	**17,893**	**17,893**
Other	**20,000**	**-**	**-**	**-**	**20,000**
Total segment liabilities	**31,260**	**-**	**-**	**304,456**	**335,716**
31 December 2015					
Segment performance					
Profit/(Loss) before Income Tax	(5,202,005)	-	-	(1,533,088)	(6,735,093)
Segment Assets					
Cash	4,078	-	-	56,261	60,339
Exploration and evaluation	3,508,287	-	-	-	3,508,287
Other	175,829	-	-	29,085	204,914
Total segment Assets	3,688,194	-	-	85,346	3,773,540
Segment Liabilities					
Creditors	54,079	-	-	110,829	164,908
Other	20,000	-	-	-	20,000
Total segment liabilities	74,079	-	-	110,829	184,908

(1) The Company has ceased activity in Canada

(2) Subsequent to year end, the asset held for sale (Clayton Valley exploration asset) was sold to Marquee Resources Ltd. Refer to Note 21 and Note 11

19. COMMITMENTS

Exploration expenditure commitments	Consolidated	
	2016	2015
	$	$
Minimum tenement exploration expenditure	**460,000**	277,583
Tenement lease payment	**15,280**	3,580
	475,280	281,163

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately $475,280 over the remaining term of the tenements.

Lease expenditure commitments	Consolidated	
	2016	2015
	$	$
No later than one year	**33,345**	-
Later than one year but no later than five years	**63,911**	-
Later than five years	**-**	-
Total	**97,256**	-

Executive Service Agreements

Refer to the Directors Report for details on Company Executive Service Agreements

Corporate Service agreements

The Company had entered into a Corporate Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting, compliance and secretarial services. This service was terminated 30 June 2016. Fees paid to Hudson Corporate Limited over the previous two financial years:

2015 $ 306,800 (excluding GST)

2016 $ 120,000 (excluding GST)

There are no other material commitments as at the date of this report.

20. CONTINGENT LIABILITIES

From time to time the Company may be party to claims from suppliers and service providers arising from operations in the ordinary course of business. Legal proceedings have recently been commenced against the Company in the Local Court of New South Wales. The claimant is claiming an amount of $100,000 pursuant to what it has stated was a verbal agreement reached in June of 2015. The verbal agreement claimed by the claimant is not supported by the written agreements executed at the time. The Company has taken legal advice and on the basis of that advice has elected to vigorously defend the claim. In the event that the Company is unsuccessful in defending the claim the maximum liability is estimated at $150,000 inclusive of legal costs. Legal costs incurred to date have been expensed.

Other than as noted above, at the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate the Company's financial position or results from operations.

21. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, apart from:

<u>Spin-out of Clayton Valley Lithium Project</u>

On 15 March 2017, the Company concluded the spin-out of the Clayton Valley Lithium Project through Marquee Resources Limited (ASX: MQR) via an initial-public-offering.

The legal transfer of the Project has resulted in the Company being issued with 2,250,000 shares in MQR; reflecting consideration of $450,000 at the $0.20 issue price of the MQR shares.

Force shareholders were offered a Priority Offer to participate in the MQR IPO.

The Company received a sum of $125,000 (excluding GST) in March 2017 from Marquee Resources Limited in reimbursement of expenses paid by Force Commodities Ltd in relation to the Marquee Resources Limited initial public offering.

Share Placement

In January 2017 the Company issued 37,924,800 shares under a placement and raised $948,120 (before costs) for the principal purpose of accelerating the development of the Company's gold and base metals projects.

Director Appointments / Resignations

On the 28 February 2017, the Company announced the appointment of Mr Mark Darras as Non Executive and Independent Chairman and Mr Alistair Stephens as Executive Director to the Board of the Company. On the same day Mr Charles Thomas, Non executive Chairman resigned. On the 27 March 2017, the Company announced the appointment of Mr Peter Smith as a Non-Executive Director to the Board of the Company. On the same day Mr Rocco Tassone, Managing Director tendered his resignation.

At the date of this report, apart from above, there are no other matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 1016 of the Group;
- the result of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2016, of the group.

22. LOSS PER SHARE

	Consolidated	
	2016	2015
	Cents	Cents
Basic (loss) per share	**(1.04)**	**(1.14)**
Fully diluted (loss) per share	**(1.04)**	**(1.14)**

	2016	2015
	$	$
(loss) from continuing operations used in calculating basic and fully diluted earnings per share	**(1,689,250)**	**(6,732,731)**

	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	**162,179,074**	**590,314,758**
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**162,179,074**	**590,314,758**

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a. The following persons were Directors of the Company during the financial year unless otherwise stated.

Mark Darras	Non-Executive Chairperson	appointed 28 February 2017
Alistair Stephens	Executive Director	appointed 28 February 2017
Patrick Glovac	Non-Executive Director	appointed 14 December 2015
Peter Smith	Non-Executive Director	appointed 27 March 2017
Charles Thomas	Non-Executive Chairperson	appointed 14 March 2015; resigned 28 February 2017
Rocco Tassone	Executive Director	appointed 14 July 2015; resigned 27 March 2017
Simon Bird	Managing Director	appointed 23 February 2015; retired 29 February 2016

b. The following persons were other key management personnel of the Company during the financial year:

- Henry Kinstlinger, Company Secretary
- Benjamin Amzalak, Investor Relations
- Francis Choy, CFO (resigned 30 June 2016)

c. Compensation of Directors and Key Management Personnel

	Consolidated	
Directors	**2016**	2015
	$	$
Short term employee benefits	**448,130**	242,874
Post employment benefits	**-**	-
Long term benefits	**-**	-
Termination benefits	**-**	-
Share based payments (See Note 8)	**388,500**	-
	836,630	242,874
Other Key Management Personnel		
Short term employee benefits	**96,000**	125,625
Post employment benefits	**-**	-
Long term benefits	**-**	-
Termination benefits	**-**	-
Share based payments (See Note 8)	**37,000**	-
	133,000	125,625

d. Employee Share Option Plan

The company has adopted an Employee Share Option Plan (ESOP) for its employees. A person is an employee of the company if that person is an Executive Director, Non-Executive Director or considered by the Board to be employed by the company or a related party of the company.

The purpose of the ESOP is to provide an opportunity for all eligible employees of the company to participate in the growth and development of the company through participation in the equity of Force Commodities Ltd.

Force Commodities Ltd believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of Force Commodities Ltd. The company expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the Corporations Act 2001, ASIC policy or any other law applicable to Force Commodities Ltd.

24. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2016	2015
	$	$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
BDO Audit (WA) Pty Ltd Audit and review services.	**49,285**	-
K.S. & Black Co.	**5,750**	34,695
Taxation and other advisory services:		
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.		
Taxation – K.S. & Black Co.	**-**	6,940
Taxation - BDO Audit (WA) Pty Ltd	**10,093**	-
Advisory Services - BDO Audit (WA) Pty Ltd	**10,802**	-
	75,930	41,635

Auditor

BDO Audit (WA) Pty Ltd commenced as Auditor of the Group in accordance with section 327 of the *Corporations Act 2001*. Previous appointed auditor was K.S & Black Co.

The Directors' Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

25. RELATED PARTY TRANSACTIONS

a. **Parent Entities**

The parent entity within the Group is Force Commodities Limited. Refer to note 26 for further disclosure.

b. **Subsidiaries**

Interests in subsidiaries are disclosed in note 16.

c. **Key Management Personnel Compensation**

Key management personnel compensation information is disclosed in note 23.

d. **Transactions with Related Parties**

An agreement was put in place to sub lease the premises at Suite 7, 234 Churchill Ave, from GTT Ventures Pty Ltd. The term is 3 years commencing 30 November 2016. The annual rent and car bay licence fee payable is $33,345 (plus GST). There are no other related party transactions during the current year.

Corporate Consulting Fee	Consolidated	
	2016	2015
	$	$
Corporate *Consulting* Fee	**-**	53,285[1]
Sub Lease	**10,709**	-

(1) The Company paid Corporate Consulting Fee to GTT Ventures Pty Ltd on share placement and underwriting fee.

e. **Guarantees**

No guarantees were given or received from related parties during the year.

f. **Terms and Conditions**

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the controlled entities and that no interest is charged on outstanding balances.

g. Equity Based Payments to Directors

The following issue of options were approved at the Company's Annual General meeting held 31 May 2016 and additionally refer to Note 8 for further details regarding the valuation.

- 35 million unlisted options were issued to Managing Director Rocco Tassone valued at $129,500;
- 35 million unlisted options were issued to Director Charles Thomas valued at $129,500; and
- 35 million unlisted options were issued to Director Patrick Glovac valued at $129,500.

26. PARENT ENTITY DISCLOSURES

Financial position

	2016	2015
	$	$
Assets		
Current assets	**1,326,246**	80,636
Non-current assets	**2,031,718**	9,029,094
Total assets	**3,357,964**	9,109,730
Liabilities		
Current liabilities	**304,456**	110,828
Non-current liabilities	**-**	-
Total liabilities	**304,456**	110,828
Net Assets	**3,053,508**	8,998,902
Equity		
Issued capital	**29,706,305**	28,266,147
Reserves	**856,265**	359,765
Accumulated losses	**(27,509,061)**	(19,627,010)
Total equity	**3,053,508**	8,998,902

Financial performance

	2016	2015
	$	$
Loss for the year	**(7,882,051)**	(1,535,450)
Other comprehensive loss	**-**	-
Total comprehensive loss	**(7,882,051)**	(1,535,450)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Force Commodities Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries during the year ended 31 December 2016 (2015: Nil).

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements:

   (a) comply with Accounting Standards which as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and;

   (b) give a true and fair view of the consolidated statement of financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2016, comply with section 300A of the *Corporations Act 2001.*

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporation Act 2001.*

5. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

This declaration is made in accordance with a resolution of directors.

Alistair Stephens

ALISTAIR STEPHENS
EXECUTIVE DIRECTOR

Dated this 31st day of March 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Force Commodities Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Force Commodities Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of exploration and evaluation assets

Key audit Matter	How the matter was addressed in our report
At 31 December 2016 the carrying value of Exploration and Evaluation Assets was A$2,669,434 (31 December 2015 A$3,508,287), as disclosed in Note 11. As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. In particular whether facts and circumstances indicate that the exploration and expenditure asset should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained Current at balance date; • Holding discussions with management as to the status of Ongoing exploration programmes in the respective areas of interest; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and • Considering whether any facts or circumstances existed to suggest impairment testing was required; We also assessed the adequacy of the related disclosures in Note 11 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in annual financial report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected.

If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Force Commodities Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just
Director

Perth, 31 March 2017

SHAREHOLDER INFORMATION

Additional information required by the ASX and not shown elsewhere in this report is as follows:

A. Shareholding as at 31 March 2017

Total fully paid ordinary shares on issue **214,957,538**

B. Distribution of Equity Securities as at 31 March 2017

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	56	6,917	0.00
1,001 - 5,000	165	290,196	0.14
5,001 - 10,000	34	263,891	0.12
10,001 - 100,000	585	23,205,742	10.80
100,001 – and above	343	191,190,792	88.94
Rounding			**0.00**
Total	**1,183**	**214,957,538**	**100.00**

C. Twenty Largest Shareholders as at 31 March 2017

The names of the twenty largest holders of quotes equity securities aggregated are listed below:

Rank	Name	Units	% of Issued Capital
1	Mr Jihad Malaeb	14,369,673	6.68
2	Syracuse Capital Pty Ltd <The Rocco Tassone Super A/C>	6,708,334	3.12
3	Murdoch Capital Pty Ltd <The Glovac Superfund A/C>	6,287,324	2.92
4	Mr Sufian Ahmad	5,800,000	2.70
5	Mr Bin Liu	4,605,150	2.14
6	Mr Paul Gabriel Sharbanee <The Scorpion Fund A/C>	4,500,000	2.09
7	Boomslang Capital Pty Ltd	4,248,446	1.98
8	DDPEVCIC (WA) Pty Ltd <Dominic Family A/C>	3,100,049	1.44
9	Chia Park Alpacas Pty Ltd	3,027,450	1.41
10	Mr Stan Kozera + Mrs Christine Elaine Koaera <Kozera Superfund A/C>	3,000,000	1.40
11	Mrs Ifrah Nishat	3,000,000	1.40
12	Mr Wafa Muhammad Iqbal	2,500,000	1.16
13	Innisfree Australia Pty Ltd	2,474,899	1.15
14	Mounts Bay Investments Pty Ltd <CT Trading & Investments A/C>	2,419,158	1.13
15	Mr Simon Thomas Serlock Wilding + Mrs Penelope Jane Wilding <Wilding Superannuation A/C>	2,250,000	1.05
16	Mr Fawzi Kassab	2,200,500	1.02
17	Mr Roger Martinet	2,000,000	0.93
18	Stevsand Holdings Pty Ltd <Formica Horticultural A/C>	2,000,000	0.93
19	Mr Damian Cullura	1,875,000	0.87
20	Michael Roby Leu	1,846,250	0.86
Total:	Top 20 holders of ordinary shares (Total)	**78,212,233**	**36.38**
	Total remaining holders balance	**136,745,305**	**63.62**

D. Substantial Holders as at 31 March 2017

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

	Shareholder	No. of Shares	% held
1	Mr Jihad Malaeb	14,369,673	6.68

E. Unmarketable Parcels

	Minimum Parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0027 per unit	**18,519**	**384**	**2,296,526**

F. Unquoted Securities as at 31 March 2017

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name[i]	% held
Unlisted Options	**$0.032**	30/6/19	**15,000,000**	6	N/A	N/A
Unlisted Options	**$0.048**	5/8/19	**1,562,500**	6	N/A	N/A

(i) Where holder holds more than 20%

G. Voting Rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

H. Tenement Schedule

Through its 100% owned subsidiaries, Force Commodities Company Limited holds the tenement interests as described:

Licence No.	Location	Status	Expiry Date	Area Sq Kms
Biacil Holdings Pty Ltd				
EL 6483	Rocky River-Uralla	Granted	21-Nov-19	163
SOC1 Pty Ltd				
EL 4474	Halls Peak	Granted	12-Jan-18	11
EL 5339	Halls Peak	Renewal sought	29-Jan-17	15
Mount Adrah Gold Limited				
EL 6372	Adelong	Granted	2-Feb-20	28
EL 7844	Adelong	Granted	20-Sep-18	28
ELA5334	Adelong	Application	Pending	202
SUGEC Resources Limited				
EL 7679	Halls Peak	Granted	11-Jan-18	73
EL 7491	Uralla	Renewal sought	29-Mar-17	148
TOTAL				**668**

The Company has not reported any mineral resources or ore reserves during the reporting period.