Quarterly Activities Report – December 2016

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Rocco Tassone (MD)
Patrick Glovac

ASX: 4CE

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This quarterly operations report for Force Commodities Limited (**Force Commodities** or **Company**) (ASX: 4CE) is dated 30 January 2017 and is for the three months ending 31 December 2016.

Corporate

During the December Quarter, the Company completed a share consolidation and name change from Sovereign Gold Limited to Force Commodities Limited.

Force's option to acquire the Crescent Lake Lithium Project in USA lapsed. The Company's lithium focus has shifted towards the Clayton Valley spin-off into newly formed Marquee Resources Limited.

Force expects to receive approximately $200,000 R&D Tax Incentive Offset Refund. Force will shortly submit its self-assessment documentation to the Australian Taxation Office (ATO) to receive the Refund.

Subsequent to quarter end, Force completed an oversubscribed capital raising in January to raise $948,120 (before costs) to accelerate development of its gold and high grade zinc assets.

Operations

Summary

- Exploration activity focused primarily on the Halls Peak Zinc Project in New South Wales. Approval for drilling at the Mt Adrah Gold Project in New South Wales was granted and several key appointments were made to advance the Clayton Valley (Nevada) Lithium Project in USA.

Halls Peak Zinc Projects – Australia (NSW)

- Diamond drilling at Halls Peak encountered significant high grade mineralisation at the Halls Peak – Gibson Project (EL4474). All drill holes ended in mineralisation, including the following highlights:
  - Up to 46% Zn and 22.9% Pb (SG05-04)
  - Up to 39.2% Zn and 27.2% Pb (SG06-08)
  - Up to 24.8% Zn and 13.05% Pb (SG04-11)
- Halls Peak is recognised as a Kuroko-Style (exhalative-diagenetic) massive sulphide deposit type and represents potential for Force to discover a major mineralised system with further drilling in 2017.
- Collation of data for the creation of a 3D model using all the available drilling data is in progress.
- Spatial modelling of features noted at Halls Peak shared with type-example deposits like Kuroko to identify high priority targets for drilling.

Clayton Valley Lithium – USA (Nevada)

- Several key director appointments were made for spin-off of the Clayton Valley (Nevada) Lithium Project into Marquee Resources.
- Appointments of Mr Mark Ashley and Mr Jason Bontempo were a major step forward to realise shareholder value for the Clayton Valley Project under the new corporate structure. Both bring a high degree of experience and knowledge to Marquee Resources.

Mt Adrah Gold – Australia (NSW)

- Approval for a 1,200 metre diamond drilling program at the Mt Adrah Gold Project was granted. Weather delays affected plans for drilling high priority Hobbs Pipe look-a-like targets.

Qualifying Statements

The information in this Report that relates to Exploration Information is based on information compiled by Richard Robertson who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

Mr Robertson is a qualified geologist and is a contractor of Force Commodities Limited.

Mr Robertson has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources. Mr Robertson consents to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

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Detail

Halls Peak Zinc Projects – Australia (NSW)

Force Commodities (ASX: 4CE) encountered spectacular mineralised intersections in recent drilling at the 100% owned Halls Peak – Gibson Project (EL4474). The significance of these results affirmed the board's decision to expedite its phase 3 drilling campaign early in 2017 to assess the size and extent of newly discovered mineralisation.

Halls Peak was recognised as a Kuroko Style (exhalative-diagenetic) massive sulphide deposit. Force commenced the collation of data for the creation of a 3D model. This will include the addition of the next round of drilling data. Spatial modelling of features noted at Halls Peak shared with type-example deposits like Kuroko will allow efficient vectoring to the areas deemed most prospective for large orebodies.

Halls Peak is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver. Current exploration aims to locate the right depositional environment to host a large scale, high-grade base metal deposit. Several geochemical and geophysical anomalies are also present that identify further high grade, near-surface sulphides.

Additional to the VMS prospectivity, there are indications for the presence of orogenic gold from breccia floaters and small pods of Au–rich quartz.

All drill holes ended in mineralisation with super-high grade samples including:

- Up to 46% Zn and 22.9% Pb (Sample SG05-04)
- Up to 39.2% Zn and 27.2% Pb (Sample SG06-08)
- Up to 24.8% Zn and 13.05% Pb (Sample SG04-11)

- **SG04**: 44.9m @ 2.91% Zn+Pb, 0.21% Cu, 34.99 g/t Ag and 0.21 g/t Au (8.8m - EOH) including:
  - **13.2m @ 5.53% Zn, 2.71% Pb, 0.43% Cu, 94.33 g/t Ag and 0.52 g/t Au from 8.8m)**
- ***SG05:*** *33m @ 6.66% Zn+Pb, 0.33% Cu, 10.67 g/t Ag and 0.05 g/t Au (7m - EOH) including:*
  - ***7.2m @ 20.19% Zn, 7.17 % Pb, 0.66% Cu, 30.93gpt Ag and 0.1gpt Au from 8.8m)***
- **SG06**: 99.1m @ 3.59% Zn+Pb, 0.15% Cu, 17.53 g/t Ag and 0.05 g/t Au (6.1m - EOH) including:
  - **11.2m @ 19.71% Zn, 10.77 % Pb, 0.8% Cu, 134.96 g/t Ag and 0.23 g/t Au from 8.4m)**

The final round of assay results from this drilling campaign returned exceptional near surface high-grade results including:

(SG05) 7.2m @ 20.19% Zn, 7.17 % Pb, 0.66% Cu, 30.93 g/t Ag and 0.1 g/t Au (from 8.8m) including:

- 1.5 metres (from 11m) @ 48.13% Zn, 13.77% Pb, 1.65% Cu, 54.33 g/t Ag and 0.17 g/t Au

(SG06) 11.2m @ 19.71% Zn, 10.77% Pb, 0.8% Cu, 134.96 g/t Ag and 0.23 g/t Au (from 8.4m) including:

- 2.20 metres (from 16.50m) @ 36.15% Zn, 22.13% Pb, 1.03% Cu, 91 g/t Ag and 0.19 g/t Au

(SG04) 13.2m @ 5.53% Zn, 2.71% Pb, 0.43% Cu, 94.33 g/t Ag and 0.52 g/t Au (from 8.8m) including:

- 0.6 metres (from 14.4m) @ 24.8% Zn, 13.05% Pb, 2.04% Cu, 495 g/t Ag and 1.36 g/t Au

Commenting on the progress at Halls Peak, Force Commodities Managing Director Rossco Tassone said:

"We were highly encouraged by the drilling at Halls Peak during the quarter. The high grade zinc, lead and silver results indicate potential for the discovery of a large base metals system that is close to surface. 3D modelling is in progress to provide a greater sense of continuity between intercepts and scale of the deposit, although early indications suggest potential for a small, but high grade massive sulphide system. Further drilling to test high priority targets at Halls Peak is ongoing".

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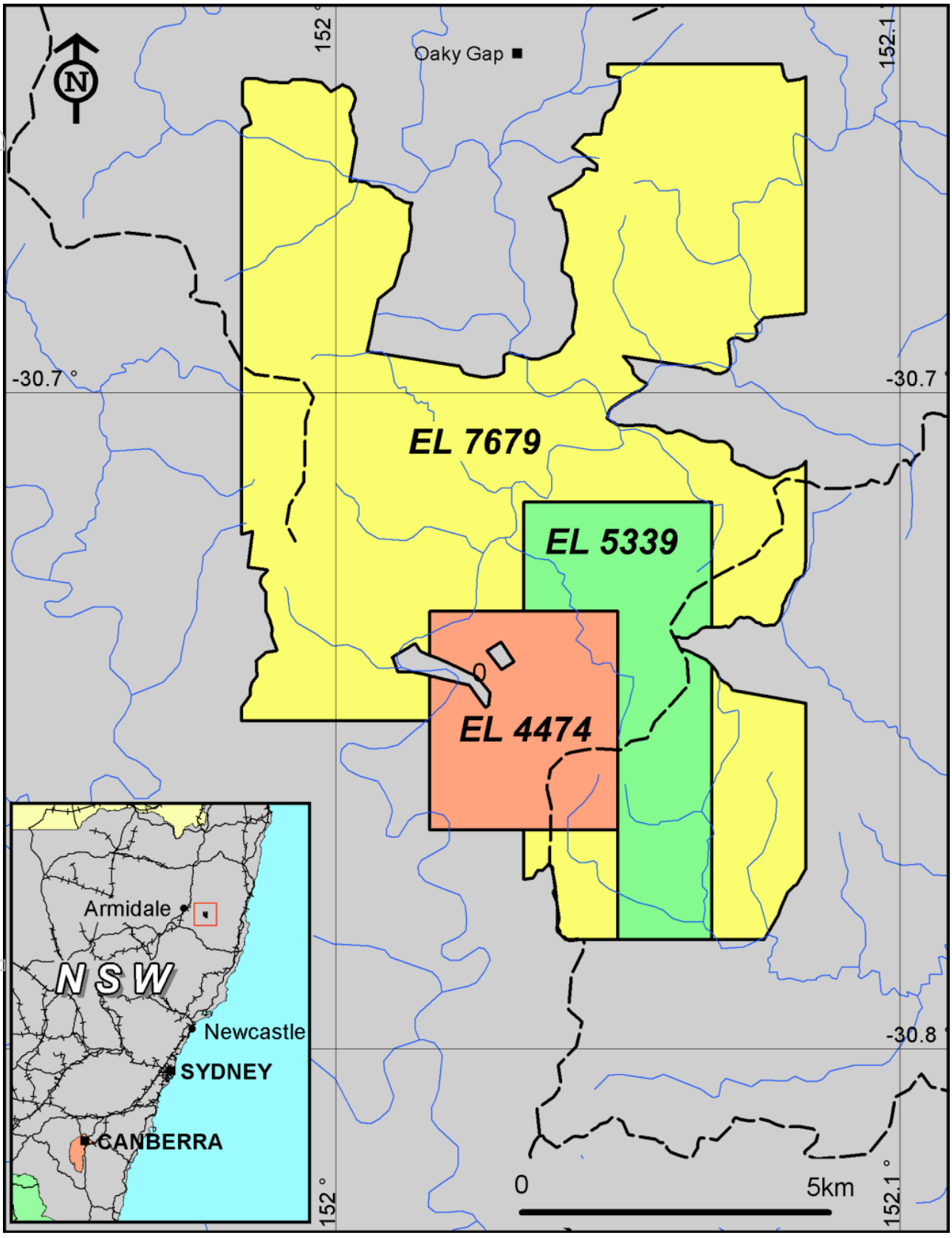

Figure 1: The Halls Peak Tenements are located 80km SE of Armidale N.S.W.

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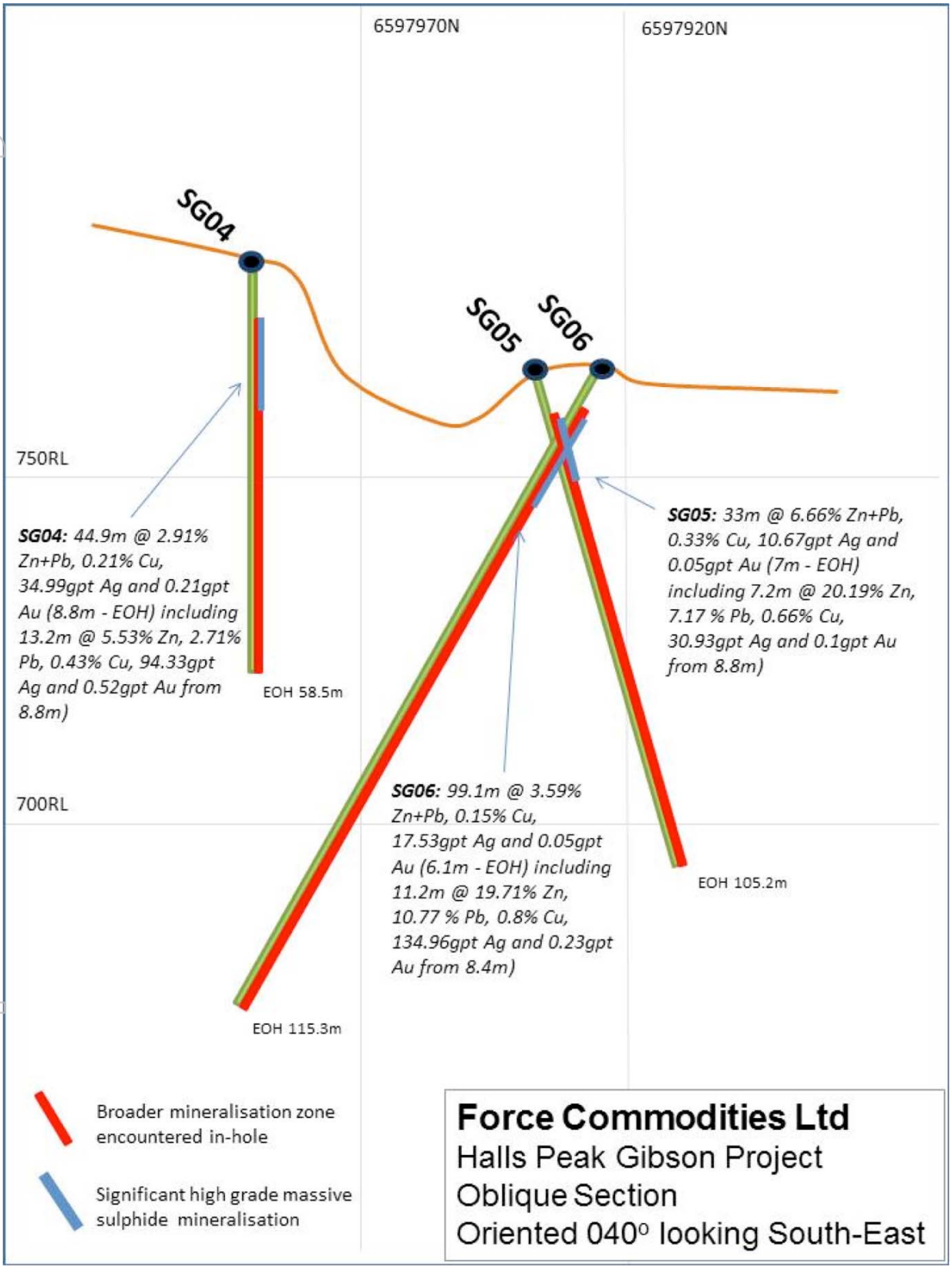

Figure 2: Significant intersections from SG04, SG05 and SG06.

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Clayton Valley Lithium – USA (Nevada)

Several key director appointments were made for spin-off of the Clayton Valley (Nevada) Lithium Project into Marquee Resources Limited (Marquee Resources). It is intended that Marquee Resources will undertake an Initial Public Offer and seek an ASX listing in conjunction with the spin off. Force Commodities Ltd will retain a 9.375% equity position ($450,000 @ $0.20 IPO issue price), based on a proposed IPO market capitalisation of $4,800,000.

The appointments of Mr Ashley and Mr Bontempo were a major step forward to realise shareholder value for the Clayton Valley Project under the new corporate structure and will also bring a high degree of experience and knowledge to Marquee Resources.

Mr Ashley currently resides in California, United States, and will be able to provide hands on knowledge given his proximity to the Clayton Valley Project along with over 30+ years of experience in the Mining sector.

Mr Bontempo until recently was Non-Executive Director of Red Mountain Mining (ASX Code: RMX) which on 26 October 2016 announced it had entered into an exploration and earn-in agreement with the Red Valley Project – a lithium brine project located in Utah, United States.

Mr Charles Thomas, a director of Force Commodities will also be a director of Marquee Resources in an executive capacity on completion of the transaction

In addition to the board appointments, significant work was undertaken to compile the necessary documentation required and the Prospectus was lodged with ASX and ASIC on 16 December 2016.

Key appointments during the Quarter

Mark J Ashley, Non–Executive Chairman

Mr. Ashley is a senior resource executive with +30-year career launching, turning around, and optimizing internationally listed organizations mostly in Mining and Natural Resource Sectors. Mr. Ashley has a wide ranging and in-depth knowledge of the technical, commercial and financial aspects of the Resource sector (precious metals, base metals and bulk commodities) having held senior executive roles of a number of internationally listed entities including Normandy Mining, Cluff Resources, LionOre Mining International, Kagara Zinc, Apex Minerals and many others. He has significant international experience having worked in London, Shanghai, Turkey, Africa, Australia and now the USA. Mr. Ashley is a citizen of the USA, Australia and the UK and currently resides in California.

Jason Bontempo, Non-Executive Director

Jason Bontempo has 20 years' experience in public company management, corporate advisory and investment banking. He qualified as a chartered accountant with Ernst & Young. Jason has worked primarily in Australia and the UK providing corporate advice around the financing of resource companies on both the ASX and AIM markets including resource asset acquisitions and divestments. Jason has also served on the board and the executive management of minerals and resources public companies focusing on advancing and developing mineral resource assets and business development. Jason is currently executive director of Equator Resources Limited and non-executive director of ASX listed companies Red Emperor Resources and Orca Energy Ltd.

Charles Thomas, Proposed Executive Director

Mr Thomas holds a Bachelor of Commerce from UWA majoring in Corporate Finance. Mr Thomas is an Executive Director of GTT Ventures Pty Ltd a boutique corporate advisory firm based in Australia. Mr Thomas is also Non-Executive Chairman of ASX listed Force Commodities Limited (ASX: 4CE) and Non-Executive Director of ASX listed Search Party Group Limited (ASX: SP1). Mr Thomas has worked in the financial service industry for more than a decade and has extensive experience in capital markets as well as the structuring of corporate transactions. Mr Thomas has significant experience sitting on numerous ASX boards spanning the mining, resources and technology space.

Mt Adrah Gold – Australia (NSW)

Approval for a 1,280 metre diamond drilling program at the Mt Adrah Gold Project was granted, however, weather delays affected plans for drilling high priority Hobbs Pipe look-a-like targets.

This initial drill program is for 1,280 metres of diamond core and if results are positive the program will be expanded to test structures along strike and down dip with the aim to extend its 770,000 ounces JORC resource inventory.

The Company is currently assessing Priority 1 Hobbs Pipe look-a-like targets which may lead to additional targets being added to the drill program and will update the market accordingly.

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Recent processing of previously collected ground magnetic data over Hobbs Pipe has established a method to discriminate the Hobbs Pipe from surrounding highly magnetic rocks. Force now has developed a method to short list the airborne Hobbs Look-a-Like target for drilling priority and to locate new targets not detected in the wide spaced airborne survey. Closed spaced ground magnetic data will be collected and processed through some new data processing methods developed by Eureka Consulting. The highly specialised user-developed and proprietary filters and processing techniques will be designed to uniquely suit the ground magnetic dataset.

The ground magnetic method has been shown to have a characteristic response over the Hobbs Pipe. It is accurately mapping the surface mapped and drilled location of the intrusive and indicates a relatively low magnetic response when compared to the elevated responses of the surrounding lithologies. This strong contrast in magnetic response can be used to identify Hobbs Pipe-style targets on the high magnetic response ridges associated historic gold mines along the Gilmore Suture within Sovereign's Exploration Licences.

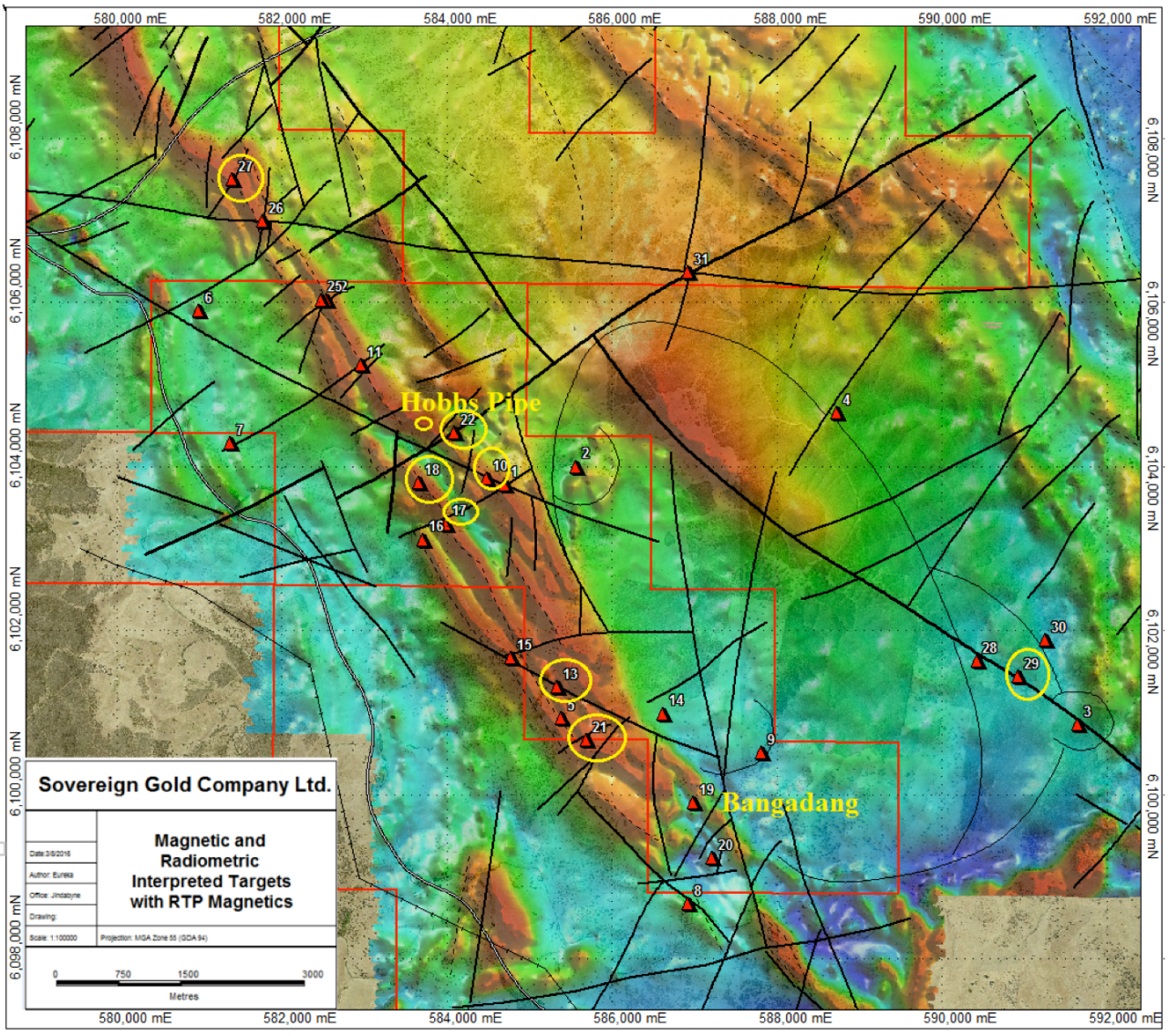

Figure 3: Location of exploration targets over satellite imagery overlain by magnetics. Hobbs Pipe and Priority 1 Targets circled in yellow.

R&D Tax Incentive Claim

The company lodged its R&D Tax Incentive claim for the 2015 Financial Year with the relevant Government agency, AusIndustry. The company has received its Registration Number and will shortly submit its self-assessment documentation to the Australian Taxation Office (ATO). Should the self-assessment be accepted, Force expects to receive approximately $200,000 R&D Tax Incentive Offset Refund.

The company has also commenced work to lodge its R&D Tax Incentive claim for the 2016 Financial Year, which is expected to be greater than the 2015 offset refund amount. Lodgement of this claim is expected to occur by the end of 1Q17.

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Code Compliant Public Reports

The Company advises that this Quarterly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**JORC Code**).

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and Sovereign will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of notice as Lodged with ASX
29/12/16	99.1m Intersection – Up to 46% Zinc Mineralisation Extended
22/12/16	Company Update December 2016
20/12/16	Key Appointments & Prospectus Lodged – Marquee Resources Ltd
15/12/16	102m Intercept from Surface – High Grade Zinc, Lead & Silver
28/11/16	Halls Peak SG03 – Intersects Extension to Mineralised Zone
22/11/16	Halls Peak – Strong Visible Zinc and Copper Mineralisation
15/11/16	Drilling Update – Crescent Lake Canada
10/11/16	Nevada Lithium – Proposed IPO into Marquee Resources
09/11/16	Halls Peak Zinc Update – VTEM Anomalous Conductive Zones
03/11/16	Halls Peak Zinc Drilling Commences – High Grade Extension
19/10/16	Four Project Drill Program Exploration Update October 2016
14/10/16	Halls Peak Drilling to target High Grade DSO Zinc and Silver
11/10/16	50m Lithium Bearing Pegmatite Down Dip From Surface – Crescent Lake
06/10/16	Methodology Prioritises Hobbs Pipe Look-a-like Drill Targets
05/10/16	Approval Granted To Commence Gold Drilling at Mt Adrah
04/10/16	Lithium Drilling Over 2km Strike Expanded – Assays Pending

Tenements

Tenement information required under LR 5.3.3

Tenement No.	Location
New South Wales	
EL 6483**	Armidale NSW
EL 6372*	Adelong
EL 7844*	Gundagai
EL 7491**	Armidale
EL 5339	Halls Peak
EL 4474	Halls Peak
EL 7679**	Halls Peak
Nevada Lithium Project (111 Mining Claims NMC 1125134 – NMC 1125244)	Clayton Valley, Nevada, USA

Notes:

No tenements were relinquished during the Quarter

* Force holds a 99.5% interest in Mount Adrah Gold Limited, the holder of the licences

** Subject to Farm-in