



**Breakaway  
Research**

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### Company Information

ASX Code	FRC
Share Price	A\$0.045
Ord Shares	95.8m
Options	85.2m
<b>Market Cap</b>	<b>A\$4.3m</b>
Cash (June 13)	A\$2.2m
Total Debt	A\$0m
<b>Enterprise Value</b>	<b>A\$2.1m</b>

### Directors

Executive Chairman	John Terpu
Non-Executive Director	Nick Revell
Non-Executive Director	Bruno Firriolo

### Substantial Share Holders

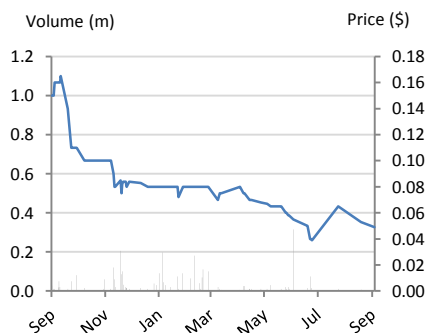
Danny Tak Tim Chan	37.5%
Valleybrook Investment	27.7%
HSBC Nominees	7.2%
Mark Barnaba	4.6%
Golden Gate SA	2.7%

\*Top 20 hold 92.3%

### Company Details

Address	Suite 4, 213 Balcatta Road, Balcatta Rd, WA 6021
Phone	+618 9240 4111
Web	www.forteconsolidated.com.au

### 1 Year Price Chart



Source: Bloomberg

# Forte Consolidated (FRC)

*Prospective exploration close to existing producer*

**Recommendation: Speculative BUY**

**Company Update**

### Key Points

- **Acquired Johnnycake (EPM 18986) project under favourable terms**
- **Independent geophysical consultants 'Southern Geoscience' highlight numerous precious metal targets analogous to Mt Carlton**
- **Early stage field programs have outlined broad areas of alteration**
- **Enterprise value of A\$2.1m provides leverage to exploration success**
- **Upcoming exploration provides ample opportunity for positive news**

*Forte Consolidated is currently advancing exploration at the newly acquired Johnnycake project; located in north-east Queensland, in close proximity to the recently commissioned Mt Carlton gold/silver/copper mine (which hosts 1.35Moz gold, 30Moz silver and 63t of copper). Four high priority precious metal prospects have already been identified; however exploration is still at an early stage. With an EV of just A\$2.1m and A\$2.2m cash to fund exploration, Forte is highly leveraged to exploration success.*

### Investment Thesis

Forte Consolidated (ASX: FRC) has completed the acquisition of a 100% interest in the prospective Johnnycake project located near the recently commissioned Mt Carlton gold/silver/copper mine in north-east Queensland.

Historic aeromagnetic and radiometric surveys have been sourced and reprocessed, and have refined the definition of important faults and dykes (which are conduits for fluids, potentially leading to the formation of mineral deposits). A desk top review of the available 'Johnnycake' data has generated four distinct targets; namely Hill 345, West Rocky Creek, Mt Wickham South and CAZ.

A limited initial field program, comprising soil and rockchip/float samples, has been completed at each of the targets with some promising, albeit preliminary, results.

The Company's Chairman, Mr John Terpu, has extensive knowledge of the area having acquired the original Mt Carlton tenements with modest outlay in his role as Managing Director of Conquest Mining Limited (the company which discovered the nearby Mt Carlton project). With this experience, Forte plans to apply known exploration methodology to the Johnnycake area.

Forte also holds the Kangaroo Hills project in north Queensland, which represents a secondary priority at this time. Initial drilling included 4m at 100g/t Ag and 3.4% Zn at the Clarke prospect and deeper drilling is required to adequately test the target.



## Project Review

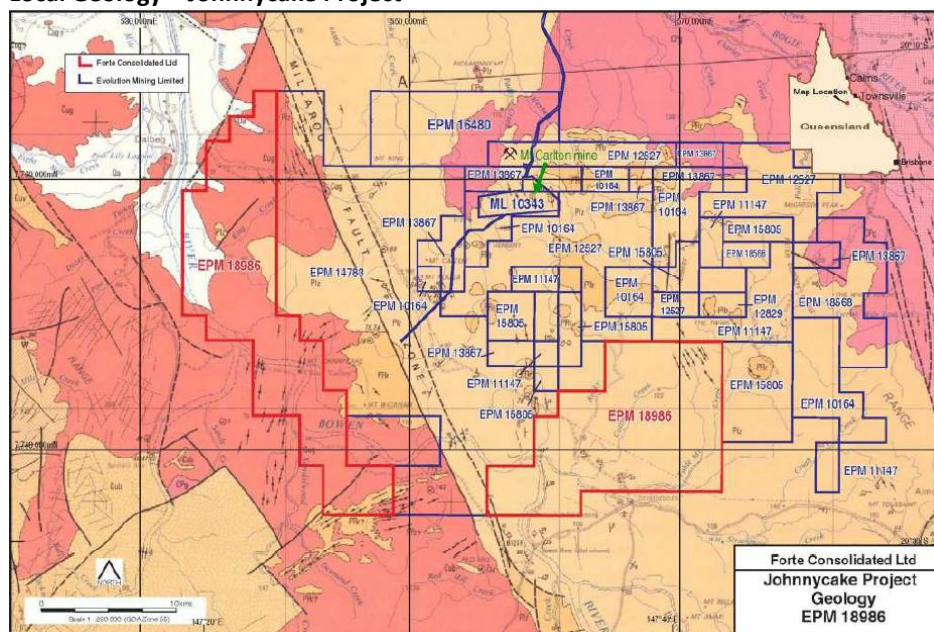
### Johnnycake Project

*Johnnycake purchased under favourable terms*

In late 2012, Forte Consolidated entered into an agreement to purchase a 100% interest in EPM 18986, named the 'Johnnycake Project', for total consideration of A\$50,000 from Adept Solutions Limited, now called Emerchants Limited (ASX: EML). Emerchants only disposed of the tenement due to a change in business activities from the resources to the financial services sector. The tenement is located at the northern end of the Bowen Basin, ~170km south of Townsville and is in close proximity to Evolution Mining's 'Mt Carlton Mine' which hosts a JORC Resource of 25.2Mt @ 1.7g/t Au (for ~1.35Moz of contained gold), plus significant silver (~30.6Moz) and copper resources (~63kt of contained copper).

### Local Geology – Johnnycake Project

*Close proximity to Mt Carlton mine*



Source: Forte Consolidated

*Johnnycake project split into two tenements*

EPM 18986 was previously held by Evolution Mining, however it was relinquished in a compulsory reduction in 2010. As illustrated above (outlined in red), the single tenement is split into two areas, a south eastern area ~10km south of the Mt Carlton gold/silver/copper mine and a western area ~20km west of the mine.

### Local Geology

*Similar geology to that which hosts the Mt Carlton deposit*

The nearby Mt Carlton deposit is a high-sulphidation epithermal style deposit, with the mineralisation occurring within shallow dipping felsic volcanic rocks. The Johnnycake project is considered prospective for a similar style of mineralisation, hosted by the Lizzie Creek Volcanics (LCV) and the Urannah Complex on the northern margin of the Permian Bowen Basin.

The volcanics and intrusives are covered by extensive black soil, however most creeks dissecting the soil encounter volcanics within 1-2 metres of surface. The underlying rocks are predominantly andesitic to trachytic volcanics and intrusives of the LCV. Rhyolite and dacite of the Mt Wickham Rhyolite intrude and overlay the LCV.



## Exploration undertaken to date

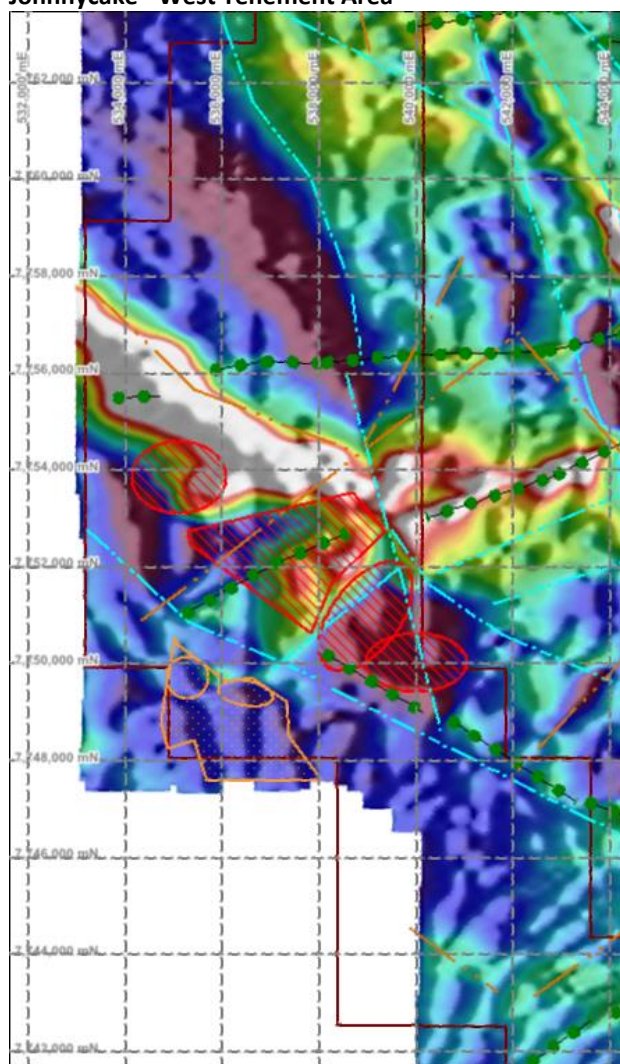
### Aeromagnetic and Radiometric Maps

Southern Geoscience (SG) was commissioned by Forte to undertake a preliminary interpretation of available airborne geophysical data and generate gold targets on the two tenement blocks of the EPM 18986 lease.

In the western tenement area SG has identified east north-east trending fault (light blue) and intrusive dyke structures (olive green) within the aeromagnetic data. The same late stage, dilational structures are associated with the Mt Carlton mine area and may be responsible, in part, for the Mt. Carlton mineralization. This provides an immediate focus for exploration in western Johnnycake tenement block, albeit the nature and style of any mineralisation is likely to be different from Mt Carlton due to differing host rocks.

*Numerous prospective areas identified*

### Johnnycake - West Tenement Area



Source: Forte Consolidated

*Field work programs set to commence in the near term*

In the image above, Southern Geoscience has highlighted the areas of radiometric interest (orange hatching), and areas of magnetic interest (red hatching).

Forte is currently designing field programs to follow up these prospective areas, and these programs will be implemented in the near future.





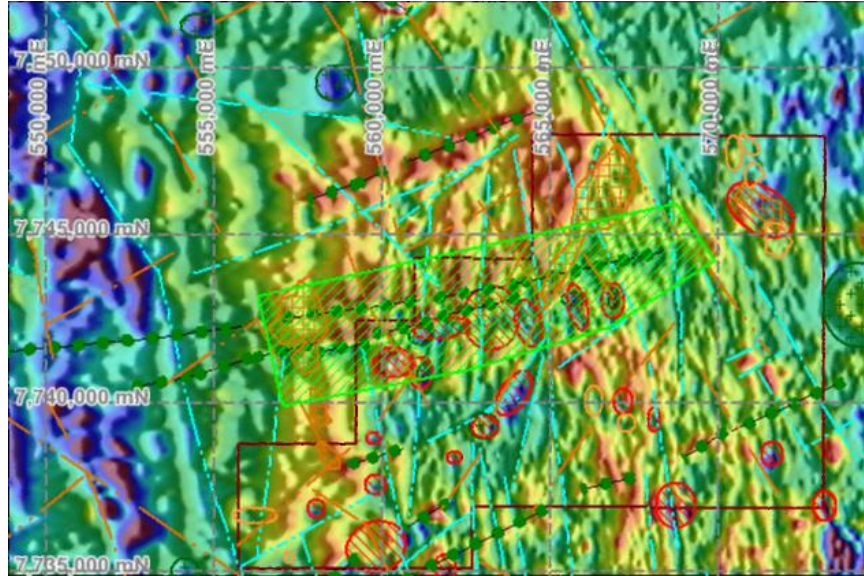
### Johnnycake - South East Tenement Area

Southern Geoscience has also interpreted aeromagnetic and radiometric data over the south eastern tenement area where geological and structural settings have been identified that are analogous to the Mt Carlton mine area. In the following magnetic image SG has outlined a possible 'Mt Carlton equivalent zone' in green hatching, with a concentration of intrusive / alteration features. Various magnetic features of interest are also highlighted in red hatching, radiometric features in orange hatching and green dotted lines represent dykes.

*'Mt Carlton equivalent zone' represents a high priority target*

The next step is field checking, including geochemical sampling and geological mapping, to confirm this high priority target zone.

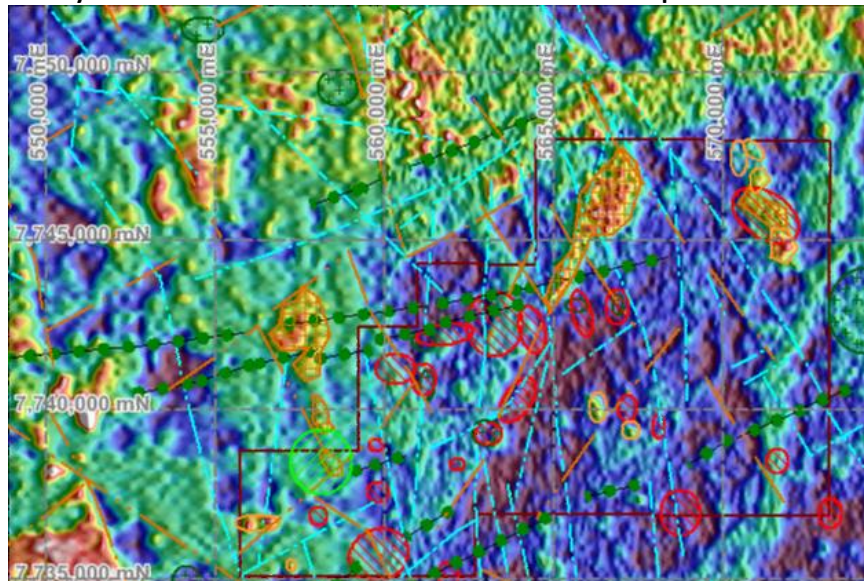
### Johnnycake South East Tenement Area: Aeromagnetic Map



Source: Forte Consolidated

Secondary targets in the area include testing the potential for blind mineralised systems within shallow dipping volcanic formations. Initial follow up of this style of target will best be suited by ground geophysics surveys (e.g. IP surveys).

### Johnnycake South Eastern Tenement area: Radiometric map



Source: Forte Consolidated

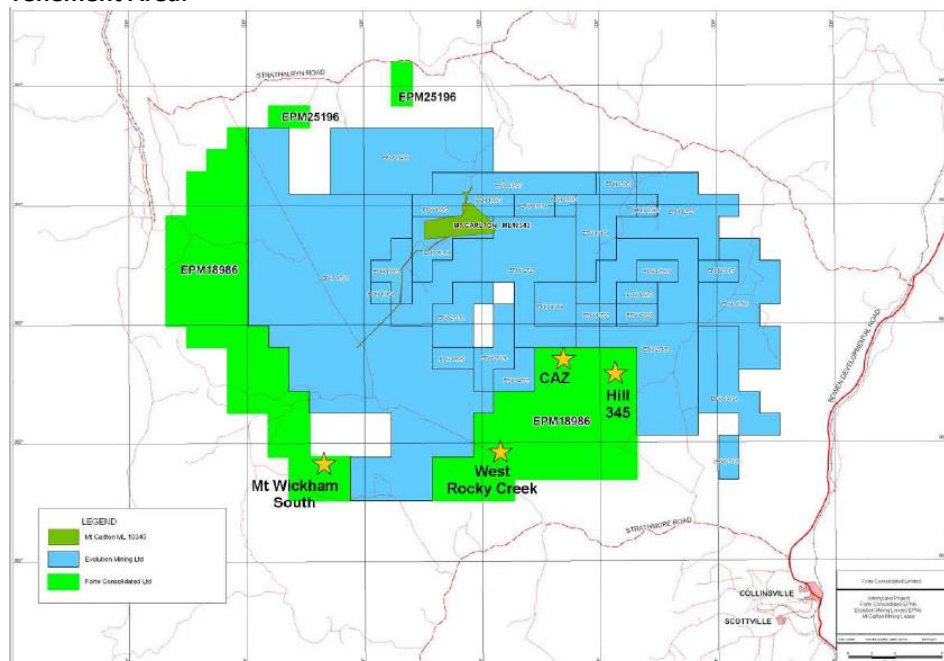
*Highly faulted region (indicated by light blue lines)*



Early stage field work has already been undertaken, primarily targeting historical areas of interest in the south east, such as the 'Hill 345', 'CAZ', 'West Rocky Creek' and 'Mt Wickham South' prospects (highlighted by yellow stars).

*4 early targets identified*

**Tenement Area:**



Source: Forte Consolidated

**Soil Samples and Rock Chip Programs**

*First phase field work completed*

An initial soil sampling program has been carried out at the 'Hill 345' area and to a lesser extent the 'West Rocky Creek'. Some elevated gold and silver values have been recorded; however, further investigation is required.

Rock chip results from 'Mt Wickham South' and from the 'CAZ' areas have also recorded anomalous gold. At Mt Wickham, three of five samples of float material, possibly derived from Mt Wickham, indicated elevated levels of gold (0.01 to 0.1ppm). Some anomalous molybdenum and bismuth readings have also resulted in a rethink of the host system. The magmatic input to the mineralisation suggests a porphyry/breccia host rather than an epithermal system at Mt Wickham.

**Breakaway's View**

*Highly leveraged to exploration success*

The acquisition of Johnnycake Project has brought a new exploration focus to the company. Although exploration is still at an early stage, numerous targets have already been generated. The proximity to the Mt Carlton gold/silver/copper mine also bodes well for the company, with areas of EMP 18986 exhibiting geological characteristics directly analogous to the Mt Carlton setting.

Forte's Chairman, Mr John Terpu, was instrumental in the acquisition of the Mt Carlton ground in 2004 with highly favourable terms and has again been able to make a strategic and favourable priced acquisition of a near-mine tenement with structural similarities to Mt Carlton.

With an enterprise value of just A\$2.1m, approximately A\$2.2m cash in the bank and a low expenditure 'burn rate', Forte is highly leveraged to positive news flow.



### **Analyst Verification**

We, Grant Craighead and Geoff Reed, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

### **Disclosure**

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Forte Consolidated and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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