



**Breakaway  
Research**

June 2012

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### Company Information

ASX Code	FRC
Share Price	A\$0.098
Ord Shares	32.7m
Escrowed shares 14/04/13	63.1
Options	85.2m
<b>Market Cap</b>	<b>A\$9.4m</b>
Cash (Mar 12)	A\$4.3m
Total Debt	A\$0m
<b>Enterprise Value</b>	<b>A\$5.1m</b>

### Directors

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

### Substantial Share Holders

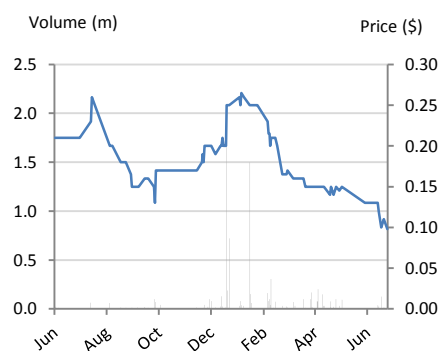
Danny Tak Tim Chan	37.5%
Valleybrook Investment	27.7%
HSBC Nominees	7.2%
Mark Barnaba	4.6%
Golden Gate SA	2.7%

\*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)

*Active exploration provides  
opportunity for re-rating*

**Recommendation: Speculative BUY**

## Key Points

- **Commencing a fully funded 10,000m drill program**
- **Drill program to initially test three priority targets prospective for gold and base metals**
- **Extensive historical workings further highlight the prospectivity of the tenements**
- **Integration of historical databases with recent sampling has enhanced the geological understanding**
- **Enterprise value of ~A\$5m provides leverage to exploration success**

Forte Consolidated holds a series of tenements in North Queensland (collectively known as the Kangaroo Hills project) covering parts of the Kangaroo Hills mineral field, which has historically been mined for a variety of minerals including gold, silver, tin, copper, lead, antimony, tungsten and bismuth. A number of high priority targets have been generated for primary gold and base metal mineralisation below and along strike from historical mines and deposits. These will be tested in a forthcoming 10,000m drill program and, with a current enterprise value of ~A\$5m, Forte provides considerable leverage to any exploration success.

## Company Overview

Forte Consolidated (ASX: FRC) is a junior exploration company focussed on exploring for precious and base metal deposits on a series of tenements in North Queensland. Forte listed on the ASX on the 14th April 2011.

Following listing, the company has undertaken geochemical sampling and mapping programs on its tenements and integrated the data with extensive geological and geophysical data sets inherited as part of the earlier acquisition of Nextstar Pty Ltd. Reinterpretation of the merged databases has generated three high priority exploration targets, which are being tested in its planned 10,000m drill program.

The first target to be drill tested will be Clarke and Clarke Extended, which is prospective for gold and base metal mineralisation. This will be followed by the Mount Dora and Far Ant prospects which are both targeting gold mineralisation.

The planned 10,000m drill program is commencing as we go to press and is likely to continue throughout most of 2012, providing the market with steady news flow. Forte Consolidated is highly leveraged to exploration success and represents a high risk, high reward investment scenario.



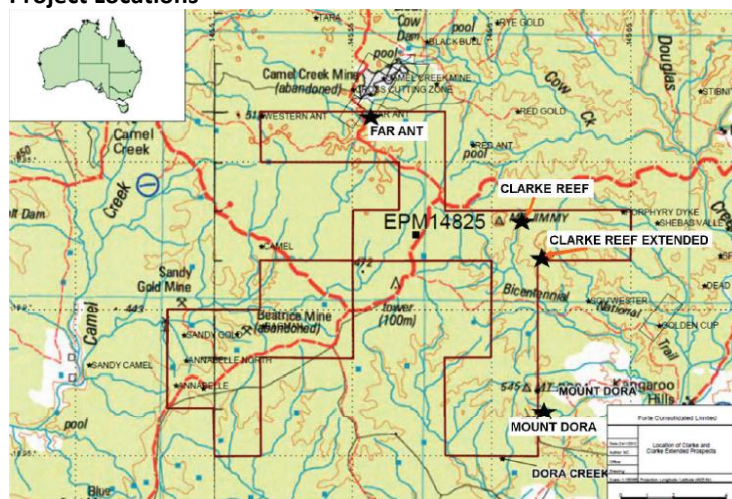
## Investment Review

Forte Consolidated is a junior exploration company with an active 10,000m drill campaign currently underway, predominantly targeting gold mineralisation.

*10,000m drill program commencing*

The three priority targets for the company are Clark and Clarke Extended, Mount Dora and Far Ant which are all located in EPM 14825. Immediately adjacent to (and to the north of) EPM 14825 is the now abandoned Camel Creek Gold Mine which produced ~2.8t of gold from 1989 to 1994 highlighting the gold potential of the region.

### Project Locations



Source: Forte Consolidated

*Three priority targets identified*

*Clarke is prospective for gold and base metals*

*Anomalous gold and arsenic identified along a significant regional trend*

*Possible continuation of historical Camel Creek gold mine*

*Leveraged to exploration success*

Forte will initially allocate ~3,000m to test the **Clark and Clark Extended** prospect where geophysical data has highlighted a large magnetic low, inferred to be an intrusive at depth with a zone of sulphide alteration surrounding the intrusion. Recent soil sampling returned anomalous arsenic values (often used as a pathfinder element for gold mineralisation) while rock chip samples have returned anomalous base and precious metal values.

Next cab off the rank in the drill campaign is the **Mount Dora** prospect which is highly prospective for gold. Stream sediment sampling has highlighted a trend of anomalous gold and 3,000m has initially been allocated to test this trend.

Towards the end of the calendar year, Forte will target the **Far Ant** prospect which is interpreted to be a possible continuation of the historical Camel Creek gold mine. Soil sampling has again returned high arsenic values which warrant investigation via a planned 3,500m drill campaign.

### Breakaway's View

Although Forte Consolidated is at an early stage in its exploration efforts, the company is highly leveraged to exploration success. The three prospects targeted in the 10,000m drill campaign provide ample opportunity for positive news flow and a re-rating in the months ahead.



## Project Review

### Kangaroo Hills Project

The Kangaroo Hills project is located in the Kangaroo Hills mineral field in north east Queensland, ~90km northwest of Townsville (adjacent to the abandoned Camel Creek gold mine). The area hosts a variety of mineralisation including tin, tungsten, copper, silver, lead, zinc, bismuth, molybdenum and gold. Much of the mineralisation is thought to be related to intrusion of granites of the Kallanda Suite, and the mineralisation is hosted within the granites and adjacent metasedimentary rocks. The known mineralisation occurs in a number of centres, each of which is represented by a group of old mine workings.

There are four distinct groups of mineralisation within the Kangaroo and Camel Creek areas:

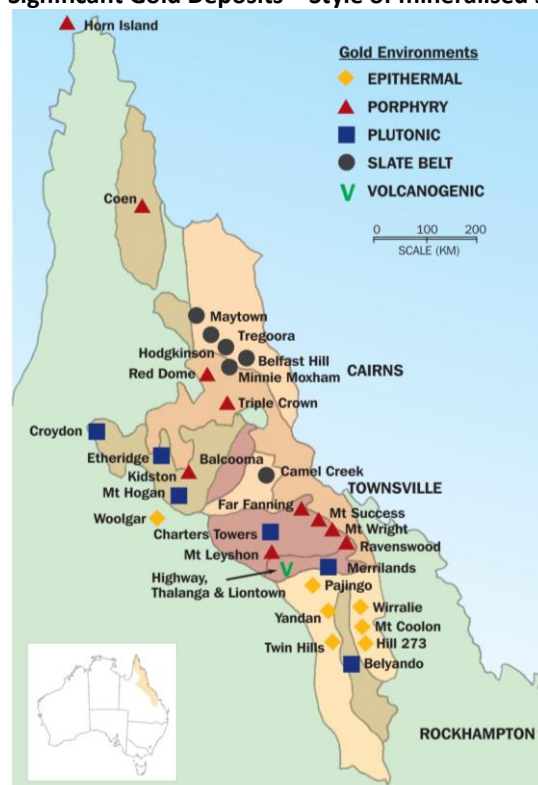
*Highly prospective region*

- A previously unrecognised gold  $\pm$  base metal porphyry/intrusive mineralising event similar to the Mount Leyshon and Kidston examples
- Gold-antimony-quartz veins in shear/fault zones in the Silurian to Carboniferous aged sedimentary rocks (slate belt style)
- Tin-tungsten-molybdenum deposits associated with fissure veins and pipes in Carboniferous granites, plus a subgroup of base metals and silver in skarn deposits in the Silurian aged rocks intruded by the tin bearing granites.
- Alluvial tin and gold placers in Tertiary deep leads and recent alluvium.

Of these four groups, Forte is concentrating on the gold-antimony veins and the gold porphyry/intrusive types. (Clark and Clark Extended are interpreted to be of this style).

The Kangaroo Hill project currently consists of two granted tenements (EPM 14824, EPM 14825) and another licence under application (EPM 19374).

### Significant Gold Deposits – Style of mineralised system



Source: Morrison & Beams, EGRU Contribution 52



North east Queensland has a rich mining history hosting a variety of mineral deposits. Gold is particularly prevalent in the region hosting the large porphyry deposits of Kidston (4.5 Moz Au) and Mt Leyshon (3.4 Moz Au) and the intrusive vein style system of Charters Towers (7.2 Moz Au). Over 24 million ounces of gold have been collectively produced from 35 mines in NE Queensland however Kidston, Mount Leyshon and Charters Towers contribute the lion's share (~60%) of total production.

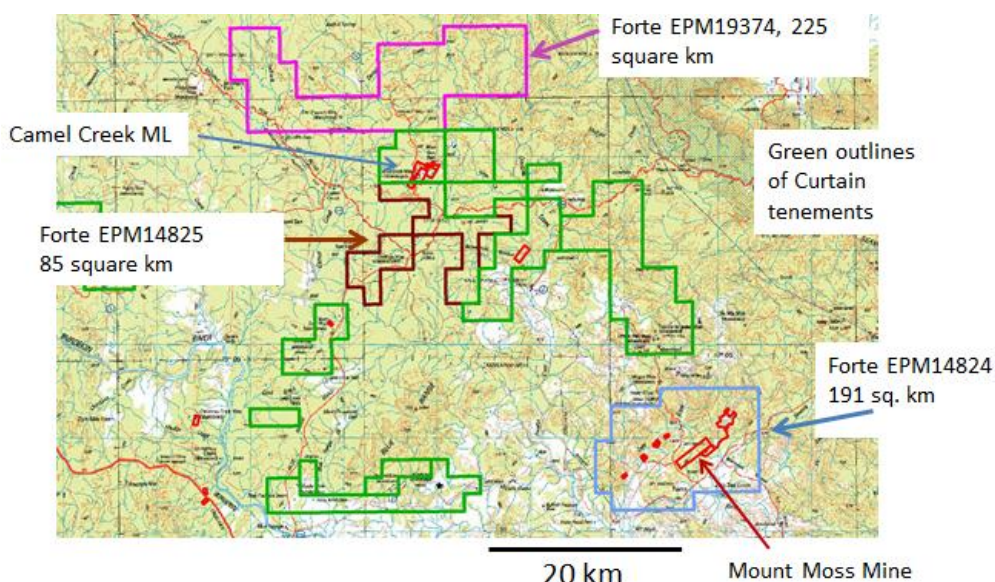
*Potential for additional deposits in similar geological setting*

Tenure within the Kangaroo Hills project covers both the Kangaroo Hills and Camel Creek areas. The northern most tenements (EPM 19374 and EPM 14825) are located adjacent to the Camel Creek gold deposit, an igneous and orogenic 'slate-belt' hosted deposit and potential exists to host additional nearby deposits within a similar geological setting.

The southernmost tenement (EPM 14824) encompasses much of the Kangaroo Hills mineral field and has a variety of mineralisation occurrences and numerous old workings.

### Kangaroo Hills Project - Tenement Map

*Forte will have 500km<sup>2</sup> of tenements once EMP 19374 is granted*



Source: Forte Consolidated

The green outlined tenements belong to the Curtain Brothers who operate the Mount Moss magnetite mine whilst the red out lined mining licences in the above image belong to various (past) operators. The pink, blue and brown tenements are held by Forte Consolidated and encompass around 500km<sup>2</sup> of tenure.

*A large number of geological data inherited with the tenure*

Forte has inherited large geological and geophysical databases, dating from the 1970's onwards, and integrated this data with the results from recent geochemical sampling programs. Re-interpretation, applying modern understanding of the mineralisation systems, has generated priority targets that will be tested in the current 10,000m drill program.





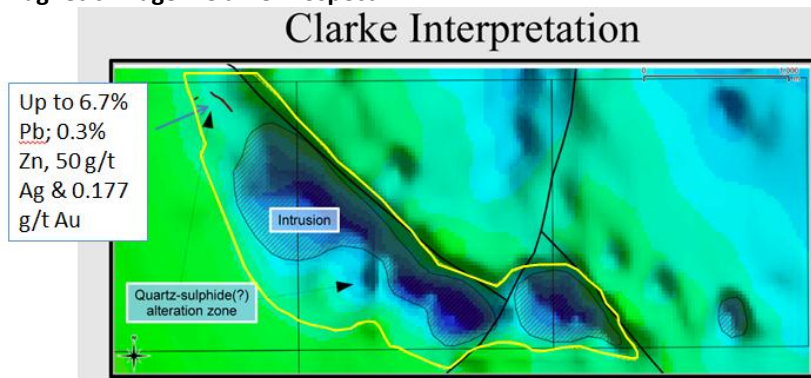
### Clarke and Clarke Extended (EMP 14825)

The first targets to be tested will be Clarke and Clarke Extended which are located in EPM 14825. The area hosts extensive anomalous gold and base metal veins, as well as a several hundred metre gossanous structure. It includes a large magnetic low feature that is interpreted to represent an intrusive body at depth, surrounded by a zone of sulphide mineralisation.

Recent soil samples returned anomalous arsenic values, while rock chip samples from quartz veins towards the north-west end of the 'Clarke Reef' intrusion returned up to 6.7% Pb, 0.3% Zn, 50g/t Ag & 0.177g/t Au.

### Magnetic Image – Clarke Prospect

*Polymetallic quartz veins may be part of a larger mineralised system*



Roland Hill, 2012

Source: Forte Consolidated

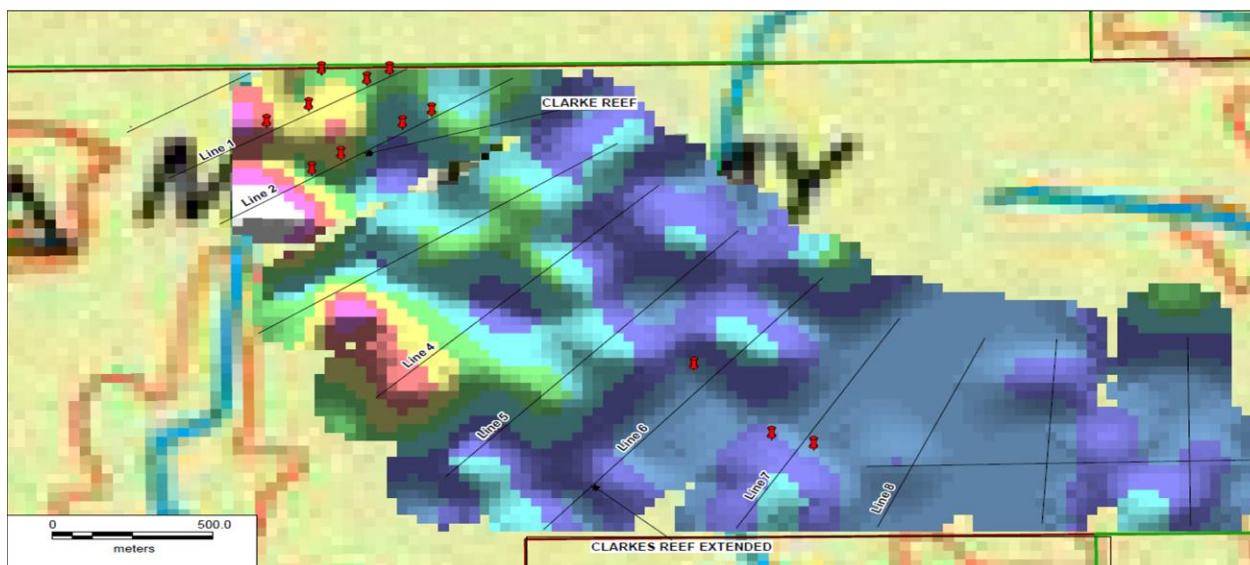
These polymetallic veins may represent part of a larger mineralised system and a 3,000m drilling campaign is commencing to test this theory.

### Clarke Area – Soil sample program

*Recent soil sampling program provides drill targets*

Forte recently completed an 11 line soil sampling program within EPM 14825, near Mt Jimmy, which highlighted anomalous gold, silver, stibnite and copper results with particular concentrations towards the north-west of the surveyed area. Forte will continue to undertake soil sampling campaigns in the area to better define the target, as well as undertake an initial drill campaign along lines 1 and 2 (NW area of highest anomalism) to test the anomalous geochemistry in this area.

### Clarke – Gold in Soil Anomalies



Source: Forte Consolidated

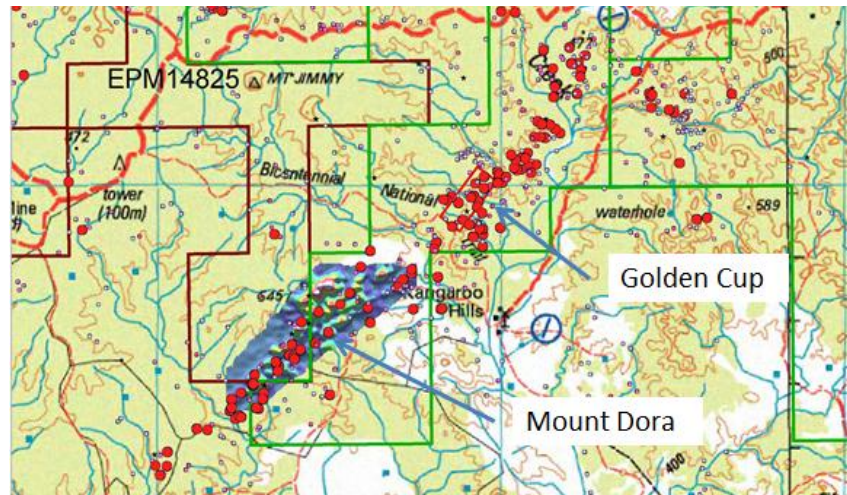


## Mount Dora (EMP 14825)

The Mount Dora group of targets lies on the southwest end of a prominent NE-SW trend that extends through the historical Golden Cup open pit through to Spartan and Airport Gold in the north east. (Brown border is owned by Forte, while the green border is owned by Curtain Brothers)

### Mount Dora – Mineralised Trend

*Anomalous gold and arsenic trend runs through Forte tenure*

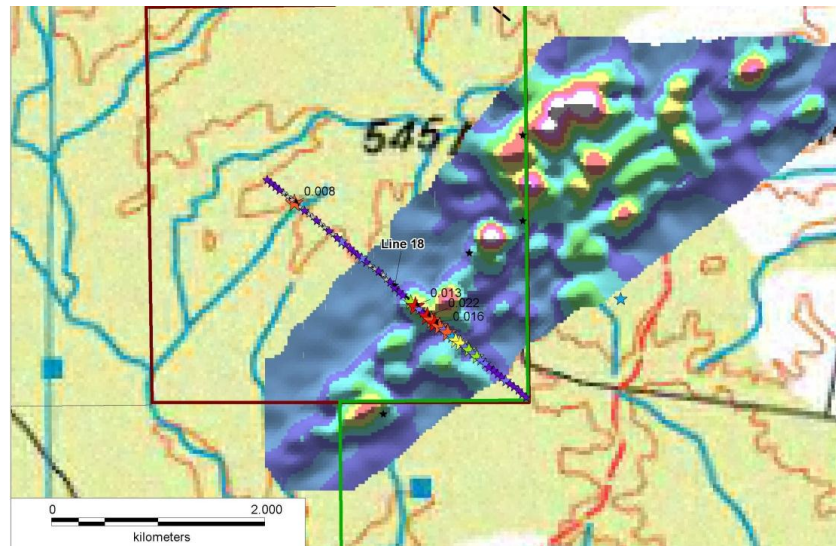


Source: Forte Consolidated

The red dots on the image above represent anomalous gold in stream sediment samples while the underlying spectrum, from blue to red, in the image represents anomalous arsenic in soil samples (high arsenic = red). Elevated arsenic levels are often used as a 'pathfinder' element for underlying gold mineralisation.

### Soil survey – Mt Dora

*Soil survey confirms quality of existing data*



Source: Forte Consolidated

Forte recently conducted a soil survey along a line running perpendicular to the Mt Dora trend in the South east corner of the licence. The soil samples confirmed the anomalous gold and arsenic values obtained in previous studies and reaffirms Forte's confidence in using the existing data.





### Mount Dora – shallow historical pit



*Extensive old workings highlight prospectivity*

Source: Forte Consolidated

*Possible JV with Curtin if deemed economic*

Historical workings are evident in the area (as illustrated above) and generally chased gold-antimony vein systems.

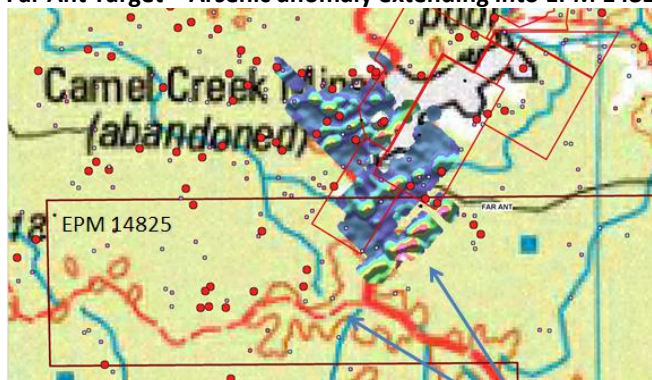
Forte Consolidated has allocated 3,500m of drilling to test a 2km (of 6km) section of strike along the anomaly. Drilling will commence at the completion of the 3,000m Clarke campaign.

### Far Ant Target (EPM 14825)

During 1989 to 1994, approximately 2.8t of gold was mined by Lynch Mining and Golden Ant Mining across a large area in three main operations, namely Camel Creek, Red Gold and Golden Cup. Far Ant is a small gold prospect to the south east of the main (abandoned) Camel Creek Mining Lease which was a gold and stibnite (antimony sulphide) production area. A significant arsenic anomaly extends south of the mined area into Forte tenure and represents a possible significant extension of the mineralisation system.

*2.8t of gold mined from historical Camel Creek gold mine*

### Far Ant Target – Arsenic anomaly extending into EPM 14825



*High arsenic values suggest a possible continuation of the mineralised zone*

Source: Forte Consolidated

Far Ant target area, more than 1 km strike extent to SW, unknown to SE; Image approximately 6 km across.

Far Ant will form stage 3 of the Forte drilling campaign with 3,500m allocated to test the extent of this target.



## ***Directors & Key Personnel***

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### ***Non-Executive Chairman: John Terpu***

- 25 years commercial and management experience
- Involved in the mining and exploration industry through the acquisition and investment in numerous strategic exploration and mining projects
- Former Managing Director of Conquest Mining Ltd for 11 years and involved in the discovery of the Mt Carlton gold/silver/copper project

### ***Executive Director: Nick Revell***

- 20 years experience in mine geology and exploration geology
- Worked for major mining companies for 16 years a mine geologist
- Wide experience in a number of commodities including gold, base metals and iron ore

### ***Non-Executive Director: Bruno Firriolo***

- Partner with accounting firm Cleaver and Associates since 1991
- Extensive experience in financial and corporate matters supplemented by a period of co-ownership in a national wholesale business
- Former Executive Director and Chief financial Officer of Conquest Mining Limited and involved in the discovery of the Mt Carlton gold/silver/copper project

### ***Consulting Geologist: Dr Nick Cook***

- Approximately 20 years' experience in exploration geology
- Has worked for major mining companies as a senior geologist
- Awarded Australian Research Council Postdoctoral Fellowship in 1993

*\*Director CV's taken from company presentation*





### **Analyst Verification**

We, Grant Craighead and Andrew McLeod, 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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