

ASX: FRC

Forte Consolidated Limited
ABN 37 148 168 825

Board of Directors

Chairman
Executive Director
John Terzu

Non-Executive Director
Bruno Firiolo

Non-Executive Director
Joe Radici

Company Secretary
Bruno Firiolo

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179,078,187

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<https://investorcentre.linkmarketservices.com.au/Login.aspx/Login>

Johnnycake (EPM 18986) - background

Forte has applied first principles geoscience at its Johnnycake Project. As previously reported, exploration already undertaken in 2014 by Forte commenced with a high resolution airborne magnetic and radiometric survey from which a number of anomalous areas were highlighted. On the strength of this, SRK Consulting (Australasia) Pty Ltd ("SRK") undertook tenement scale mapping which identified multiple layers of evidence of a hydrothermal system at the Sledgehammer and Szarbs Prospects. The location of these prospects is provided in Figure 1.

Subsequent prospect scale mapping was completed with the aim of refining these prospects into 'drill ready' targets. Rock chip and PIMA sampling at each prospect enhanced this objective, yielding rock chip results at Sledgehammer including **47g/t Au** and **38g/t Ag**, 1.52g/t Au and 6.2g/t Ag, 3.79g/t Au and **32.3g/t Ag**.

A ground IP survey conducted in late 2014 identified a series of chargeable and resistive anomalies at each of the Prospects. During the June 2015 quarter a reconnaissance phase RC drilling program, along with surface trench sampling, targeted these anomalies with the aim of refining the mineralisation model and providing vectors to mineralisation. High grade gold and silver in surface trench samples at Sledgehammer, along with definition of a classic epithermal alteration sequence in the drilling at Szarbs, have enhanced the prospectivity of these two prospects.

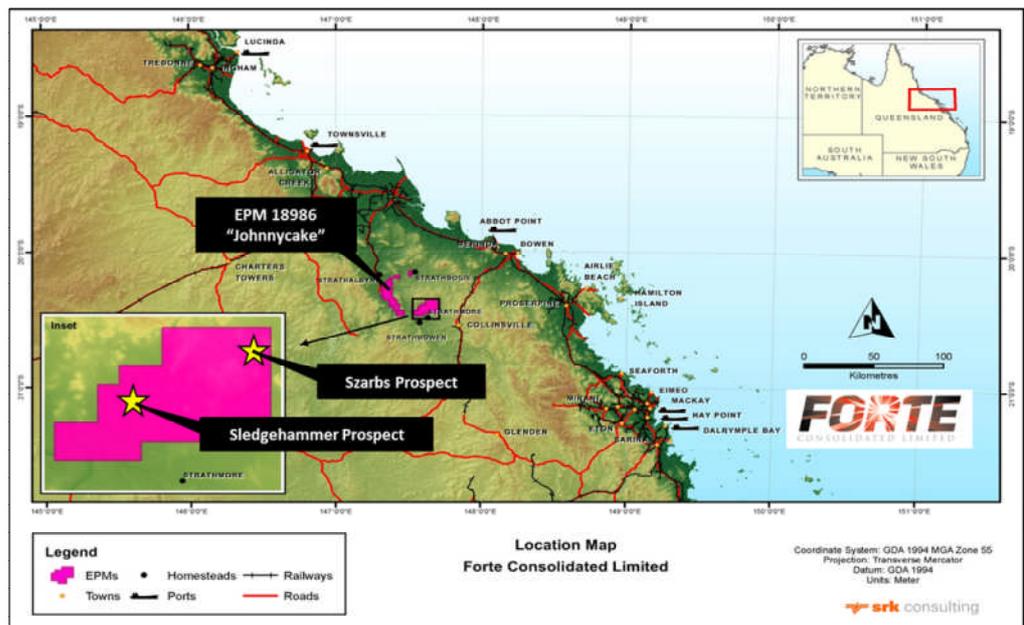


Figure 1: Location Map for Sledgehammer and Szarbs Prospects

Sledgehammer Prospect

During the quarter the Company's activities were confined to desktop studies and no field work was undertaken.

Szarbs Prospect

During the quarter the Company's activities were confined to desktop studies and no field work was undertaken.

Proposed Activities For Next Quarter

Sledgehammer Prospect

The prospectivity of the zone around Sledgehammer Hill has been enhanced by detailed trench sampling undertaken in the June 2015 quarter which returned Au grades up to ~7 g/t and further supports the results of the 2014 rock chip program.

RC drilling undertaken during the June 2015 quarter has shown that the IP targets correspond to zones of alteration characterised by propylitic and phyllic alteration assemblages with weak Au and Ag mineralisation. The chargeability and resistivity are therefore explained by the presence of pyrite and silica respectively which constitute propylitic alteration assemblages.

The intensity and extent of the propylitic alteration and the enigmatic high level of the Au and Ag noted within that alteration style, albeit brecciated, suggests a strong structural control on the mineralisation and deviation from the classic epithermal mineralisation model initially contemplated. Therefore the mineralisation model for Sledgehammer should be updated. Forte believes that a porphyry model should now be considered.

The fact that the high grade surface assays are not replicated in the 2015 RC drilling campaign is further suggestive of a strong structural control, which has not been adequately tested by the reconnaissance drilling which targeted the IP anomalism. In the Company's opinion the prospectivity of the broader area is not diminished and a modified approach to further exploration is warranted. Desktop studies undertaken during the quarter are working towards new targets for another reconnaissance drilling program.

Szarbs Prospect

RC drilling undertaken during the June 2015 quarter focussed on the IP anomalism, which has been shown, via Hylogger analysis (also undertaken in the June 2015 quarter), to correspond to zones of alteration characterised by propylitic and phyllic alteration assemblages with weak Ag mineralisation. These assemblages, and the formative temperatures they indicate, vector towards the core of the system lying to the east of this drilling (Figure 2). The chargeability and resistivity are explained by the presence of pyrite and silica respectively which constitute part of the phyllic and propylitic alteration assemblages normally associated with a high sulphidation epithermal system.

Geochemically and structurally, the vectors provided by the drilling indicate very strongly that the most prospective part of the system is to the east of the current drilling centred on an area of:

- more acidic higher temperature alteration (weak alunite-jarosite-pyrite-silica), evidenced by a combination of Hylogger and petrographic analysis of rock specimens from Szarbs;
- a series of elevated elemental associations, i.e., elevated As, Ag, Te and Bi consistent with the proximal parts of an epithermal system;
- a zone of demagnetisation that is interpreted to reflect the effects of phyllic alteration associated with a hydrothermal system; and
- adjacent an interpreted regionally significant fault structure, interpreted to be west dipping with alteration associated with hanging wall sequences.

Based on the above, the drilling conducted at Szarbs has given shape to the alteration sequence peripheral to the core of the system, which is now strongly defined as lying to the east. Desktop studies undertaken during the quarter are working towards new targets for another reconnaissance drilling program.

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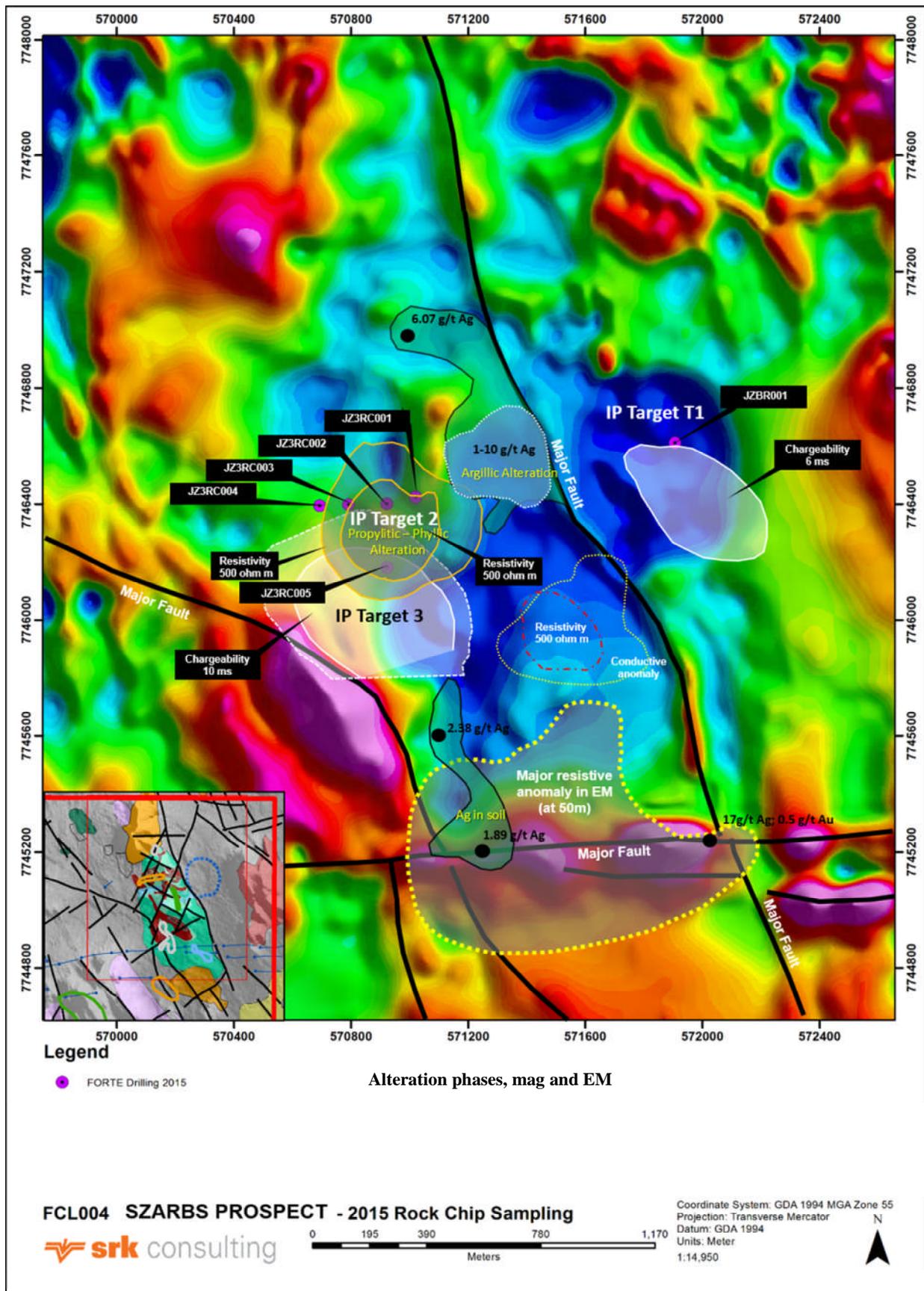


Figure 2: Plan view of the Szarbs prospect showing drill hole locations, anomalous rock chip results, IP anomalies, alteration phases, EM resistive anomaly, magnetic low and faults

Finance

At 30 September 2016 the Company had available cash totalling \$1,342,000

Exploration and evaluation expenditure for the quarter was \$58,000

Tenement Interests

| Tenements held at end of quarter | Ownership | Project | Location |
|----------------------------------|-----------|----------------|-------------------------------|
| EPM18986 EPM25196 | 100% | Johnnycake | Collinsville, Queensland |
| EPM25755 | 100% | Kangaroo Hills | Kangaroo Hills, Queensland |

| Tenements acquired during the quarter | Ownership | Project | Location |
|---------------------------------------|-----------|---------|----------|
| NIL | | | |

| Tenements disposed during the quarter | Ownership | Project | Location |
|---------------------------------------|-----------|---------|----------|
| NIL | | | |

| Farm-in/out Agreements at end of quarter | Beneficial Interest | Project | Location |
|--|---------------------|---------|----------|
| NIL | | | |

| Farm-in/out Agreements acquired/disposed during the quarter | Beneficial Interest | Project | Location |
|---|---------------------|---------|----------|
| NIL | | | |

The information in this report that relates to airborne magnetic and radiometric surveys, along with surface rock chip PIMA analysis and assay results is extracted from the report entitled "Quarterly Activities Report" created on 31 July 2014 and is available to view on www.forteconsolidated.com.au. The Competent Person named in that report is Mr James Pratt. 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. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to results of a ground IP survey is extracted from the report entitled "Quarterly Activities Report" created on 13 October 2014 and is available to view on www.forteconsolidated.com.au. The Competent Person named in that report is Mr James Pratt. 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. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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The information in this report that relates to RC drilling results , trench sampling results and alteration mineral (Hylogger) analysis is extracted from the report entitled "Quarterly Activities Report" created on 21 July 2015 and is available to view on www.forteconsolidated.com.au. The Competent Person named in that report is Mr James Pratt. 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. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

| |
|----------------------------|
| FORTE CONSOLIDATED LIMITED |
|----------------------------|

ABN

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|----------------|
| 37 148 168 825 |
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Quarter ended ("current quarter")

| |
|-------------------|
| 30 SEPTEMBER 2016 |
|-------------------|

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (58) | (58) |
| (b) development | | |
| (c) production | | |
| (d) staff costs | (13) | (13) |
| (e) administration and corporate costs | (114) | (114) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 9 | 9 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Research and development refunds | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (176) | (176) |

| | | |
|--|--|--|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | | |
| (b) tenements (see item 10) | | |
| (c) investments | | |
| (d) other non-current assets | | |

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Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | | |
| | (b) tenements (see item 10) | | |
| | (c) investments | 494 | 494 |
| | (d) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | 494 | 494 |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | | |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | | |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | | |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | 0 | 0 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,024 | 1,024 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (176) | (176) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 494 | 494 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | | |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 1,342 | 1,342 |

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| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 5 | 110 |
| 5.2 Call deposits | 1,337 | 914 |
| 5.3 Bank overdrafts | | |
| 5.4 Other (provide details) | | |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,342 | 1,024 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 111 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | Nil |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

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| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | Nil |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | Nil |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

| |
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| N/A |
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Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | Nil | |
| 8.2 Credit standby arrangements | Nil | |
| 8.3 Other (please specify) | Nil | |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

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| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|------------|
| 9.1 Exploration and evaluation | 28 |
| 9.2 Development | |
| 9.3 Production | |
| 9.4 Staff costs | 11 |
| 9.5 Administration and corporate costs | 137 |
| 9.6 Other (provide details if material) | |
| 9.7 Total estimated cash outflows | 176 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|---------------------------------|--------------------|----------------------------------|----------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | Nil | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | Nil | | | |

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 20 October 2016

Print name: Bruno Firriolo

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.