FORGE

www.forgegroup.com.au

Forge Group Ltd
Level 1, 45 Stirling Highway
Nedlands | Western Australia | 6009

PO Box 417
Nedlands | Western Australia | 6909

T | +61 (08) 6222 6400
F | +61 (08) 6222 6499
E | info@forgegroup.com.au

14 April 2010

Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via E - lodgement

Dear Sir/Madam

FORGE GROUP LTD ACN 065 464 226 – PROPORTIONAL TAKEOVER OFFER BY CLOUGH OPERATIONS PTY LTD

As required by item 14 of section 633(1) of the Corporations Act 2001 (Cth), we enclose a copy of Forge's Target's Statement (including an Independent Expert's Report served today by Forge on Clough Operations Pty Ltd ("**Clough**") in response to the off market takeover bid by Clough to acquire 50% of the issued capital of Forge .

Yours faithfully

Peter Hutchinson
Managing Director

FORGE GROUP LIMITED

ACN 065 464 226

TARGET'S STATEMENT AND INDEPENDENT EXPERT'S REPORT

DO NOT ACCEPT

The Independent Expert has concluded the Offer is
NOT FAIR AND NOT REASONABLE

The Independent Director recommends Forge Shareholders **DO NOT ACCEPT** the Offer

The Directors (other than the Independent Director) have **ABSTAINED** from giving a recommendation in relation to the Offer.

FORGE

BLAKISTON & CRABB
LAWYERS
Legal Adviser

Blackswan Equities
Corporate Adviser

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your financial or other professional adviser immediately.

Corporate Directory

Directors	Mr Peter Hutchinson (Managing Director) Mr Greg McRostie (Executive Director) Mr Andrew Ellison (Executive Director) Mr Marcello Cardaci (Non-Executive Director)
Secretary	Mr Michael Kenyon
Registered and Principal Office	45 Stirling Highway NEDLANDS WA 6009 Telephone: +61 8 6222 6400 Facsimile: + 61 8 6222 6499 Website: www.forgegroup.com.au
Corporate Adviser	Blackswan Equities Pty Ltd Level 12 BGC Centre 28 The Esplanade Perth WA 6000
Solicitors	Blakiston & Crabb 1202 Hay Street WEST PERTH WA 6005
Auditors*	Grant Thornton (WA) Partnership Level 1, 10 Kings Park Road WEST PERTH WA 6005
Share Registry*	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St Georges Terrace PERTH WA 6000 Telephone: (+61) 1300 787 272 Facsimile: (+618) 9323 2033
ASX Code	FGE

* For information purposes only

IMPORTANT INFORMATION

This document is the Target's Statement dated 14 April 2010 given by Forge Group Limited ("**Target**" or "**Forge**" or "**Company**") under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement. A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Offer.

PROPORTIONAL TAKEOVER BID

Shareholders should note the Offer is a **proportional** takeover bid. Clough is offering to acquire *50% of the Forge Shares held by each Shareholder on the Register Date*. If the proportional bid succeeds in full, Clough will hold approximately 44,473,138[1] of Forge Shares.

FORGE SHAREHOLDER INFORMATION LINE

If you have any queries regarding the Offer, please contact Mr Peter Hutchinson, Managing Director on (08) 6222 6400 (from within Australia) or +61 8 6222 6400 (from outside Australia).

DEFINED TERMS

A number of defined terms are used in this Target's Statement. These terms are defined in section 9.

NO ACCOUNT OF PERSONAL CIRCUMSTANCES

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Forge Shareholder and it does not contain personal advice. Forge encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Forge Shares.

FORWARD LOOKING STATEMENTS

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Forge believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. However, Forge Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Forge. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of Forge, its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

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[1] Based on the number of Shares on issue at the date of this Target's Statement, and does not take into account the exercise of any Options acquired under the Option Acquisition Deeds.

Key Factors for Forge Shareholders to Consider

Before making any decision on the Offer, Shareholders are recommended to read carefully the Key Factors for Forge Shareholders to Consider on pages 11 and 12, and section 3 Advantages and Disadvantages of the Offer.

Risk Factors

Shareholders should note that there are a number of risks attached to their investment in Forge. Please refer to section 9.7 (Risk Factors) for further information on those risks.

KEY DATES

Date of the Offer	9 April 2010
Date of this Target's Statement	14 April 2010
Date for Clough to give Notice of Status of Conditions	3 May 2010
Scheduled close of Offer Period (unless extended or withdrawn)	5.00pm (Perth time) 11 May 2010

The Offer is open until 5.00pm (Perth time) on 11 May 2010 (unless the Offer is withdrawn or extended). Shareholders should note that once they have accepted the Offer, they will not be able to withdraw their acceptance if a superior proposal is received unless the limited rights of withdrawal of acceptances apply (please refer to section 4.2 of this Target's Statement). Your acceptance will automatically be void if any of the conditions precedent under section 5.1 of Annexure A of the Bidder's Statement are not fulfilled or waived by Clough by the end of the Offer Period (please refer to section 5.6 of Annexure A of the Bidder's Statement).

MANAGING DIRECTOR'S LETTER

Dear Shareholder

This Target's Statement and Independent Expert's Report are being sent to you in relation to Clough's Bidder's Statement, which details Clough's Offer to acquire 50% of your fully paid ordinary Shares in Forge at $2.10 per Share.

The Independent Expert has concluded the Offer is **NOT FAIR AND NOT REASONABLE.**

The Independent Director recommends Forge Shareholders **DO NOT ACCEPT** the Offer.

Before making any decision on the Offer, I urge you to read carefully

- the Key Factors for Forge Shareholders to Consider on pages 11 and 12 ;
- Section 1 Director's Recommendation;
- Section 3 Summary of Advantages and Disadvantages of the Offer ;and
- the Independent Expert's report in Annexure A.

Clough already holds approximately 13% in the Company through a Shareholder approved placement on 6 April 2010. Through completion of the Offer, it is expected Clough will become a 31% cornerstone investor in the Company and could potentially hold up to 56.5% of Forge's issued share capital.[2]

Given the scale of opportunities being presented to the Company and to enable it to continue on its strong growth trajectory, the Company has been seeking a major strategic partner to provide corporate and operational capabilities. The Offer is part of an overall transaction that is designed to trigger a Strategic Alliance between the parties that should significantly mitigate project execution risk and is expected to take your Company to the next level of profitability. The Strategic Alliance will become effective upon Clough achieving a minimum shareholding in Forge of 31%. With the exception of the Major Shareholders and the Executive Directors, the remaining Forge Shareholders need not accept the Offer in order for the Strategic Alliance to be triggered and receive the benefits that may flow from the Strategic Alliance.

Your Board appointed RSM Bird Cameron as an Independent Expert to report on the merits of the Offer. Their report is included in Annexure A of this Target's Statement and they have assessed the underlying value of Forge Shares in the range of $2.99 to $3.30 per Share, excluding a premium for control.

Please note the Offer Price of $2.10 per Share is between 30%- 36% below the valuation range assessed by the Independent Expert. The Offer Price also represents:

- a discount of 18.6% to the closing price of Forge Shares of $2.58 on 13 April 2010, the day before the date of this Target's Statement;

[2] Clough will acquire approximately 31% if the Offer is accepted by the Major Shareholders and the Executive Directors and up to 56.5% if the Offer is 100% accepted by all Forge Shareholders

- a discount of 9.09% to the closing price of Forge Shares of $2.31 prior to the Announcement Date;
- a discount of 0.94% to the VWAP of Forge Shares of $2.12 for the 1 month prior to the Announcement Date; and
- a discount of 1.87% to the VWAP of Forge Shares of $2.14 for the 3 months prior to the Announcement Date.

I will be accepting the Offer for 50% of my Forge Shares to help facilitate Clough achieving the minimum requirement of 31% (in the absence of a superior proposal) and for the reasons outlined on page 15 of this Target's Statement. I have also agreed to sell 50% of my Options to Clough. Certain other Major Shareholders and the Executive Directors have also indicated their intention to accept the Offer in the absence of a superior proposal. Through these acceptances, together with the 13% currently held by Clough, I am pleased to say that Clough will acquire the minimum 31% in the Company required to trigger the Strategic Alliance.

It is important that you recognise that you are **NOT** required, nor expected, to accept the Offer for the Strategic Alliance to become effective. However, as a Shareholder, you have been given the same opportunity to sell 50% of your Shares into the Offer on the same price and terms as the Major Shareholders and Executive Directors should you wish to do so.

Whether or not you choose to accept the Offer will depend on your own circumstances. If you have any doubt you should consult you independent financial, legal or other professional adviser.

You should be aware that the Offer is subject to a number of conditions as set out in section 5.1 of Annexure A of the Bidder's Statement.

The Offer is scheduled to close at 5.00 pm (Perth time) on 11 May 2010. If you wish to accept the Offer, simply follow the instructions outlined on page 12 and section 1.5 of Annexure A of the Bidder's Statement, as well as the instructions on the acceptance form enclosed within the Bidder's Statement. If you wish to decline the Offer then you are required to do nothing further.

Yours sincerely

PETER HUTCHINSON
MANAGING DIRECTOR

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KEY FACTORS FOR FORGE SHAREHOLDERS TO CONSIDER

KEY FACTORS FOR FORGE SHAREHOLDERS TO CONSIDER

- In light of the Independent Expert's conclusion that the Offer is "**not fair and not reasonable**", your Board no longer recommends the Offer to Forge Shareholders.
- The Independent Director, Marcello Cardaci, recommends Forge Shareholders **DO NOT ACCEPT** the Offer. The Directors (other than Marcello Cardaci) have **ABSTAINED** from giving a recommendation in relation to the Offer. The reasons for Mr Cardaci's recommendation and the reasons for the absence of a recommendation from the remainder of the Directors are discussed in section 1 of this Target's Statement.
- The Offer Price is significantly below the current market price at the date of this Target's Statement and significantly below the Independent Expert's valuation range of \$3.74 to \$4.13 per Share.[3] Refer to section 10.46 of the Independent Expert's Report in Annexure A.
- To facilitate Clough acquiring 31% in Forge and triggering the Strategic Alliance, certain Major Shareholders and the Executive Directors of the Company have stated that they intend, **in the absence of a superior proposal**, to accept the Offer for 50% of the Shares they control or own.
- The Offer underpins the Strategic Alliance with Clough which will be triggered as a result of Clough holding at least 31% in the Company through completion of the Offer. It will also be triggered if Clough declares the Offer unconditional for an amount less than 31%.[4] Clough already holds approximately 13% in the Company. If the Major Shareholders and the Executive Directors accept the Offer (which they have indicated they intend to do in the absence of a superior proposal), Clough will hold 31% of the Company, the Strategic Alliance will commence and all Forge Shareholders will share in its benefits. **Therefore, if you are not a Major Shareholder or an Executive Director, your acceptance of the Offer is NOT required in order to trigger the benefits of the Strategic Alliance.**
- As a Shareholder, the Offer provides you with an equal opportunity to sell 50% of your Shares at the same price and in the same manner as the Major Shareholders and the Executive Directors, should you wish to do so. Alternatively, given the current market price of \$2.58 for Forge Shares[5], you may wish to sell on market through your broker or continue to hold 100% of your Shares and retain full exposure to the potential growth of the Company.

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[3] This value as assessed by the Independent Expert includes a control premium of 25%. Without a control premium, the assessed value of Forge Shares by the Independent Expert is \$2.99 to \$3.30 per Forge Share – refer to section 10.14 of the Independent Expert's Report in Annexure A.

[4] The Strategic Alliance with Clough can also be triggered in other circumstances. Please refer to the summary of the Strategic Alliance Agreement set out in section 8.3(e) of this Target's Statement.

[5] \$2.58 was the closing price of Forge Shares at 13 April 2010, the day before date of this Target's Statement.

- The advantages and disadvantages of accepting the Offer are discussed in detail in section 3. You should read section 3 prior to making any decision in relation to the Offer.
- If you are in doubt as to the Offer, you should consult your own independent financial, legal or other professional adviser.
- Whether or not you should reject or accept the Offer will depend on your own personal circumstances.

Section 1
Directors' Recommendation

SECTION 1
DIRECTORS' RECOMMENDATION

For the reasons set out below:

- The Independent Director recommends Forge Shareholders **DO NOT ACCEPT** the Offer.
- The other Executive Directors have **ABSTAINED** from providing a recommendation on the Offer.

In the joint ASX announcement released by Forge and Clough Limited on 23 February 2010, the Forge Directors stated their intention to recommend Forge Shareholders accept the Offer in the absence of a superior proposal and subject to an independent expert concluding the Offer is reasonable. The Forge Board commissioned the Independent Expert's report to assist Forge Shareholders in relation to their consideration of the Offer. The Independent Expert has concluded that the Offer is **NOT FAIR AND NOT REASONABLE**. Accordingly, the Forge Directors **NO LONGER RECOMMEND** that Forge Shareholders accept the Offer in the absence of a superior proposal.

The Director's recommendation to Shareholders in relation to the Offer is set out below.

INDEPENDENT DIRECTOR'S RECOMMENDATION

The Independent Director, Marcello Cardaci, recommends that you **DO NOT ACCEPT** the Offer for the reasons set out below:

- The Independent Expert has concluded that the Offer is **NOT FAIR AND NOT REASONABLE**.
- The Offer Price of $2.10 per Share is significantly below the valuation range assessed by the Independent Expert of $3.74 to $4.13 per Share. Refer to the Independent Expert's report in Annexure A, including section 10.46 and section 11 of the report.
- The Offer Price is also at:
    - a discount of 18.6% to the closing price of Forge Shares of $2.58 on 13 April 2010, the day before the date of this Target's Statement;
    - a discount of 9.09% to the closing price of Forge Shares of $2.31 prior to the Announcement Date;
    - a discount of 0.94% to the VWAP of Forge Shares of $2.12 for the 1 month prior to the Announcement Date; and
    - a discount of 1.87% to the VWAP of Forge Shares of $2.14 for the 3 months prior to the Announcement Date.
- At the date of this Target's Statement **you can sell your Shares on market at a price significantly higher than the Offer Price of $2.10 per Share** or continue to hold your Shares and retain 100% exposure to the Company's potential growth.

- Clough must hold a minimum of 31% in the Company in order for the benefits of the Strategic Alliance to be automatically triggered. This 31% threshold will be achieved if the Major Shareholders and the Executive Directors accept the Offer in accordance with their previously stated intentions. As such, with the exception of the Major Shareholders and the Executive Directors, the remaining Forge Shareholders need not accept the Offer in order for the Strategic Alliance to be triggered and therefore receive the benefits that may flow from the Strategic Alliance.

EXECUTIVE DIRECTORS' RECOMMENDATION

Messrs Hutchinson, Ellison and McRostie decline to make a recommendation. Messrs Hutchinson, Ellison and McRostie do not consider it appropriate to recommend Shareholders do not accept the Offer when they intend to accept the Offer in the absence of a superior proposal and as result they have **ABSTAINED** from providing a recommendation.

Each of Messrs Hutchinson, Ellison and McRostie intend to accept the Offer, in the absence of a superior proposal for the following reasons**:**

- Acceptance of the Offer by Messrs Hutchinson, Ellison and McRostie, together with the Major Shareholders will trigger the Strategic Alliance without the need for other Forge Shareholders to accept the Offer.
- Messrs Hutchinson, Ellison and McRostie believe that the Strategic Alliance, and the investment to be made by Clough through the Placement and the Offer, will create a commercial alignment of interests that aims to generate substantial benefits for the Company in Financial Year 2011 and beyond, including a positive impact on earnings. It will also create a new source of project opportunities that may otherwise not be available to the Company.
- Messrs Hutchinson, Ellison and McRostie are of the view that the 50% shareholding in Forge which they will continue to hold, after accepting the Offer, will ultimately be worth more than would otherwise be the case if the Strategic Alliance does not come into effect and the benefits expected from the Strategic Alliance are not obtained.

Messrs Hutchinson, Ellison and McRostie recognise the professional judgment of the Independent Expert and acknowledge the Independent Expert's conclusion that the Offer is **NOT FAIR AND NOT REASONABLE**, but nevertheless intend to accept the Offer for the above reasons.

Unless you are a Major Shareholder or an Executive Director, **your acceptance of the Offer is NOT required** in order to trigger the benefits of the Strategic Alliance.

There are advantages and disadvantages in accepting the Offer which are discussed in detail in section 3.

Prior to making any decision in relation to the Offer, your Board urges you to:

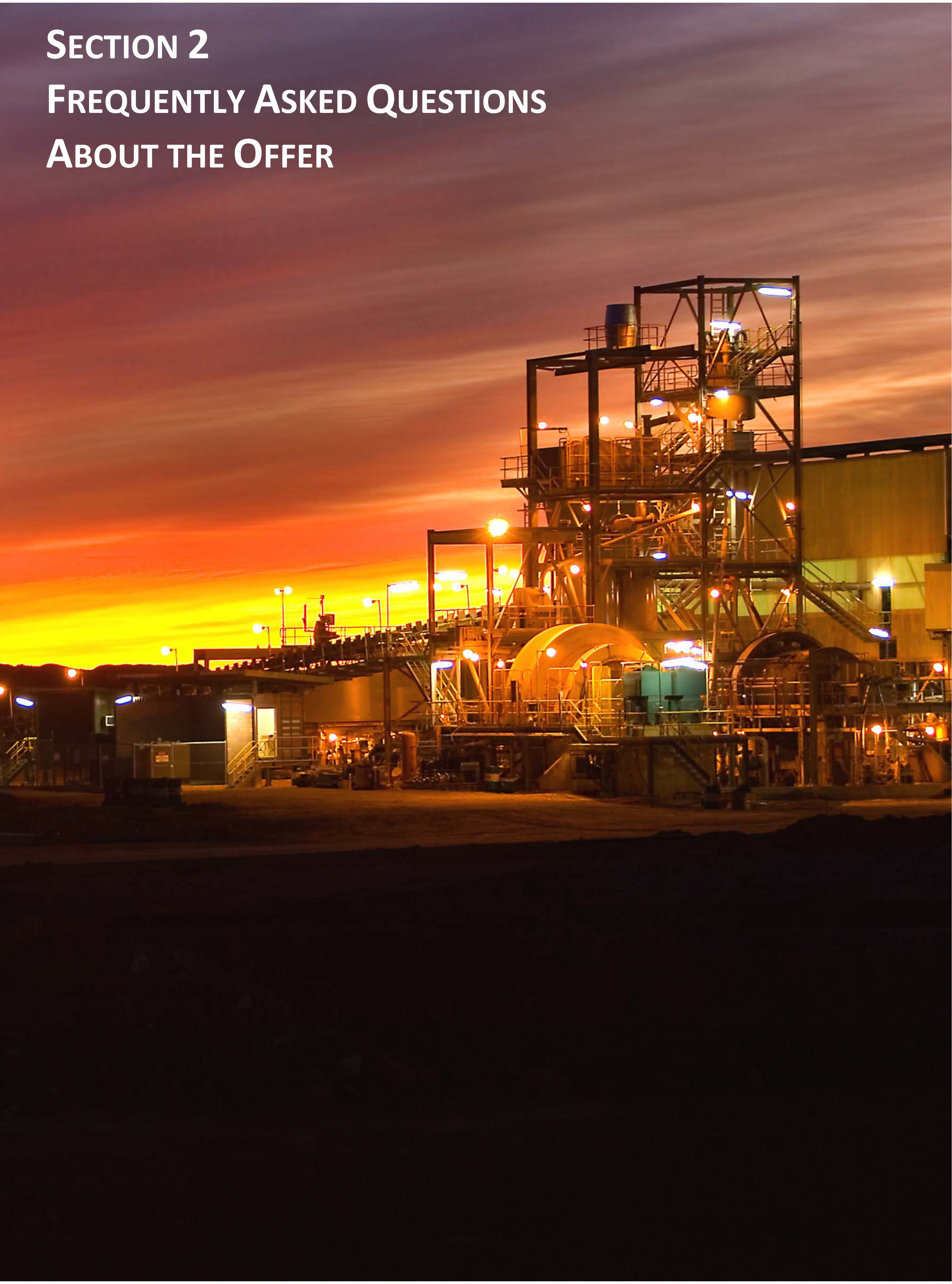
- read section 3 and the Independent Expert's report in Annexure A;
- have regard to your own personal circumstances, including your individual risk profile, portfolio strategy, tax position and financial circumstances; and

- obtain advice from your financial, legal or professional adviser if you are in any doubt as to what to do.

TAXATION CONSEQUENCES

In making a decision whether to accept the Offer, Shareholders should also have regard to the fact the disposal of Forge Shares may have taxation consequences. Shareholders should seek their own independent advice as to any such taxation consequence (please refer to section 6.2 of this Target's Statement and section 5 of the Bidder's Statement).

SECTION 2
FREQUENTLY ASKED QUESTIONS ABOUT THE OFFER



SECTION 2
FREQUENTLY ASKED QUESTIONS ABOUT THE OFFER

In this section, answers are provided to some commonly asked questions about the Offer.

This section should be read together with the rest of this Target's Statement. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer, nor address all issues that are relevant to Forge Shareholders.

QUESTION	ANSWER
What is the Bidder's Statement	The Bidder's Statement is the document setting out the terms of the Offer. It was prepared by Clough and sent to Shareholders on 9 April 2010.
What is the Target's Statement	This Target's Statement has been prepared by your Company. It provides information in relation to the Offer, including the opinion of the Independent Expert.
Do I have to sell my Forge Shares?	**No. You do not have to accept the Offer.** You cannot be forced to sell your Forge Shares as a result of the Offer.
How do I REJECT the Offer?	To reject the Offer, you do not need to do anything.
How do I ACCEPT the Offer?	Follow the instructions in the Bidder's Statement.
What are the conclusions of the Independent Expert's report?	RSM Bird Cameron, the Independent Expert has concluded that the Offer is **NOT FAIR AND NOT REASONABLE** to the non-associated Forge Shareholders. The Independent Expert has assessed the value of Forge Shares to be in range of $3.74 to $4.13 per Share. Refer to the Independent Expert's Report in Annexure A, including section 10.46 and section 11 of the report.
What do the Directors intend to do with their Forge Shares?	Each Executive Director has stated that they intend, in the absence of a superior proposal, to accept the Offer in relation to those Forge Shares he owns or controls for the reasons outlined on page 15.

What is the Offer for my Forge Shares?	Clough has made a cash offer of $2.10 per Share for 50% of the Shares that you hold in Forge. Accordingly, if you accept the Offer, you will: • receive $2.10 cash for each of the Shares comprised in the 50% of your Forge Shares (i.e. 1 out of every 2 of your Forge Shares) accepted under the Offer; and • retain 50% of your Forge Shares. Please note that you may only accept the Offer for 50% of the Forge Shares held by you and not a greater proportion or a lesser proportion. If, however, accepting the Offer would leave you with less than a marketable parcel (that is with a market value of less than $500) of Forge Shares, the Offer extends to the whole of that parcel and you will be deemed to have accepted for, and will receive consideration for, 100% of your Forge Shares (refer to page 11 (at paragraph 13 Unmarketable Parcel Rule) and section 2 of Annexure A of the Bidder's Statement). If you hold Forge Shares as a nominee or trustee please refer to sections 11.3 and 11.4 of Annexure A of the Bidder's Statement.
Who is Clough Operations Pty Limited?	Details about the Clough Group are set out in section 1 of the Bidder's Statement.
What choices do I have?	As a Forge Shareholder, you can: • **REJECT** the Offer by doing nothing and continue as a Shareholder in Forge; • **ACCEPT** the Offer by completing the application form in the Bidder’s Statement; or • **SELL** your Forge Shares on market which at 13 April 2010, the day before the date of this Target’s Statement was last trading at $2.58 per Share. If you accept the Offer, you are locked in unless the limited withdrawal rights under the Offer apply (please refer to section 4.2 set out below) or any of the conditions precedent under section 5.1 of Annexure A of the Bidder’s Statement are not fulfilled or waived by Clough by the end of the Offer Period, in which case your acceptance will be void (see section 5.6 of Annexure A of the Bidder’s Statement). You will not receive the cash consideration until the Offer becomes unconditional. Note that if you accept the Offer you will be bound by the acceptance terms set out in section 4 of the Bidder's Statement.

What if I want to sell my Forge Shares on market?	You are not compelled to accept the Offer at $2.10 per Share. During the Offer Period, you may sell your Forge Shares on market through the ASX for cash (less brokerage), provided you have not accepted the Offer for those Shares. The closing price of Forge Shares on 13 April 2010, the day before the date of this Target's Statement was $2.58 per Share. You should contact your broker for information on how to sell your Forge Shares on ASX and your tax adviser to determine your tax implications of such a sale. If you accept the Offer in respect of 50% of your Forge Shares, you are not entitled to accept the Offer for your remaining Forge Shares (**Remaining Shares**), nor can a purchaser of your Remaining Shares. You may sell your Remaining Shares on an ex-Offer basis. Ex-Offer Shares cannot be accepted into the Offer and will trade separately to Forge Shares which can be accepted into the Offer during the Offer period. The market price of the ex-Offer Shares may be lower or higher than the market price of Forge Shares which may be accepted into the Offer. Settlement of trades of ex-Offer Shares will be deferred until after completion of the Offer. If you do not accept the Offer in respect of 50% of your Forge Shares, you may sell some or all of your Shares on market and the purchaser will then be entitled to accept the Offer in respect of 50% of those Shares. If your Shares were issued to you after the Register Date, they cannot be accepted into the Offer and may only be traded as ex-Offer Shares on a deferred settlement basis, unless the Shares were issued to you as a result of the exercise of Forge Options (see the question *Does the Offer include my Forge Options?* set out below).
When do I have to decide?	If you wish to accept the Offer you need to do so before its scheduled closing date. Clough has stated that its Offer is scheduled to close at 5.00pm (Perth time) on 11 May 2010, unless it is extended or withdrawn. If you wish to reject the Offer, you do not need to do anything.
What happens if I accept the Offer now?	If you accept the Offer now, you are locked in and have limited rights to withdraw your acceptance.

	You will give up your rights to sell your Forge Shares you have accepted into the Bid on market or otherwise deal with them (for example, by accepting a higher offer from another bidder if such an offer is made). Limited withdrawal rights apply. You may only validly withdraw your acceptance of the Offer in the circumstances set out in section 4.2 below, or any of the conditions precedent under section 5.1 of Annexure A of the Bidder's Statement are not fulfilled or waived by Clough by the end of the Offer Period.
When will I receive my consideration if I accept the Offer?	If you accept the Offer, Clough will, in the usual course, pay you for your Forge Shares to which Clough acquires good title on or before 14 days after the later of: (a) the day of receipt of your valid acceptance of the Offer; and (b) if the Offer is subject to a Defeating Condition when accepted, the day that the contract resulting from acceptance of the Offer becomes unconditional.
If I accept the Offer, can I withdraw my acceptance if I change my mind?	You may only withdraw your acceptance if Clough extends the Offer Period for more than 1 month and the Offer remains subject to 1 or more of the conditions at the time (see section 650E of the Corporations Act).
What happens if Clough increases its Offer?	If you accept the Offer now and Clough subsequently raises its Offer Price you will receive the higher price if the Offer has become unconditional.
What are the conditions of the Offer?	The Offer is subject to a number of conditions. These are summarised below: • Clough obtaining a relevant interest in more than 31% of the Forge Shares (see section 5.1(a) of Annexure A of the Bidder's Statement); • no prescribed occurrences (see section 5.1(b) of Annexure A of the Bidder's Statement); • no decisions of, actions by, investigation by or applications made to or by a public authority that restrains or threatens to restrain the Offer (for example, a Court order) (see section 5.1(c) of Annexure A of the Bidder's Statement); • all approvals required by a Government Agency being received (see section 5.1(d) of Annexure A of the Bidder's

	Statement); • no material acquisitions, disposals or new commitments (see section 5.1(e) of Annexure A of the Bidder's Statement); • no break/inducement fees are paid or become payable by Forge (or any subsidiary of Forge) in relation to a takeover offer or proposal to acquire an interest in shares or assets (see section 5.1(f) of Annexure A of the Bidder's Statement); • Forge (and its subsidiaries) do not make any material acquisition, disposals or similar transactions without Clough's consent and continue to conduct its business in the normal course (see section 5.1(g) of Annexure A of the Bidder's Statement); • non-existence of certain rights (see section 5.1(h) of Annexure A of the Bidder's Statement); • no material adverse change (see section 5.1(i) of Annexure A of the Bidder's Statement); • no index decline (see section 5.1(j) of Annexure A of the Bidder's Statement); • no breach of an Option Acquisition Deed (see section 5.1(k) of Annexure A of the Bidder's Statement) by a Relevant Director; and • no breach of a Call Option Over Shares Agreement by a Major Shareholder (see section 5.1(l) of Annexure A of the Bidder's Statement). Full terms of the conditions are set out in section 5.1 of Annexure A of the Bidder’s Statement.
When will Clough advise as to the status of the conditions?	Section 5.5 of Annexure A of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions on 3 May 2010. The Bidder is required to set out in this Notice of Status of Conditions: • whether the Offer is free of any or all of the conditions; • whether, so far as the Bidder knows, any of the conditions have been fulfilled on the date the notice is given; and • the Bidder's voting power in Forge. If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be

	taken to be postponed for the same period and the Bidder is required to give notice that states the new date for the giving of the Notice of Status of Conditions. If a condition is fulfilled (so that the Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give the ASX and Forge a notice that states that the particular condition has been fulfilled.
What happens if the conditions are not satisfied or waived?	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You will then be free to deal with your Forge Shares as you choose even if you have previously accepted the Offer.
How can Clough extend the Offer Period?	While the Offer is subject to conditions, Clough may extend the Offer Period at any time before giving the Notice of Status of Conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Clough may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period: • Clough improves the consideration offered under the Offer; or • Clough's voting power in Forge increases to more than 50%. If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.
Can Clough withdraw the Offer?	Before you accept the Offer, Clough may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. Clough may not withdraw the Offer if you have already accepted it. See further section 12 of Annexure A of the Bidder's Statement.
Does the Offer include my Forge Options?	No. However, the Offer extends to each person who during the period from after the Register Date (being 9 April 2010) to the end of the Offer Period, becomes registered or entitled to be registered as the holder of Forge Shares (whether or not they are registered or entitled to be registered as the holder of other Forge Shares) due to the exercise of their Forge Options. Clough has entered into an Option Acquisition Deed with

	each of Peter Hutchinson and Andrew Ellison to acquire 3 million Forge Options at the Offer Price (as may be varied in accordance with the Corporations Act) less the option exercise price of $0.35. The Option Acquisition Deeds are summarised at section 8.4. Clough has also stated that it will make offers to all persons registered on Forge's register of optionholders on the Register Date (other than Peter Hutchinson and Andrew Ellison) for 50% of all Forge Options held by them on the same terms as the Option Acquisition Deeds.
What are the risks associated with Forge and its business?	These risks are detailed in section 9.7 of this Target's Statement.
What are the tax consequences of accepting the Offer?	A general outline of the tax consequences of accepting the Offer is set out in section 6.2 of this Target's Statement. **As these consequences differ widely according to each Forge Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Offer.**
If I have further questions in relation to the Offer what can I do?	If you have any queries regarding the Offer, please contact Peter Hutchison, Managing Director of Forge on (08) 6222 6400 (from within Australia) or +61 8 6222 6400 (from outside Australia).

SECTION 3
SUMMARY OF ADVANTAGES AND DISADVANTAGES OF THE OFFER

SECTION 3
SUMMARY OF ADVANTAGES AND DISADVANTAGES OF THE OFFER

Set out below are the advantages and disadvantages of accepting the Offer. You should read them carefully before considering accepting the Offer. Section 4 of this Target's Statement also sets out the key implications and risks that arise from the Offer and that may affect the future performance and value of Forge Shares.

The disadvantages and advantages are discussed in further detail in sections 3.1 and 3.2.

ADVANTAGES	DISADVANTAGES
<u>Delivery of the Strategic Alliance</u> • There are a number of strategic benefits that will be derived from the Strategic Alliance. • The Offer will trigger the commencement of the Strategic Alliance upon Clough acquiring a minimum shareholding of 31% in the Company, or if Clough declares the Offer unconditional for a lesser amount.[6] • The Board expects the 31% minimum position to be achieved if certain Major Shareholders and the Executive Directors accept the Offer as they have previously indicated they intend to do in the absence of a superior proposal. (refer section 3.2)	<u>Offer Price is significantly below market value</u> • The Offer Price is under the current market price of Forge Shares at the date of this Target's Statement and is at a discount to the market price prior to the Announcement Date. • You should therefore be able to sell your Shares on market for a significantly higher price. (refer section 3.1)

[6] The Strategic Alliance will also be triggered if Clough acquires at least 19.98% in the Company via the Placement and the exercise of Call Option Over Shares Agreements.

Equal Opportunity • All Forge Shareholders have the same opportunity to sell 50% of their Shares should they wish to do so. • However, they are not compelled to do so. (refer to section 3.2)	Independently assessed as not fair and not reasonable • The Independent Expert has determined the Offer of $2.10 per Share is **NOT FAIR AND NOT REASONABLE**. • The Independent Expert has assessed the value of Forge Shares in the range of $3.74 and $4.13 per Share. (refer section 3.1)
Liquidity • Opportunity for Shareholders with significantly large holdings to receive cash of $2.10 per Share. (refer section 3.2)	No control premium • Clough is seeking to acquire up to 56.5% in Forge. A change of control may pass to Clough without Clough paying a control premium. Ordinarily a control premium would be expected to be paid in a transaction of this kind. • You may forego any future control premium for the balance of your Shares. (refer section 3.1).
Non marketable parcels • Shareholders who, by accepting the Offer, would hold unmarketable parcels (that is with a market value of less than $500) of Shares can accept the Offer for all their Shares. (refer section 3.2)	Offer is conditional • The Offer is conditional. (refer section 3.1)
	You cannot accept alternative offers • Inability to accept an alternative offer if one were to emerge once the Offer is accepted other than in limited circumstances. (refer section 3.1)
	You may become a minority shareholder • There are potential negative consequences of being a minority shareholder. (refer section 4.1)

3.1 Disadvantages of Accepting the Offer

- **Offer Price is well under market value**

  You should be able to sell some or all of your Shares on market for a higher price than the Offer Price.

  The Offer Price of $2.10 per Share is significantly below the current market price of Forge Shares at the date of this Target's Statement and is at a discount to the market price prior to the Announcement Date.

  It represents:

  - a discount of 18.6% to the closing price of Forge Shares of $2.58 on 13 April 2010, the day before the date of this Target's Statement;
  - a discount of 9.09% to the closing price of Forge Shares of $2.31 prior to the Announcement Date;
  - a discount of 0.94% to the VWAP of Forge Shares of $2.12 for the 1 month prior to the Announcement Date; and
  - a discount of 1.87% to the VWAP of Forge Shares of $2.14 for the 3 months prior to the Announcement Date.

- **The Independent Expert has determined the Offer is not fair and not reasonable.**

  The Offer Price of $2.10 per Share is significantly below the valuation range of Forge Shares assessed by the Independent Expert which is between $3.74 and $4.13 per Share.

  A copy of the Independent Expert's report is included in Annexure A of this Target's Statement.

- **A change of control may pass to Clough without paying a control premium.**

  Following the completion of the Offer, Clough will hold between 31% and 56.5% of Forge Shares which will be acquired without paying a premium for control. In addition Shareholders may be foregoing any future control premium in any shares they continue to hold in Forge in that the presence of a cornerstone shareholder such as Clough on the share register may detract from the attractiveness of Forge as a takeover target.

  Refer to section 4 - Implications and Risks Associated with the Offer - for more detail.

- **The Offer is conditional**

  The Offer is subject to a number of conditions full details of which are set out in section 5.1 of Annexure A of the Bidder's Statement.

3.2 ADVANTAGES OF ACCEPTING THE OFFER

- **Delivery of the Strategic Alliance**

  Clough is making the Offer with an underlying commitment to provide the Company with the benefits of the Strategic Alliance subject to the satisfaction of certain conditions.

  The Strategic Alliance between Forge and Clough will automatically come into effect in certain defined circumstances, including if Clough acquires 31% of Forge Shares through the Offer or if Clough declares the Offer unconditional.[7]

  Certain Major Shareholders and the Executive Directors have already indicated their intention to accept the Offer in the absence of a superior proposal which will deliver the required 31% to Clough and trigger the Strategic Alliance. Acceptances of the Offer beyond 31% are therefore not necessary to trigger the Strategic Alliance but will increase Clough's ultimate shareholding in Forge.

  Clough has stated in its Bidder's Statement that it is seeking to increase its holding in Forge to as high as 56.5% - the maximum level achievable under the Offer and is encouraging 100% acceptance of the Offer. Whether or not you choose to accept the Offer will depend on your own personal circumstances. As a Shareholder, the Offer provides you with an opportunity to sell 50% of your Shares at the same price and in the same manner as the Major Shareholders and Executive Directors, should you wish to do so. Alternatively, given the current market price of Forge's Shares, it is understandable to your Board that you may not wish to accept the Offer. Instead, you may wish to sell your Shares on market or continue to hold your Shares and retain 100% exposure to the Company's potential growth.

  The key benefits of the Strategic Alliance with Clough include:

  - Mitigating execution risk for the Company on its existing and future contracts.
  - Providing the Company with access to proven project management, resources and control systems of Clough on a commercial basis.
  - Providing a new source of project opportunities for the Company with the Company to become Clough's "*partner of choice*" for all construction activities.
  - The Company will be better equipped to tender for larger scale projects, particularly in the mining and oil and gas, liquefied natural gas and coal seam gas markets in Australasia and West Africa.
  - Providing the Company with assistance from Clough with identifying and assessing future acquisition opportunities to leverage off the Company's strengthened balance sheet and accelerate its future growth.

[7] The Strategic Alliance will also be triggered if Clough acquires at least 19.98% in the Company via the Placement and the exercise of Call Option Over Shares Agreements.

- Enhancing the Board and senior management with the appointment of Clough's CEO to the Forge Board and a Clough senior executive to join Forge's management team.

Further details of the Strategic Alliance are set out in section 8.1.

- **Equal opportunity to sell your Shares**

  Your Board understands that you may not wish to sell your Shares at $2.10 per Share by accepting the Offer.

  However, the Offer does provide you with an equal opportunity to sell 50% of your Shares at the same price and in the same manner as the Major Shareholders and Executive Directors, should you wish to do so.

- **Liquidity: Opportunity to receive immediate cash of $2.10 per Share**

  The Offer provides an opportunity for Shareholders to receive cash for 50% of their holdings at $2.10 per Share and retain 50% exposure to the Company. As Forge Shares have historically traded on modest volumes on ASX, the Offer may be attractive to certain Shareholders who hold a significantly large parcel of Shares, as it gives them an opportunity to dispose of 50% of their Shares at a definite price of $2.10 per Share. However, if you do not hold a significantly large parcel of Shares then your Board recognises that it may be preferable for you to sell your Shares on market at a higher price.[8]

- **Non marketable parcels: many small Shareholders can accept the Offer for <u>ALL</u> their Shares**

  Shareholders who, if by accepting the Offer, would hold non-marketable parcels (that is with a market value of less than $500) of Shares may be able to accept the Offer for <u>all</u> their Shares. Refer to section 2 "Frequently Asked Questions About The Offer" for more detail.

[8] At 13 April 2010, the day prior to the date of this Target's Statement, the closing price of Forge Shares was $2.58 per Share.

SECTION 4
IMPLICATIONS AND RISKS ASSOCIATED WITH CLOUGH OFFER

SECTION 4
IMPLICATIONS AND RISKS ASSOCIATED WITH CLOUGH OFFER

4.1 PROPORTIONAL BID AND MINORITY OWNERSHIP CONSEQUENCES

Clough currently holds approximately 13% of Forge Shares. The maximum number of Forge Shares that Clough may acquire under the Offer is 50% of the remaining Shares. As such, if the Offer is accepted in full, Clough will hold approximately 56.5% of Forge Shares[9].

- Depending on the level of acceptances under the Offer, Clough will be able to cast the majority of votes at a general meeting of the Company. However, under the Strategic Alliance Agreement, Clough has the right to nominate one Director to the Forge Board on acquiring not less than 13% of Forge's issued capital and the independent Chairman upon acquiring 31% of Forge's issued capital. Forge and Clough have agreed that during a two year Standstill Period, the Forge Board will be comprised of four Directors with 1 Clough nominee, two independent Directors and one executive Director, unless Clough acquires more than 60% of Forge's issued capital. This means that, although Clough might be able to cast the majority of votes at any general meeting of the Company, during a two year Standstill Period and while Clough holds less than 60% of Forge's issued capital, Clough will not be able to control the Board of Forge, nor solely determine Forge's dividend policy or solely control the strategic direction of Forge.
- The magnitude of Clough's shareholding will be such that a third party would not be able to successfully make a takeover bid for Forge Shares without the support of Clough. This means it is less likely that Forge's future Share price will reflect a control premium.
- Forge Shareholders other than Clough will hold a reduced percentage of the Shares, possibly as low as 43.5% if the Offer is fully taken up.
- Should Clough acquire greater than 31% in the Company, it is possible that the liquidity of Forge Shares would be lower than at present. This may affect your ability to sell Forge Shares and therefore Forge Shareholders may not be able to realise the full value of their remaining Forge Shares after the Offer Period. However, any reduction in liquidity may or may not persist for the long term as Forge and Clough intend to accelerate growth of the Company through the Strategic Alliance, which the Directors expect will raise the market profile of the Company and have the effect of improving the Company's Share price.

[9] Based on the number of Shares on issue at the date of this Target's Statement.

- Key technical and management staff in Forge may resign if there is a change of control at Forge. However, the Directors do not believe that any key staff are considering this course of action.
- If, in the future, Clough acquires 75% or more of the Forge Shares, it will be able to pass special resolutions of Forge. This will enable Clough to amend Forge's constitution.

4.2 Inability to Accept An Alternative Offer if One Were to Emerge

Except under limited circumstances provided for in the Corporations Act, Forge Shareholders who accept the Offer will not be able to accept an alternative offer, should one emerge during the Offer Period. You may only withdraw your acceptance and accept an alternative offer if Clough extends the Offer Period for more than 1 month and the Offer remains subject to 1 or more of the conditions at the time (see section 650E of the Corporations Act).

On 1 April 2010, Forge announced that it had received a confidential competing proposal from a third party in relation to a change in control transaction with Forge. The proposal was non-binding and subject to conditions which included allowing the third party to complete due diligence by 28 April 2010, postponing the Shareholders' meeting scheduled for 6 April to approve the Placement to Clough until after 29 April 2010 and a 90% minimum acceptance condition. The proposal was for an off-market takeover bid for 100% of the issued shares of Forge at a price below current market price, but in excess of the price offered by Clough and at a level representing a premium to the price at which Forge Shares were trading prior to the announcement of the Offer. The proposal involved cash and scrip consideration and the proposed bidder was a listed S&P/ASX 100 Company.

At the general meeting on 6 April 2010, Forge Shareholders did not approve a resolution to postpone the general meeting to 30 April 2010. Shareholders approved the Placement at the general meeting.

On 8 April, the proposed bidder informed Forge that it did not intend to proceed with discussions with Forge in relation to the proposal.

As at the date of this Target's Statement, the Directors are not aware of any other proposals to make an alternative offer.

SECTION 5
WHAT ARE MY CHOICES?

SECTION 5
WHAT ARE MY CHOICES?

5.1 REJECT THE CLOUGH OFFER

To reject the Offer, you do not need to do anything.

5.2 ACCEPT THE CLOUGH OFFER

To accept the Offer follow the instructions in the Bidder's Statement.

5.3 SELL YOUR SHARES

During the Offer Period, you may sell your Forge Shares through the ASX for cash (less brokerage), provided you have not accepted the Offer for those Shares.

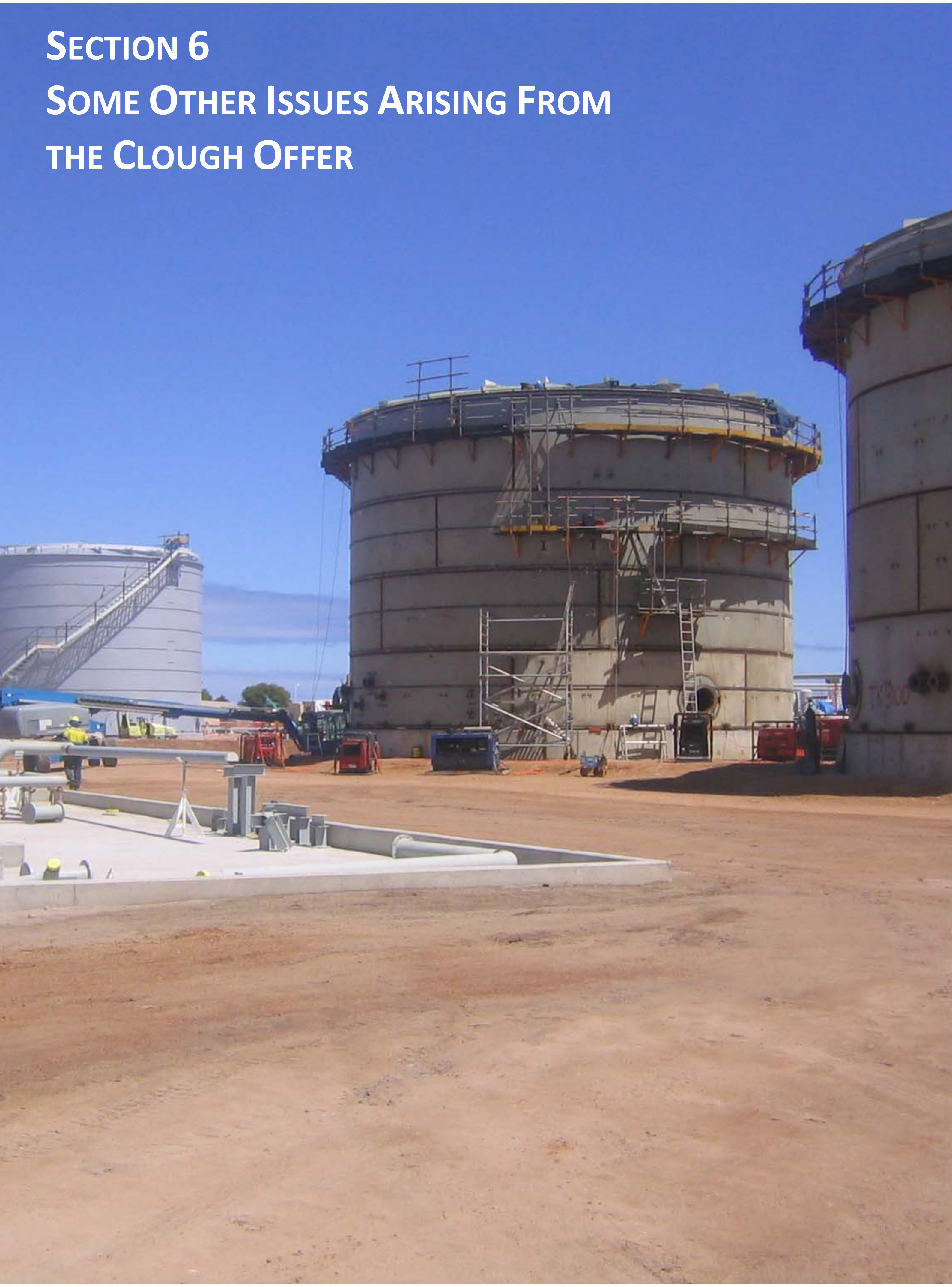
If you accept the Offer in respect of 50% of your Forge Shares, you are not entitled to accept the Offer for your remaining Forge Shares (**Remaining Shares**), nor can a transferee of your Remaining Shares. You may sell your Remaining Shares on an ex-Offer basis. Ex-Offer Shares cannot be accepted into the Offer and will trade separately to Forge Shares which can accept the Offer during the Offer period. The market price of the ex-Offer Shares may be lower than the market price of Forge Shares which may be accepted into the Offer. Settlement of trades of ex-Offer Shares will be deferred until after completion of the Offer.

If you do not accept the Offer in respect of 50% of your Forge Shares, you may sell your Shares on market and the transferee will then be entitled to accept the Offer in respect of 50% of the Shares.

If your Shares were issued to you after the Register Date, they cannot be accepted into the Offer and may only be traded as ex-Offer Shares on a deferred settlement basis.

You should contact your broker for information on how to sell your Forge Shares on ASX and your tax adviser to determine your tax implications of such a sale.

Section 6
Some Other Issues Arising From the Clough Offer



Section 6
Some Other Issues Arising From the Clough Offer

6.1 No Compulsory Acquisition

At the end of the Offer Period and assuming the Offer is accepted in full, Clough will hold approximately 56.5% of Forge Shares[10]. As such, Clough will **not** be entitled to compulsorily acquire any outstanding Forge Shares, as Clough would need to hold at least 90% of Forge Shares to be entitled to do so. This means, assuming 100% acceptance of the Offer, the current Forge Shareholders will be minority shareholders; the implications and risks associated with minority shareholding are discussed further at sections 2 and 3 of this Target's Statement.

6.2 Australian Tax Considerations for Shareholders

Income Tax

Shareholders holding Shares on Revenue Account

The Australian tax consequences for Forge Shareholders who hold their Shares on revenue account and who accept the Offer will be to include the amount received over the cost of acquisition of the Forge Shares as ordinary assessable income.

Shareholders holding Shares on Capital Account

The Australian tax consequences for Forge Shareholders who hold their Shares on capital account and who accept the Offer are summarised as follows:

- Acceptance of the Offer will involve a disposal by a Shareholder of their Forge Shares for capital gains tax (CGT) purposes.
- There should be no CGT implications for Shareholders who acquired their Shares before 20 September 1985. Shareholders who acquired their Shares after 20 September 1985, may make either a capital gain or capital loss.
- An Australian-resident Forge Shareholder may make a capital gain or capital loss, depending on whether the capital proceeds from the exchange are more than the cost base of the Forge Shares, or whether those capital proceeds are less than the cost base of those Shares.
- Forge Shareholders who are not resident in Australia for tax purposes will generally be subject to Australian CGT on the disposal of Forge Shares if:
  - (a) together with their associates, they directly or indirectly own at least 10% or more (by value) of the Shares in Forge:

[10] Based on the number of Shares on issue at the date of this Target's Statement.

(i) at the time of the sale; or

(ii) throughout a 12 month period beginning no earlier than 24 months before the time of the sale and ending no later than the time of the sale; and

(b) if more than 50% of the value of Forge's assets is attributable to Australian real property,

subject to the terms of any applicable double tax agreement. It is imperative that non-residents independently confirm their Australian tax position.

- The capital proceeds that a Forge Shareholder will be taken to have received in respect of the disposal of their Forge Shares will be the cash received under the Offer.
- The cost base of your Forge Shares will generally be the cost at which they were acquired including any incidental costs of acquisition. Some Forge Shareholders may have acquired their Forge Shares when Forge was demerged from A. I. Limited. At the time of the demerger, a value of 26.9 cents per Share was ascribed to the value of Forge Shares. The ascribed value of 26.9 cents per Share is likely to be included as the cost base of Forge Shares, for these Shareholders. Forge Shareholders who received their Shares via demerger should seek their own tax advice.
- Where the Forge Shares have been held for at least 12 months before their disposal, a Shareholder who is an individual, a complying superannuation entity or the trustee of a trust should be able to reduce the capital gain arising from the disposal of Forge Shares by the CGT discount (see below).

The CGT discount will be available if the relevant Forge Shares have been held for at least 12 months.

Subject to the Forge Shareholder having any capital losses or net capital losses from previous income years, where the CGT discount is available, eligible Forge Shareholders who are individuals or trustees of trusts will reduce the capital gain arising on the disposal of Forge Shares by one-half. For individuals, this reduced gain should be assessed at the shareholder's marginal tax rate. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Subject to the Forge Shareholder having any capital losses or net capital losses from previous income years, where Forge Shares are held by a complying superannuation entity and the CGT discount is available, the discount will reduce the nominal capital gain on the disposal of the Shares by one-third.

The CGT discount is generally applied after taking into account any capital losses or net capital losses from previous income years. Forge Shareholders having any capital losses or net capital losses from previous income years should seek independent advice in relation to the potential availability of the CGT discount.

Forge Shareholders who are companies will not be entitled to the CGT discount.

- Where the amount of capital proceeds received by a Forge Shareholder in respect of the disposal of their Forge Shares is less than the reduced cost base of those Forge Shares, then the Shareholder should realise a capital loss for Australian CGT purposes.

GST

- GST should not apply to the disposal of Forge Shares.
- Forge Shareholders who are registered for GST purposes may not be entitled to full input tax credits for any GST incurred on costs associated with acquiring or disposing of securities Forge. Forge Shareholders should seek their own tax advice in this respect.

As the taxation consequences differ widely according to each Forge Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Offer.

SECTION 7
WHAT YOU SHOULD KNOW ABOUT FORGE

SECTION 7
WHAT YOU SHOULD KNOW ABOUT FORGE

Below is an outline of your Company, its assets and its strategies to realise future value for Shareholders.

7.1 OVERVIEW OF FORGE

Forge Group Limited

Forge Group Limited is a Western Australian based public company listed on the Australian Securities Exchange (ASX code FGE). Listing on the exchange in June 2007, the Company's investments in the engineering and construction industries traces back to the early 1970's.

Forge acts as the holding company for investments in engineering, construction, procurement and construction management and maintenance. With a strong balance sheet and a history of earnings the Company provides a reliable platform for the subsidiary companies and their clients. Based in Perth, Western Australia, the group employs over 550 employees. The Board is made up of professionals with engineering, construction, finance, industrial and legal backgrounds.

Cimeco Pty Ltd

The wholly owned subsidiary Cimeco Pty Ltd offers a "one stop shop" approach to client's construction requirements. Providing a complete suite of construction services to the resources industry including civil and concrete, mechanical, electrical and maintenance services, Cimeco Pty Ltd can provide a seamless and fully integrated solution to the construction needs of clients.

The commercial building division provides specialist construction management, administration, technical expertise, innovation and the trade and supplier resources to meet client schedules and budgets. This division has completed complex building construction projects for international clients such as Worley Alumina, Alcoa Australia, BHP Billiton and Woodside Petroleum.

Owning a comprehensive fleet of modern and well maintained construction equipment and employing fully trained and experienced people Cimeco Pty Ltd prides itself on being able to provide competitively priced services to clients without compromise to quality, schedule or safety.

Abesque Engineering Ltd

Nedlands based Abesque Engineering Ltd is a major provider of mining and mine development services. This wholly owned subsidiary of Forge specialises in the provision of engineering design, construction and project management services to the resource sector for the implementation of projects involving processing facilities and associated infrastructure.

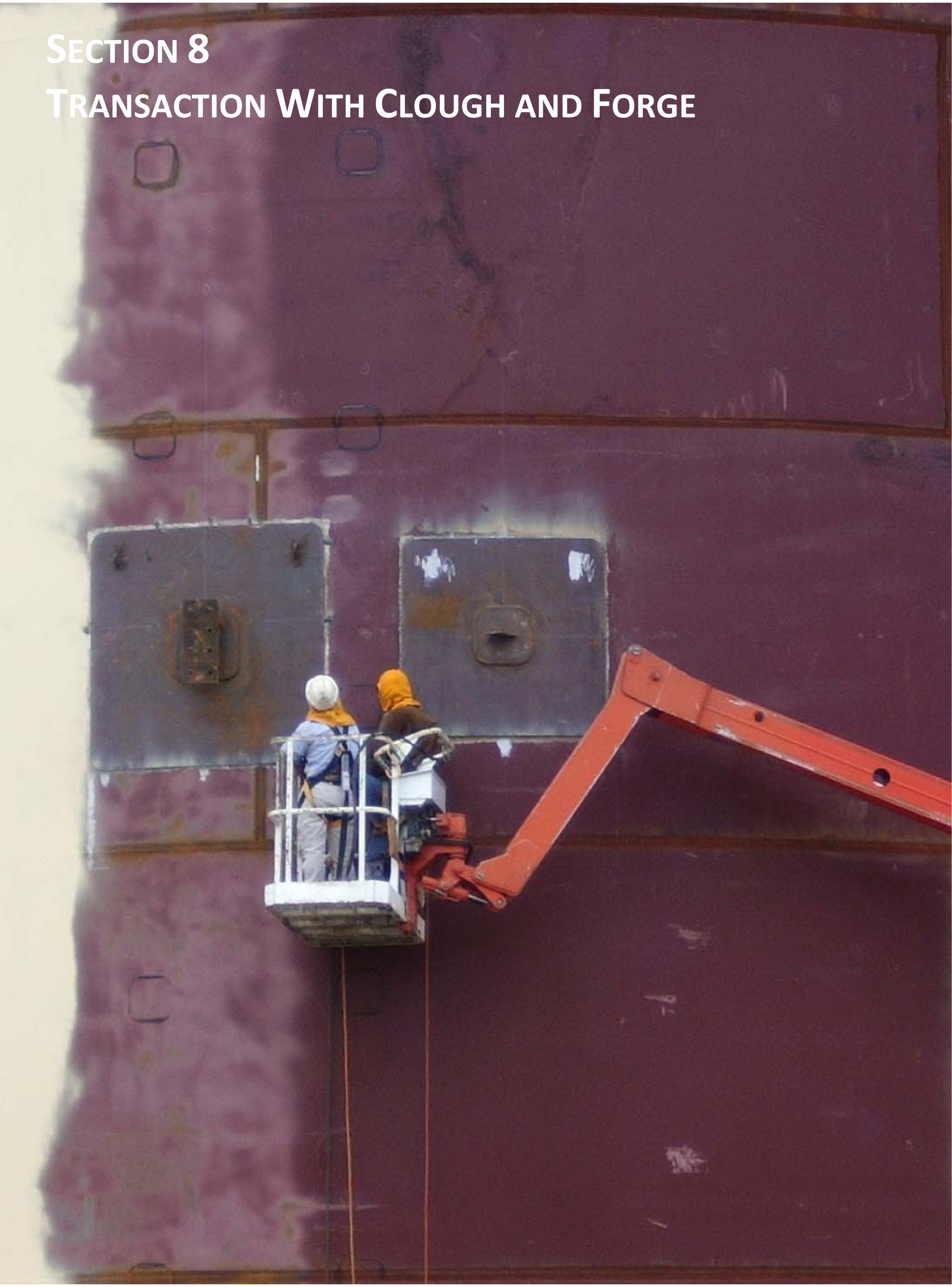
As a multi-disciplined engineering organisation, Abesque Engineering Ltd provides a wide range of services to the resource sector, utilising its own substantial in-house resources and those of the Forge group, covering civil, structural, mechanical, piping and electrical design and construction works. Abesque Engineering Limited's project teams include project management personnel with extensive experience in the management of major projects, as well as professional engineers in all disciplines along with design and detail drafting personnel.

Webb Construction (West Africa) Ltd

Incorporated and domiciled in Ghana West Africa, Webb Construction (West Africa) Ltd also provides comprehensive construction services to the resources sector. With over 15 years of operational experience in the West African region the company is well recognised for its ability to perform in remote and difficult environments. A large and highly trained Ghanaian workforce complements other expatriate tradesman and engineers traditionally resourced from an experienced Australian labour pool. A relationship with sister companies Abesque Engineering Ltd and Cimeco Pty Ltd ensures that comprehensive services including engineering, procurement and construction management can be offered to its clients. Specialising in structural, mechanical and pipe installation and tank fabrication and erection Webb Construction (West Africa) Ltd has provided its' services to numerous gold and process plants in Africa over the past decade.

Further information regarding Forge, its projects and activities can be found on Forge's website www.forgegroup.com.au, and via the ASX.

SECTION 8
TRANSACTION WITH CLOUGH AND FORGE



SECTION 8
TRANSACTION WITH CLOUGH AND FORGE

8.1 SUMMARY OF TRANSACTION – PLACEMENT, BID AND STRATEGIC ALLIANCE

As announced on 23 February 2010, the Company, Clough and Clough Limited have entered into a series of agreements in relation to a transaction which involves ("**Transaction**"):

- the formation of a Strategic Alliance;
- Clough investing approximately $19.5m in the Company via the Placement; and
- Clough making the Offer.

The Transaction is consistent with the Company's strategy disclosed to the market in August 2009 and confirmed at the Company's Annual General Meeting in November 2009.

A summary of each component of the Transaction is set out below.

The Placement

The Placement involved the issue of 10,257,262 Shares to Clough at an issue price of $1.90 per Share.

The Placement was approved by Forge Shareholders at a general meeting of Forge on 6 April 2010.

The Placement is a key component of the Transaction and partially facilitates the trigger for the operation of the Strategic Alliance.

The Proportional Takeover Bid

As the Placement has been approved, Clough is now making the Offer. If the Offer is successful, Clough's stake in the Company will range from 31.23% to 56.52% and involve the potential investment in the Company of between $54.8-$97.9 million.[11] The minimum acceptance threshold of a 31% relevant interest in Forge Shares will be achieved if the Selling Shareholders accept the Offer, which they intend to do in the absence of a superior proposal.

[11] Subject to: (i) Shareholder approval of the Placement; (ii) the Offer being made and becoming unconditional; (iii) the level of acceptances under the Offer; and (iv) the acquisition of 3 million Options from the Relevant Directors.

The Strategic Alliance

Clough becoming a cornerstone investor in the Company through the Placement and the Offer underpins the Strategic Alliance.

The Strategic Alliance will be triggered when the Clough Group acquires 31% of the Forge Shares or Clough declares the Offer unconditional.[12]

The Strategic Alliance, and the significant investment to be made by Clough through the Placement and the Offer, will create a commercial alignment of interests that aims to generate substantial benefits for the Company in FY2011 and beyond, including a material, positive impact on earnings.

The Strategic Alliance will provide a framework for long-term strategic cooperation between the companies. It allows the parties to jointly target project opportunities in the liquefied natural gas, coal seam gas and other oil and gas sectors and will support the Company's anticipated continued growth.

The Company believes the Strategic Alliance will allow both companies to leverage their complementary expertise and to capitalise on significant growth opportunities in the oil and gas, mining and civil infrastructure sectors. The key target markets for the Company and Clough will include Australasia and West Africa.

The Strategic Alliance will provide for:

- the Company having immediate access, on a commercial basis, to Clough's proven project management, resources and control systems to accelerate and support the Company's individual growth strategy;
- transfer and secondment of key Clough personnel with proven experience to assist the Company in its next phase of growth;
- identification of mutually advantageous partnering opportunities while the Company continues to act independently in the provision of services in the markets in which it operates;
- the Company becoming Clough's "partner of choice" in construction activities that align with the Company's capability and capacity;
- Clough assisting with developing and building on the Company’s strategic plan with greater focus on liquefied natural gas, coal seam gas and other oil and gas markets;
- standardisation and efficiency across the Company’s operations;
    - adoption of Clough's contracting and risk management processes and principles which are suitable for the Company’s requirements;

[12] The Strategic Alliance is also triggered if the Placement is completed (but the Offer is not made due to a defeating condition or the Offer lapses without becoming unconditional) and Clough exercises the Call Options and as a result of that exercise and the Placement, the Clough Group holds 19.98% or more issued Shares.

- Clough assisting the Company to identify and assess future acquisition opportunities which complement the Company's strategic growth plan; and
- the appointment by Clough of a non-executive director to the Board upon the Clough Group acquiring 13% of the issued Shares, and an independent non-executive chairman upon the Clough Group acquiring 31% of the issued Shares.

The Company will continue to operate as a separate business and will operate in the marketplace independently from Clough.

Option Acquisition Deeds

Clough has entered into an Option Acquisition Deed with each of Peter Hutchinson and Andrew Ellison to acquire 3 million Forge Options at the Offer Price (as may be varied in accordance with the Corporations Act) less the option exercise price of $0.35. The Option Acquisition Deeds are summarised at section 8.4.

A summary of the key terms of the agreements comprising the Transaction are set out in sections 8.2 to 8.5.

8.2 SUMMARY OF THE PLACEMENT AND BID IMPLEMENTATION AGREEMENT ("PBIA")

On 23 February 2010, Forge, Clough and Clough Limited entered into the PBIA. A summary of the key terms of the PBIA is set out below:

(a) ***Placement***

- Clough agreed to subscribe for 10,257,262 Forge Shares at $1.90 per share ("**Placement Shares**").
- Completion of the Placement was subject to: (i) the Forge Shareholders approving the Placement at a general meeting; and (ii) none of the Conditions (except the Condition in respect of minimum acceptance of the Offer) being triggered on or before the completion date for the Placement.
- Clough acknowledges and agrees that the Placement Shares will not have any rights to receive the 2010 financial year interim fully franked dividend per Forge Share declared by Forge on or about the execution date (being 23 February 2010).

(b) ***Proportional Takeover Bid***

- Clough has agreed to make the Offer.
- Conditions precedent to Clough making the Offer (which are capable of waiver by Clough) are: (i) the Placement being completed; (ii) none of the Conditions (except the Condition in respect of minimum acceptance of the Offer) being triggered on or before the date of dispatch of the Bidder's Statement.

- The Offer is subject to a number of conditions as set out in section 5.1 of Annexure A of the Bidder's Statement.

(c) ***Exclusivity arrangements***

- No shop

  From the Execution Date to the day which is the end of the Offer Period, Forge must not, and must not authorise, permit or require any of its associates, agents or advisers to:

  (i) directly or indirectly solicit, invite, facilitate, encourage or initiate any enquiries, negotiations, discussions or proposal in relation to, or which might reasonably be expected to lead to, a Competing Proposal; or

  (ii) communicate to any person any intention to do any of these things.

- No talk

  From the Execution Date to the Offer Date, Forge must not, and must not authorise, permit or require any of its associates, agents or advisers to:

  (i) directly or indirectly participate in any discussions or negotiations;

  (ii) enter into any agreement, arrangement or understanding; or

  (iii) communicate any intention to do any of these things,

  with another person in relation to, or which might reasonably be expected to lead to, a Competing Proposal.

- Notice of Competing Proposal

  Amongst other things and subject to certain exceptions, Forge must give Clough notice immediately upon becoming aware of any:

  (i) negotiations or discussions;

  (ii) approach or attempt to initiate any negotiations or discussions;

  (iii) intention to make such an approach or attempt to initiate any negotiations or discussions; or

  (iv) any request for information relating to Forge or its business or any request for access to Forge's books and records, which Forge reasonably believes is made,

  in respect of any expression of interest, offer or proposal that may lead to any Competing Proposal.

- Superior Proposal and fiduciary duties

  Nothing referred to in the paragraph ("No talk") above prevents Forge, the Forge Board or any associates of Forge from doing or not doing anything with respect to a Competing Proposal in relation to any person, if:

(i) the Forge Board has determined (in good faith and acting reasonably), after receiving written legal advice from its external legal counsel that to do so, or not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the Forge Board; and

(ii) the Competing Proposal is or can reasonably be considered to become a Superior Proposal,

provided that the Competing Proposal has not arisen as consequence of a breach of the circumstances referred to in the paragraphs ("No shop") and ("No talk") above.

- Matching right

  If, at any time prior to completion of the Offer, Forge receives a proposal in relation to a Superior Proposal, the following provisions apply:

  (i) Forge must immediately give Clough notice in writing of that fact and that notice must provide all material details of the Superior Proposal, including details of the proposed acquirer; and

  (ii) if Forge gives Clough a notice in accordance with paragraph (i) immediately above:

    (A) Forge agrees that it will not, until the end of the third Business Day following the receipt of that notice by Clough, enter into any legally binding agreement with respect to the Superior Proposal;

    (B) Clough agrees that such notice and its contents are to be kept confidential; and

    (C) Clough will have the right, but not the obligation, at any time until the end of the third Business Day following receipt of such notice to make a counter proposal and, if Clough does so, the Forge Board must review the counter proposal in good faith and in what the Forge Board considers is required to comply with its fiduciary and statutory duties, to determine whether the counter proposal is more favourable to Forge Shareholders than the Superior Proposal and, if so, the parties must take steps to implement the counter proposal.

(d) ***Reimbursement of costs***

- Payment by Forge to Clough

  Provided that Clough has not failed to perform any material covenant required to be performed by Clough (and such failure remains unremedied) and no Clough representation and warranty is untrue in any material respect, Forge must reimburse Clough for the costs it has incurred by paying Clough $700,000 if:

  (i) a Competing Proposal is made:

  (A) the maker of the Competing Proposal (together with its associates) acquires a relevant interest in more than 15% of the Forge Shares; and

  (B) the Competing Proposal becomes unconditional;

  (ii) the Forge Board fails to recommend unanimously the Offer or makes a public statement that it no longer supports the Offer or the Transaction, or any member of the Forge Board withdraws a recommendation previously made;

  (iii) the resolution to approve the issue of the Placement Shares is not passed at the relevant general meeting; or

  (iv) if the rights and obligations of the parties terminate under the terms of the agreement (other than by reason of the non-fulfilment of a Condition set out in any of paragraphs (a), (c), (d), (h), (i), (j), (k) or (l) of section 5.1 of Appendix A of the Bidder's Statement) or Clough validly terminates the PBIA (other than by reason of the non-fulfilment of a Condition set out in any of paragraphs (a), (c), (d), (h), (i), (j), (k) or (l) of section 5.1 of Appendix A of the Bidder's Statement).

- Exceptions to payment by Forge to Clough

  Forge is not obliged to make the payment referred to above if:

  (i) the Placement occurs and the Offer becomes unconditional;

  (ii) Clough (or its nominee) becomes the registered holder and beneficial owner of 19.99% or more of the issued ordinary share capital of Forge under the Transaction, by reason of the exercise by Clough of its rights under any one or more of the Call Option Over Shares Agreements, or because completion of the Placement occurs and the Clough exercises its rights under any one or more of the Call Option Over Shares Agreement;

  (iii) the independent expert commissioned by the Forge Board gives an opinion that the Offer is not fair and not reasonable; or

  (iv) Forge validly terminates the PBIA due to a material breach by Clough that remains unremedied for the period specified in the PBIA.

- Reduction to payment by Forge to Clough

  If:

  (i) the Placement does not occur; and

  (ii) Clough exercises its rights under the Call Option Over Shares Agreements to purchase some (but not all) of the Forge Shares the subject of the Call Option Over Shares Agreements and Clough (and/or its nominee) becomes the registered holder and beneficial owner of those Forge Shares under the relevant Call Option Over Shares Agreements,

  the amount payable by Forge to Clough will be reduced by a proportion which is equal to the proportion of the Forge Shares purchased by Clough (and/or its nominee) under the circumstances set out in sub-paragraph (ii) immediately above bears to the total number of Forge Shares the subject of the relevant Call Option Over Shares Agreements.

- Payment by Clough to Forge

  Provided that Forge has not failed to perform any material covenant required to be performed by Forge and such failure remains unremedied and no Forge representation and warranty is untrue in any material respect, if Forge validly terminates the PBIA due to a material breach by Clough that remains unremedied for the period specified in the PBIA, Clough must reimburse Forge for the costs it has incurred by paying Forge $700,000.

- Compliance with law

  If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel, a Court or any other Governmental Agency that all or any part of the amount payable by Forge to Clough or Clough to Forge (as applicable) ("Impugned Amount"):

  (i) is unlawful;

  (ii) involves a breach of the duties of the Forge Board or the board of directors of Clough (as the case may be); or

  (iii) constitutes unacceptable circumstances within the meaning of the Corporations Act,

  then:

  (iv) Forge's or Clough's obligation (as the case may be) to pay the amount referred to above by Forge to Clough or by Clough to Forge respectively does not apply to the extent of the Impugned Amount; and

  (v) if Clough or Forge has received an Impugned Amount, it must refund it to the other within ten Business Days of the final determination being made.

(e) ***Termination rights***

- Termination by Forge or Clough

  Subject to the paragraph below, either Forge or Clough may terminate the PBIA by giving written notice to the other party

  (i) prior to 8.00am on the date of the Offer if the other party is in material breach of any clause or warranty of the PBIA provided that written notice has been given the defaulting party and the default has not be rectified 10 business days after notice was given; or

  (ii) Clough withdraws the Offer for any reason, including non-satisfaction of a Condition.

- Termination by Clough

  Clough may termination the PBIA by giving written notice to Forge if:

  (i) a Condition is not fulfilled; or

  (ii) a Competing Proposal is made and:

  (A) the maker of the Competing Proposal (together with its associates) acquires a relevant interest in more than 15% of the Forge Shares; and

  (B) the Competing Proposal becomes unconditional; or

  (iii) the Forge Board fails to recommend unanimously the Offer or makes a public statement that it no longer supports the Offer, or any member of the Forge Board withdraws a recommendation previously made[13]; or

  (iv) the resolution to approve the issue of the Placement Shares is not passed at the relevant general meeting.

8.3 SUMMARY OF THE STRATEGIC ALLIANCE AGREEMENT

On 23 February 2010, Forge, Clough and Clough Limited entered into the Strategic Alliance Agreement. A summary of the key terms of the Strategic Alliance Agreement is set out below:

(a) ***Board nominations***

- For so long as the Clough Group holds in aggregate such number of equity securities which is not less than:

  (i) 13% of the issued ordinary share capital of Forge at any time, Clough may nominate one person to be a member of the Forge Board ("**Nominee Director**"); and

[13] Clough has agreed not to exercise this right of termination as a result of the Directors' recommendation under this Target's Statement.

(ii) 31% of the issued ordinary share capital of Forge at any time, Clough may nominate a person to be the independent chairman of the Forge Board, which is in addition to the right it has to appoint a Nominee Director.

- Forge will do all things necessary to procure the resignation of existing members of the Forge Board immediately prior to the appointments pursuant to a nomination referred to above so that at no time there are more than four members of the Forge Board.
- Clough may by notice to Forge remove and replace the Nominee Director, but Clough does not have the right to remove or replace the independent chairman nominated as set out in sub-paragraph (ii) immediately above.
- Clough and Forge agree that during the Standstill Period, the Forge Board will consist of four persons, namely:

  (i) an independent chairman;

  (ii) a CEO and executive director;

  (iii) an independent director; and

  (iv) the Nominee Director.
- If at any time during the Standstill Period the Clough Group holds in aggregate such number of equity securities which is greater than 60% of Shares on issue at any time, the agreement set out in the paragraph immediately above will cease to apply.

(b) ***Participation rights***

- Forge must give Clough three Business Days notice of any proposed offer of equity securities by it (other than a Participation Exception) ("**Proposed Equity Offer**").
- Forge must ensure that each Clough Shareholder may participate pro rata in the Proposed Equity Offer by offering for issue to each Clough Shareholder such number of equity securities so that the Clough Shareholder maintains its interest in the fully diluted capital of Forge.
- Subject to certain exceptions, Forge may suspend (but not terminate) Clough's participation rights if Clough Shareholders beneficially own (in aggregate) less than 10% of the fully diluted capital for a continuous period of 30 days after Forge gives notice to each Clough Shareholder of that fact.
- Subject to certain exceptions, Forge may terminate Clough's participation rights if Clough Shareholders beneficially own (in aggregate) less than 10% of the fully diluted capital of Forge for a continuous period of six months after Forge gives notice to each Clough Shareholder of that fact.
- Cloughs' participation rights described in this section are subject to Forge receiving written notice from ASX that the participation rights do

not contravene Listing Rule 6.18 or a relevant waiver from ASX of Listing Rule 6.18.

(c) ***Principles of cooperation***

The Strategic Alliance Agreement sets out various ways by which Clough and Forge will assist and support each other, provided that any such arrangements do not contravene the provisions of the Trade Practices Act 1974 (Cth), as follows:

- Clough Group will assist Forge in its development and growth by providing access to experienced resources and proven processes within its management system and personnel that will assist in ensuring appropriate levels of management, control and governance to support its growth strategy across its operations;
- Forge will assist and support Clough Group by being its partner of choice in all construction activities which in the opinion of Clough Group, match with Forge's capability and capacity;
- Forge and Clough Group will develop a strategic plan for Forge that allows for greater focus and capacity to be directed towards the oil and gas and coal seam methane market sectors;
- Forge will review its operations to look for standardisation and efficiency of approach across all of its operations and Clough Group will assist with this review as appropriate;
- Forge will adopt certain specific Clough Group processes and principles; and
- Clough Group will assist Forge to identify, for possible acquisition, businesses that will complement the Forge strategic growth plan and, where Clough is reasonably able to do so and if it is appropriate, assist Forge with resources to undertake due diligence in respect of businesses that Forge and Clough Group agree should be considered for acquisition by Forge, and to identify potential sources of funding for such an acquisition.

(d) ***Procedure for orderly sell down***

- During the Standstill Period, Clough Group agrees that none of the Clough Group will dispose of all or any interest in its Forge Shares without first giving Forge written notice of the intention to dispose of its Forge Shares ("**Disposal Notice**").
- Forge may give written notice to Clough Group within three Business Days from the date of receipt of a Disposal Notice of an alternative bona fide buyer or buyers for the Forge Shares the subject of the Disposal Notice at a price not less than the sale price specified in the Disposal Notice, in which event the member of the Clough Group holding the Forge Shares must Dispose of the Forge Shares the subject of the Disposal Notice to the buyer provided that the terms and

conditions of the proposed sale (other than price) to the buyer are acceptable to Clough Limited (acting reasonably and in good faith).

- The restrictions set out in the two sub-paragraphs immediately above do not apply in respect of any disposal of Forge Shares: (i) which taken together with any other disposal of Forge Shares by any member of the Clough Group in the preceding three-month period, does not exceed 5% of the issued ordinary share capital of Forge at the time of the later disposal; (ii) by way of acceptance of an offer made under a takeover bid for all of the Forge Shares, or pursuant to a pre-bid arrangement in respect of such a takeover bid; or (iii) pursuant to a scheme of arrangement between Forge and its shareholders under Chapter 5 of the Corporations Act.

(e) ***Condition***

The rights set out in the paragraphs (b) ("Participation rights") (c) ("Principles of cooperation") and (d) ("Procedure for orderly sell down") above do not become binding if the PBIA terminates or unless, within four months:

- the Clough Group holds in aggregate such number of Forge Shares which represents in aggregate not less than 31% of the issued ordinary share capital of Forge; or
- Clough has made offers under the Proportional Takeover Bid, and has declared those offers unconditional; or
- the Placement completes and:
  - (i) Clough does not make the Offer, or Clough does make the Offer but those offers lapse without becoming unconditional;
  - (ii) Clough exercises any Call Option Over Shares; and
  - (iii) as a result of Placement and the exercise of a Call Option Over Shares, the Clough Group holds in aggregate such number of Forge Shares which represents in aggregate not less than 19.98% of the issued ordinary share capital of Forge.

(f) ***Termination***

- Clough and Forge each have the right to terminate if the other party becomes insolvent or if the other party commits a material breach that continues to exist for 14 days from the time of receiving notice of the material breach.
- If the Clough Group does not hold voting power in at least 19.98% of the Forge Shares on issue at any time, each of Clough and Forge has the right to terminate the rights and obligations set out in paragraphs (c) ("Principles of cooperation") and (d) ("Procedure for orderly sell down") above.
- If a person other than a member of the Clough Group obtains at any time voting power in 20% or more (in aggregate) of the Forge Shares on issue at that time, Clough may terminate the rights and obligations

set out in paragraphs (c) ("Principles of cooperation") and (d) ("Procedure for orderly sell down") above.

8.4 Option Acquisition Deeds

On 23 February 2010, Clough entered into an Option Acquisition Deed with each of Peter Hutchinson and Andrew Ellison to acquire 3 million Forge Options at the Offer Price (as may be varied in accordance with the Corporations Act) less the option exercise price of $0.35. Each Option Acquisition Deed is on identical terms, including in terms of price and commercial terms. A summary of the key terms of the Option Acquisition Deed is set out below:

- Transfer of the Forge Options the subject of the Option Acquisition Deeds is subject to the Offer becoming unconditional and the close of the Offer.
- Either Clough or Peter Hutchinson or Andrew Ellison, as applicable, may terminate the Option Acquisition Deeds if a Superior Proposal is made or announced before the close of the Offer and Clough:
  - (i) does not make a counter proposal by the third Business Day after being provided with the required details of the Superior Proposal by Forge; or
  - (ii) does make a counter proposal which the Forge Board considers is not more favourable to Forge Shareholders than the Superior Proposal.

8.5 Call Option Over Shares Agreements

On 23 February 2010, Clough entered Call Option Over Shares Agreements with each the Major Shareholders in respect of 19.99% of the issued share capital of Forge. Each Call Option Over Shares Agreements is on identical terms in terms of price and commercial terms. A summary of the key terms of the Call Option Over Shares Agreements is set out below:

- The Major Shareholders are unassociated with the directors of Forge and have agreed to sell Clough their Call Option Shares at $2.10 per share (being the same price as the Offer Price) should Clough elect to exercise the Call Option Over Shares.
- If the Placement is approved by Forge Shareholders, the relevant interest that may be acquired by Clough under the Call Option Over Shares Agreements will reduce from 19.99% to approximately 6.96%.
- The Call Option Over Shares can only be exercised by Clough during the Call Period.
- If Clough exercises the Call Option Over Shares, Clough must exercise all of the Call Option Over Shares under each of the Call Option Over Shares Agreements on the same proportional basis.

- The Major Shareholders irrevocably undertake to accept the Offer in respect of their Call Option Shares within 5 business days after the Offer opens.
- If the Major Shareholders validly accept the Offer in respect of their Call Option Shares and do not withdraw or purport to withdraw such acceptance in respect of any of their Call Option Shares, then:
  - (i) if the Offer does not become void under section 650G of the Corporations Act, the Major Shareholders will receive for their Call Option Shares accepted into the Bid the consideration offered in accordance with the terms of the Bid and the Call Option Over Shares shall be taken to have lapsed and to have been of no further force and effect in relation to the Call Option Shares accepted into the Bid; or
  - (ii) if the Offer does become void under section 650G of the Corporations Act, the Call Option Over Shares shall continue in force throughout the Call Period regardless of the fact that some or all of the Shares the subject of the Call Option Over Shares Agreements were accepted into Bid.

SECTION 9
ADDITIONAL INFORMATION

SECTION 9
ADDITIONAL INFORMATION

9.1 DETAILS OF DIRECTORS

The Directors as at the date of this Target's Statement are:

NAME	POSITION
Mr Peter Hutchinson	Managing Director
Mr Greg McRostie	Executive Director
Mr Marcello Cardaci	Non-Executive Director
Mr Andrew Ellison	Executive Director

9.2 DIRECTORS' INTENTIONS WITH RESPECT TO THEIR OWN FORGE SHARES

To facilitate the commencement of the Strategic Alliance with Clough, each of the Executive Directors have stated that they intend, in the absence of a superior proposal, to accept the Offer in respect of 50% of the Forge Shares in which he has a relevant interest.

9.3 INTERESTS OF DIRECTORS

(a) ***Interests in securities in Forge***

The only marketable securities that Forge has on issue are Forge Shares and unlisted Forge Options.

As at 14 April 2010, Forge had 78,689,014 Forge Shares and a total of 7,480,000 Forge Options on issue. Each Forge Option is exercisable into one Forge Share at an exercise price of 35 cents.

Details of Forge Shares and Forge Options in which each Director has a relevant interest are as follows:

DIRECTOR	FORGE SHARES	FORGE OPTIONS
Mr Peter Hutchinson	1,163,763	4,000,000[1]
Mr Greg McRostie	3,388,200	Nil
Mr Marcello Cardaci	Nil	Nil
Mr Andrew Ellison	3,214,919	2,000,000[2]

Notes:

(1) 4,000,000 Forge Options exercisable into Forge Shares at $0.35 each on or before 30 May 2012.

(2) 2,000,000 Forge Options exercisable into Forge Shares at $0.35 each on or before 30 May 2012.

(b) ***Dealings in securities in Forge***

Other than as set out below, no Director acquired or disposed of a relevant interest in any Forge Shares or Forge Options during the four month period ending on the date immediately before the date of this Target's Statement.

(c) ***Interests in securities of Clough***

As at the date of this Target's Statement, none of the Directors had a relevant interest in any securities in Clough

(d) ***Dealings in securities of Clough***

Neither Forge nor any Director acquired or disposed of a relevant interest in any securities in Clough during the four month period ending on the date immediately before the date of this Target's Statement.

(e) ***Agreements and benefits conditional on or connected with the Offer***

Other than the entry into the Option Acquisition Deeds by Mr Peter Hutchinson and Mr Andrew Ellison (or entities controlled by them), no Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer and no Director is entitled to receive any benefit from Clough which is conditional on or connected with the Offer (other than in their capacity as a Forge Shareholder).

The Option Acquisition Deeds are summarised in section 8.4 of this Target's Statement.

(f) ***Contracts with Clough***

Other than the entry into the Option Acquisition Deeds by Mr Peter Hutchinson and Mr Andrew Ellison (or entities controlled by them), no Director has any interest in any contract entered into by Clough.

The Option Acquisition Deeds are summarised in section 8.4 of this Target's Statement.

(g) ***Payments and benefits***

Other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director:

- in connection with their retirement from office in Forge or a related body corporate of Forge; or

- in connection with the transfer of the whole or any part of the undertaking or property of Forge.

9.4 Potential Impact of Offer on Forge's Material Contracts

Forge has not identified any material contracts to which it is a party that contain change of control provisions that may be triggered as a result of the Offer or acceptances of the Offer for which consent has not been given

9.5 Impact of Offer on Forge Options

Forge currently has 7,480,000 Options on issue with various exercise prices and expiry dates.

If a person, during the period from after the Register Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of Forge Shares (whether or not they are registered or entitled to be registered as the holder of other Forge Shares) due to the exercise of Forge Options that are on issue at the Register Date (being 9 April 2010), the Offer will extend to those Forge Shares issued after the Register Date.

9.6 Changes in the Financial Position of Forge

The most recent published financial information in relation to Forge is contained in the Company's audit reviewed financial report for the half year ended 31 December 2009 which was lodged with the ASX on 24 February 2010.

There has been no material movement in the financial position of Forge since 31 December 2009. However, the Company provided revenue and net profit after tax guidance on the 16 March 2010 for the 12 month period ending 30 June 2010 of $240-$245 million and $28-$30 million respectively.

9.7 Risk Factors

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of Forge and the value of Forge Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with Forge's business and its involvement in the engineering and construction contracting industry. While most risk factors are largely beyond the control of Forge and its Directors, the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect Forge. These risk factors ought not to be taken as exhaustive of the risks faced by Forge or by Forge Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of Forge and the value of Forge Shares.

(a) ***Share Price***

There is a risk that the Forge Share price may fall if the Offer is unsuccessful.

(b) ***Industry Downturn***

The Company's financial performance is sensitive to the level of demand within the resource, mining services and infrastructure industries. While conditions in these sectors are generally positive at present, the level of activity and profitability in these industries is cyclical and sensitive to a number of factors beyond the control of the Company, such as movements in commodity prices. In addition, the Company is not able to predict the timing, extent or duration of the activity cycles in these markets.

(c) ***Competition***

The Company operates in a competitive market. There can be no assurance that the actions of competitors or changes in clients will not adversely affect the Company's performance. Increased competition could result in price reductions, under-utilisation of personnel, reduced profit margins and loss of market share. Any of these could adversely affect the Company's operating and financial performance.

(d) ***Reliance on Key Personnel***

The Company relies on a number of key employees and consultants. There is a risk that the Company may fail to attract, retain or develop key employees or consultants which would have an affect on the development of the Company.

The Company's success also largely depends on the core competencies of its Directors, and their familiarisation with, and ability to operate in, the construction industry.

The loss of one or more of the Directors, or other key persons or consultants could have a materially adverse effect on the Company's business, financial position and results of operations.

(e) ***Workplace Relations***

Historically the Company has maintained a positive relationship with its employees. The Company relies on the skills of its employees, and therefore any material deterioration in general workplace relations may have a detrimental impact on its financial performance.

(f) ***Key relationship breakdown***

The Company relies upon relationships with a number of clients within the resource, mining services and infrastructure industries in which it operates in order to maintain and grow its market share. The deterioration of a number of key relationships could result in significant financial implications for the Company.

(g) ***Expansion***

The Company has achieved significant growth in its operational and financial performance in recent years. As part of its business strategy the Company aims to actively continue this growth. While the efforts of the Company have the potential to generate substantial returns and business growth in the long term, there can be no certainty that this growth or these returns will ultimately be achieved.

(h) ***Acquisitions and Shareholder Dilution***

The Company may consider strategic acquisitions and joint ventures as one of its growth strategies. The Company may pursue strategic acquisitions of businesses that complement its existing business. There can be no assurance that the Company will be able to successfully identify, acquire or integrate such businesses.

The Company may elect to fund acquisitions using existing or new bank facilities. The Directors will adopt prudent financial practices in assessing the appropriate fund mix.

(i) ***Shortage of Capital***

The Company's ability to implement its future business plan may depend on whether it can access appropriate funds. The development of the Company may require additional capital to fund further expansion and technological improvements to the operations. The Company's ability to raise further capital (equity or debt) within an acceptable time, of sufficient quantum, and on terms acceptable to the Company will vary according to a number of factors, including:

- prospectively of new business; and
- stock market and industry conditions.

(j) ***Reliance on Key Contracts and Ability to Replace Key Contracts***

The majority of the Company work is through contracts which typically run from six to 18 months. In any given year, the revenue of the Company is largely generated from a small number of contracts.

Any delay or termination of the Company's material contracts, any breach by the Company of its obligations under those contracts or the incurring of unrecoverable costs during performance, may materially impact on the Company's performance.

Any failure to retain or adequately replace or renew key contracts on the expiration of their respective terms would also be likely to cause a significant decrease in the Company's revenue and performance.

(k) ***Execution Risk***

The profitability of the Company's business will be subject to performance under various contracts and agreements. Failure by the Company to adequately perform contractual obligations may result in loss or delay in generating revenue, loss of contracts and market share, failure to achieve market acceptance, injury to the Company's reputation and increased insurance costs.

In addition, the business of the Company will require involvement with a number of third parties, including contractors and clients. Financial failure, default or contractual non-compliance on the part of such third parties may materially harm the performance of the Company. It is not possible for the Company to predict or protect itself against all such risks.

(l) ***Time Delay Risk***

The Company's performance is influenced by its ability to win new contracts for resource, mining services and infrastructure works and the completion of those contracts in a timely manner based on the planned timetable.

Development approvals, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost over-runs. Delays in completion may, in turn, result in delayed recognition of revenue, liquidation damages and termination of pre-sale agreements. The deferral of recognition of revenue has the ability to impact the revenue recorded and the financial performance by the Company to later accounting periods.

Other time delays that may arise in relation to construction and development include supply of labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues. Objections raised by community interest groups and environmental groups may also delay the granting of planning approvals or the overall progress of a project.

(m) ***Supply Arrangements***

The Company has a number of arrangements with key suppliers, providing for the supply of business inputs including steel, consumables, contract labour and technological back-up.

All current supply arrangements are based on commercial supplier/customer terms. Interruption or termination of any of these supply agreements could have a material adverse impact on the Company. In addition, there is no certainty that existing arrangements will be renewed at all or on terms similar to those of existing agreements which could impact on the continuity of operations and the profitability of the business.

The Company is also reliant on the supply of various other services including electricity, gas and water. Any disruption to the timely supply of one or more of these services or products by reason of industrial dispute, power grid failure or otherwise, could have a material adverse impact on the Company.

(n) ***Insurance***

A provision of services by the Company carries with it a risk of liability for losses arising from defective services and products including indirect or consequential losses suffered by third parties.

A successful claim for liability may impact the Company by:

- adversely affecting the reputation of the Company;
- requiring the payment of insurance excesses;
- requiring the payment of various costs (such as legal and other experts' costs) in defending claims or negotiating instruments;
- requiring liability payments which either are not covered by insurance or which exceed limits under available insurance coverage; and
- increasing future insurance premiums.

The Company seeks to decrease its exposure to liability contractually and maintains adequate levels of public and product liability insurance. However, as described above, the Company's insurance and contractual arrangements may not adequately protect it against liability for all losses, including environmental losses, personal injury or property damage or losses arising from business interruption. The Company may also be unable to maintain insurance at levels of risk coverage or with deductibles that it considers commercially appropriate or guarantee that every contract contains and has properly incorporated adequate limitations on liability. Any loss falling outside the scope of insurance or contractual limits may adversely affect the Company's earnings and cash flows.

(o) ***Exchange Rate Risk***

If the Company is successful in securing major overseas contracts, significant potential income of the Company may be derived from overseas markets and thus exposed to exchange rate risks. Some contract income may be denominated in foreign currencies whereas the income and expenditure of the Company are taken into account in Australian currency. The Company would be exposed to the fluctuations and volatility of the rate of exchange between various foreign currencies and the Australian dollar determined in international markets.

(p) ***Sovereign Risk***

There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, political instability, expropriation, nationalisation and war. There may also be fluctuations in technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies.

(q) ***International Hostilities and Disasters***

The Company's performance and/or the ability of its clients to commission work may be impacted by global tensions or the commencement of military action in the overseas markets in which it works. In addition, the risk of terrorist or criminal activity may reduce work opportunities or make it unsafe for the Company to continue operations in particular country. The occurrence of natural disasters can also prevent planned work from taking place.

9.8 DUE DILIGENCE

Before the date of the Bidder's Statement, Forge provided Clough Limited and Clough with certain non-public information about Forge, for the purpose of Clough Limited and Clough conducting a due diligence review of that information in connection with the PBIA. Clough has disclosed at section 6.9 of the Bidder's Statement that except as set out in the Bidder's Statement, there is no information material to the making of a decision by an offeree whether or not to accept the Offer, being information that is known to Clough and has not previously been disclosed to Forge Shareholders.

9.9 CONSENT TO INCLUSION OF STATEMENTS

Blakiston & Crabb has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as legal advisers to Forge.

Blackswan Equities Pty Ltd has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as corporate advisers to Forge.

RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion in this Target's Statement of its Independent Expert's report in the form and context which it appears and RSM Bird Cameron has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

This Target's Statement also includes statements made by, or statements based on statements made by, Clough. Clough has not consented to those statements being included in this Target's Statement.

9.10 PUBLICLY AVAILABLE INFORMATION

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including Clough) with ASIC, or given to ASX, namely in the Bidder’s Statement.

As required by ASIC Class Order CO 01/1543, Forge will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Forge Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), Forge Shareholders may telephone Peter Hutchinson on (08) 6222 6400 (from within Australia) or +61 8 6222 6400 (from outside Australia).

As permitted by ASIC Class Order 07/429 this Target's Statement contains share price trading data sourced from IRESS without its consent.

9.11 MATERIAL LITIGATION

As at the date of this Target Statement, Forge is not aware of any current or proposed litigation or dispute that is material.

9.12 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all the information that Forge Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that Forge Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement;
- the information which has been previously disclosed by Forge as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;

- the information contained in Clough releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

SECTION 10
APPROVAL OF TARGET'S STATEMENT

SECTION 10
APPROVAL OF TARGET'S STATEMENT

This Target's Statement has been approved by a resolution of the Forge Board.

Signed for and on behalf of Forge Group Limited:

Dated 14 April 2010

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PETER HUTCHINSON
MANAGING DIRECTOR

SECTION 11
DEFINITIONS AND INTERPRETATION

SECTION 11
DEFINITIONS AND INTERPRETATION

11.1 DEFINITIONS

In this Target's Statement, unless the context otherwise requires:

"**A$**", "**$**", or "**AUD**" means the currency of Australia;

"**Announcement Date**" means 23 February 2010;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited (ABN 98 008 624 691), and where the context requires, the Australian Securities Exchange;

"**ASX Listing Rules**" means the official listing rules of ASX as amended, varied, modified or waived from time to time;

"**Bid**" means the proportional takeover bid made by Clough pursuant to the Bidder's Statement;

"**Bidder's Statement**" means the bidder's statement issued by Clough dated 7 April 2010;

"**Call Option**" means a call option to acquire Shares in the Company pursuant to the Call Option Over Shares Agreements;

"**Call Option Over Shares Agreements**" means a call option over shares agreement between Clough and a Major Shareholder a summarised in section 8.5;

"**Call Period**" means:

(a) if Placement completion occurs on or before 8 April 2010 and Clough makes the Offer, the period from the sixth Business Day after the first day of the Offer Period to 6.00pm (Perth time) on the day which is 10 Business Days after the last day of the Offer Period;

(b) if Placement completion occurs on or before 8 April 2010 and Clough does not make the Offer, the period of 10 Business Days from the day Clough publicly announces it does not intend to make the Offer;

(c) if the Forge Shareholders do not approve the Placement, the period of 10 Business Days commencing on the date of the shareholder meeting to approve the Placement; or

(d) if Placement completion does not occur for any reason on or before 8 April 2010 and the Call Period has not commenced under paragraph (c) above, the period of 10 Business Days from 8 April 2010;

"**CHESS**" means the Clearing House Electronic Sub register System, which provides for electronic share transfers in Australia;

"**CHESS Holding**" means a holding of Forge Shares on the CHESS Sub register of Forge;

"**Clough**" or "**Bidder**" means Clough Operations Pty Ltd ABN 26 109 444 279;

"**Clough Group**" means Clough Limited and its subsidiaries, including Clough;

"**Clough Limited**" means Clough Limited ABN 59 008 678 813;

"**Clough Shareholders**" means:

(a) Clough, if it beneficially holds Forge Shares; and

(b) any member of the Clough Group which beneficially holds Forge Shares;

"**Competing Proposal**" means:

(a) any expression of interest, proposal or offer by any person (other than Clough or its associates) made in writing to Forge to evaluate or enter into any transaction (whether a scheme of arrangement, a takeover bid or otherwise) or under which, other than as required or contemplated by the Bid:

  (i) that person (together with its associates) may acquire a relevant interest in 15% or more of the Forge Shares;

  (ii) that person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure, strategic alliance or otherwise), any interest in all or a substantial part of Forge's business or assets of Forge; or

  (iii) that person may otherwise acquire control of, or merge or amalgamate with, Forge; or

(b) any acquisition of, or agreement to acquire, a relevant interest in 15% or more of the Forge Shares by any person (other than Clough or its associates);

"**Conditions**" means the conditions of the Offer as set out in section 5.1 of Annexure A of the Bidder's Statement;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a member of the Forge Board;

"**Executive Directors**" means Peter Hutchinson, Andrew Ellison and Greg McRostie;

"**Forge**" or "**Company**" means Forge Group Limited ACN 065 464 226;

"**Forge Board**" or "**Board**" means the board of directors of Forge;

"**Forge Options**" or "**Options**" means options to subscribe for Forge Shares;

"**Forge Optionholders**" means a holder of Options;

"**Forge Shares**" or "**Shares**" means fully paid ordinary shares in the capital of Forge;

"**Forge Shareholder**" or "**Shareholder**" means a person registered in the register of members of Forge as a holder of one or more Forge Shares;

"**Independent Expert**" or "**RSM Bird Cameron**" means RSM Bird Cameron Corporate Pty Ltd;

"**Major Shareholders**" mean Temorex Pty Ltd ACN 061 621 896, Chisholm Nominees (WA) Pty Ltd ACN 009 318 110, Allise Pty Ltd ABN 44 009 282 115 and Barry McRostie;

"**Notice of Status of Conditions**" means Clough's notice disclosing the status of the conditions of the Offer which is required to be given by subsection 630(3) of the Corporations Act;

"**NPAT**" mean net profits after tax;

"**Offer**" means the offer by Clough for the Forge Shares on the terms contained in section 1 of Annexure A of the Bidder's Statement;

"**Offer Period**" means the period during which the Offer remains open for acceptance in accordance with section 1.4 of Annexure A of the Bidder's Statement;

"**Offer Price**" means the consideration offered under the Offer for each Forge Share. As at the date of this Target's Statement, that consideration is AUD$2.10 per share for 50% of your Forge Shares;

"**Option Acquisition Deed**" means an option acquisition agreement between Clough and a Major Shareholder as summarised in section 8.4.

"**Participation Exception**" means:

(a) an issue of Forge Shares as a result of the exercise of Options or other equity securities in Forge;

(b) an issue of Forge Shares or other equity securities in Forge to employees, officers, consultants or directors of Forge pursuant to a compensation or incentive scheme established before the date of this document for the benefit of employees, officers, directors or consultants of Forge;

(c) an issue of Forge Shares under a dividend reinvestment plan or bonus share plan of Forge which does not exclude participation by Clough; or

(d) an issue of Forge Shares or other equity securities pursuant to an Acquisition (as defined in the Strategic Alliance Agreement);

"**PBIA**" means the Placement and Bid Implementation Agreement between the Company, Clough and Clough Limited dated 23 February 2010;

"**Placement**" means the placement of 10,257,262 Forge Shares at an issue price of $1.90 per Forge Share to Clough as approved by Forge Shareholders on 6 April 2010;

"**Placement Shares**" means the Forge Share the subject of the Placement;

"**Register Date**" means the time and date set by the Bidder under section 633(2) of the Corporations Act, being 5.00pm (Perth time) on 7 April 2010;

"**Selling Shareholders**" means the Major Shareholders and the Executive Directors;

"**Standstill Period**" means a period of two years commencing on the date the Condition set out in section 8.3 is satisfied;

"**Strategic Alliance**" means the alliance between Forge and Clough pursuant to the Strategic Alliance Agreement;

"**Strategic Alliance Agreement**" means the Strategic Alliance Agreement between Forge, Clough and Clough Limited dated 23 February 2010;

"**Superior Proposal**" means a Competing Proposal that in the determination of the Forge Board acting in good faith:

(a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and

(b) in order to satisfy what the Forge Board considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, result in a transaction more favourable to Forge Shareholders than the Transaction,

provided that an independent financial adviser has provided a written opinion to the Forge Board which supports the determination of the matters in paragraphs (a) and (b) above;

"**Target's Statement**" means this document being the statement of Forge under Part 6.5 Division 3 of the Corporations Act relating to the Offer;

"**Transaction**" has the meaning set out in section 8.1; and

"**VWAP**" means volume weighted average price.

11.2 INTERPRETATION

In this Target's Statement, unless the context otherwise requires:

(a) the singular includes the plural and vice versa;

(b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;

(c) a reference to any gender includes all genders;

(d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;

(f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;

(g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;

(h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;

(i) the words "including", "such as", "particularly" and similar expressions do not imply limitation;

(j) all references to time are to Perth, Australia time unless otherwise indicated; and

(k) headings are for convenience of reference only and do not affect interpretation.

ANNEXURE A
INDEPENDENT EXPERT'S REPORT

RSM Bird Cameron Corporate Pty Ltd

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9102
www.rsmi.com.au

E-mail: andy.gilmour@rsmi.com.au
Direct line: 9261 9447

AJG/ADBA/JUMO/JEHN/911194
12 April 2010

The Directors
Forge Group Limited
Level 1, 45 Stirling Highway
NEDLANDS WA 6009

Dear Sirs

Independent Expert's Report and Financial Services Guide

1. INTRODUCTION

1.1. On 24 February 2010, Forge Group Limited ("Forge", "the Company" or "the Group") jointly announced with Clough Limited ("Clough") that they intended to create a strategic alliance and that subject to certain conditions being satisfied, Clough would become a cornerstone investor in Forge. Forge and Clough have entered into various agreements which, if completed will result in Clough having a potential shareholding of between 31.2% and 56.5% in Forge ("the Transaction").

1.2. The key components of the Transaction are:-

- Clough subscribes for 10,257,262 ordinary shares in Forge at $1.90 per share to acquire a 13.04% interest in Forge ("the Placement");
- Clough will make a proportional cash takeover offer at $2.10 per share to all existing Forge shareholders for 50% of their shares in Forge ("the Offer");
- Clough is offering to acquire 50% of all unlisted options held by Forge option holders at $1.75 per option; and
- Clough and Forge have entered into a Strategic Alliance Agreement regulating the future arrangements between Forge and Clough ("the Alliance").

1.3. Further details of the terms and conditions of the key components of the Transaction are provided in section 4 of this Report.

RSM Bird Cameron Corporate Pty Ltd
ABN 82 050 508 024
Licensed Investment Adviser No 255847

Major Offices in:
Perth, Sydney, Melbourne, Adelaide and Canberra

RSM Bird Cameron Corporate Pty Ltd is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

1.4. The Company is seeking to issue a Target Statement, being a disclosure document prepared by the Forge directors to assist Forge's non-associated shareholders in making an informed assessment in relation to the Offer. The Directors of Forge have requested that RSM Bird Cameron Corporate Pty Ltd ("RSMBCC") provide an Independent Expert Report as to the fairness and reasonableness of the Proportional Takeover Offer for inclusion in the proposed Target Statement.

2. SUMMARY AND CONCLUSION

2.1 In our opinion and for reasons set out in Sections 11 and 12 of this Report, the Proposed Transaction is **neither Fair nor Reasonable** for Forge shareholders.

Fairness

2.2 In section 11 we determined that the Offer consideration is not fair for the shareholders of Forge as it is less than the assessed value of a Forge share as shown below.

	Value per Share	
	Low $	High $
Assessed Value of a Forge Share	3.74	4.13
Value of Consideration Offered	2.10	2.10

Table 1: Comparison of Consideration with Current Assessed Value

Reasonableness

2.3 In Section 12 we determined that the Offer is not reasonable for shareholders of Forge by considering:-

- advantages and disadvantages of the Offer; and
- other significant factors.

2.4 The key advantages are:-

- On Clough acquiring a minimum 31% shareholding in the Company the Alliance will be triggered. The key benefits of the Alliance are twofold, firstly to reduce the risk of the business, and secondly to facilitate significant growth of Forge.

  The major risk areas that the Alliance will address are:-

  - Executions Risk; and
  - Key Personnel Risk.

  The major growth opportunities that the Alliance will provide are:-

  - Forge will become Clough's "partner of choice";
  - Mutual partnering opportunities will be facilitated;
  - Forge will become equipped to tender for large scale projects; and
  - Clough will provide Forge with assistance in identifying and assessing future acquisition opportunities.

- Clough will become the cornerstone investor and have invested between approximately $55 million and $98 million in Forge depending upon its ultimate shareholding. At this level of investment it will be incumbent upon Clough to ensure the success of the Alliance and its investment in Forge.

2.5 The key disadvantages are:-

- The consideration offered by Clough does not reflect the fair value of Forge's shares.

- The Offer price is below the current market price of Forge's shares.

- The presence of a cornerstone shareholder such as Clough on the share register may detract from the attractiveness of Forge as a takeover target and accordingly shareholders may potentially be foregoing any future control premium in any shares they continue to hold in Forge.

2.6 The Major Shareholders have stated that they intend to accept the Offer in the absence of a superior proposal and accordingly Clough will acquire more than 31% of the Company and trigger the Alliance. Given these circumstances the future prospects of Forge will not vary significantly whether the Offer is accepted by shareholders other than the Major Shareholders or not.

3. REPORT STRUCTURE

3.1 The remainder of our report is divided into the following sections:-

4. OUTLINE OF THE OFFER

4.1 On 23 February 2010 Forge and Clough entered into a number of agreements and proposed transactions which underpinned the formation of a strategic alliance between the parties. The relevant agreements and proposed transactions are as follows:-

- In accordance with the Placement and Bid Implementation Agreement ("PBIA") Forge will issue 10,257,262 shares to Clough at an issue price of $1.90 per share – the Placement;
- Clough has entered into a Call Option Over Shares Agreement with Major Shareholders of Forge, in accordance with which the Major Shareholders granted Clough Call Options over an aggregate of 13,676,349 shares which reduced to 5,470,539 shares immediately prior to completion of the Placement;
- Clough making offers to Forge shareholders to acquire 50% of their shares in Forge pursuant to the Proportional Takeover Offer at $2.10 per share – the Offer;
- Clough making offers to Forge option-holders to acquire 50% of all unlisted options for a cash consideration of $1.75 per option; and
- The Strategic Alliance Agreement which governs the future relationship between Clough and Forge – the Alliance.

4.2 Each of the relevant agreements and proposed transactions are considered below.

Placement

4.3 In accordance with the PBIA, Forge has issued 10,257,262 shares in Forge at $1.90 per share to Clough which raised approximately $19,488,800 in cash. The Placement was approved by Forge shareholders at a general meeting on 6 April 2010. On completion of the Placement, Clough has a shareholding of 13.04% in Forge as shown in the Table below.

	Shares on Issue	%
Shares on issue pre Placement	68,431,752	86.96%
Placement shares	10,257,262	13.04%
Shares on issue following placement	78,689,014	100.00%

Table 2: Shares on Issue following Placement

Call Option Over Shares Agreements

4.4 Clough has entered into a Call Option Over Shares Agreement with each of the Major Shareholders (Temorex Pty Ltd, Chisholm Nominees (WA) Pty Ltd, Allise Pty Ltd, and Barry McRostie) in respect of 19.99% of the issued share capital of Forge.

4.5 The Major Shareholders are unassociated with the directors of Forge, and have agreed to sell Clough their Call Option Shares at $2.10 per share (being the same price as the Offer) should Clough elect to exercise the Call Option Over Shares.

4.6 As the Placement has been approved by Forge Shareholders, the relevant interest that may be acquired by Clough under the Call Option Over Shares Agreement has reduced from 19.99% to approximately 6.95% as shown in the table below.

	Pre Placement No. of Shares	**Post Placement No. of Shares**
Call Option Shares	13,676,349	5,470,539
Forge Shares on Issue	68,431,752	78,689,014
Call Option Shares as a percentage of shares on issue	19.99%	6.95%
Placement Shares %	-	13.04%
Percentage shareholding of Clough if Call Options Exercised	19.99%	19.99%

Table 3: Clough Shareholding if Call Options Exercised

4.7 The Call Option Over Shares can only be exercised by Clough during the Call Period which extends from the sixth Business Day after the first day of the Offer Period to the tenth Business Day after the last Business Day of the Offer Period.

4.8 Under the Call Option Over Shares Agreements, each Major Shareholder agreed to accept the Offer by no later than 6pm Perth time on the fifth business day after the commencement of the Offer Period. If the Call Option Shares are validly accepted by the Major Shareholders into the Offer, and such acceptances are not withdrawn, the Call Option Over Shares shall be taken to have lapsed unless the Offer becomes void under section 650G of the Companies Act.

The Offer

4.9 As the Placement has been approved, and none of the defeating conditions have been triggered, Clough is now making the Offer which is an off-market proportional takeover offer to all Forge shareholders to acquire 50% of each Forge shareholder's Forge shares at $2.10 per share.

4.10 The Major Shareholders and the Directors who collectively hold 41.9% of the voting power of Forge (excluding the Placement shares) have stated they intend to accept the Offer in the absence of a superior proposal.

4.11 Following the completion of the Placement and the Offer Clough will hold between 31.23% and 56.52% of the issued shares of Forge dependent upon the support received from the Forge shareholders excluding the Major Shareholders and Directors for the Offer as shown in the Table below.

	Minimum Clough Shareholding		Maximum Clough Shareholding	
	No.	**%**	**No.**	**%**
Share Placement	10,257,262	13.04	10,257,262	13.04
Major Shareholders:				
- Temorex Pty Ltd and assoc. parties	4,854,897	6.17	4,854,897	6.17
- Chisholm Nominees (WA) Pty Ltd	3,450,000	4.38	3,450,000	4.38
- Allise Pty Ltd	261,800	0.33	261,800	0.33
- Wallace King	250,000	0.32	250,000	0.32
- Barry McRostie	1,619,100	2.06	1,619,100	2.06
Directors:				
- Greg McRostie	1,694,100	2.15	1,694,100	2.15
- Peter Hutchinson	581,882	0.74	581,882	0.74
- Andrew Ellison	1,607,460	2.04	1,607,460	2.04
	14,319,239	18.19	14,319,239	18.19
Total owned by Clough before Other Shareholders	24,576,501	31.23	24,576,501	31.23
Other Shareholders (39,793,274 shares)	-	-	19,896,637	25.29
Total Clough Shareholding	24,576,501	31.23	44,473,138	56.52
Other Shareholders	54,112,513	68.77	34,215,876	43.48
Total Shares on Issue	78,689,014	100.00	78,689,014	100.00

Table 4: Clough Shareholding Range on Completion of Offer

Forge Option Holders

4.12 Clough has entered into Option Acquisition Deeds ("OAD") to acquire 3,000,000 options (50%) from certain Directors (or entities controlled by them). The price payable for the options is the Offer price ($2.10 per share) less the exercise price of the option ($0.35 per Option). The acquisition of the options is subject to the Offer being declared unconditional by Clough and the Offer closing.

4.13 These options do not provide Clough with any voting rights or relevant interests in the Company unless Clough subsequently exercises the options to acquire the underlying shares.

4.14 Clough will make offers to all Forge option holders (other than the Directors) to acquire 50% of their options on the same terms and conditions as the OAD. At the date of this Report there are 7,480,000 options on issue.

4.15 Accordingly on a fully diluted basis Clough will hold between 32.0% and 55.95% of the issued shares of Forge dependent upon the support received from the Forge shareholders excluding the Major Shareholders and Directors for the Offer as shown in the Table below.

	Minimum Clough Shareholding		**Maximum Clough Shareholding**	
	No.	**%**	**No.**	**%**
Shares on Issue	78,689,014	91.32	78,689,014	91.32
Options on Issue	7,480,000	8.68	7,480,000	8.68
Total Shares Issue – diluted basis	86,169,014	100.00	86,169,014	100.00
Clough Shareholding	24,576,501	28.52	44,473,138	51.61
Options acquired by Clough	3,000,000	3.48	3,740,000	4.34
Clough shareholding – diluted basis	27,576,501	32.00	48,213,138	55.95
Other shareholders – diluted basis	58,592,513	68.00	37,955,876	44.05
Total shares on issue – diluted basis	86,169,014	100.00	86,169,014	100.00

Table 5: Clough Shareholding Range on Completion of Offer on a Fully Diluted Basis

Strategic Alliance

4.16 The Strategic Alliance will be triggered when Clough acquires 31% of the issued shares or Clough declares the Offer unconditional.

4.17 The Strategic Alliance will also be triggered if the Placement is completed (but the Offer is not made due to a defeating condition or the Offer lapses without becoming unconditional) and Clough exercises the Call Options Over Shares (refer paragraphs 4.4 to 4.8) and as a result of that exercise and the Placement, Clough holds 19.98% or more issued shares in Forge.

4.18 The Strategic Alliance will provide a framework for long-term strategic cooperation between the companies. It allows the parties to jointly target project opportunities in the liquefied natural gas sector (LNG), coal seam gas (CSG) and other oil and gas sectors and will support Forge's anticipated continued growth.

4.19 In particular the Strategic Alliance will provide for:-

- Forge having immediate access, on a commercial basis, to Clough's proven project management, resources and control systems to accelerate and support Forge's individual growth strategy;
- Transfer and secondment of key Clough personnel with proven experience to assist Forge in its next phase of growth;
- Identification of mutually advantageous partnering opportunities while Forge continues to act independently in the provision of services in the market in which it operates;
- Forge becoming Clough's "partner of choice" in construction activities that align with Forge's capability and capacity;
- Clough assisting with developing and building on Forge's strategic plan with greater focus on LNG, CSG and other oil and gas markets;
- Adoption of Clough's contracting and risk management processes and principals which are suitable for the Company's requirements;

- Forge and Clough working together to identify and access suitable acquisitions for Forge; and

- The appointment by Clough of a non-executive Director to the Board of Forge upon Clough acquiring 13% of the issued shares in Forge, and an independent non-executive Chairman upon Clough acquiring 31% of the issued shares.

4.20 Clough will become the cornerstone investor in Forge upon completion of the Transaction. However, Forge will continue to operate as a separate business independently from Clough.

5. PURPOSE OF THE REPORT

5.1 Although there is no legislative requirement for an expert's report in takeover bids except in particular circumstances, the Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111: Content of Expert Reports ("RG 111") provides some guidance as to situations where expert's reports have been commissioned.

5.2 RG 111 states that in relation to takeover bids "targets often commission expert reports to assist security holders even where there is no requirement to do so".

5.3 In accordance with best practice Forge has engaged RSMBCC to prepare this report for provision to shareholders to assist them in deciding whether to accept or reject the Offer.

Basis of Evaluation

5.4 In evaluating the Offer we have given regard to the views expressed in RG 111.

5.5 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is "fair and reasonable".

5.6 RG 111 states that the expert report should focus on:

- The issues facing the security holders for whom the report is being prepared; and
- The substance of the transaction rather than the legal mechanism used to achieve it.

5.7 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:

5.7.1 A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and

5.7.2 A takeover offer is considered "reasonable" if it is fair, or where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

5.8 Consistent with the guidelines in RG 111, in determining whether the Offer is fair and reasonable to Forge Shareholders, the analysis undertaken is as follows:

5.8.1 A comparison between the value of a Forge share and the consideration offered by Clough – fairness; and

5.8.2 A review of other significant factors which Shareholders might consider prior to approving the Offer – reasonableness.

6. PROFILE OF THE PRINCIPAL INDUSTRIES IN WHICH FORGE OPERATES

6.1. Given the nature of Forge's business activities and in order to provide a context for assessing the value of Forge, we have set out below an overview of the characteristics and outlook for the principal sectors in which Forge operates. More detailed discussion in relation to the characteristics and outlook for each of these sectors is set out in Appendix C to this report.

Current Economic Conditions

6.2. The outlook for the Australian economy is strong compared to the other developed economies with growth forecast to be in the region of 3.25 and 3.50 per cent in both 2010 and 2011. Private demand is likely to strengthen through 2010 with strong public demand supporting growth in the early part of the year. Continued improvement in the global economy, demand from the Asian economies and as such the expected increases in commodity prices are expected to support continuing high investment in the resources sector and dwelling investment is also expected to grow strongly.

Heavy and Other Non Building Construction Industry

6.3. Forge's primary operating activity is in the area of engineering and construction work which includes the infrastructure and construction sectors. This sector has recorded unprecedented cyclical growth in recent years driven principally by private sector investment in resource developments, energy and transport infrastructure, particularly in Western Australia, Northern Territory and Queensland.

6.4. Whilst the Global Financial Crisis ("GFC") resulted in demand conditions easing due to the scaling back of work in project completion due to the reduction in the availability of credit to fund investments, the industry remains at historically high levels in terms of activity and employment levels and company profitability vastly exceeds that of previous expansionary cycles.

6.5. Mining and energy investment is forecast to strengthen considerably over the medium term with work on major projects such as Gorgon, Pluto LNG and the North Rankin Gas Compression projects expected to drive significant growth in industry revenues.

6.6. The forecast growth in investment and demand is expected to lead to a further tightening in the labour market which is likely to result in industry participants facing severe skills shortages over the coming periods.

6.7. A large amount of activity in the industry is awarded through tender and, to be competitive in the industry firms must have the ability and proven track record to compete on tenders without compromising their long-term profit and cash flow targets. To remain competitive it is essential that firms have the project management skills, systems, processes and the flexibility not only to manage and deliver multiple projects at any one time but also to change the segments of the engineering construction market they operate in.

Institutional Building Construction Industry

6.8. A secondary operating activity of Forge is in the Institutional Building Construction Industry. This sector is characterised by work undertaken by private contractors funded by public sector investment.

6.9. In general this sector has enjoyed significant growth in recent years as solid budget financing enabled State and local governments to invest significantly in health and educational facilities to meet the broadening spread of population settlement. This sector has been further stimulated by the significant government spending in the wake of the GFC.

6.10. In order to remain competitive in the industry firms must have proven tender experience and good working relationships with a pool of skilled contractors to enable the participants to offer the turnkey contracts preferred by customers.

West African Gold Mining Industry

6.11. According to USGS Mineral Commodities analysis, West Africa is the top region in gold resource growth from 1997 to 2005. In 2008 the region produced 175 tonnes of Gold, with Ghana producing nearly 50% of this with over 80 tonnes. If the region was ranked as a single entity it would be placed seventh against the top gold producing countries. On this basis, growth over the next few years is estimated to push the region up to second behind China.

6.12. The recent rise in the gold price has led to a rush of entrepreneurial companies entering the region to re develop historic mines and commit to greenfield exploration in West Africa. The number of gold producing mines is expected to double in the medium to long term from 29 currently to 58, with 10 of these projects earmarked for Ghana.

6.13. The increasing significance of the region as a gold mining producer and the influx of investment into existing and greenfield mine sites is expected to create significant opportunities over the next decade for those entities engaged in the design and construction of mine sites and associated infrastructure.

7. PROFILE OF FORGE

Overview

7.1 Forge is a Western Australian based public company listed on the Australian Securities Exchange (ASX code FGE).

7.2 Forge was admitted to the official list of the Australian Securities Exchange on 28 June 2007, following the demerger of aiConstruction Limited (renamed Forge Group Limited) from aiLimited in June 2007. The company's investments in the engineering and construction industries trace back to the early 1970's.

7.3 Forge provide a wide range of engineering and construction services to a diverse range of clients particularly to the resource and oil and gas sectors through its three operating entities of Abesque Engineering Limited ("Abesque"), Cimeco Pty Ltd ("Cimeco") and Webb Construction (West Africa) Limited ("Webb Construction"), as set out in the organisational chart below;

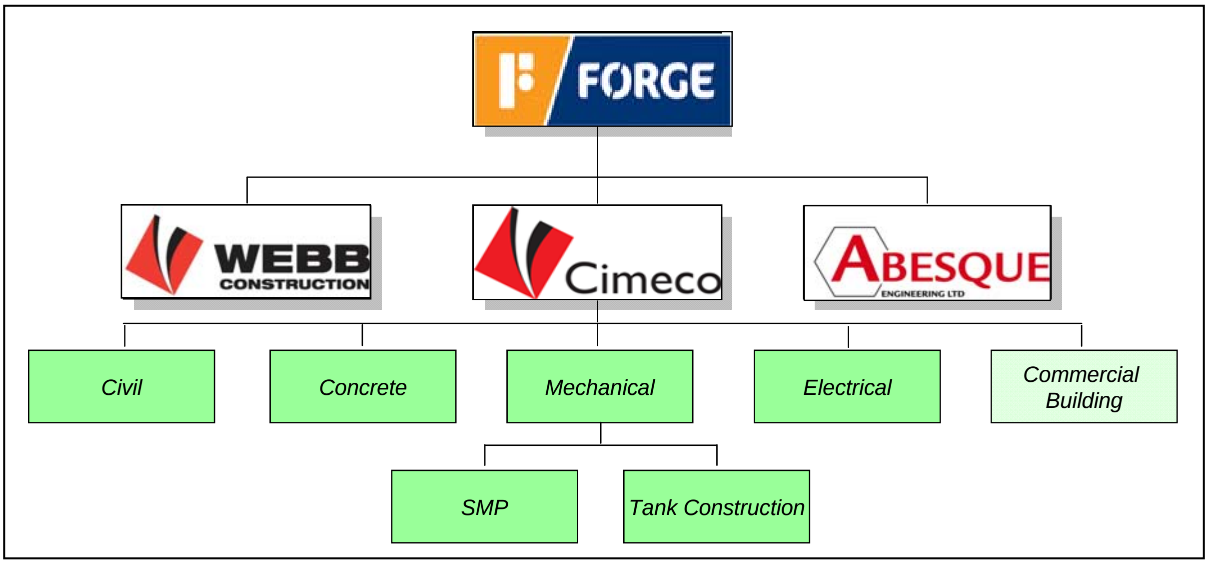


Figure 1: Forge Organisation Chart

7.4 Forge's head office is in Perth, with its operating entities located in Australia (Cimeco and Abesque) and Ghana, West Africa (Webb Construction). The chart below illustrates the distribution of Forge's revenue for FY2009 by operating region. $138 million of revenue was derived through Forge's Australian Customers, with the remaining $29.9 million generated through West African contracts.

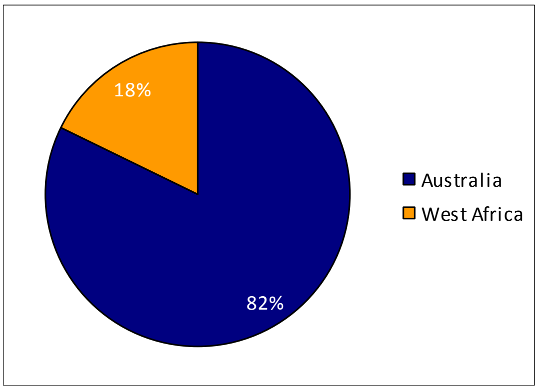
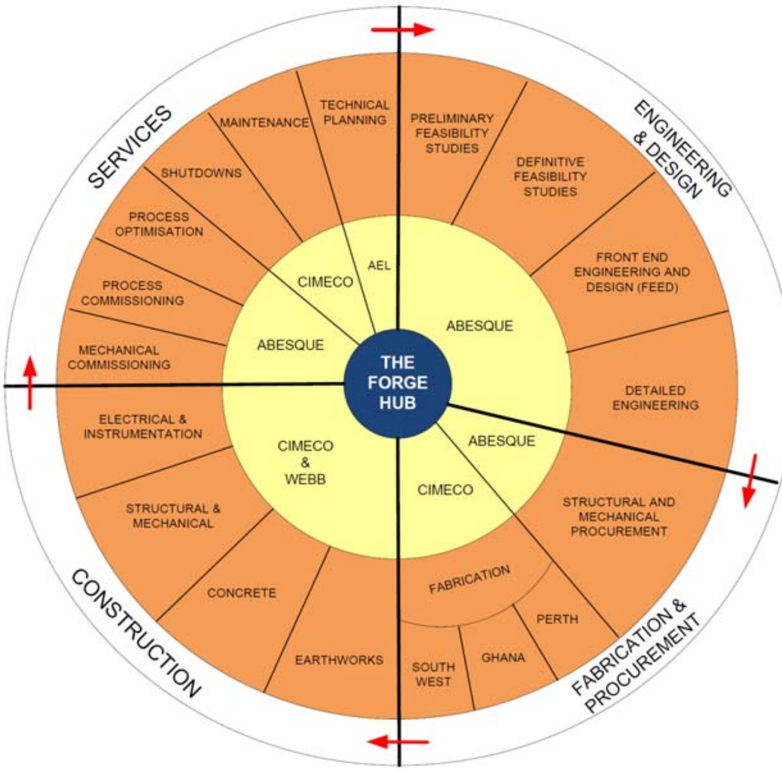


Figure 2: Geographical split of Forge revenue for the year ended 30 June 2009

7.5 Forge employs over 550 staff across its operations. The diagram below illustrates Forge's capabilities and product offering by entity.



Operating entities

Cimeco

7.6 Cimeco was established following the acquisition of Devaugh Pty Ltd in 2005, and the subsequent integration with aiConstruction Ltd in June 2007, Cimeco is one of WA's leading construction, fabrication and project delivery contractors with a history that dates back to 1972.

7.7 Cimeco provides construction services across a wide range of disciplines including, commercial building, civil, concrete, structural, mechanical, piping, tanks and electrical. Cimeco has successfully positioned itself in the market place as a leading commercial builder, steel and tank fabricator, manufacturer and onsite civil and mechanical contractor.

7.8 Cimeco operates two fabrication shops, one in the Perth suburb of Spearwood (3000m2 undercover and 5000m2 hardstand) and one in Bunbury in the state's south west (3000m2 undercover and 5000m2 hardstand).

7.9 Examples of recent Cimeco projects include:

- *Dampier to Bunbury Natural Gas Project for WestNet Energy* – $50 million contract for upgrading nine compressor stations on the pipeline, scope includes all disciplines including civils, mechanicals, electrical and instrumentation;

- *Gorgon LNG Project for KJVG* - $10 million contract for the design, supply and construction of 16 miscellaneous storage tanks;

- *Pluto LNG Project BMF Stage 2 for Woodside Burrup Pty Ltd* - $38 million design and construction of various facilities to service the Pluto LNG Project offshore gas expansion;

- *Bunbury Library and Smart Building for City of Bunbury* - $9 million contract for the demolition of the existing library and car park and construction of the new facility;

- *Worsley Alumina expansion* - $45 million civil and building package for temporary facilities including lay down, security, concrete, road works, temporary buildings, workshops and warehousing; and

- *Train Load Out Vault for HWE Design & Construct Pty Ltd* - $22 million civil construction contract for the Train Load Out Vault and rail tunnel access for the Mesa A Minesite Project.

Abesque

7.10 Forge acquired Abesque Engineering Ltd during the 2008 financial year.

7.11 Abesque specialises in the provision of engineering design, construction and project management services to the resources sector. Abesque is currently involved in project developments across a broad range of commodities including base metals, gold and iron ore.

7.12 Abesque supplies engineering design capabilities across all project disciplines including earthworks, civil works, structural, mechanical, piping, electrical and instrumentation.

7.13 Abesque provides expert services to prepare feasibility studies for mineral processing facilities and associated infrastructure. The company has the capability to provide a full vertical construction solution for projects utilising in-house expertise and resources.

7.14 Examples of recent Abesque projects include:

- $33 million Mt Weld Rare Earth project for Lynas Corporation;

- $45 million Kanamantoo Copper Project for Hillgrove Resources; and

- $40 million Shark Bay Salt Washplant Upgrade and Onslow Salt Washplant upgrade.

Webb Construction

7.15 Webb Construction is a Ghanaian registered company formed in the 1990's and was part of the original aiConstruction business unit, prior to the acquisition of Cimeco, and provides comprehensive construction services to the resources sector in Ghana and other, West Africa countries.

7.16 Webb Construction specialises in structural, mechanical and pipe installation, tank fabrication and erection. Webb has performed on numerous gold and process plants in Africa over the past decade.

7.17 The business has been established in Ghana for over 15 years and accordingly has the expertise to understand sovereign risk, cultural nuances and foreign exchange fluctuations.

7.18 Webb Construction sees the future opportunities unfolding regionally in this part of Africa that extend beyond Ghana into countries such as Burkina Faso, Mali and Guinea.

7.19 Examples of recent Webb Construction projects include:

- *Chirano Gold Mine Expansion for Chirano Gold Mines Ltd* - $13 million contract for the supply and construction of plant for 1.75 MTPA upgrade to CIL processing plant.

Historical Statement of Financial Position

7.20 The table below sets out the statement of financial position for Forge as at 30 June 2008 and 30 June 2009 (audited) and as at 31 December 2009 (reviewed).

	Ref:	Reviewed As at 31-Dec-09 $000's	Audited As at 30-Jun-09 $000's	Audited As at 30-Jun-08 $000's
Current Assets				
Cash & Cash equivalents	7.22	39,312	17,450	931
Trade and other Receivables		9,758	16,960	18,752
Inventories		9,984	4,925	8,048
Current tax assets		205	2,005	2,470
Other Assets		1,730	2,368	761
		60,989	43,708	30,962
Non-current assets classified as held for sale		-	8,605	8,681
Total Current Assets		**60,989**	**52,313**	**39,643**
Non-Current Assets				
Property, Plant and Equipment	7.24	20,137	17,623	16,140
Investment Properties	7.25	8,567	-	-
Deferred Tax Assets		913	1,049	886
Intangibles	7.26	15,635	15,648	15,693
Total Non-Current Assets		**45,252**	**34,320**	**32,719**
TOTAL ASSETS		**106,241**	**86,633**	**72,362**
Current Liabilities				
Trade and other Payables		17,296	14,139	18,163
Contact Advances	7.23	17,610	16,924	5,784
Financial liabilities	7.22	2,799	3,085	7,796
Current Tax Liabilities		2,849	-	2,441
Provisions		436	469	357
Total Current Liabilities		**40,990**	**34,617**	**34,541**
Non-Current Liabilities				
Financial liabilities	7.22	4,033	3,037	3,994
Deferred Tax Liabilities		83	41	118
Provisions		163	156	98
Total Non-Current Liabilities		**4,279**	**3,234**	**4,210**
TOTAL LIABILITIES		**45,269**	**37,851**	**38,751**
NET ASSETS		**60,972**	**48,782**	**33,611**
SHAREHOLDERS EQUITY				
Issued capital		23,954	23,929	23,929
Reserves		785	1,379	1,790
Retained earnings		36,233	23,474	7,892
TOTAL SHAREHOLDERS EQUITY	7.21	**60,972**	**48,782**	**33,611**

Table 6: Forge historic statement of financial position

7.21 Shareholders equity has almost doubled in the eighteen month period to 31 December 2009 from approximately \$33.6 million to \$61.0 million. This is due primarily to the net profits generated after paying dividends of approximately \$2 million.

Cash and Borrowings

7.22 The net cash position as at 31 December 2009 was \$14,870,000 compared to net borrowings of \$5,596,000 as at 30 June 2009 as shown in the Table below.

	As at 31 Dec 2009 \$000	**As at 30 June 2009 \$000**
Cash and cash equivalents	39,312	17,450
Less: Contract advances	(17,610)	(16,924)
Financial liabilities	(6,832)	(6,122)
Net Cash/(Borrowings)	14,870	(5,596)

Table 7: Net Cash/(Borrowing) Position

7.23 Advances are often received from customers due to the size and nature of certain contracts and are utilised to fund working capital.

Property, Plant and Equipment

7.24 The Company owns a wide variety of plant and equipment including cranes, trucks, dozers, lifting equipment and other numerous vehicles. Forge has continuously increased its fleet size to cope with the increasing number of projects and to adhere to the Company's general philosophy of "owning its plant and equipment".

Investment Properties

7.25 Forge's subsidiary Abesque owns two properties in Welshpool which have a carrying value of \$8.6 million. These properties were previously classified as non current assets held for sale but during the period ended 31 December 2009 the proposed sale failed to complete. The properties are currently leased and provide the Company with commercial rental returns and have been reclassified as investment properties as at 31 December 2009.

Intangible Assets

7.26 Intangible assets relates primarily to goodwill generated on the acquisitions of Abesque and Cimeco.

Funding

7.27 A limiting factor to the growth of the Forge business has been the access to capital. As at 31 December 2009 the Company had a gross cash balance of approximately $39,312,000 and net cash balance of approximately $14,870,000 compared to a gross cash balance of approximately $17,450,000 and net borrowings of approximately $5,596,000 at 30 June 2009. This increase in cash assets has enabled the Company to increase the level of bank guarantees and insurance bonding facilities from $13.5 million at 30 June 2008 to $35.5 million at 31 December 2009. This has further increased to $50.5 million as at 31 March 2010 as shown in the Table below.

	31 Mar 2010 $000s	**31 Dec 2009 $000s**	**30 June 2009 $000s**	**30 June 2008 $000s**
Bond Facility - Current	30,000	20,000	10,000	-
Bank Guarantee Facility - Current	20,500	15,500	15,500	13,500
Total Facilities	50,500	35,500	25,500	13,500

Table 8: Forge Bond and Guarantee facilities

7.28 The availability of bank guarantee and insurance bond facilities are critical in a construction business as they are required to be available before a contract will be awarded. These guarantees can be up to 10% of the project cost and are therefore a potential significant constraint on taking up new business.

7.29 The above analysis indicates that as at 31 March 2010 the bank guarantees and insurance bonds totalled $50.5 million. As at that date approximately $22 million of facilities were utilised and accordingly $28.5 million of the facilities were available or at 10%, $285.5 million of new work could be obtained and covered within the available facilities. These facilities are released after work is completed and as a result more is available with the passage of time. Our review has indicated that excluding new contracts being awarded available facilities are forecast to be $33.5 million as at 30 June 2010 and $37.9 million as at 31 December 2010 based on the current work on hand.

7.30 It should be noted that not all clients will accept insurance bonds as a guarantee for contracts. The proceeds raised from the Placement of approximately $19.5 million will provide additional security to enable banks to increase the bank guarantee facility.

Historical Income Statement

7.31 The historical income statement for Forge is set out in the Table below providing the results for the years ended 30 June 2007, 30 June 2008 and 30 June 2009 (audited) and for the six months ended 31 December 2009 (reviewed).

	Reviewed Six months ended 31-Dec-09 $000's	Audited Year ended 30-Jun-09 $000's	Audited Year ended 30-Jun-08 $000's	Audited Year ended 30-Jun-07 $000's
Revenue	111,971	167,886	127,277	73,808
Other Revenue and Income	447	1,042	427	376
Changes in inventories of finished goods and work in progress	2,589	(3,122)	5,542	689
Raw materials and consumables used	(38,463)	(122,810)	(100,491)	(46,330)
Employee benefits expense	(51,757)	(17,347)	(16,409)	(20,769)
Depreciation and amortisation expense	(1,692)	(2,405)	(1,661)	(880)
Finance Costs	(214)	(1,020)	(594)	(182)
Other expenses	(3,836)	(5,744)	(4,912)	(2,743)
Profit before income tax	**19,045**	**16,480**	**9,179**	**3,969**
Income tax (expense)/benefit	(4,235)	(899)	(1,403)	(1,296)
Foreign exchange translation differences	(595)	-	-	-
Profit attributable to members of the parent entity	**14,215**	**15,581**	**7,776**	**2,673**
EBITDA	**20,050**	**19,810**	**11,108**	**4,762**
EBITDA %	**17.9%**	**11.8%**	**8.7%**	**6.5%**
EBIT	**18,358**	**17,405**	**9,447**	**3,882**
EBIT %	**16.4%**	**10.4%**	**7.4%**	**5.3%**

Table 9: Forge Historical Income Statement

7.32 Forge's revenue has grown significantly in each period since listing in June 2007 and reflects increased activity and a marked increase in the average size of the Company's contracts. This has been achieved through Forge expanding its service capability as it has pursued its strategy of becoming a "whole of life" provider of engineering and/or construction services, and establishing itself into new markets, with particular success being achieved in the Western Australian Oil and Gas market.

7.33 Projects have increased in size and profitability during this time. Projects have moved from the $5 to $10 million range to the $30 million to $50 million range and management anticipates this to continue to increase.

7.34 In 2008 the business purchased Abesque and secured substantial projects in Ghana. The offering of engineering and construction services via the Cimeco/Abesque combination is considered by management to be a key to growth of the business. In 2008, Webb Construction in Ghana backed up by Cimeco in Australia was also very successful.

7.35 In terms of profitability Forge has been transformed from having smallish projects and significant low margin commercial construction projects in its portfolio in 2007 to being focused on larger projects in the mining industry in Western Australia and Ghana in 2010. Even the remaining commercial construction division has doubled its margins through moving from a predominance of government contracts to contracts in the mining and oil and gas industries.

7.36 The overall profitability of the group has been dependent upon a number of key contracts as follows:

- The 2007 financial year ("FY") saw the commencement of a $23 million contract with Alinta with $16 million of the revenue in that year and $7 million carrying over to the 2008 FY.

- In the 2008 FY the Group commenced the $31 million Tarkwa project in Ghana. $14 million of this contract was in the 2008 FY and $17 million was in the 2009 FY. Not only did this contract provide profits for these years, but the resulting cash generated also allowed management to obtain improved bank guarantee and bonding facilities which has allowed the Group to increase the amount of business it can take on at one time.

- The 2010 FY has experienced contracts returning (that had previously been postponed or cancelled due to the GFC) and new contracts arising out of continued demand from for the gold industry and the commencement of a oil and gas boom in Western Australia.

- Major contracts that have contributed to the boost in profits expected in 2010 are the $9 million Chirano gold project in Ghana and the $24.5 million MCC Filter Civil project both of which are expected to be completed by 30 June 2010.

Forecast Income Statement

7.37 Set out below are the historical results for the years ended 30 June 2008 and 30 June 2009 together with the forecast results for the year ending 30 June 2010 as advised in the earnings guidance released to the ASX on 16 March 2010.

	Forecast High 30-Jun-10 $000's	**Forecast Low 30-Jun-10 $000's**	**Year ended 30-Jun-09 $000's**	**Year ended 30-Jun-08 $000's**
Revenue	245,000	240,000	167,886	127,277
EBITDA	42,400	40,400	19,810	11,107
Depreciation and Amortisation	2,600	2,600	2,405	1,661
EBIT	39,800	37,800	17,405	9,446
Net finance costs	(200)	(200)	925	267
Profit before tax	40,000	38,000	16,480	9,179
Income tax expense	10,000	10,000	899	1,403
Profit after tax	30,000	28,000	15,581	7,776
EBITDA %	17.3%	16.8%	11.8%	8.7%
EBIT %	16.2%	15.8%	10.3%	7.4%

Table 10: Forecast Forge results to 30 June 2010

7.38 The 2010 FY forecast reflects a continuation in the acceleration in the growth and profitability of the Company. This is due to the continuing increase in the contract size and organic growth of the different services provided by the company particularly the concrete and mechanical divisions.

7.39 As at the date of the earnings guidance announcement the Company had approximately $300 million of forward orders on hand.

7.40 Given the size and scale of project opportunities in Western Australia in particular, the Company envisages that to move to a higher level of profitability it will be required to execute larger scale projects than it has historically done, such that the Company is bidding in circumstances where single contractual values are, in many instances greater than $50 million. Whilst the potential returns on such contracts are greater than previously achieved so too are the associated risks. Skills, experience, systems and resources in large scale project management, risk management, control systems and approximate project review and support are required.

7.41 Forge has operated with a very lean management team with a high level of reliance on a limited number of key directors and managers.

7.42 The contract execution risk to the Company has been recognised by the Forge Board and since August 2009 the Company has been seeking a major strategic partner to provide corporate and operational support and control systems to enable the Company to mitigate execution risk and accelerate its recent phase of growth.

Capital structure

7.43 The share structure of Forge as at 7 April 2010 is outlined below.

Shareholders	No of shares
Total ordinary shares on issue	78,689,014
Top 20 shareholders	47,987,348
Top 20 shareholders - % of shares on issue	60.98%

Source: Computershare

Table 11: Top 20 Shareholders - Forge

7.44 The five largest shareholders held 38.35% of the shares on issue as at 7 April 2010 as set out in the Table below.

Name	No. of Shares	Percentage of Issued Shares (%)
Clough Operations Pty Ltd	10,257,262	13.04
Chisholm Nominees (WA) Pty Ltd	6,900,000	8.77
Temorex Pty Ltd	6,121,650	7.78
Ego Pty Ltd	3,500,000	4.45
Gregory Lewis McRostie	3,388,200	4.31
Total Top 5	30,167,112	38.35
Others	48,521,902	61.65
Total Ordinary Shares on Issue	78,689,014	100.00

Source: Computershare

Table 12: Largest Shareholders - Forge

7.45 The range of shares held in Forge as at 7 April 2010 is as follows:

Range	No. of Ordinary Shareholders	No. of Shares	Percentage Of Issued Shares
1 – 1000	828	498,988	0.63
1001 – 5,000	1,257	3,405,914	4.33
5001 – 10,000	399	3,096,936	3.94
10,001 – 100,000	450	12,915,813	16.41
100,001 +	71	58,771,363	74.69
	3,005	78,689,014	100.00%

Source: Computershare

Table 13: Range of Shares Held - Forge

7.46 There are currently 7,480,000 unlisted options over Forge shares on issue. These options have an exercise price of $0.35 and an exercise date of 30 May 2012.

Forge share price performance

7.47 The chart below depicts Forge's daily closing share price between 1 July 2008 and 9 April 2010 and the volumes of shares traded.

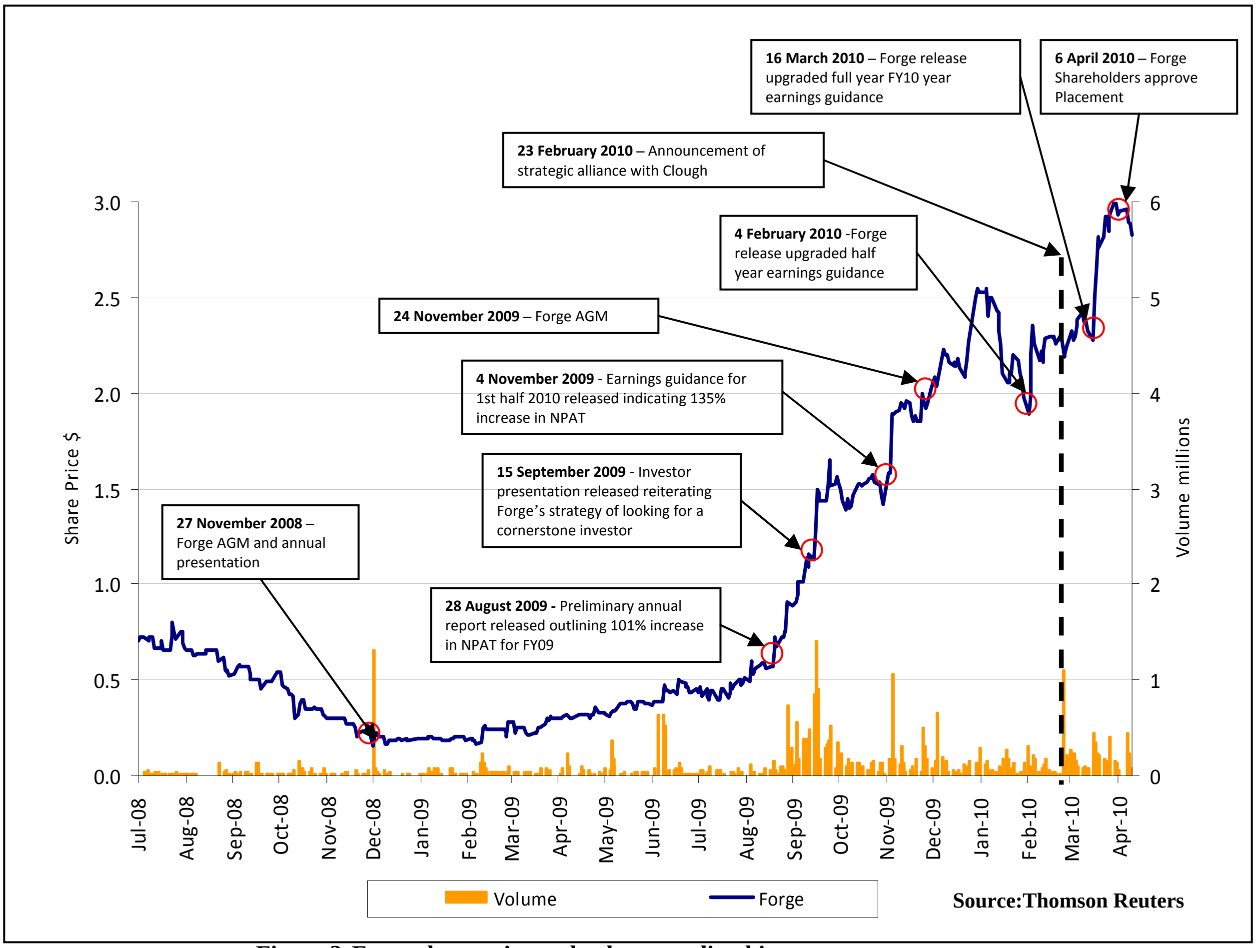


Figure 3: Forge share price and volume trading history

7.48 Between 1 July 2008 and 30 June 2009, 11.5 million Forge shares were traded representing approximately 16.8% of the total ordinary number of issued share capital, compared to 44.5% of the total share volume being traded between 1 July 2009 and 9 April 2010.

7.49 After falling in late 2008 and early 2009 during the global downturn in equity markets Forge's share price has exhibited strong positive growth in the past 12 months.

7.50 Significant and continued growth in earnings since the year ended 30 June 2008 has driven the share price from lows of $0.205 in February 2009 to a high pre the announcement of the strategic alliance with Clough of $2.55 in early January 2010.

7.51 Following the announcement of the Transaction, Forge's share price initially fell but by 1 March 2010, it recovered to the closing price pre the announcement of $2.31. Between 1 March 2010 and the upgrade in earnings guidance for the 2010 FY the share price fluctuated between $2.28 and $2.42.

7.52 Following the upgrade in the earnings guidance for the 2010 FY on 16 March 2010, Forge's share price has appreciated strongly closing at $3.00 on 29 March 2010 and closing at $2.95 on 1 April 2010, the last day of trading prior to the announcement of the approval of the Placement by Forge Shareholders.

8. PROFILE OF CLOUGH

Overview

8.1 Clough is an Australian based engineering, construction and asset support contractor providing full project life cycle solutions primarily to the Upstream Oil and Gas sector in Australia, South East Asia and the USA.

8.2 Clough's two biggest geographical markets in terms of revenue generation are Asia, which generated approximately 44% of total revenue in the year ended 30 June 2009 and Australia which generated 40%.

8.3 Clough was established in 1919, and initially operated as a building company involved in the construction of commercial and premium residential premises in Perth. It wasn't until the late 1950's that Clough diversified into civil and heavy engineering contracting.

8.4 The Company listed on the Australian Securities Exchange in 1998, and is head quartered in Perth Western Australia. In the intervening periods the Company has made a number of acquisitions and formed a number of strategic partnerships with the most recent being a 51% acquisition of Pertrius International, a subsea and marine engineering design and project management firm. The Company now employs over 2,000 people around the world.

8.5 Clough segments its business into three operating divisions:

- Asset Support
- Marine Construction
- Capital Projects

8.6 The Capital Projects and Marine Construction divisions are the largest contributors to revenue, generating approximately 59% and 30% of total revenue in 2009 FY respectively.

8.7 Despite being the smaller division in terms of revenue, the Marine Construction division generates the highest profit margins. In 2009 FY the division generated approximately 47% of Clough's total earnings compared to 44% generated by the Capital Projects division.

Operating divisions

Asset Support

8.8 The Asset Support division offers an engineering led service to enable the operation, maintenance and upgrade of existing oil and gas infrastructure, both offshore and onshore across the Australasian region.

8.9 Clough delivers their asset support services to the oil and gas industry through their joint venture with AMEC. Key strengths of the joint venture include:

- Brownfield engineering;
- Operations and maintenance;
- Shutdowns and campaign management;
- Commissioning; and
- Decommissioning.

8.10 Current and recent Asset Support undertaken by Clough includes:

- *Woodside Engineering Services Contract* – The contract involves project management, engineering services, operational maintenance and planning, process modification and supply chain integration services to Woodside's Australian Oil assets.

- *Bayu-Undan Operation and Maintenance for ConocoPhillips Australia Pty Ltd* – Operation and maintenance facilities for the Bayu-Undan offshore facilities located in the Timor Sea.

- *Barrow Island Engineering Services Contract for Chevron Australia Pty Ltd* – Engineering services contract involving project management, detail engineering, construction and fabrication management, maintenance support, feasibility studies, concept development and procurement and supply chain integration for Chevrons oil production facilities at Barrow and Thevenard Islands.

8.11 As set out in Clough's 2010 half year investor briefing, Clough's Asset Support order intake at 31 December 2009 stood at $25.3 million with management outlining additional prospects including the following:

- Chevron – Gorgon, Barrow Island;
- Chevron – Thevenard Island decommissioning;
- ExxonMobil – PNG LNG, hook up, operations and maintenance; and
- Woodside – North West Shelf and new projects.

Marine Construction

8.12 Clough's Marine Construction division provides solutions to the subsea construction and platforms and pipelines market in the Australasian region. Clough operates its own fleet of construction vessels, which offer specialist deepwater, subsea and platform and pipeline construction capability. The range of services offered by the division includes:

;

- Offshore pipelay;
- Subsea construction, umbilicals, risers and flowlines ("SURF");
- Subsea structures / manifolds / riser-bases / protection structures ;
- Spools and tie-in systems;
- Full subsea field installations;
- Wellhead platforms;
- Rigid pipelines;
- Installation of topsides using the float over method; and
- Self-installing developments.

8.13 On 9 February 2010 Clough announced the formation of the Clough Helix Joint Venture between Clough and Houston based subsea intervention and construction contractor Helix Energy Solutions Group ("Helix ESG") to provide a range of subsea services to offshore operators in the Asia Pacific region.

8.14 The Clough Helix JV will integrate Helix ESG's well intervention equipment with Clough's new 12 man diving system to enable both to be deployed from the Normand Clough vessel. This will allow the Normand Clough to carryout a broad range of tasks including subsea well abandonment and well intervention, light construction work, saturation and air diving and subsea inspection, repair and maintenance services without having to spend major time in port for reconfiguration, and as such providing a more cost effective service to customers.

8.15 Current and recent Marine Construction projects undertaken by Clough includes:

- *ROIC Pipeline installation for Real Offshore Installation Company Sdn BHd* – Installation of a 24” pipeline in the Gulf of Thailand within the B17 field development;

- *Montara Field Development for PTTEP Australasia (Ashmore Cartier) Pty Ltd* – Transportation and installation of a wellhead platform deck, mooring buoy and legs, 26kms of infield pipelines and the Swift subsea manifold; and

- *Hurricane repair works for Apache Energy Limited* – Use of the Normand Clipper vehicle to provide subsea construction, associated logistics and engineering support in the Gulf of Mexico.

8.16 As set out in Clough’s 2010 half year investor briefing, Clough’s Marine Construction order intake at 31 December 2009 stood at $12.1 million with the management outlining additional prospects including the following:

- Chevron – EPC Gorgon domestic Gas Pipeline;
- Clough Helix JV – 3 Prospects already bidding, Australia (2), China (1);
- Normand Clipper – Charter with Solstad/Veolia (secured); and
- Java Constructor – Seadrill / Montara remedial and pipelay projects in Malaysia, Vietnam and Indonesia.

Capital Projects

8.17 Cloughs Capital Projects division provides a range of Engineering, Procurement & Construction (“EPC”) and Engineering, Procurement, Construction & Management (“EPCM”) services to the global oil and gas infrastructure industries. Capital Projects is the largest of Clough’s divisions in terms of revenue generating 59% of total revenue from continuing operations in the year ended 30 June 2009 at $377.7 million.

8.18 Clough’s Capital Projects capabilities include:

- Turnkey LNG facilities;
- Domestic GAS plants;
- Small to medium sized oil and gas projects;
- Harbour works including major port developments; and
- Infrastructure for major resource developments including, water, power, transport, harbour works, building, communications and waste management.

8.19 Current and recent capital projects undertaken by Clough includes:

- *Devil Creek Development Project for Apache Energy Limited* – Western Australia based engineering, procurement and fabrication for the Devil Creek onshore domestic gas project;

- *PNG LNG Development Project for ExxonMobil* – Upstream infrastructure and EPC gas plant services on the Papua New Guinea LNG development;

- *Pluto LNG Jetty Berth for Woodside Energy* – Construction of 300 metre long approach LNG jetty berth in Karratha, Western Australia;

- *Boddington Gold EPCM for Boddington Gold Mine JV* – EPCM of the gold and copper processing facilities capable of handling 35 million tonnes of ore per annum in Boddington, Western Australia;

- *Gorgon LNG FEED and EPCM for Chevron Texaco* – As part of the Kellogg Joint Venture, Clough is undertaking both the Front End Engineering Design ("FEED") contract and EPCM contract for all downstream facilities on the Gorgon LNG Project; and

- *Murray Basin Stage 2 Development for Illuka Resources Limited* – EPCM contract for the upgrade to Illuka's existing mineral separation plant which includes construction of a re-locatable mining unit and associated infrastructure in Ouyen, Victoria.

8.20 As set out in Clough's 2010 half year investor briefing, Clough's Capital Projects order intake at 31 December 2009 stood at $1,284 million with the management outlining additional prospects including the following;

- Exxon PNG LNG – Upstream Infrastructure works order;
- Exxon PNG LNG – LNG Export Jetty;
- Chevron – Gorgon EPC, gas metering and construction;
- BHPBP – Macedon EPCM and EPC;
- Santos and Queensland Gas – East Gas CSM Upstream LNG; and
- Pluto 2/3, Wheatstone, Browse, Ichthys and Sunrise.

Historical Statement of Financial Position

8.25 The table below sets out the statement of financial position for Clough as at 30 June 2008 and 30 June 2009 (audited) and as at 31 December 2009 (reviewed).

	Ref:	Reviewed As at 31-Dec-09 $000's	Audited As at 30-Jun-09 $000's	Audited As at 30-Jun-08 $000's
Current assets				
Cash and cash equivalents	8.24	146,350	36,587	120,629
Other current assets		-	2,474	-
Receivables		80,923	38,806	116,489
Work in progress		10,684	57,855	138,005
Derivative financial instruments		90	2,735	89
		238,047	138,457	375,212
Assets classified as held for sale	8.26	52,790	56,773	10,905
Assets of a disposal group held for sale	8.27	-	275,840	-
Total current assets		**290,837**	**471,070**	**386,117**
Non-current assets				
Receivables		12,535	4,475	1,784
Investments accounted for using the equity method	8.28	21,134	12,982	19,458
Available for sale financial assets		-	-	1,478
Other non current assets		-	-	1,696
Property, plant and equipment	8.29	118,362	128,182	117,616
Intangible assets	8.30	10,154	1,782	2,697
Deferred tax assets		28,659	26,306	24,266
Total non-current assets		**190,844**	**173,727**	**168,995**
Total assets		**481,681**	**644,797**	**555,112**
Current liabilities				
Payables		59,901	61,868	154,607
Amounts due to customers for contract work		21,671	13,558	59,229
Borrowings	8.24	10,224	43,080	27,319
Current tax liabilities		758	5,160	1,751
Provisions		21,329	29,211	27,837
Derivative financial instruments		-	370	-
		113,883	153,247	270,743
Liabilities directly associated with assets classified as held for sale	8.26	30,469	31,043	-
Liabilities directly associated with a group disposal held for sale	8.27	-	156,669	-
Total current liabilities		**144,352**	**340,959**	**270,743**
Non-current liabilities				
Payables		9,013	-	13,850
Borrowings	8.24	47,787	53,837	82,137
Deferred tax liabilities		1,054	129	74
Provisions		2,383	3,281	5,432
Total non-current liabilities		**60,237**	**57,247**	**101,493**
Total liabilities		**204,589**	**398,206**	**372,236**
Net assets		**277,092**	**246,591**	**182,876**
Equity				
Contributed equity	8.25	231,629	194,636	193,885
Reserves		(13,597)	(11,895)	(26,605)
Retained profits / (accumulated losses)		57,939	46,010	264
Parent entity interest		275,971	228,751	167,544
Non controlling interest		1,121	17,840	15,332
Total equity		**277,092**	**246,591**	**182,876**

Table 14: Clough Historical Statement of Financial Position

8.21 In the latter part of 2008/2009 the Clough board endorsed a strategy which confirms Clough's role as an engineering led EPC contractor with a particular focus on the oil and gas sector.

8.22 As a result of this strategy Clough has disposed of some non core assets, the most significant being the disposal, in July 2009 of Petrosea an Indonesian based EPC and contract coal mining company which generated net proceeds of $110 million. In addition the Group is also actively seeking buyers for its property division (refer paragraph 8.26).

8.23 In addition to the Forge transaction Clough has made a number of other investments to strengthen it's presence in the Oil and Gas sector, which include the following:

- August 2009 - Investment in Ocean Flow International a subsea engineering and project management company;
- Feb 2010 – Clough Helix Joint Venture to allow Clough to provide a range of subsea services to offshore operators in the Asia Pacific region; and
- January 2010 – Investment in Petrius International, a subsea and marine engineering design and project management services firm focusing on offshore and deepwater environments.

Cash and Borrowings

8.24 The net cash position of Clough as at 31 December 2009 was $88,339,000, an increase of $148,669,000 on net borrowings of $60,330,000 as at 30 June 2009 as shown in the table below;

	As at 31 Dec 2009 $000	**As at 30 June 2009 $000**
Cash and cash equivalents	146,350	36,587
Less: Borrowings	(58,011)	(96,917)
Net Cash/(Borrowings)	88,339	(60,330)

Table 15: Summary of Clough's net cash position

8.25 The increase in net cash is due to net proceeds of $110,000,000 received from the sale of Petrosea and a reduction in borrowings through the conversion of $37,000,000 of debt into equity during the period.

Assets and Liabilities classified as held for sale

8.26 During the year ended 30 June 2009 Clough determined that it was going to exit from its property business and an active sales process was commenced. It is expected that these sales will be completed within the next 12 months. As at 31 December 2009 the property business had assets classified as held for sale of $52,790,000 and liabilities directly associated with these assets of $30,469,000.

Assets and liabilities of a disposal group held for sale

8.27 The assets of $275,840,000 classified as assets of a disposal group held for sale and the liabilities of $156,669,000 classified as liabilities held for sale as at 30 June 2009 relate to Petrosea which was disposed of in July 2009.

Investments accounted for using the equity method

8.28 Investments accounted for using the equity method represents the carrying value of Clough's investments in jointly controlled entities. The increase in value to $21,134,000 as at 31 December 2009 from $12,982,000 is attributable to profits generated by the entities in the period less any dividends paid.

Plant Property and Equipment

8.29 Clough owns a range of plant and equipment, which makes up approximately 90% of the value of the Company's property, plant and equipment. The remaining 10% is made up of freehold land and buildings and leased equipment. Capital expenditure in the 6 months to 31 December 2009 was $12 million.

Intangible Assets

8.30 The value of intangible assets as at 31 December 2009 was $10,154,000 compared to $1,782,000 at 30 June 2009. The increase in the value of intangible assets is attributable to $8,400,000 of goodwill being recognised upon the acquisition of Ocean Flow International in August 2009, the remaining $1,754,000 of intangible assets represents capitalised computer software costs.

Historical Income Statement

8.31 The historical income statement for Clough is set out in the Table below providing the results for the years ended 30 June 2008 and 30 June 2009 (audited) and for the six months ended 31 December 2009 (reviewed).

	Reviewed Six months ended 31-Dec-09 2009	Audited Year ended 30-Jun 2009	Audited Year ended 30-Jun 2008
Revenue	255,131	459,655	421,735
Other income	2,231	4,606	36,194
Material, plant and subcontractor costs	(100,836)	(120,636)	(179,166)
Labour costs	(100,765)	(205,906)	(166,057)
Other expenses	(3,737)	(82,439)	(59,524)
Depreciation and amortisation expense	(32,445)	(7,699)	(5,641)
Finance costs	(4,729)	(7,708)	(9,359)
Share of net profits associates and jointly controlled entities accounted for using the equity method	20,425	14,326	16,140
Profit before income tax	**35,275**	**54,199**	**54,322**
Income tax expense	(4,861)	(5,179)	(2,329)
Profit from continuing operations	30,414	49,020	51,993
(Loss) / profit from discontinued operations	(4,335)	3,754	16,422
Other comprehensive income			
Cash flow hedges	(1,437)	-	-
Exchange differences on translation of foreign operations	7,915	-	-
Income tax relating to components of other comprehensive income	683	-	-
Total Comprehensive Income	**33,240**	**52,774**	**68,415**
EBITDA	**70,414**	**68,181**	**83,415**
EBITDA from continuing operations	**67,588**	**64,427**	**66,993**
EBIT	**37,969**	**60,482**	**77,774**
EBIT from continuing operations	**35,143**	**56,728**	**61,352**

Table 16: Clough Historical Income Statement

8.32 Increased revenues in 2009 reflected increased activity in the Capital Projects division driven by the Group's strategy focusing on opportunities in the Oil and Gas sector and the disposal of non core assets.

8.33 The award of major contracts on Chevron's Gorgon LNG Project and ExxonMobil's PNG LNG Project in the current period has underpinned revenue growth in the six months ended 31 December 2009 as activity on these contracts has ramped up and boosted the Group's order book to approximately $1.3 billion, and demonstrates further progress in implementing the refreshed company strategy.

8.34 Clough's profitability from continuing operations in the 2008 FY and the 2009 FY was relatively stable. Profitability has improved strongly in the six months ended 31 December 2009 and reflects the successful completion of a number of contracts by the Capital Projects division and the maximisation of vessel utilisation by the Marine Construction division as the company continues to drive towards its goal of becoming an engineering led EPC Contractor with a particular focus on the oil and gas sector.

Capital Structure

8.35 The share structure of Clough as at 30 March 2010 is outlined below.

Shareholding	No. of Shares
Total ordinary shares on issue	768,575,663
Top 20 shareholders	679,419,244
Top 20 shareholders - % of shares on issue	88.4%

Source: Computershare

Table 17: Top 20 Shareholders - Clough

8.36 The five largest shareholders held 82.30% of the shares on issue as at 30 March 2010 as set out in the Table below.

Name	No. of Shares	Percentage of Issued Shares %
Zero Nominees Pty Ltd (Murray & Roberts Holdings Ltd and others)	533,159,646	69.37
J P Morgan Nominees Australia Limited	38,093,737	4.96
National Nominees Australia Limited	31,186,556	4.06
HSBC Custody Nominees (Australia) Limited	15,477,876	2.01
Cogent Nominees Pty Ltd	14,626,427	1.90
Total Top 5	632,544,242	82.30
Others	122,970,892	17.70
Total Ordinary Shares on Issue	768,575,663	100.00

Source: Computershare

Table 18: Largest Shareholders - Clough

8.37 The range of shares held in Clough as at 30 March 2010 is as follows:

Range	No. of Ordinary Shareholders	No. of Shares	Percentage of Issued Shares
1 – 1000	533	332,314	0.04
1001 – 5,000	1,554	4,491,375	0.58
5,001 – 10,000	846	6,521,449	0.85
10,001 – 100,000	1,440	42,328,254	5.51
100,001 +	175	714,902,271	93.02
Total	4,548	768,575,663	100.00

Source: Computershare

Table 19: Top 20 Shareholders - Clough

8.38 There are currently 28,601,726 unlisted options over Clough shares on issue.

Clough share price performance

8.39 The chart below depicts Clough's daily closing share price between 1 July 2008 and 9 April 2010 and the volumes of shares traded.

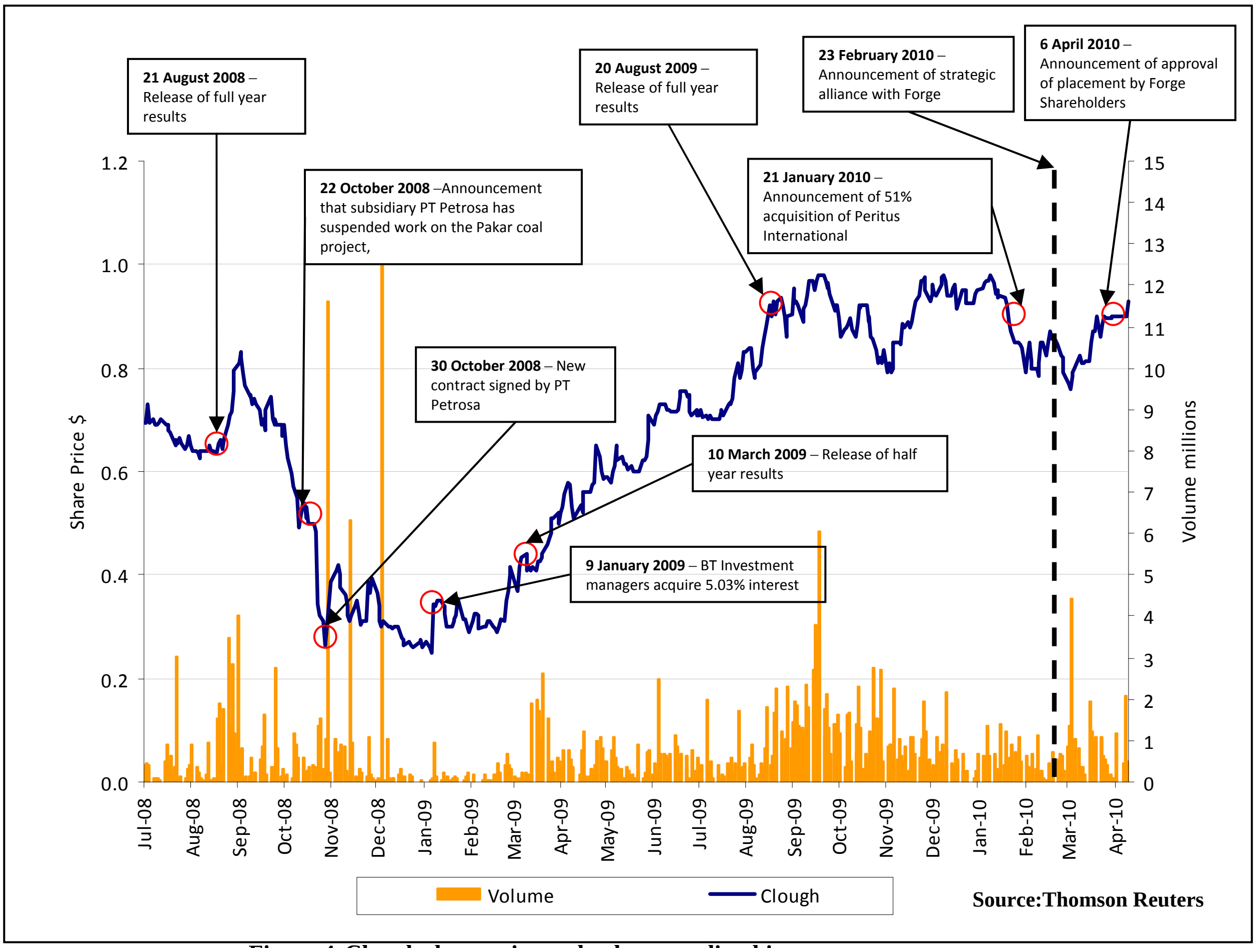


Figure 4: Clough share price and volume trading history

8.40 In the second half of 2008 and the early part of 2009 the GFC significantly reduced credit availability which resulted in a number of delays on large infrastructure projects which had an adverse impact on investor sentiment towards the engineering and construction sector and Cloughs share price fell significantly to a low of $0.25 on 6 January 2009.

8.41 Clough's share price rallied steadily throughout the remainder of 2009 on the back of increased confidence in the Australian share market, with the price peaking at $0.98 on 17 September 2009.

8.42 Since then Clough's share price has since been relatively stable closing between $0.76 and $0.98.

9. VALUATION APPROACH

Valuation Methodologies

9.1 In assessing the value of a share in Forge, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- The discounted cash flow method and the estimated realisable value of any surplus assets;
- The application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- The amount which would be available for distribution on an orderly realisation of assets; and
- The quoted price for listed securities.

9.2 For each of these methodologies, we set out more detail in the following paragraphs.

Discounted Cash Flows

9.3 The discounted cash flow technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period. This method of valuation is most appropriate for businesses and projects with finite lives, where cost and revenue estimates can be applied with reasonable certainty.

9.4 We have not adopted this basis of valuation due to a lack of suitable data.

Capitalisation of Future Maintainable Earnings

9.5 A valuation based on the capitalisation of future maintainable earnings requires the determination of three key features; future maintainable earnings, an appropriate capitalisation rate and the value of surplus assets. The capitalisation of earnings methodology is commonly used in valuing businesses and is appropriate where the earnings of the business are regular and sufficient to justify a value exceeding the value of the underlying assets.

9.6 We have adopted this as a basis of valuation for Forge.

Orderly Realisation of Assets

9.7 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

Quoted Price of Listed Securities

9.8 Prices at which a company's shares have traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control. We have adopted this as a secondary basis of valuation for Forge.

10. VALUATION OF FORGE

10.1 As stated in Section 9 of this Report, we have adopted the capitalisation of future maintainable earnings (“FME”) as the primary basis of valuation of Forge shares and the quoted market price of a Forge share as the secondary basis.

FME Valuation of Forge

10.2 The FME valuation of Forge comprises the determination of three factors:

- The future maintainable earnings;
- An appropriate capitalisation rate; and
- The value of any surplus assets or liabilities.

10.3 Our calculation of future maintainable earnings is based on Forge’s future maintainable EBITDA. We have used future maintainable EBITDA as it allows Forge’s earnings and therefore appropriate capitalisation rates to be compared to other companies as:

- a company’s EBITDA is unaffected by capital structure (level of gearing), tax structure or income tax rates; and

- EBITDA can be viewed as a better representation of the actual cash that flows through a company than earnings as depreciation and amortisation are non cash charges against earnings.

10.4 In assessing the future maintainable earnings we have had regard to the audited historic results for the years ended 30 June 2007, 30 June 2008 and 30 June 2009, the reviewed results for the six months ended 31 December 2009 and the forecast results for the year ending 30 June 2010.

10.5 In order to establish future maintainable earnings we have considered adjustments to revenue and expenditure items to eliminate revenue or expense items that are abnormal, non-recurring, one-off or non-commercial in nature.

10.6 On the basis of our review of historical and forecast financial information, and from discussions with management, we have made the adjustments set out below to establish the future maintainable earnings for Forge. The forecast high and low for financial year ending 30 June 2010 is based on the reviewed result for the six months ended 31 December 2009 and the forecast result for the six months ending 30 June 2010, derived from information provided to us by Forge, and disclosed to the market in an earnings guidance dated 16 March 2010.

	Ref:	FY 2010 Forecast Low $000	FY 2010 Forecast High $000	FY 2009 Actual $000	FY 2008 Actual $000	FY 2007 Actual $000
Revenue		240,000	245,000	167,886	127,277	73,806
Net Profit/(Loss) after tax		28,000	30,000	15,581	7,776	2,673
Income tax expense/(benefit)		10,000	10,000	899	1,403	1,296
Net interest (received)/paid		(200)	(200)	925	268	(87)
Depreciation and amortisation expense		2,600	2,600	2,405	1,661	880
EBITDA		40,400	42,400	19,810	11,108	4,762
Adjustments						
Rental income on excess asset	10.7	(500)	(500)	(650)	(56)	-
Property costs	10.7	125	125	117	42	-
Clough transaction costs	10.8	1,500	1,500	-	-	-
Total adjustments		1,125	1,125	(533)	(14)	-
Normalised EBITDA		**41,525**	**43,525**	**19,277**	**11,094**	**4,762**

Table 20: Forge Normalised EBITDA

Adjustments

10.7 The Company owns property in the industrial suburb of Welshpool in Perth. This property is leased to third parties and is a surplus asset to the business earnings of Forge. Accordingly the rental income and property expenses have been adjusted in determining normalised EBITDA.

10.8 As a result of the planned transaction with Clough Forge has incurred or expects to incur one off costs amounting to approximately $1.5 million which have been included in the earnings forecast. These costs have been added back to profit in determining normalised EBITDA.

Future Maintainable Earnings

10.9 As stated in the above we have considered the normalised level of EBITDA to determine what we consider to be the sustainable level of earnings. On the basis of our analysis we consider the normalised level of EBITDA to be in the range of $40 million to $45 million.

Assessment of Capitalisation Multiple

10.10 In determining the capitalisation multiple to be applied to the future maintainable earnings we have analysed and observed multiples of comparable companies listed on the Australian Securities Exchange. The comparable companies have been selected on the basis of comparable activities including sector and/or expenditure to similar end-user markets and of similar size to Forge. Information on these companies is provided at Appendix D.

ASX Code	Company	Enterprise Value ($m) (23/3/2010)	Forecast FY10 EBITDA ($m)	Forward EV/EBITDA Multiple (23/3/2010)	Historic EV/FY09 EBITDA (23/3/2010)
Engineering/Construction					
BYL	Brierty Limited	55.3	-	-	4.0
DCG	Decmil Group Limited	173.7	-	-	5.2
EAL	E&A Limited	55.7	11.0	5.1	14.5
EVZ	EVZ Limited	33.0	-	-	7.0
MAH	Macmahon Holdings Limited	537.1	106.0	5.1	8.7
NMS	Neptune Marine Services Ltd	172.3	32.2	5.4	9.6
NOD	Nomad Building Solutions Limited	55.5	9.1	6.1	4.1
NWH	NRW Holdings Limited	474.5	84.5	5.6	2.5
RCR	RCR Tomlinson Limited	191.5	37.8	5.1	6.2
SND	Saunders International Pty Ltd	10.9	-	-	8.0
SDM	Sedgman Limited	302.5	55.5	5.5	1.9
SXE	Southern Cross Electrical Engineer Ltd	152.0	-	-	6.1
STS	Structural Systems Limited	53.7	-	-	7.7
WTP	Watpac Limited	231.0	49.1	4.7	4.2
Overall average		**178.5**	**48.1**	**5.3**	**6.4**
Overall median		**162.1**	**43.4**	**5.2**	**6.2**

Source: Thomson Reuters

Table 21: Summary of comparable company enterprise values, FY10 EBITDA & Forward EV/EBITDA multiples

10.11 As shown in the Table above comparable companies to Forge are trading on a forward EBITDA multiple of between 4.7 and 6.1 with an overall median of 5.2 and overall average of 5.3.

10.12 We have been cognisant of the EBITDA multiples provided by the comparable companies, but we have also considered factors specific to Forge including the following:

- Economic conditions affecting the markets in which Forge operates;
- The nature of operations undertaken by Forge and the industry sectors in which it operates;
- The quality, stability and nature of past earnings;
- Level of gearing;
- The underlying net assets employed;
- Dependence upon key personnel, customers and suppliers;
- The future prospects of Forge;
- Market capitalisation and size of operations;
- Location of operations and revenue streams; and
- Share market conditions.

10.13 On the basis of the foregoing discussions we consider that an appropriate EBITDA multiple for Forge is 5.3.

Valuation Summary

10.14 We have assessed the value of Forge using the FME methodology to be in the range of approximately $257.5 million and $284.0 million (or approximately $2.99 to $3.30 per ordinary share) as follows:

	Ref:	Low Value $000	High Value $000
FME		40,000	45,000
Capitalisation Multiple		5.3	5.3
Forge Enterprise Value		212,000	238,500
Net Cash	10.15	14,870	14,870
Other net surplus assets	10.16	8,567	8,567
Cash from options exercised	10.18	2,618	2,618
Placement	10.17	19,489	19,489
Total Equity Value		257,544	284,044
Number of Ordinary Shares as at 31.12.09 (thousands)		68,432	68,432
Add: Placement Shares (thousands)		10,257	10,257
Number of Ordinary Shares following Placement		78,689	78,689
Add: Options Exercised (thousands)		7,480	7,480
Diluted number of shares on issue		86,169	86,169
Value per share (fully diluted)		**$2.99**	**$3.30**

Table 22: Summary of Valuation of Forge Shares

Net cash

10.15 As we are valuing the diluted equity interest of Forge to shareholders in the Company it is necessary to deduct the claim of debt holders from, and add the cash held to the enterprise value of Forge calculated by the capitalisation of EBITDA. As at 31 December 2009 Forge had net cash of approximately $14.9 million (refer paragraph 7.22)

Surplus Assets

10.16 As stated in paragraph 10.7 the Welshpool property is surplus to the Company's requirements. The market value of this property has been assessed at $8,566,519 and there is no deferred taxation liability attracting to this value.

Placement

10.17 On 6 April 2010 the placement of 10,257,262 ordinary shares in Forge at an issue price of $1.90 was approved by Forge shareholders. Both the cash raised and the number of the shares issued have been incorporated into our assessment of the value of a Forge share.

Options

10.18 Forge currently has 7,480,000 options with an exercise price of $0.35 and exercise date of 30 May 2012. Given that all of these options holders are "in the money" we have assumed that all relevant option holders will seek to maximise their financial position by exercising the options. As such, we have included the receipt of cash on exercise in our valuation of Forge with a corresponding increase of the number of shares on issue.

Valuation – FME Basis

10.19 Our analysis concludes that the range of value for a Forge share on an FME basis, excluding a premium for control, is between $2.99 and $3.30.

Quoted Market Price for Forge Securities

10.20 We have also assessed the value of a Forge share based on market prices.

10.21 On 24 February 2010 Forge and Clough jointly announced the Offer as one of the key elements underpinning the Strategic Alliance they had entered into. On 16 March 2010 Forge issued earnings guidance for the second half of the 2010 financial year. On 6 April 2010 Forge shareholders approved the Placement of 10,257,262 shares at an issue price of $1.90.

10.22 Given these circumstances we have considered the Forge share price on two basis:-

- Trading prior to the announcement of the Offer to avoid the influence of any adjustment in price as a result of the Offer; and
- Trading post the announcement of the Offer to consider the impact of the earnings guidance announcement and the approval of the Placement.

Trading Prior to the Announcement of the Proportional Takeover Offer

10.23 Information on the Transaction was announced on 24 February 2010. Therefore, figure 5 set out below provides a summary of the price movement of a Forge share over the year to 22 February 2010, which was the last trading day prior to the announcement.

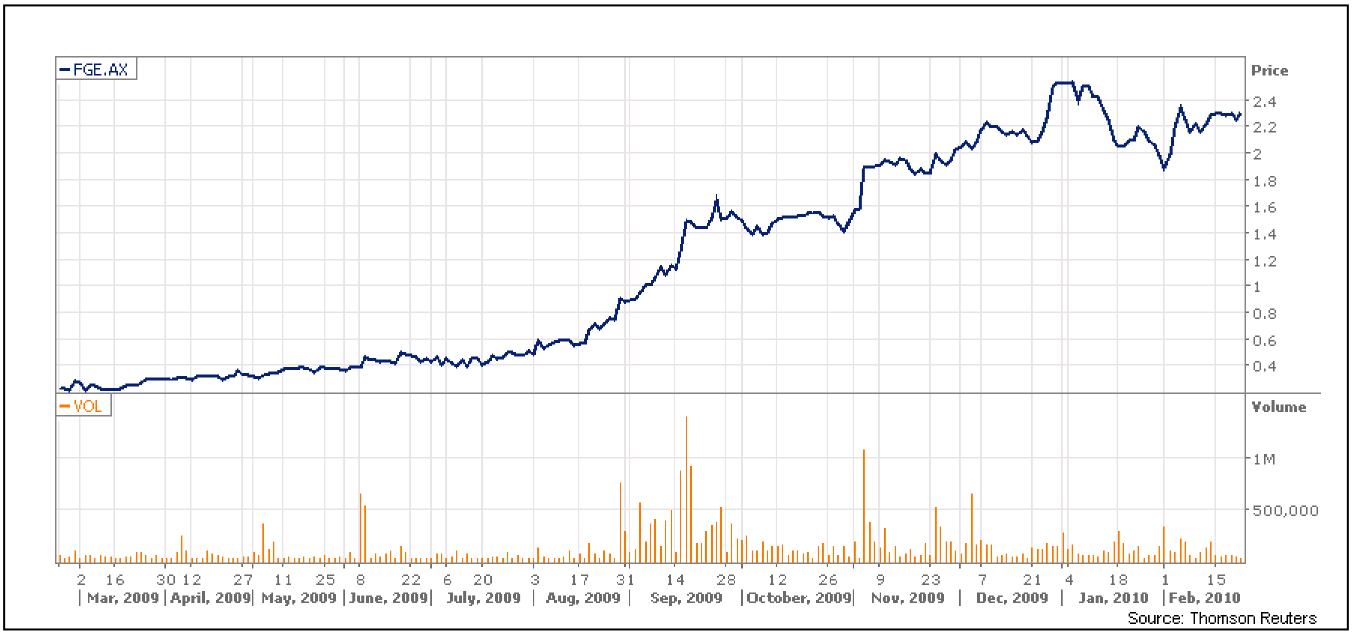


Figure 5: Forge share price analysis

10.24 The daily closing price of a Forge share from 23 February 2009 to 22 February 2010 has ranged from a high of $2.550 on 5 January 2010, to a low of $0.205 on 26 February 2009.

10.25 To provide analysis of market prices for a Forge share we have considered the Volume Weighted Average market Price ("VWAP") for 1 week, 1 month and 3 month periods to 22 February 2010.

	22-Feb-10	**1 week**	**1 month**	**3 months**
Closing price ($)	2.31	-	-	-
VWAP ($)	-	2.27	2.12	2.14

Table 23: Analysis of Forge Weighted Average Price to 22 February 2010

10.26 An analysis of the volume of trading in Forge's shares for the year to 22 February 2010 is set out in the table below.

Period	**Share price low**	**Share price high**	**Cumulative volume traded**	**As a %age of issued share capital**
1 Trading day	$2.290	$2.310	18,005	0.03%
10 Trading days	$2.160	$2.310	571,064	0.84%
30 Trading days	$1.895	$2.420	2,829,382	4.14%
60 Trading days	$1.895	$2.550	6,791,414	9.93%
90 Trading days	$1.420	$2.550	11,230,011	16.42%
180 Trading days	$0.400	$2.550	24,009,290	35.11%
1 Year	$0.205	$2.550	28,750,375	42.04%

Table 24: Forge share volumes

10.27 The Table shows that 42.04% of Forge's shares have been traded in the year ended 22 February 2010 and 16.42% in the 90 days ended 22 February 2010.

Trading Post the Announcement of the Proportional Takeover Offer

10.28 Figure 6: below sets out the closing daily trade volume and closing price of Forge's shares from 1 February 2010 to 9 April 2010 and the dates of the announcement of the Offer, the earnings guidance announcement, and the approval of the Placement by Forge shareholders.

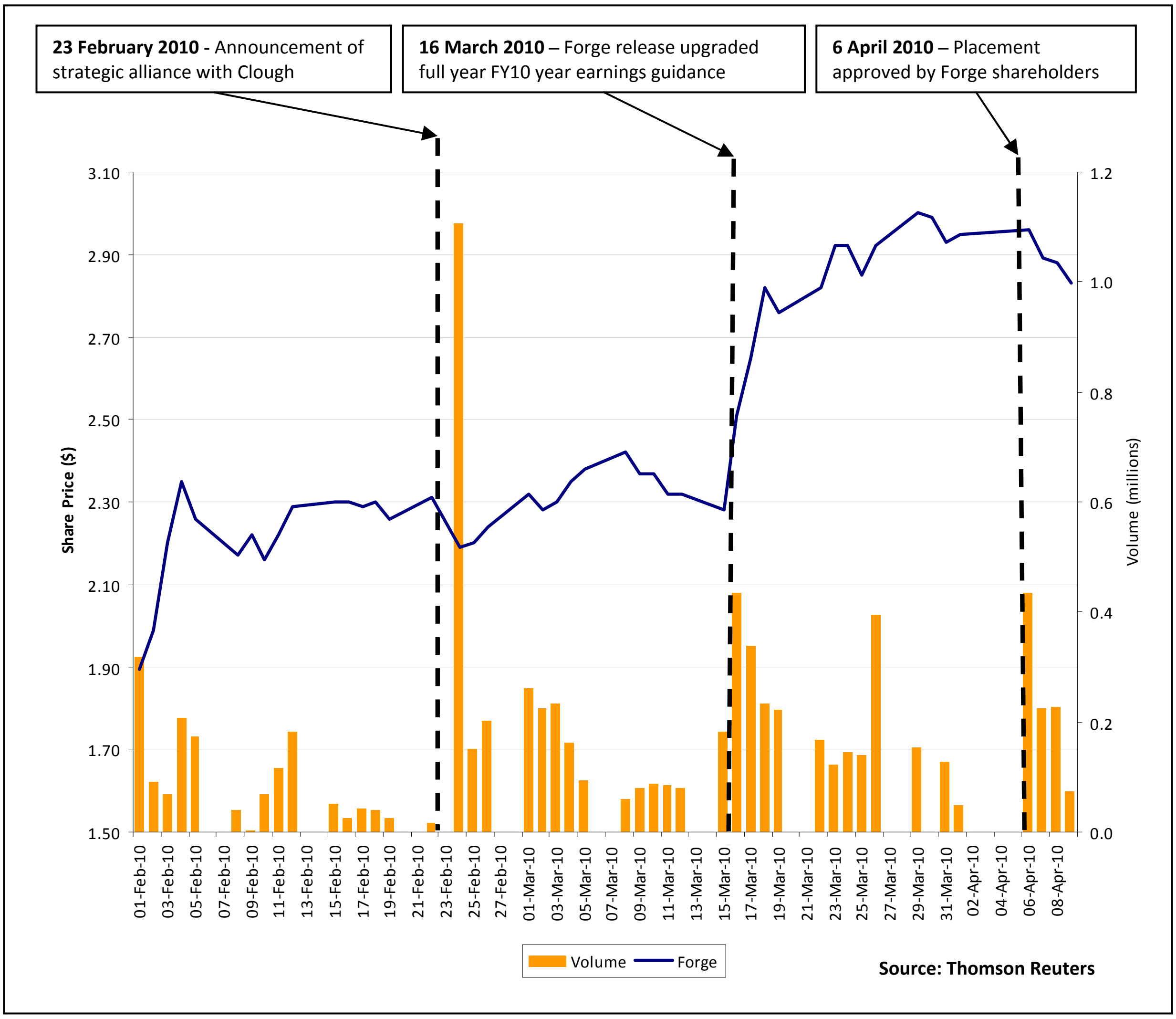


Figure 6: Forge share price analysis 1 February 2010 to 9 April 2010

10.29 The table below sets out the low, high and closing share price and volumes of Forge shares traded on the 24 February 2010, the day after the announcement of the Offer.

	Open	Low	High	Close	Volume Millions
Price $	2.32	2.12	2.32	2.19	1.10

Table 25: Analysis of Forge Share Price on 24 February 2010

10.30 The table below sets out the VWAP of a Forge share between the 24 February 2010 and 15 March 2010, being the period post the announcement of the Offer but pre the earnings guidance announcement on 16 March 2010.

Closing Price 22 Feb 2010 $	2.31
Closing Price 15 Mar 2010 $	2.28
Closing Low during period (24 Feb 2010) $	2.19
Closing High during period (8 Mar 2010) $	2.42
Volume traded over period millions	3.01
Volume as % of total shares on issue	4.40%
VWAP over period $	2.26

Table 26: Analysis of Forge Share for period 24 Feb 2010 to 15 March 2010

10.31 The table below sets out the VWAP and volumes traded of Forge shares between 16 March 2010 and 9 April 2010, being the period post the earnings guidance on the 16 March and the approval of the Placement by Forge shareholders on 6 April 2010.

Closing share price 15 Mar 2010 $	2.28
Closing share price 9 April 2010 $	2.83
Closing Low during period (16 Mar 2010) $	2.51
Closing High during period (29 Mar 2010) $	3.00
Volume traded over period millions	3.49
Volume as % of total shares on issue	5.11
VWAP over period $	2.83

Table 27: Analysis of Forge Share for period 16 March 2010 to 9 April 2010

Assessment

10.32 RG 111.53 states that it is appropriate for an expert to consider the quoted price for listed securities when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.

10.33 We consider that the market for Forge shares to be sufficiently active and liquid to provide a secondary basis of valuation of a Forge share given that there is regular trading in the Company's securities and trading in the period commencing 180 trading days prior to the announcement of the Offer to the date of this Report has been at a level of greater than 1% of Forge's shares per week.

10.34 The market price of a Forge share on 22 February 2010 being the day before the announcement of the Offer was $2.31. The market price on 15 March 2010 was $2.28. The VWAP over this period was $2.26. In our view there was minimal market reaction to the announcement of the Offer and as such minimal impact on the quoted market price of Forge's securities.

10.35 Subsequent to the earnings guidance announcement on 16 March 2010 the market price of a Forge Share increased rapidly to $2.82 on 18 March 2010 and closed a high of $3.00 on 29 March 2010. The shares closed at a market price of $2.95 on 1 April

2010 prior to the announcement of the non-binding competing proposal and the approval of the Placement by Forge shareholders on 6 April 2010.

10.36 Based on the information set out above, we consider that an appropriate price for a Forge share is based on the VWAP over the period from 16 March 2010 to 9 April 2010. This provides a underlying price of a Forge share based on market pricing of $2.83.

Control Premium

10.37 In accordance with RG 111 the value of a Forge share must be considered on a control basis.

10.38 The value ascribed to a Forge share both on an FME basis and a market price basis is on the assumption that the shareholder does not have control of Forge. Clough will be acquiring up to 56.52% of the shares in Forge and hence may obtain control.

10.39 An acquirer can be expected to pay a premium to obtain control of a company due to the advantages an acquirer will receive including the following:-

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

10.40 We have reviewed control transactions in Australia over the period 1 January 2008 to 23 March 2010. In determining the control premium we compared the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer. Our findings are summarised in the Table below;

Number of Transactions reviewed	75
Average Deal Value	$590 million
Average Control Premium	35.2%
Median Control Premium	33.2%
Upper Quartile	58.2%
Lower Quartile	12.9%

Table 28: Control Premium

10.41 As detailed in the Table above the average control premium of the 75 reviewed transactions was 35.2%. The control premium of the middle 50% of the transactions reviewed ranged from a low of 12.9% (lower quartile) to a high of 58.2% (upper quartile).

10.42 In addition we have considered Australian transactions where the target is engaged in a similar industry sector to Forge. These are detailed in the Table below.

Announcement date	Target	Acquirer	Deal Value ($m)	Payment type	Deal Premium
03/03/10*	Coote Industrial Ltd	Elph Pty Ltd	18	Cash	23.8%
17/08/09	Brandrill Ltd	Ausdrill Ltd (ASL)	42	Shares	122.4%
20/07/09	GRD Ltd	AMEC Australia Finance Company Pty Ltd	106	Cash	12.2%
07/04/06	SDS Corporation Ltd	Sandvik Mining and Construction Australia Pty Ltd	108	Cash	15.2%
23/10/03	Abigroup Ltd	Bilfinger Berger Australia Pty Ltd	186	Cash	26.2%

* Transaction not yet completed
Source: Connect 4

Table 29: Recent Australian Transactions

10.43 We note the following from the Table above:

- With the exception of the Brandrill transaction, the premium for control in the identified transactions have been in the range of 12.2% to 26.2%; and
- Brandrill Limited merged with Ausdrill Limited under a deal where Brandrill shareholders received one Ausdrill share for every 14.5 Brandrill shares. It is noted that the value of the respective lots of shares on the day prior to the announcement was $1.28 and $0.957, respectively, representing a premium of approximately 34%.

10.44 Based on the foregoing, for the purpose of our valuation of Forge shares, we have adopted a control premium of 25%.

10.45 Applying this control premium to the FME valuation and market price value provides the following.

	FME Valuation Low	FME Valuation High	Market price value
Minority Value $	2.99	3.30	2.83
Premium for Control	25%	25%	25%
Value including premium for control $	3.74	4.13	3.54

Table 30: Range of Value of a Forge shares

Forge Valuation Summary

10.46 The results of the valuation performed on a control basis are summarised in the Table below.

	Value per Forge share	
	Low $	High $
Quoted Market Price	3.53	3.53
FME Valuation	3.74	4.13

Table 31: Summary of Forge Valuation

Preferred Valuation

10.47 Based on the results above, in our opinion the value of a Forge share (including a premium for control) is between $3.74 and $4.13.

11. IS THE OFFER FAIR?

11.1 Forge shareholders will receive a cash consideration of $2.10 for 50% of their shareholding in Forge.

11.2 The table below illustrates our valuation of a Forge share and the value offered.

	Ref:	Low $	High $
Value of a Forge Share		3.74	4.13
Value of Consideration Offered		2.10	2.10

Table 32: Comparison of Consideration with Current Assessed Value

11.3 The value of the consideration which Forge shareholders will receive for each share held is less than the assessed value of their existing shares in Forge.

11.4 Therefore, for the above reasons, in our opinion, the Offer is **Not Fair** to Forge shareholders.

12. IS THE OFFER REASONABLE?

12.1 We have considered the position of the Shareholders if the Offer is accepted, and have taken into account the following advantages and disadvantages in this assessment.

Advantages and Disadvantages

12.2 In assessing whether Forge Shareholders are likely to be better off if they accept the Offer, we have compared the various advantages and disadvantages that are likely to accrue to the Shareholders.

12.3 We have assessed that in all cases the advantages and disadvantages of rejecting the Offer are the inverse of accepting the Offer. Therefore for ease of evaluation, we have set out the significant factors only in the context of approving the Offer.

Advantages;

Strategic Alliance with Clough

12.4 The major advantage to Forge of the Offer is that it will facilitate Clough in acquiring the minimum 31% shareholding in the Company which is required to trigger the Alliance.

12.5 Forge has stated that without a strategic partner it is constrained to take full advantage of the potential and immediate growth opportunities currently available to them on the back of the strong activity in the LNG, Oil and Gas and resource sectors.

12.6 The Alliance is expected to accelerate opportunities for both parties, individually and in partnership.

12.7 The key benefits of the Alliance are twofold – firstly to reduce the risk of the business, and secondly to facilitate significant growth of Forge.

12.8 The major risk factors that the Alliance will address are:-

- Execution Risk; and
- Key Personnel Risk.

12.9 The major growth opportunities that the Alliance will provide are:-

- Forge will become Clough's "partner of choice";
- Mutual partnering opportunities will be facilitated;
- Forge will be better equipped to tender for large scale projects; and
- Clough will provide Forge with assistance in identifying and accessing future acquisition opportunities.

12.10 These matters are dealt with below.

Execution Risk

12.11 A major risk to companies operating in the engineering and construction sector is Execution Risk. The profitability of Forge is dependent on the performance under various contracts and agreements. Failure by Forge to adequately perform contracted obligations may result in loss or delay in generating revenue, loss of contracts and market share, reputational damage and increased insurance costs.

12.12 Furthermore, in completing contracts Forge will require involvement of third parties including contractors and clients. Financial failure, default, or contracted non-compliance on the part of these third parties could materially lessen the performance of the Company.

12.13 Given the size and risk of project opportunities available, particularly in Western Australia, Forge anticipates that it will be required to execute larger projects for larger customers relative to that which the Company has done historically and as such Forge is bidding on opportunities where individual contract values are in excess of $50 million. With the increase in size of the contracts comes not only significantly greater rewards, but also higher risks. In order to mitigate these risks comes a need for large scale project management skills, adequate risk management and control systems, and additional resources to provide adequate project review and support.

12.14 In accordance with the Alliance, Forge will have access to Clough's proven project management, resources and control systems. In particular Forge will adopt certain specific Clough processes and principles, being Clough's Delegation and Authority Manual, Contracting Principles, and Risk Management Processes, each adapted and modified to reflect Forge's circumstances and requirements

Key Personnel Risk

12.15 Forge's success has partly been based on the core competencies of its Directors and a small number of key employees and their familiarisation with, and ability to operate in, the construction industry.

12.16 The loss of one or more Directors, or other key personnel, could have a materially adverse effect on Forge's business, financial position, and results of operations. In addition there is a risk, particularly in the current market, that Forge may fail to attract the key employees required to facilitate future growth which would have a negative impact on the development of the Company.

12.17 In accordance with the Alliance, Clough will provide management and Board support by nominating suitably qualified persons to fulfil the role of Chief Operations Officer and independent Chairman of Forge, and Clough's CEO will be appointed to the Forge Board. In addition Clough intends to second and transfer further personnel with proven experience to assist Forge in their next phase of growth.

12.18 These appointments will expand the Forge board and management teams experience in the oil and gas sector and coal seam gas projects and bring a greater level of experience in the LNG project market.

12.19 In the current labour market it is doubtful whether Forge could recruit executives with the proven knowledge and experience of those who will join Forge in accordance with the Alliance. Even if Forge were successful in going it alone in expanding their management capability it is likely that this would come at a significant recruitment cost and the timing delay would almost inevitably result in an opportunity cost in the form of either lost contracts or increased execution risk which may not occur under the Alliance.

Partner of Choice

12.20 Forge will become Clough's "partner of choice" for all construction related activity, creating a new source of opportunities for Forge. This is particularly relevant where Clough is the EPC contractor and as such Clough will be able to contract directly with

Forge on a commercial basis, where previously Forge would have had to have gone through a competitive tendering process.

Mutual Partnering Opportunities

12.21 The Alliance allows both companies to leverage their complimentary expertise which will open mutual partnering opportunities and contracts which would not be available to either party without the Alliance.

12.22 A benefit of the Alliance is that whilst mutual partnering opportunities will be facilitated, both Clough and Forge have the ability to continue to operate independently.

Large Scale Projects

12.23 Given the support provided by Clough to Forge in accordance with the Alliance in the areas of project management, risk management and the provision of proven key personnel Forge will be better equipped to tender for large scale projects, particularly in the mining and oil and gas, liquefied natural gas and coal seam gas markets in Australia and West Africa.

12.24 Through the Alliance, the Company's profile will be raised in markets in which it operates. Clough will be enabled to promote Forge's EPC construction capability to provide a credible alternative in the oil and gas, LNG, CSG and domestic gas markets.

12.25 The Alliance will provide access to the international network of Clough Companies, which will generate contract opportunities in Forge's service offerings that are not core to Clough.

Identifying and Assessing Future Acquisition Opportunities

12.26 Clough will assist Forge to identify, for possible acquisition, businesses that will complement the Forge strategic growth plan and assist Forge, where appropriate, to undertake due diligence in respect of businesses suitable for acquisition by Forge and to identify possible sources of funding for such an acquisition.

Cornerstone Investor

12.27 At the completion of the Transaction, Clough will have invested between approximately $55 million and $98 million in Forge depending upon its ultimate shareholding. At such level of investment it is incumbent upon Clough to ensure the success of the Strategic Alliance and its investment in Forge.

Equal Opportunity to All Shareholders

12.28 The Offer provides each shareholder with an equal opportunity to sell 50% of their shares at $2.10. The Major Shareholders have stated that they will accept the Offer in the absence of a superior proposal, and as such other shareholders do not have to accept the Offer in order for Clough to acquire 31% in Forge and trigger the strategic alliance. Shareholders will accordingly have the choice to:-

- accept the Offer for 50% of their shares at $2.10 and retain 50% of their shareholding in the Company;
- sell their shares on market; or
- retain 100% of their shareholding in Forge.

Opportunity to larger Shareholders

12.29 The Offer provides an opportunity for those shareholders who hold large share holdings to dispose of and receive cash for 50% of their shareholding. It may not be possible for these shareholders to dispose on a timely basis this level of shares on market due to the liquidity of Forge shares in the market place.

Disadvantages;

Consideration Offered does not reflect Fair Value of Forge Shares

12.30 The consideration offered by Clough does not reflect the fair value of Forge's shares.

Offer Price under Market Value

12.31 The Offer price is below the market price of Forge's shares. The Offer price of $2.10 represents a discount of 34.77% on the Company's share price of $2.83 on 9 April 2010 being to the closing share price on the day prior to the issue date of this report. It also represents a discount of 9.09% to the closing share price of the Company's shares prior to the announcement of the Offer, a 0.94% discount to the VWAP of the Company's shares of $2.12 for the one month prior to the announcement of the Offer and a 1.87% discount to the VWAP of the Company's shares of $2.14 for the 3 month period prior to the announcement of the Offer.

Loss of Control Premium

12.32 Following the Completion of the Offer Clough will hold between 31% and 56% of Forge shares which will be acquired without paying a premium for control. In addition shareholders may be foregoing any future control premium in any shares they continue to hold in Forge in that the presence of a cornerstone shareholder such as Clough on the share register may detract from the attractiveness of Forge as a takeover target.

Minority Shareholders

12.33 Under the Offer Clough may acquire in excess of 50% of Forge Shares, should this occur the current shareholders would no longer collectively control Forge. This has a number of possible implications, including the following:-

- Clough will control the Board, senior management, Forge's dividend policy and Forge's strategic direction. However the Alliance stipulates that during the Standstill Period (2 years after completion of the Transaction) the Forge board shall comprise of four persons, namely:-

    - an independent chairman;
    - a CEO and executive director;
    - an independent director; and
    - the nominee director

  It should be noted that if at anytime during the Standstill Period Clough's holding exceeds 60%, this provision, regarding the structure of the Board will cease to apply.

- The liquidity of Forge shares may be lower than at present due to one shareholder holding a large amount of shares. This may affect the ability of shareholders to dispose of their share in the future; and

- Following the completion of the transaction should Clough acquire further shares to take their shareholding in Forge to 75% or more they will have the ability to change Forge's constitution.

Break fee

12.34 In the event that any director of Forge changes, qualifies or withdraws his recommendation or if the Offer does not succeed because of a competing proposal Forge will pay a break fee of $700,000 to Clough. However, the break fee is not payable if:-

- Subscription Completion occurs and the Offer becomes unconditional; or
- Clough becomes the registered holders of 19.99% or more of the issued ordinary share capital of Forge under the Transaction; or
- The independent expert commissioned by Forge gives an opinion that the Offer is not fair and not reasonable.

View of the independent Director

12.35 The independent Director has indicated that on balance shareholders should reject the Offer.

Other key issues;

Future Intentions of Clough

12.36 Once Clough acquires 31% of the Forge shares the Alliance will come into effect.

12.37 Clough intends to propose that Forge carryout a general operational review which will involve the adoption of Clough's contracting and risk management policies which are suitable for Forge's requirements, and to ensure standardisation and efficiency of policies across Forge's operations.

12.38 It is intended that Clough will maintain Forge's listing on the ASX.

12.39 Clough intends to retain Forge's head office in Perth and presently intends to retain all Forge employees.

Future Prospects of Forge if the Offer is not Accepted

12.40 The Major Shareholders have stated that they intend to accept the Offer in the absence of a superior proposal and accordingly Clough will acquire more than 31% of the Company and trigger the Strategic Alliance. Given these circumstances the future prospects of Forge will not vary significantly whether the Offer is accepted by shareholders other than the Major Shareholders or not.

12.41 Clough has stated that as their shareholding in Forge rises, the economic and strategic alignment between the two company's increases. Further the greater Clough's shareholding in Forge, the greater the alignment, and accordingly the greater the potential value that may be generated by the Alliance

Alternative Proposal

12.42 On 1 April 2010 Forge announced that it had received a confidential non-binding competing proposal to the Offer.

12.43 The competing proposal was for an off market takeover bid for 100% of the issued shares of Forge at a price below the current market price of a Forge share but in excess of the price offered by Clough and at a level representing a premium at which Forge shares were trading prior to the announcement of the Clough offer. The consideration offered involves cash and scrip. The proposed bidder is a listed S&P/ASX 100 company.

12.44 The proposal was subject to a number of conditions including allowing the third party to complete due diligence by 28 April 2010, a minimum 90% acceptance condition, and postponing the shareholders general meeting held on 6 April 2010 to approve the Placement to Clough until after 29 April 2010

12.45 On 9 April 2010 Forge announced that the proposed bidder had elected not to proceed further.

12.46 We consider that whilst the prospect of a potential binding higher offer from an alternative party emerging in the future either during the currency of the Offer or subsequently, should not be dismissed, the prospects of such an offer are uncertain.

Taxation Implications

12.47 The sale of Forge shares under the Offer will contribute a capital gains tax event and it is therefore possible that Forge shareholders could incur a capital gains tax liability on their disposal. Further details are contained in Section 5 of the Targets Statement.

12.48 Shareholders are advised to seek their own independent tax advice in relation to the implications for their shareholding.

Conclusion

12.49 In our opinion whilst there are significant advantages that will be derived by Forge from the Alliance there is no dependency on shareholders to accept the Offer other than the Major Shareholders who have stated that they intend to accept the Offer in the absence of a superior proposal for the Alliance to be triggered.

12.50 Accordingly based on our assessment set out above we consider the Offer is **Not Reasonable** to Forge's non-associated shareholders.

Yours faithfully

Andrew Gilmour

A J GILMOUR
Director

1.2

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour is a director of RSM Bird Cameron Corporate Pty Ltd. He is a Chartered Accountant with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the non-associated shareholders of Forge in considering the Takeover Bid. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Forge and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, nor any other member, director, partner of employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately $75,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of the outcome of the Offer.

Prior to accepting this engagement RSM Bird Cameron Corporate Pty Ltd considered its independence with respect to Forge and Clough and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In RSM Bird Cameron Corporate Pty Ltd's opinion it is independent of Forge and Clough and their respective associates.

Neither RSM Bird Cameron Corporate Pty Ltd, RSMBC, nor the signatory of this report, Mr Andrew Gilmour, has had within the past two years any relationship with the Company, except as follows:-

- Tax consulting and compliance; and
- Accounting services.

A draft of this report was provided to Forge as its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Target Statement. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Target Statement. Accordingly, we take no responsibility for the content of the Target Statement as a whole.

Sources of Information

In preparing this report and arriving at our opinion, we have considered amongst others, the following principal sources of information:

- Information on the operations and activities of each of Forge's and Clough's companies provided by Forge Directors and management;
- Joint discussions with representatives from Forge and Clough regarding the Strategic Alliance;
- Audited consolidated financial statements for Forge in relation to the years ended 30 June 2008 and 30 June 2009;
- Independently reviewed consolidated financial statements for Forge for the six months ended 31 December 2009;
- Agreements in relation to the Transaction being:-
    - The Placement and Bid Implementation Agreement;
    - Call Option Over Shares Agreement with the Major Shareholders;
    - Strategic Alliance Agreement; and
    - Option Acquisition Deed.
- Forge's Target Statement in relation to the Offer
- Announcements by Forge to the ASX;
- Forge and Clough Share registry Information;
- Brokers' notes in relation to Forge;
- Discussions with Forge directors, management and advisors;
- Forge web site www.forgegroup.com.au;
- Audited consolidated financial statements for Clough in relation to the years ended 30 June 2008 and 30 June 2009;
- Independently reviewed consolidated financial statements for Clough for they six months ended 31 December 2009;
- Announcements by Clough to the ASX;
- Clough's Bidders Statement in relation to the Offer;
- Clough's web site www.clough.com.au;

- The following IBISWorld Industry Reports:-

    - Heavy Industry and Other Non Building Construction in Australia – E4122 (December 2009)
    - Institutional Building Construction in Australia – E4115 (November 2009)
    - Mining Services in Australia – B1520 (December 2009)

- Various information obtained from Thomson Reuters www.knowledge.reuters.com;

- Various information obtained from Connect 4, www.connect4.com.au;

- Various share price information obtained from IRESS, www.iress.com.au: and

- Information in the public domain.

APPENDIX C
Profile of the Principle Industries in which Forge Operates

Current Economic Conditions

Following sharp contractions in global output in late 2008 and early 2009, the global economy continues to stabilise and recover, with the current climate much healthier than was forecast in the early part of calendar year 2009. Almost all economies are now growing again with expectations that the world economy will grow by 4% per cent in each of the next two years, which represents around average growth over the past decade.

The Asian economies are showing the most advanced signs of recovery, with current and expected growth continuing to be quite strong. The recovery in the advanced economies is expected to remain subdued for some time as they continue to operate with considerable excess capacity.

Global financial markets are functioning much better now than they were a year ago and the support given by governments and central banks is gradually being wound in. However the credit conditions remain tight globally as there are ongoing concerns regarding the state of some sovereign's finances and banks in some major countries still face heavy loan losses associated with the Global Financial Crisis.

Domestically the Australian economy has proved to be very resilient to the economic conditions posed by the global downturn. Economic conditions in 2009 were far stronger than first expected, and it now appears that the economy only suffered a mild downturn in early 2009. A numbers of indicators, which are discussed below suggest that the Australian economy has come through the downturn and that the outlook for 2010 and beyond is positive.

- Unemployment rates appear to have peaked at a much lower rate than expected, and a range of business surveys suggest growth in the economy may have been at or close to trend for a few months.

- The significant Government spending stimulus continues to be scaled back.

- The Reserve Bank of Australia announced on 6 April 2010 a rise in the official cash interest rate ("the Cash Rate") by 25 basis points to 4.25%. The RBA reduced the Cash Rate to a 49 year low of 3% in April 2008 in response to the global downturn. However the current rise represents the fifth 25 basis rise by the RBA since October 2009. The recent increases in the rate and the Governor of the Reserve Bank of Australia's comments that the most recent rise is a step in the process to returning the Cash Rate to average levels provide a clear indicator that the domestic economy is on an upward trend.

- Consumer and investor confidence continues to be high on the back of a buoyant housing market with growth in prices of between 10 and 12 per cent over 2009, the recovery and stabilisation of equity markets in 2009 and 2010 and the ongoing improvement in employment levels.

- In recent quarters engineering construction has been sustained at historically high levels, supported by mining related investment. The outlook for mining investment remains positive as large projects in the oil & gas, coal and iron ore sectors will continue to underpin a high level of engineering construction activity in the period.

- The pace of recovery in the Asian economies has been strong. With the International Monetary Fund forecasting the Chinese economy to grow by 10 percent in 2010 and 9.7 percent in the following year, and the Indian economy to grow by 7.7 per cent in 2010 and 7.8 per cent in 2011. Australia's close trading relationships with these nations will underpin the growth of the Australian economy in the coming years.

In summary the outlook for the Australian economy is strong compared to the other developed economies with growth forecast to be in the region of 3.25 and 3.50 per cent in both 2010 and 2011. Private demand is likely to strengthen through 2010 with strong public demand supporting growth in the early part of the year. Continued improvement in the global economy, demand from the Asian economies and as such the expected increases in commodity prices are expected to support continuing high investment in the resources sector and dwelling investment is also expected to grow strongly.

Industry Sector Analysis

Through its three operating divisions Forge principally operate in the following industries:

- Australian Heavy and Other Non Building Construction Industry
- Australian Institutional Building Construction Industry
- West African Gold Mining Industry

We set out a profile of each industry sector below

Infrastructure and Other Non Building Construction Industry

Overview

The primary activity of the heavy and other non building construction industry is the construction of heavy industrial, telecommunications, pipelines and other infrastructure projects.

Industry revenue currently totals approximately $49.5 billion and accounts for around 2% of Australia's GDP. The bulk of industry revenue is generated through oil and mineral infrastructure, electricity infrastructure, telecommunications infrastructure and water supply and storage infrastructure as set out in the chart below;

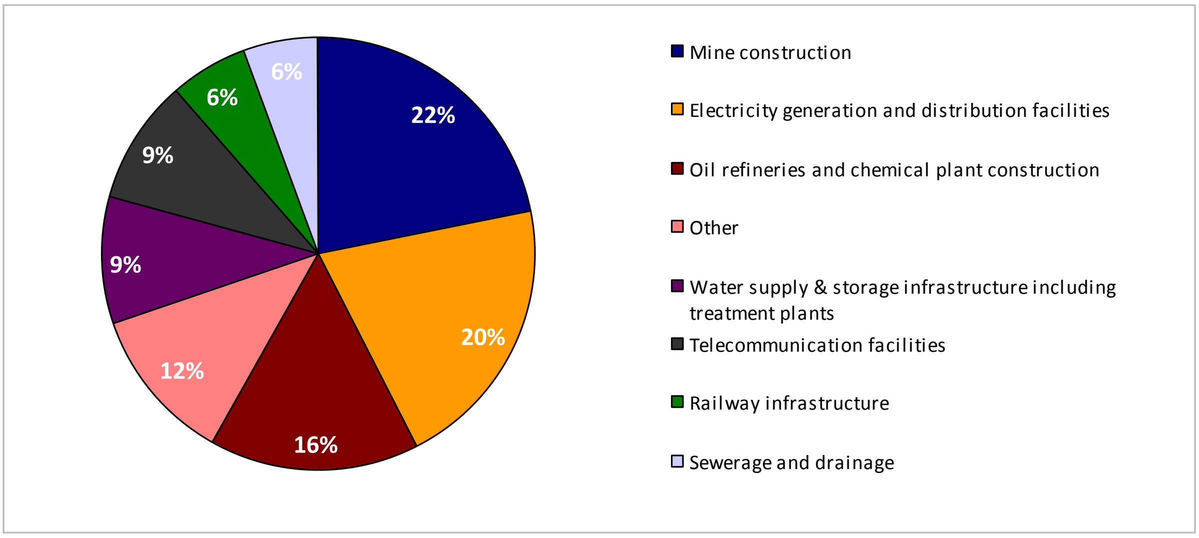


Figure 7: Mining services industry revenue by segment[14]

Projects in the market are funded by both the private sector, which contributes approximately 73% of the total funding and the public sector which contributes the remaining 27%.The public sector share of funding has fallen significantly since the early 1990's reflecting the shift towards greater private ownership of public utilities.

The distribution of industry activity is generally influenced by patterns of population; however in recent times this has been skewed by heavy investment in the resource sectors in Western Australia and Queensland, the impact being that both have a disproportionately high percentage of the market.

The industry is characterised by a high level of labour intensity, with wage cost currently absorbing approximately 45% of revenue. Industry profit is around 24.5%, this has increased by around 14% per annum over the last 5 years reflecting the accelerated demand for engineering construction services.

Key sensitivities

The industry is affected by the following key sensitivities;

- Public sector funding – The sector currently contributes around 27% of total industry funding, the sector is particularly important in times of recession and weakening demand in the private sector and governments have traditionally used counter cyclical investment into infrastructure to stimulate the economy.

- Population growth rate – A key determinant for demand for public infrastructure is the pace of population growth. Continued population growth in Australia is forecast over the next twenty years, this is expected to underpin demand for significant investment in public infrastructure.

- Downstream demand from mining and base metals price index – The mining industry generates between 10% to 15% of industry activity and approximately one quarter of the demand for the private sector contractors. The level of mining and mineral processing investment is dependant on world

[14] *Source: IBIS World (Heavy Industry and Other Non Building Construction in Australia, December 2009)*

demand for commodity exports, weak commodity prices will generally lead to delays or cancellation of investment projects.

Competitors and competition characteristics

The level of industry concentration is low, with the four largest enterprises estimated to have a market share of 20% to 25% as set out in the table below, and the 50 largest contractors having a total market share in the region of 50%.

Heavy industry and Other Non Building Construction Company	**Market Share %**
Leighton Holdings Limited	8.0
Downer EDI Limited	6.0
Lend Lease Corporation	6.0
Bilfinger Berger Australia Pty Ltd	3.5
Other	76.5

Table 33: Major players in the heavy industry and other non building construction industry

There are no specific barriers to the entry of new competitors but new entrants are likely to encounter difficulties competing against existing players. The existing large scale participants have a size and market dominance which is likely to deter new participants. In addition the tendering process favours those enterprises that have a proven and established track record. Another issue that faces new entrants is that competitors on large scale projects must be at the forefront of technological developments and it is unlikely that they will have this knowledge or capability.

A large amount of activity in the industry is awarded through tender and, to be competitive in the industry firms must have the ability and proven track record to compete on tenders without compromising their long-term profit and cash flow targets. To remain competitive it is essential that firms have the project management skills, systems, processes and the flexibility not only to manage and deliver multiple projects at any one time but also to change the segments of the engineering construction market they operate in; key to being able to this is having the ability to adopt new technology quickly.

Industry performance

The heavy industry and other non building construction industry has recorded unprecedented cyclical growth in the 2000's driven principally by private sector investment in resource developments and energy and transport infrastructure, particularly in Western Australia, Northern Territory and Queensland. The value of the work done by the market is forecast to have grown by an average of 14% per annum in the five years ending 30 June 2010.

During the current year demand conditions have eased due to the scaling back of work in project completion and the drying up of investments in the aftermath of the GFC. However the industry remains at historically high levels in terms of activity and employment levels and company profitability vastly exceeds that of previous expansionary cycles.

The past decade has seen a structural change among the large contractors who have significantly increased the breadth and range of services they offer, which has seen the emergence of multi-disciplined firms which are capable of taking a greater role in infrastructure design, funding, procurement, operation and ownership. This has allowed theses enterprises to capture a greater share of the total value of an infrastructure project which has vastly improved industry profitability.

Future Outlook

There is expected to be further cyclical contraction in the short term as the industry suffers from weaker global economic conditions and the tight liquidity of global financial markets, with moderate growth in revenue forecast of 2.5% per annum over the next five years lower than GDP of 3.7% per annum. However this includes a forecast 11.5% contraction in 2010-11 to a cyclical trough of $43.8 billion, and average revenue in the next five years is expected to be 13% higher than that in the preceding five years.

The industry is forecast to rebound strongly from the middle of the outlook period from 2012-13 with industry revenue forecast to surge by 7% to 10% per annum in each of the three following years, reflecting the flow through of investment across all key infrastructure markets.

Mining and energy investment will remain well above its historical average with work on major projects such as Gorgon, Pluto LNG and the North Rankin Gas Compression projects underpinning revenue growth. In addition there is expected to be a return of public and private investment in to rail, transport, power generation and water supply.

The overall outlook for the industry is considered favourable, with a healthy level of projects currently underway in all infrastructure sectors, which will underpin the industry until the forecast cyclical upswing in 2012-13.

Australian Institutional Building Construction Industry

Overview

The Institutional building construction industry mainly constructs buildings where Australians learn, work are healed, socialise, exercise, pray and seek justice.

The market represents approximately 35% to 40% in value terms of the wider non residential construction market. In 2009-10 the industry is forecast to generate revenues of $11.55 billion.

The principle segments of the market, in terms of work done, are educational facilities (47.7%) and health facilities (32%). In addition the sector is responsible for a number of miscellaneous buildings including amongst others, prisons, military barracks and religious buildings.

The majority of work done in the sector is undertaken by private contractors funded by public sector investment.

Over the long term the geographic spread of work done by the industry conforms with long term projections in population growth, as set out in chart below;

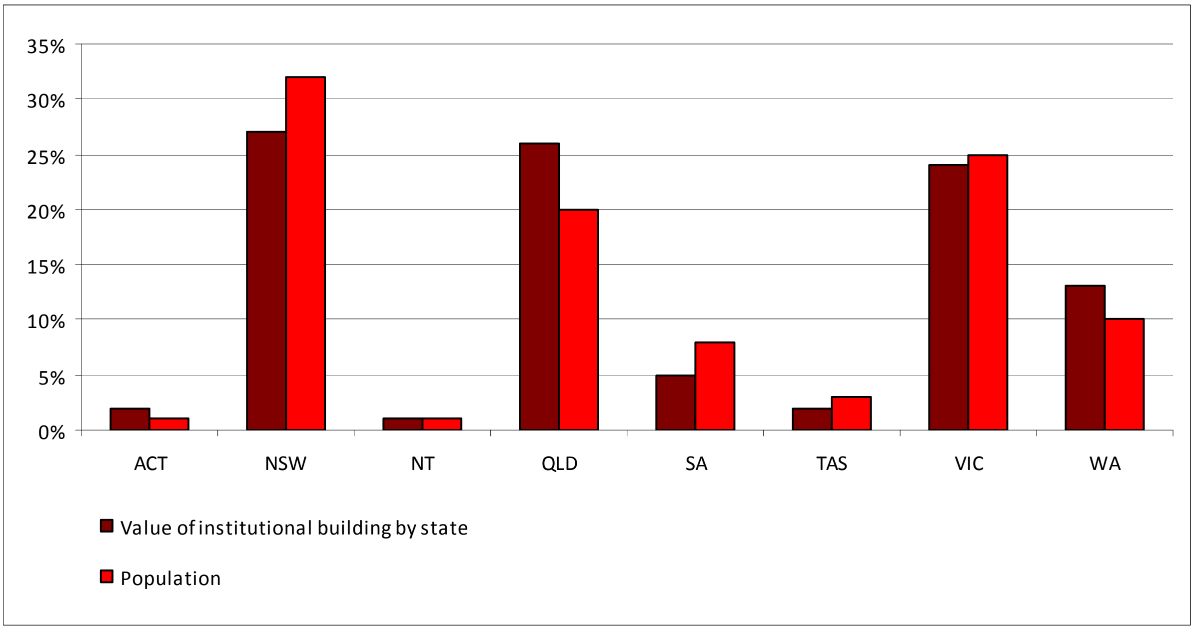


Figure 8: Value of institutional building by State versus population[15]

Key sensitivities

The industry is affected by the following key sensitivities;

- Population growth rate – The level of public sector investment in buildings such as hospitals, education facilities and community care facilities is determined by long term trends in the growth of the population.

- Capital expenditure by the public sector – The public sector continues to be the primary funder for institutional buildings. In addition since the late 1990's

[15] *Source: IBIS World (Institutional Building Construction in Australia, November 2009)*

state governments have generated strong demand for the construction of landmark buildings associated with landmark events such as the Sydney 2000 Olympics, anniversary of Federation and the redevelopment of the central city areas.

Competitors and competition characteristics

The five largest players in the industry have approximately a 20% market share as set out in the table below;

Institutional building construction industry company	**Market Share %**
Leighton Holdings Limited	5.0
Lend Lease Corporation	5.0
Bilfinger Berger Australia Pty Ltd	4.0
Brookfield Multiplex Group	3.5
Lang O' Rourke Australia Pty Ltd	2.5
Other	80.0

Table 34: Major players in the institutional building construction industry

Three quarters of annual industry is generated by firms operating as prime contractors under turnkey contracts. To remain competitive in the industry firms must have proven tender experience and good working relationships with a pool of skilled contractors to enable the participants to offer the turnkey contracts preferred by customers.

The industry carries a high degree of regulation and firms must have knowledge of each local regulatory environment they operate in and have the ability to negotiate with regulators during the construction phases. Firms must establish a record of compliance with government regulations and BCA building standards.

Competition in the market is high and increasing, there has been a growing trend for the building contractor to take an equity interest in a bidding consortium. Allowing firms to leverage on the expertise of consortium partners but also block out other building contractors. Often firms operate in strategic alliance with other partners to enhance their product offering.

Industry performance

The institutional building construction industry is forecast to have average revenue growth of 10% per annum over the five years to 2009-10. The growth in the industry reflects solid budget financing throughout the mid to late 2000's which enabled State and local governments to invest significantly in health and educational facilities to meet the broadening spread of population settlement in Australia, and particularity the new dispersal of housing into outer suburban areas.

Industry profitability has increased since the mid 2000s, with the widening of industry profit margins due to growth in construction demand. Profit margins have climbed as a share of revenue from around 7.5% in the mid 2000s to currently around 11%.

Industry revenue growth in 2009-10 is expected to increase by 20.2% in 2009-10 to $11.55 billion, compared to a fall in the commercial and industrial market of more than 23%. This reflects the investment by the Commonwealth to the refurbishment of primary schools under the Education Revolution program and non cyclical funding in the wake of the GFC.

Future Outlook

Overall in the next five years industry revenues are expected to grow at an average rate of 2.5%. However in the short-term growth in the industry will significantly outstrip this as demand for institutional buildings is underpinned by significant government spending in the wake of the GFC, with revenue forecast to rise by 10.1% in 2010-11 and a further 6% in 2011-12 to $10.35 billion.

From 2012-13 industry revenue is forecast to contract by 1.4% in 2012-13 and by a further 2% to $10 billion in 2013-14 as the government stimulus is withdrawn including the Education Revolution program which has fuelled growth in recent years.

Industry profitability over the next five years is expected grow by approximately 3.5%, widening in the short term in the face of increased demand due to the government stimulus but slowing when this is withdrawn. It is expected that profitability should be strongest for the large scale developers / contractors.

West African Gold Mining Industry

Overview

The West African gold producing region is made up of Ghana, Mali, Guinea, Burkina Faso, Ivory Coast, Mauretania, Senegal, Niger, Sierra Leone and Liberia.

In 2008 the region produced 175 tonnes of Gold, with Ghana producing nearly 50% of this with over 80 tonnes. The next two largest producers in the region are Mali and Guinea producing 47 and 23 tonnes respectively.

If the region was ranked as a single entity it would be placed seventh against the top gold producing countries. On this basis, growth over the next few years is estimated to push the region up to second behind China.

According to USGS Mineral Commodities analysis, West Africa is the top region in gold resource growth from 1997 to 2005.

Major players

Three of the top four global gold producers (Newmont, AngloGold and Gold fields) have taken significant stakes in the region which highlights the regions increasing importance in the global gold producing industry.

Future Outlook

The recent rise in the gold price has led to a rush of entrepreneurial companies entering the region to re develop historic mines and commit to greenfield exploration in West Africa. The number of gold producing mines is expected to double in the medium to long term from 29 currently to 58, with 10 of these projects earmarked for Ghana.

The increasing significance of the region as a gold mining producer and the influx of investment into existing and greenfield mine sites is expected to create significant opportunities over the next decade for those entities engaged in the design and construction of mine sites and associated infrastructure.

APPENDIX D
Comparable Company Analysis

Brierty Limited

Brierty Limited is engaged in the activity of civil contracting. The company operates in four segments: Transport Infrastructure, which includes urban and regional roads, highways, public rail, port and airport infrastructure; Resources Infrastructure, which includes civil infrastructure work for mines, energy, utilities and pipelines; Land Development, which includes urban and regional land development, and Mining Services, which includes contract mine and mine maintenance.

Decmil Group Limited

Decmil Group Limited is engaged in supplying industrial services to the resources industry. The company, through its subsidiaries, is engaged in providing multi-disciplined design, civil engineering and construction works for the oil and gas, resources and infrastructure sectors. The Company’s activities include civil works, industrial and non-process infrastructure, accommodation, government infrastructure, and engineering design and drafting services. Civil works include large and small-scale brownfield and greenfield projects in regional and remote areas, including industrial zones and port facilities. Industrial and non-process infrastructure includes large-scale implementation of industrial infrastructure, including industrial buildings, processing plants, workshops and storage facilities. Accommodation services include design and construction of permanent and temporary accommodation.

E&A Limited

E&A Limited is an Australia based investment and engineering services company. The company consists of five wholly owned operating businesses: Investment and Corporate Advisory, Procurement Services, Fabtech, Heavy Mechanical and Electrical Engineering and Maintenance Engineering and Plant Construction. Some of its subsidiaries include Equity & Advisory, Fabtech SA, Whyalla Fabrications, Ottoway Engineering, ICE Engineering & Construction and Heavymech. The company’s principal activities included engineering services to the mining and resources industry; engineering services to the water industry; engineering services to the defence industry, and financial advisory services to the corporate sector.

Envirozel Limited (“EVZ Limited”)

Envirozel Limited operates in the engineering services industry segment in Australia and Asia. The company is engaged in the design and installation of syfonic roof drainage systems to buildings, including airports, shopping centres and sporting venues throughout Australia and Southeast Asia, and design, manufacture, service and maintenance of steel tanks for use in the water, petrochemical and chemical industries. The company’s operations also includes design, construction, onsite installation, maintenance and shutdown engineering services to mining, wood chip, petrochemical, aluminium, glass, cement, defence and agriculture industries; design, installation and maintenance of base and back-up power generation equipment, communications equipment and marine installations, and fabrication and erection of structural steel work for commercial, industrial and retail projects.

Macmahon Holdings Limited

Macmahon Holdings Limited is a civil construction and mine contracting company. The principal activities of the company consist of the provision of civil construction and contract mining services. The company operates in two segments: mining and construction. The mining and construction segments are managed on a worldwide basis, but operate in two principal geographical areas: Australasia and South East Asia. The Company's subsidiaries include Macmahon Contractors Pty Ltd, Macmahon Underground Pty Ltd, Macmahon Underground Unit Trust, Macmahon Properties Pty Ltd, Macmahon (Southern) Pty Ltd and Macmahon Mining Services Pty Ltd.

Neptune Marine Services Limited

Neptune Marine Services Limited is a provider of integrated engineered solutions to the international oil and gas, marine and renewable energy industries. The company's principal activities include provision and expansion of an integrated suite of subsea services to the oil and gas, marine and renewable energy sectors, both domestically and internationally; the identification and execution of projects utilising the group's suite of complementary services; migration of the Neptune Marine integrated service model into international target markets, and ongoing international commercialisation of the Nepsys Dry Underwater Welding Technology. The company's range of asset management services includes specialist engineering and fabrication, inspection, repair and maintenance, commercial diving, asset integrity management, project management and its dry underwater welding technology-NEPSYS.

Nomad Building Solutions Limited

Nomad Building Solutions Limited is engaged in the manufacturing of modular transportable buildings, project management and installation. It is also engaged in construction and property development. The company's subsidiaries include Nomad Modular Building Pty Ltd, Pivot Way Pty Ltd, Pivot Way Trust and Nomad Homes Pty Ltd.

NRW Holdings Limited

NRW Holdings Limited is a supplier of services to the resources sector. It operates in four segments: Civil Contracting, Mining Services, Equipment Rental and Sales, and Fabrication and Repair Services. Its civil contracting segment is engaged in the provision of civil infrastructure and other construction services, including rail formation, bulk earthworks and detailed road and tunnel construction. Its mining services segment provides earth moving, waste stripping, ore haulage and related ancillary services. Its equipment rental and sales segment is engaged in the rental and sale of new and used, heavy mining and ancillary equipment, and the distribution of off-road tires, loaders, excavators and rollers. Its fabrication and repair services segment is engaged in the provision of equipment repairs, sandblasting and painting services, service truck and water tanker fabrication and import services, including quarantine cleaning.

RCR Tomlinson Ltd

RCR Tomlinson Ltd is engaged in providing integrated engineering solutions, including design, manufacture, service, construction, repair and maintenance to industry. The company operates in four business segments: RCR Engineering, RCR Energy Systems & Industrial Services, RCR Construction & Maintenance, and RCR Positron Electrical Services. The RCR Engineering segment offers integrated engineering solutions to the resources sector. The RCR Energy Systems & Industrial Services segment comprises of RCR Energy Systems, a manufacturer and supplier of energy equipment systems to industry; Tomlinson Boilers, a provider of total repair, maintenance and product support services; RCR Heat Treatment, offering in-house and callout thermal engineering, and heat treatment services, and RCR Lasers, which provides cutting solutions. RCR'S construction and maintenance division offer teams for various functions.

Saunders International Limited

Saunders International Limited is engaged in the design, construction and maintenance of steel bulk liquid storage tanks and associated infrastructure, and the project management of ancillary facilities. The company operates mainly in Australia. The company services a variety of clients ranging from multinational oil, gas and mining companies to water authorities.

Sedgman Limited

The principal activities of the company consist of engineering and operational services to the resources industry. It is engaged in the in the design, construction, operation and management of Coal Handling and Preparation Plant. The major products/services from which the company derives revenue are engineering services, which include design, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment; operations, which include operation and ownership of coal handling and preparation plants, and ore crushing and screening plants.

Southern Cross Electrical Engineering Limited

The company is engaged in the provision of specialised electrical, control and instrumentation installation and testing services for the resources, infrastructure and heavy industrial sectors. The range of services the company offers to its clients through the project lifecycle includes constructability reviews; material procurement, transport and logistics; electrical and instrumentation installation (E&I); installation pre-commissioning and commissioning; shutdown maintenance and installations; installation contractual verification documentation, and manufacturers data and maintenance manuals. The company provides E & I services on a worldwide basis, but operates in two principal geographical areas: Australia and South America.

Structural Systems Limited

Structural Systems Limited is engaged in engineering, remedial and construction contracting, drilling and ground control services, and the manufacturing of post tensioning components. The company has five operating divisions: post-tensioning, construction, civil, remedial and mining services. In addition, the company also has a projects department that provides support to these divisions for large scale or technically complex projects. The post-tensioning division's manufacturing arm, Refobar Australia, makes componentry for the post-tensioning industry, including bar chairs, oval and flat duct and barrels and wedges. The Civil division provides construction techniques and services to a range of clients and projects, including incremental launching of bridges across rivers, railways and motorways. Its mining and civil services division, ROCK Australia, provides supply and contracting services to mining and civil projects throughout Australasia.

Watpac Limited

Watpac Limited is engaged in construction, civil, and property groups. Construction and contracting includes building, refurbishment, project management and construction management and civil and mining management. It operates in two segments: building and civil contracting, and property development. The company’s building and civil contracting divisions comprise of three product lines, namely building construction, civil infrastructure and mining, and specialty services. The company operates in Queensland, New South Wales and Victoria.

APPENDIX E

Financial Services Guide

Overview

RSM Bird Cameron Corporate Pty Ltd, ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG". This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 255847;
- Remuneration that we and/or out staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Deposit and payment products limited to:

  (a) basic deposit products;

  (b) deposit products other than basic deposit products.

- Interests in managed investments schemes (excluding investor directed portfolio services); and
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and/or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, PO Bo R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("FICS"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
P O Box 579
Collins Street West
MELBOURNE VIC 8007

Toll Free: 1300 780 808
Facsimile: (03) 9621 2291

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.