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31 January 2011

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD
OCTOBER 1 TO 31 DECEMBER, 2010**

HIGHLIGHTS

- Exploration activities commenced on NSW projects
- Gravity surveys completed on the North Mayfield and Michelago projects
- Interpretation of gravity data highlights a number of anomalies
- Prospectivity for gold and base metal mineralisation confirmed
- Company announces entering into negotiations with respect to potential purchase of material project

1. CORPORATE

Forge is pleased to report that it has commenced its explorations activities on its NSW based projects during the December 2010 quarter. In addition and consistent with the Company's adopted strategy, the Company continued to review potential project acquisitions. As announced in late October 2010, Forge entered into negotiations regarding a potential acquisition and, as at the date of this report these negotiations are ongoing. The Company anticipates being in a position to announce further details surrounding the status of negotiations during the March 2011 quarter.

During the quarter the Company issued 123,838 Fully Paid Ordinary Shares at a subscription price of \$0.20 per share raising \$24,767.60 resulting from the conversion of 123,838 Options to acquire Forge shares.

+ See chapter 19 for defined terms.

2 NSW EXPLORATION ACTIVITIES

2.1 Overview

The Company's tenements are all located within the prospective Lachlan Fold Belt of NSW – see Figure 1.

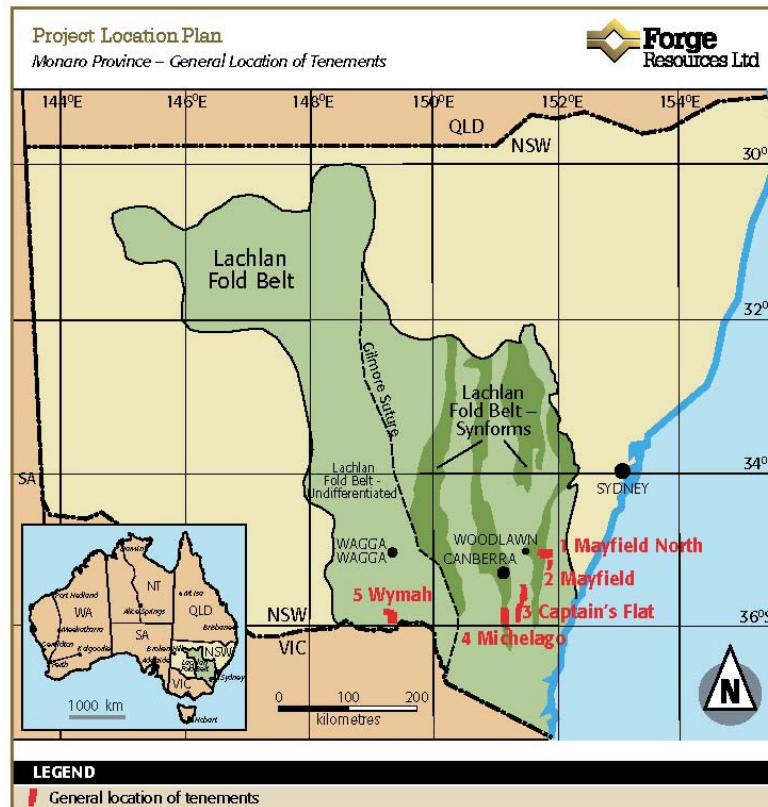


Figure 1: Location of Forge tenements.

During the course of the initial reporting period, the Company commenced exploration activities which entailed the completion of a gravity survey on each of its Mayfield North and Michelago projects. The results of this survey work have been positive, with a number of gravity anomalies being defined and confirming the prospectivity of each area for gold and base metal mineralisation. Details of these explorations are outlined in the following sections.

2.2 EL 6691 Mayfield North (Forge 100%)

Exploration target - granite hosted copper/gold. Potential for Intrusive Related gold (IRG) deposits.

Interpretation of gravity data has generated five (5) local gravity anomalies which significantly enhances the prospectivity of the Mayfield North project. The five anomalies are located within the confines or on the flanks of a major magnetic "high" (known as the 'Loaded Dog' prospect) located within the central portion of the licence area.

It is considered that the correlation of the gravity response to that of the magnetics is significant. Coincident method anomalies such as this have numerous analogies to developed mines and successful prospects within Australia and elsewhere in the world.

In addition to the coincident geophysical anomalies, the Loaded Dog prospect also displays elevated base metal geochemical anomalism radiating away from the Loaded Dog prospect in most directions.

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The results of the gravity survey are illustrated in Figure 2. This shows the regional results and highlights the Loaded Dog prospect as being a satellite feature to a strong gravity “high” located in the NW of the licence area.

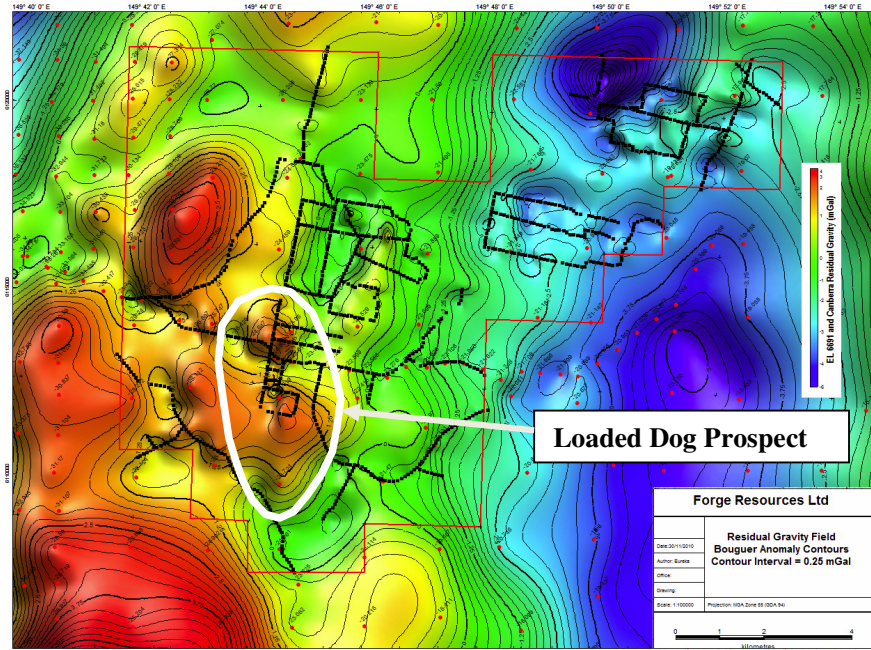


Figure 2: Position of Loaded Dog project and regional gravity data, within the confines of EL 6691.

A close-up of the Loaded Dog prospect reveals the location of the five gravity high anomalies and their spatial relationship with the magnetic anomalism – see Figure 3.

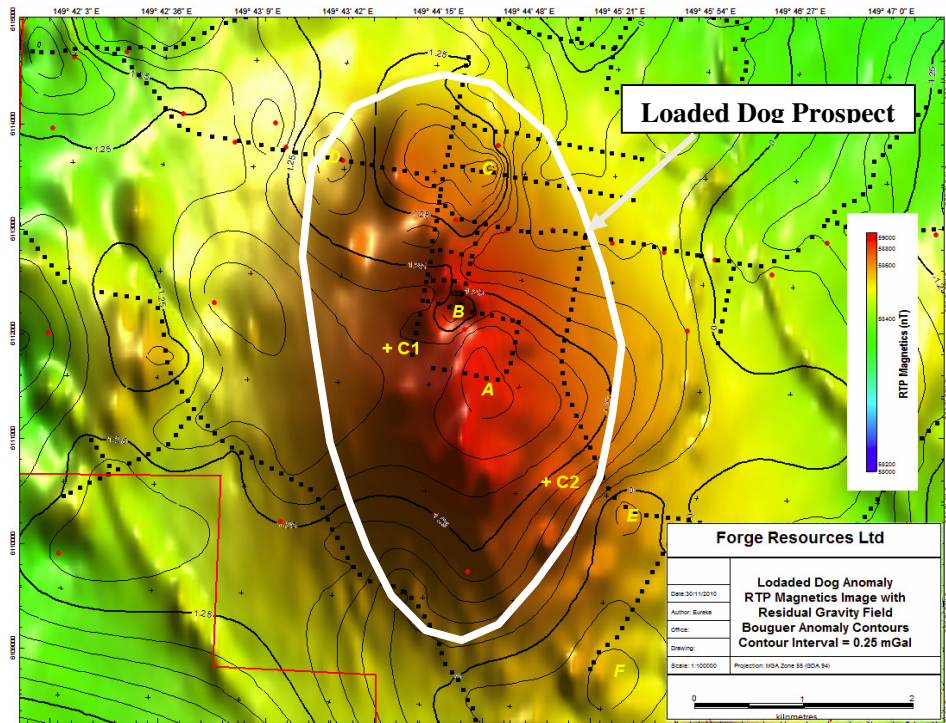


Figure 3: Gravity anomalies A, B, C, D, E and F. Deep magnetic anomalies are indicated as C1 and C2

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Mining exploration entity quarterly report

The interpretation of the gravity data indicates that further work on the gravity anomalies – particularly anomalies A and C on Figure 3 warrant additional ground follow-up. Combined with the magnetic and geochemical anomalism, the Loaded Dog prospect confirms the potential for a significant occurrence of gold and base metal mineralisation.

Work to be conducted in the following quarters will include:

- Ground mapping in areas of anomalism;
- Further in-fill gravity surveys to tighten up on already identified features;
- Application of 3D IP surveys to detect chargeable zones that may be associated with sulphide mineralisation; and
- Drilling of priority target areas.

2.3 EL 6376 Michelago (Forge 100%) *Exploration target - VMS base-metals*

Interpretation of gravity data has indicated the presence of a number of anomalies at the Woolshed and Birchams base metal prospects. These prospects warrant further work as they coincide with previously defined geochemical anomalies, some of which have been drill tested to yield base metal intersections. In addition, Government stream sediment data has been compiled to assist in target definition.

Figure 4 illustrates the concentration of high Zn values in stream sediments and clearly highlights the eastern and northern portions of the licence as being significantly anomalous in background metal values. The recent gravity survey was focused on areas on or adjacent to the two southern most stream sediment anomalies as indicated. The gravity data has as result, confirmed the prospective nature of the tenement for extensive VMS deposits

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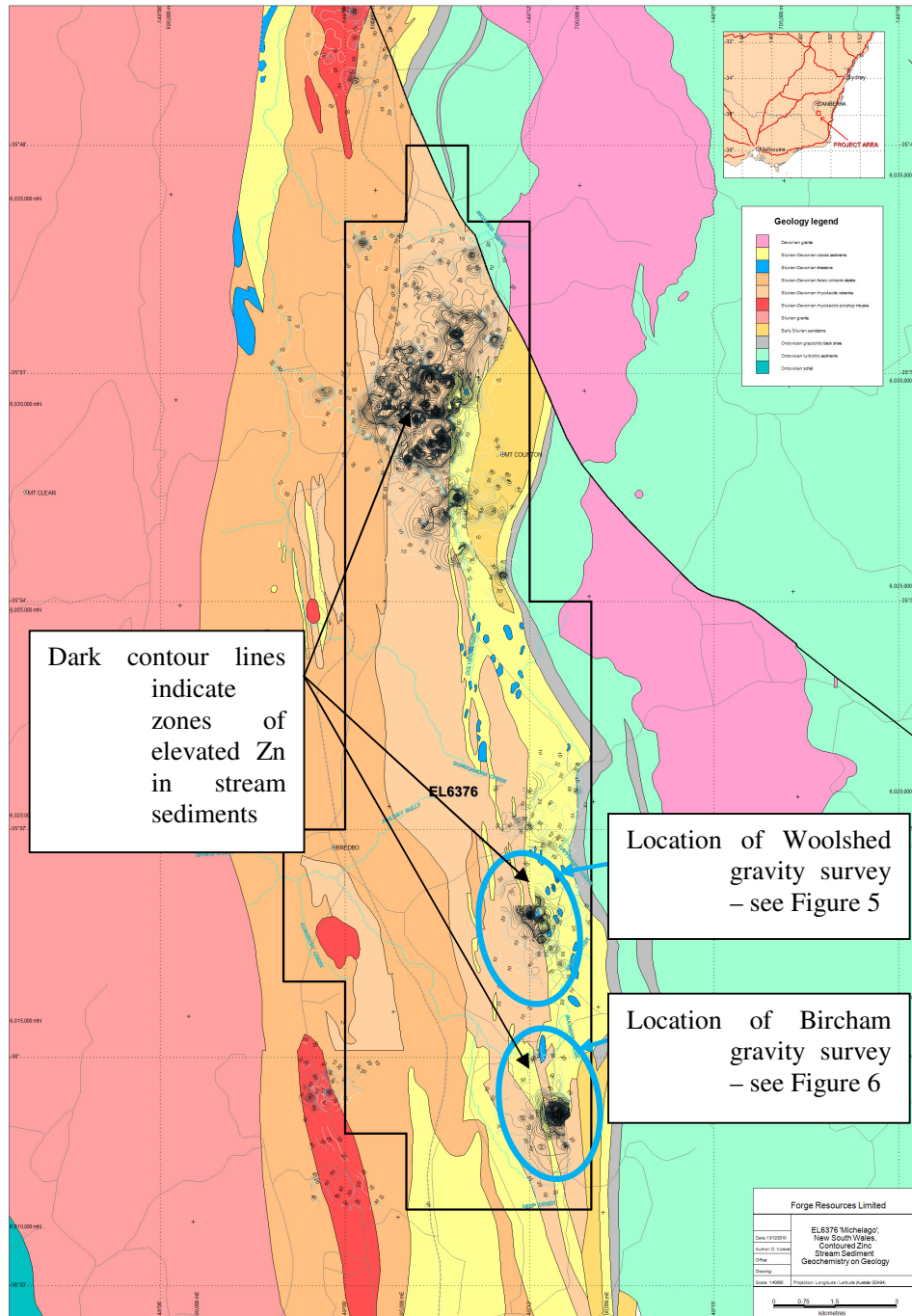


Figure 4: Regional Geology of the Michelago Project illustrating the position of the Birchams and Woolshed gravity prospects

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Mining exploration entity quarterly report

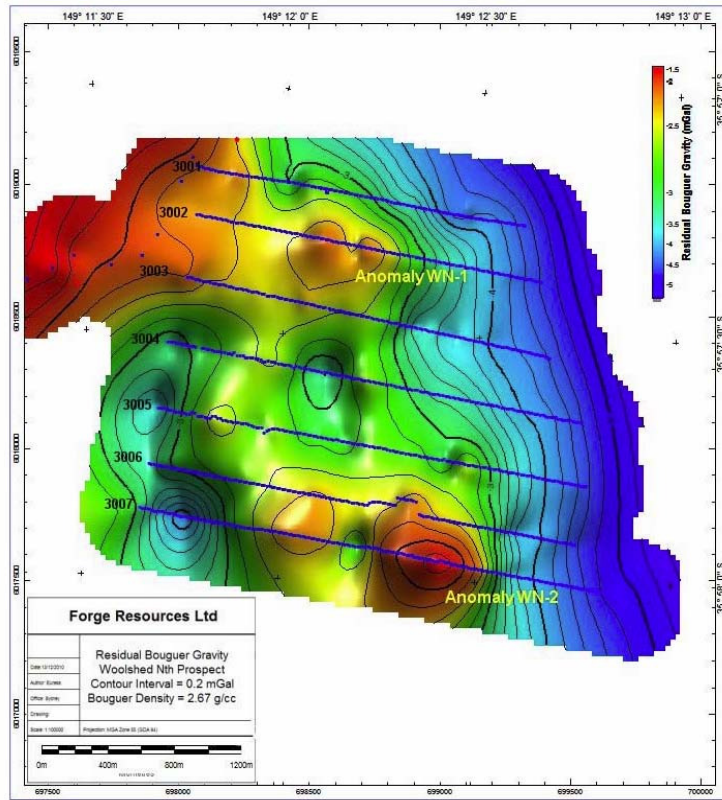


Figure 5: Well delineated gravity anomalies located at the Woolshed base metal prospect.

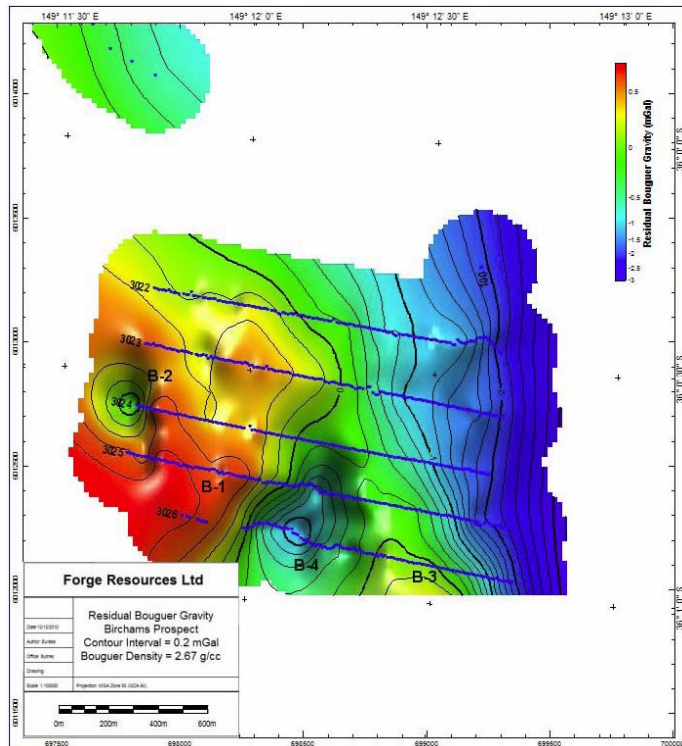


Figure 6: Well delineated gravity anomalies located at the Bircham base metal prospect.

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During 2011, additional gravity surveying will be undertaken to extend the survey work already completed as well as cover portions of the northern project area. Anomalies will be prioritised and field checked with the view to completing a comprehensive drilling program during the course of the year.

2.4 Other Tenements

The Company is expecting exploration activities on its other tenements to increase in tempo over the coming months. At its Captains Flat base metal project (Forge reducing to 25.0%), the joint venture operator (Ironbark Zinc Limited) is preparing for a major geochemical program after which drilling is anticipated. Similarly, at the Mayfield copper-gold project (Forge 46.55%), Capital Mining Limited as project operator are anticipating the commencement of a drilling program during the next quarter. The Company's wholly owned Wymah tin and tungsten project is currently being assessed with the view to commencing an exploration program during the next quarter.

Competent Persons Statement

The review of NSW exploration activities and results contained in this report is based on information compiled by Mr M Rampe, a director of Harvest Exploration Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Rampe consents to the inclusion of this information in the form and context in which it appears in this report.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

FORGE RESOURCES LTD

ABN

30 139 886 187

Quarter ended ("current quarter")

31 DECEMBER 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(110)	(110)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(272)	(426)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	41	47
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(341)	(489)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(50)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	(50)
1.13	Total operating and investing cash flows (carried forward)	(341)	(539)

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1.13	Total operating and investing cash flows (brought forward)	(341)	(539)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	25	3,825
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(189)	(318)
	Net financing cash flows	(164)	3,507
	Net increase (decrease) in cash held	(505)	2,968
1.20	Cash at beginning of quarter/year to date	3,707	234
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,202	3,202

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	6
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

These payments include Non Executive Director Fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

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Appendix 5B
Mining exploration entity quarterly report

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	250
4.2	Development	100
4.3	Production	-
4.4	Administration	130
Total		480

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,202	3,707
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,202	3,707

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	25,123,841	20,623,841	\$0.20	\$0.20
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	123,838	123,838	\$0.20	\$0.20
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	20,209,731	6,709,731	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 July 2014
7.8 Issued during quarter				
7.9 Exercised during quarter	123,838	123,838	\$0.20	31 July 2014
7.10 Expired during quarter				
7.11 Performance Shares <i>(totals only)</i>	24,000,000	Nil		

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7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date:31/1/11.....
(Company Secretary)

Print name: SHANE HARTWIG

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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