FORGE RESOURCES LTD
ANNUAL REPORT

ABN 30 139 886 187

FOR THE YEAR ENDED 30 JUNE 2011

DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the year ended 30 June 2011.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Nicholas Curtis AM, B.A. (Hons), Non-Executive Chairman

Nicholas Curtis was appointed to the Board 1st July 2010 and is a Founding Partner of Riverstone Advisory, a corporate advisory firm that specialises in bridging the gap between western resource opportunities and the increasing Chinese demand for raw materials.

Nicholas is also Executive Chairman of Lynas Corporation Limited and has been involved with that company since mid 2001. Lynas Corporation Limited's strategy is to create a reliable, fully integrated source of rare earths supply from mine through to customers in the global rare earths industry.

Nicholas has gained extensive industry knowledge from his early career as a banker to the resources industry and from his time spent as the President and Chief Executive Officer of Sino Mining International Limited, which he established in 1996. Sino Mining International Limited was then a wholly-owned subsidiary of China National Nonferrous Metals Industry Corporation ("CNNC"), a large Chinese trading company. Following disbandment of CNNC, Nicholas established Sino Mining Limited, which became Sino Gold Mining Limited ("Sino Gold") and was the Chairman until November 2005. Sino Gold was an Australian public company, also listed on the Hong Kong Stock Exchange, with gold assets in China. Sino Gold was purchased by Eldorado Gold Corporation of Canada in December 2009.

Prior to his time with Sino Gold, Nicholas held the positions of Executive Director of Macquarie Bank Limited and Managing Director of Asia Resource Capital Limited, a joint venture between Macquarie Bank Limited and CNNC.

Nicholas also served as Chairman of St Vincents & Mater Health Sydney Limited from 2004–2009 and is currently a Director on the boards of the Sisters of Charity Health Service and the Garvan Institute of Medical Research.

Dr. Matthew James, BE (Hons) Ph.D, Managing Director

Dr. James was appointed to the Board effective 14th August 2011 and joined Forge Resources from Lynas Corporation where he held the role of Executive Vice President Strategy and Corporate Communications with accountability for strategy and business development, as well as investor relations and corporate communications. Dr. James played an instrumental role over the past 9 years in building Lynas to an ASX100 company with a market capitalisation of approximately $3.5 billion, filling a wide range of roles in the senior management of Lynas during his time there, including Chief Financial Officer.

Prior to joining Lynas, Dr. James spent three years at Deutsche Bank in London followed by four years in the London office of McKinsey & Company, the management consulting firm where he worked at the CEO and board level of major companies helping them in strategic, organisational and operations issues. Dr. James received a BE (Hons) degree in Ceramic Engineering from the University of New South Wales, Australia and Ph.D. in Material Science and Engineering from Queens' College at the University of Cambridge

Harold Ou Wang, Master's of Science, Non-Executive Director

Harold Wang was appointed to the Board 1st July 2010 and is a Founding Partner of Riverstone Advisory, a corporate advisory firm that specialises in bridging the gap between western resource opportunities and the increasing Chinese demand for raw materials.

Harold previously worked for China National Non-ferrous Metals Corporation (CNNC), China's non-ferrous sector 'ministry' and former parent of CHINALCO, CNMC, JNMC, Minmetals and many other non-ferrous majors. Harold was Deputy Director of CNNC's planning department, overseeing new investment projects,

DIRECTORS' REPORT

and Foreign Affairs Department. In his role at CNNC Harold was in charge of all international funding for CNNC for a period of 10 years.

Harold also held the position of Vice President, China Business Development with Sino Mining International, Sino Refco Capital and Asia Resource Capital a Joint Venture between Macquarie Bank and CNNC. Harold held the position of Executive Director and President of Lynas Corporation Limited. Harold studied at Tsinghua University, Beijing for his Master's degree of Engineering in early 1980s.

Emmanuel Correia, B.Bus ACA, Non-Executive Director

Emmanuel Correia was appointed to the Board 8th October 2009 and is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Deloitte and other accounting firms and boutique corporate finance houses.

Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public company directorships and his key areas of expertise include Initial Public Offerings and secondary capital raisings, corporate strategy and structuring and merger and acquisitions. Emmanuel is also the Company Secretary of Bluglass Ltd and Jatoil Ltd.

Jim Malone, B.Comm, Non-Executive Director

Jim Malone was appointed to the Board 1st July 2010 and has worked successfully as an accountant, stockbroker, business analyst and CEO of a medium sized business for the past 20 years.

Jim holds a Bachelor of Commerce from the University of Western Australia and is an member of the Australian Society of Certified Practicing Accountants.

Since 2000, Jim has worked in the resources industry and has been involved with the start up, successful listing and ongoing management and development of six ASX listed and two unlisted resource companies with a diverse range of commodities including gold, base metals, uranium, oil and gas and industrial minerals. These companies have operated projects in Latin America, Europe, Africa, the US and Australia. In the past 20 years Jim has lived and worked in Perth, Melbourne, London and Santiago, Chile.

Jim is the Chairman of Australian-American Mining Corporation Limited and also serves on the boards of Exalt Resources Ltd (since 2011), Latin Gold Limited (since June 2000) and Richmond Mining Limited (since 2007). He is a former member of the boards of Atlantic Ltd (2007 to 2009), Livingstone Petroleum Limited (2004 to 2007), Catalyst Metals Limited (2006 to 2007), Uranium King Limited (2006-2009) and NSL Consolidated Ltd (2008-2009).

Bernard Siddall, BSC (Hons), FAusIMM, Non Executive Director – appointed 8th October 2009 and resigned effective 1st July 2010

Bernie Siddall was appointed to the board on 8th October 2009 and has 45 years experience in mine metallurgical practices from operations management to consulting to 18mtpa-100ktpa mining operations in gold, copper, nickel, other base metals, ferrous and industrial minerals from initial testing, through feasibility and process design to commissioning.

Shane Hartwig, B.Bus, CPA, ACIS, Non Executive Director – appointed 8th October 2009 and resigned effective 1st July 2010

COMPANY SECRETARY

The name of the company secretary of the Company as at the end of the financial year and at the date of this report is:

Shane Hartwig, Company Secretary

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Shane Hartwig is a Certified Practicing Accountant and Chartered Company Secretary and holds a Bachelor of Business degree, majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Shane is involved in the areas of initial public offerings, capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice and is currently Non-Executive Director of Exalt Resources Limited, Company Secretary of Anteo Diagnostics Limited and Exalt Resources Limited both on a contract basis.

Shane has over 14 years experience in the finance industry both nationally and internationally with exposure to both the debt and equity capital markets.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated group are to pursue, acquire and develop mineral and energy related assets in Australia and overseas.

OPERATING RESULTS

The net loss of the consolidated group after income tax for the year was $1,780,818 (2010: $53,630).

DIVIDENDS

No dividends have been paid or declared by the consolidated group since the beginning of the year.

FINANCIAL POSITION

The net assets of the consolidated group at 30 June 2011 were $3,714,270 (2010: $71,945). At 30 June 2011 the company had cash balances of $2,923,991 (2010: $233,963).

STATE OF AFFAIRS

Other than matters detailed in the Review of operations there were no significant changes in the state of affairs of the consolidated group.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Background

Forge was originally formed in 2009 to participate in the exploration and acquisition of mineral and energy related assets both in Australia and overseas. During the 2010/11 period and up to the date of this Annual Report a high level of commercial and exploration activity has been undertaken by the Company including:

1) Finalising the acquisition of its New South Wales based exploration and resource assets from Australian American Mining Corporation Limited;
2) Undertaking an Initial Public Offering of its securities and successfully raising $3.8M (before costs);
3) Successfully achieving a listing of its securities on the Australian Securities Exchange;
4) Commencing an exploration program on its New South Wales based assets;
5) Ongoing review, assessment and diligence carried out on a number of project acquisition opportunities;

DIRECTORS' REPORT

6) Appointment of a Management Team including Dr Matthew James as Managing Director and Mr Geoff Atkins as Senior Project Manager; and
7) Resolving to complete a Placement of Shares to raise a further $2.5M (before costs) in working capital.

Existing Projects

During the period, the Company reached agreement for the acquisition of the New South Wales based exploration and resource assets from Australian-American Mining Corporation N.L comprising:

Tenement	Prospect	Current Status
EL 6381/6840	Captains Flat	Forge 51% - Ironbark Gold Ltd & NSW Base Metals Pty Ltd 49%
EL 6358	Mayfield	Forge 46.55%, Capital Mining Limited/Roberts Consulting 53.45%
EL 6691	Mayfield North	Forge 100%
EL 6376	Michelago	Forge 100%
EL 7397	Wymah	Forge 100%

These assets are considered to be prospective for base metals and gold and a work programme has been developed and is being funded from the proceeds of the Company's initial public offering.

Overview of NSW Exploration Activities

The Company's tenements are all located within the prospective Lachlan Fold Belt of NSW – see Figure 1. The projects are prospective for VMS base metals, gold and copper deposits associated with intrusives and skarns as well as vein hosted tin and tungsten mineralisation.

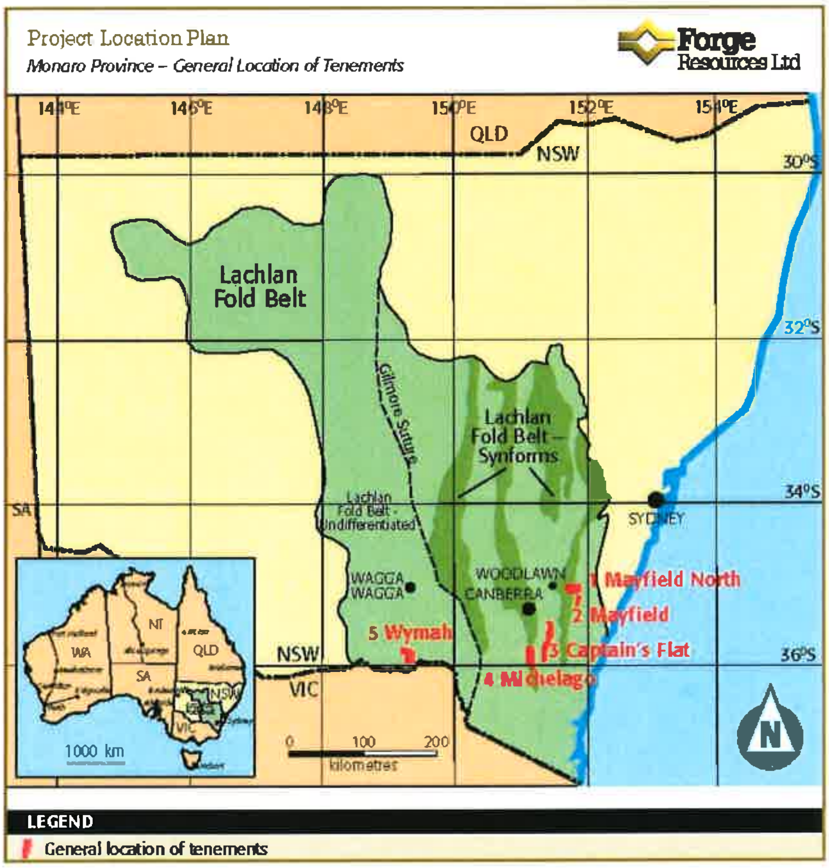

Figure 1: Location of Forge tenements.

DIRECTORS' REPORT

Exploration activities conducted on these projects during the period together with planned activities are reported in the following sections.

Mayfield North (Forge 100%)

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

During the course of the period, the Company commenced exploration activities on Mayfield North which entailed the completion of a gravity survey. The results of this survey work were positive, with a number of gravity anomalies being defined and confirming the prospectivty for gold and base metal mineralisation.

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.

The exploration program currently being planned for EL 6691 calls for the refinement of a number of targets associated with co-incident magnetic and gravity anomalies found within a large intrusive mass in the centre of the licence.

A 50% reduction of the licence in line with NSW Government requirements has been lodged, which retains the most prospective portions of the licence.

Michelago (Forge 100%)

Exploration target - VMS base-metals

During the course of the period, the Company commenced exploration activities on Michelago which similarly to Mayfield North entailed the completion of a gravity survey. The results of this survey work were positive, with a number of gravity anomalies being defined and confirming the prospectivty for gold and base metal mineralisation.

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.

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.

Advice from the NSW Government was received during the period that 50% of EL 6376 would be renewed. The retained area covers an extensive belt of base metal mineralisation, where recent gravity surveys highlighted a number of targets either co-incident or adjacent to known mineralistion. Extending the geo-physical and geo-chemical surveys with the view to outling drilling targets is planned for the next quarter.

Wymah (Forge 100%)

Over 100 soil samples have been submitted for laboratory analysis from the project area which is covered by EL 7397. These soil samples have in-filled previous sampling over an extended area of molybdenum anomalism in the northern and western area of the licence. In addtion, work also concentrated on the improvement of the delineation and extension of the tungsten bearing lodes surrounding the historic Wymah Tungsten mines.

DIRECTORS' REPORT

Mapping was completed over these areas resulting in the delineation of alteration/greisen zones in the south where outcrop is more developed.

The results of the mapping are to be combined and interpreted upon receipt of the assay data, after which a full analysis of the results will be completed.

Captains Flat (Forge 49% reducing to 25%)

Site assessment and permitting arrangements continued on the main license, EL 6381, during the period, with work being undertaken to facilitate a drilling program. An exploration program consisting predominantly of diamond and RC drilling was been planned for a number of prospects located within EL 6381.

Ironbark Zinc Limited (Ironbark) and NSW Base Metals Pty Ltd (Forge's Joint Venture Partners) announced on 12th September 2011 that a drill program at the Captains Flat Project, had completed a diamond drillhole at the Jerangle Prospect. The location of the hole was positioned based on historic drilling results and recent soil sampling.

The drill hole reached a depth of 450.2m. Preliminary visual inspection noted substantial zones of sulphide mineralisation. The drill core has been transported to Cobar and laboratory results will be reported when they become available.

An application to renew 50% of EL 6840 was lodged with the NSW Government in line with tenement requirements.

Mayfield Project (Forge 46.55%)

The Operator of the Joint Venture, Capital Mining Limited has adivsed Forge that a drilling firm has been contracted to complete an infill drilling program on this project. A rig is expected to be shipped to Sydney in October, with drilling expected to commence soon after.

Exploration licence 6358, which covers this project has been reduced in size by 50% in line with NSW Government requirements. The most prospective portions of the licence have however been retained.

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.

Corporate Activity

Initial Public Offering

On the 30th July 2010, the Company lodged a Prospectus with the Australian Securities and Investments Commission seeking to raise $3.8 million through the offer of 19,000,000 fully paid ordinary shares at an issue price of $0.20 plus a free attaching option for every three shares subscribed for. Each option has an exercise price of $0.20 and an expiry date of 31st July 2014. The funds raised from the offer were to be applied towards furthering the development of its exploration projects, working capital and meeting the costs of the offer.

On the 17th September 2010 the Company successfully closed its initial public offering where it raised $3.8 million in new equity through the issue of 19,000,000 fully paid ordinary shares at an issue price of $0.20 per share plus 6,333,569 free attaching options and the Company issued the 24,000,000 Performance Shares.

On the 21st September 2010, The Company was admitted to the Official List of the ASX and commenced trading of its securities on the 23rd of September 2010.

DIRECTORS' REPORT

Other Project Activity

As outlined in the Company's Prospectus, the Company is actively seeking opportunity for growth. Accordingly, the Company undertook and continues to undertake various discussions and project evaluation activities in pursuit of this objective.

Placement

On the 13th September 2011 the Company announced that it agreed to undertake a Placement of $2.5M through the issue of 5,000,000 shares at an issue price of $0.50. The Placement is to be completed in two Tranches. As at the date of this report the Company had completed Tranche 1 of the Placement being the issue of 1,200,000 ordinary shares. Tranche 2 is to be completed upon obtaining shareholder approval which is expected to occur in an Extraordinary General Meeting to be held in the third week of October 2011.

ENVIRONMENTAL ISSUES

The consolidated group's operations are subject to significant environmental and other regulations. The consolidated group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

REMUNERATION REPORT

Details of the nature and amount of remuneration for each Director of Forge Resources Ltd and key management personnel and for the executives receiving the highest remuneration are set out below.

Remuneration Policy and Practices

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

i. Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to its Non-Executive Directors and will review their remuneration annually.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholders have determined at a general meeting held on 9 March 2010 the maximum aggregate remuneration amount to be $350,000 per year. The Directors have resolved that the fees payable to non-executive directors for all Board activities are $155,000 per year plus superannuation guarantee contributions of 9% per annum where required by legislation.

ii. Key management personnel

To pursue the Company's objectives, the Company has assembled a group of Director's which we believe have extensive experience in the mining, metallurgy and finance industries. The Company will recruit appropriate key executive management personnel commensurate with the Company's growth in activity. The remuneration structure for these key executive management, including Executive Directors will be based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied.

DIRECTORS' REPORT

Company performance and director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, directors and executives.

Executive Share Trust

The Company has established the Forge Resources Ltd Employee Share Trust ("EST") for the purpose of retaining and incentivising its key personnel. A summary of the main terms of the EST is as follows:

iii. The trustee of the Forge Resources Ltd Employee Share Trust is Trinity Management Pty Ltd ("Trustee").

iv. The Board will administer the EST in accordance with the terms of the governing Deed ("Terms") (and any other terms prescribed by the Board for the operation of the EST which are consistent with the Terms).

v. The Board has discretion to determine which employees, Directors, executives or contractors are invited to apply to the Trustee for Share Units ("Eligible Employee"). The Company has absolute discretion to determine the number of Share Units to be issued to an Eligible Employee.

vi. The Board may from time to time suspend operation of, or cancel, the EST.

vii. Subject to the ASX Listing Rules and to specified restrictions in the Terms, the Board may at any time by written instrument or by resolution, amend all or any of the provisions of the Terms, and make amendments to the Terms, or structure of an offer, as they apply in respect of foreign jurisdictions where such amendments would be appropriate for tax purposes, as determined by the Board.

viii. When the performance shares are converted to Shares, they will rank pari passu in all respects with the other Shares of the Company from the date of issue.

ix. The Company must not make an offer under the EST where the grant of the performance shares, Options or Shares contemplated by the offer would result in the Company exceeding the limit that applies under ASIC Class Order 03/184. Class Order 03/184 prescribes that the aggregate of all offers of securities in the same class in the previous 5 years under the EST must not exceed 5% of the issued capital of the Company at the time of the offer. There are certain types of issues, which are exempt from this calculation, including offers made pursuant to a disclosure document.

x. At the time participating employees wish to redeem or encash their holding, bonus share units are issued by the Trustee to enable full share value to be received including any growth over the holding period. The Company's contribution is limited to the issue of Shares in the Company.

xi. The share units provide to unit holders substantially the same rights in respect of the performance shares which are allocated to the share units as if the unit holders were the legal owners of the performance shares, excluding the rights to:

    (a) direct the Trustee how the voting rights attached to the performance shares shall be exercised; and

    (b) receive the income derived from the performance shares including dividends declared in respect of the shares,

    until such time that the performance shares are converted to Shares.

xii. In general, the share units are not transferable.

xiii. Any entitlement to share units, which have not vested, will be forfeited if a participant resigns from employment with the Company or ceases employment for any other reason.

xiv. Subject to the ASX Listing Rules, in the event of a takeover, scheme of arrangement or other change of control as determined by the Board in respect of the Company, share units may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance.

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Remuneration of Directors for the year to 30 June 2011

	Short-term benefits		Post employment		Share-based payments			Total remun-eration represented by options and rights
	Cash salary and fees	Non-cash benefits	Super-annuation	Termi-nation benefits	Options	Rights	Total	
	$	$	$	$	$	$	$	%
2011								
Directors								
N Curtis	-	-	-	-	-	-	-	-
H Ou Wang	36,000	-	-	-	-	-	36,000	-
E Correia	8,750	-	-	-	-	-	8,750	-
J Malone	32,083	-	-	-	-	-	32,083	-
B Siddall *	-	-	-	-	-	-	-	-
S Hartwig *	-	-	-	-	-	-	-	-
Total Directors	**76,833**	**-**	**-**	**-**	**-**	**-**	**76,833**	**-**
* Resigned 1 July 2010								
Key Management								
G Atkins	16,820	-	1,514	-	1,887	-	20,221	9.3
S Hartwig	6,000	-	-	-	-	-	6,000	-
Total Key Mgmt	**22,820**		**1,514**		**1,887**		**26,221**	**9.3**
Total	**99,653**	**-**	**1,514**	**-**	**1,887**	**-**	**103,054**	**1.8**

	Short-term benefits		Post employment		Share-based payments			Total remun-eration repre-sented by options and rights
	Cash salary and fees	Non-cash benefits	Super-annuation	Termi-nation benefits	Options	Rights	Total	
	$	$	$	$	$	$	$	%
2010								
Directors								
N Curtis	-	-	-	-	-	-	-	-
H Ou Wang	-	-	-	-	-	-	-	-
E Correia	-	-	-	-	-	-	-	-
J Malone	-	-	-	-	-	-	-	-
B Siddall	-	-	-	-	-	-	-	-
S Hartwig	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

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Directors' securities holdings

As at the date of this report, the relevant interests of the Directors in the securities of the company were as follows:

	Number		
For the year to 30 June 2011	**Fully paid ordinary shares**	**Options**	**Performance Shares**
Nicholas Curtis	4,000,000	1,333,334	24,000,000
Matthew James *	350,000	116,667	-
Harold Ou Wang	350,000	116,667	-
Emmanuel Correia	325,001	608,334	-
Jim Malone	375,000	125,001	-
	5,400,001	2,300,003	24,000,000
* Appointed effective 14 August 2011			
For the period to 30 June 2010			
Nicholas Curtis	4,000,000	1,333,334	24,000,000
Harold Ou Wang	350,000	116,667	-
Emmanuel Correia	325,000	608,334	-
Jim Malone	375,000	125,004	-
	5,050,000	2,183,339	24,000,000

End of audited Remuneration Report

SHARE OPTIONS

Number of options over unissued ordinary shares at the date of this report was as follows:

2011	
Options exercisable at $0.20 per share on or before 31 July 2014	19,855,905
Options exercisable at $0.20 per share on or before 15 June 2015	600,000
2010	
Options exercisable at $0.20 per share on or before 31 July 2014	20,333,569

PERFORMANCE SHARES

The terms and conditions of the 24,000,000 Performance Shares on issue are as follows:

Rights attaching to the Performance Shares

(a) Each Performance Share is a share in the capital of the Company.

(b) The Performance Shares shall confer on the holder ("Holder") the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders of the Company.

(c) The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders of the Company.

(d) The Performance Shares do not entitle the Holder to any dividends.

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(e) Upon winding up of the Company, the Performance Shares may participate in the surplus profits or assets of the Company only to the extent of $0.000001 per Performance Share.

(f) The Performance Shares are not transferable.

(g) In the event that issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation.

(h) The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares, and subject to escrow provisions, into Shares in accordance with these terms, the Company must within seven days after the conversion, apply for the Official Quotation of the Shares arising from the conversion on ASX.

(i) Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Shares such as bonus issues and entitlement issues.

(j) The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares

(a) The Performance Shares will convert into Shares in the capital of the Company upon either one of the Company's existing projects or, a project acquired after the Admission Date is identified as having a JORC compliant resource which supports a successful capital raising of at least $15,000,000 at a price not less than $0.35 per Share by the Company and the Company completing such a capital raising ("Milestone"). Upon completion of the Milestone, all Performance Shares will convert into 24,000,000 Shares in the capital of the Company;

(b) The Performance Shares will expire 18 months from the Admission Date ("Expiry Date").

(c) In the event that the Milestone is not achieved by the Expiry Date, then all Performance Shares held by a Holder will automatically convert into one Share.

(d) The Shares issued on conversion of the Performance Shares will, subject to any restriction agreements entered into in accordance with the Listing Rules, as and from 5.00pm (AEST) on the date of allotment, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for Official Quotation of the Shares issued upon conversion.

(e) The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into the Shares.

(f) The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

As at the date of this report Nil of the Performance Shares have been converted or cancelled and none of the milestones attached to the Performance Shares have been achieved.

MEETINGS OF DIRECTORS

Attendances by each director to meetings of directors (including committee of directors) during the year to 30 June 2011 were as follows:

DIRECTORS' REPORT

	Directors Meetings		Audit Committee Meetings	
2011	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Nicholas Curtis	11	10	-	-
Harold Ou Wang	11	11	1	-
Emmanuel Correia	11	10	1	1
Jim Malone	11	11	1	1
George Siddall *	-	-	-	-
Shane Hartwig *	-	-	-	-
* Resigned effective 1 July 2010				
2010				
Nicholas Curtis	-	-		
Harold Ou Wang	-	-		
Emmanuel Correia	7	7		
Jim Malone	-	-		
George Siddall	7	1		
Shane Hartwig	7	7		

During the year, some Board business was affected by execution of circulated resolutions.

INDEMNIFYING OFFICERS OR AUDITORS

Since the end of the financial year, the Company has paid a premium of $7,943 (2010: $8,195) in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company, or of any related body corporate, against a liability incurred by such the auditor.

PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings in the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 13th September 2011 the Company announced that it agreed to undertake a Placement of $2.5M through the issue of 5,000,000 shares at an issue price of $0.50. The Placement is to be completed in two Tranches. As at the date of this report the Company had completed Tranche 1 of the Placement being the issue of 1,200,000 ordinary shares. Tranche 2 is to be completed upon obtaining shareholder approval which is expected to occur in an Extraordinary General Meeting to be held in the third week of October 2011.

On 13th September 2011the company announced that it had signed an option agreement to acquire a 100% interest in the West Eucla Mineral Sands project. This agreement signals a strategic direction for the company to develop resources within the titanium feedstock industry. Industry forecasts report a positive outlook for titanium feedstock resources, supported by recent price increases and forecasts for growth in demand and a supply deficit moving forward.

DIRECTORS' REPORT

titanium feedstock resources, supported by recent price increases and forecasts for growth in demand and a supply deficit moving forward.

In the opinion of the Directors other than as described above, no other items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent years.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES 110: Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditors (Hall Chadwick) for audit and non-audit services provided during the year are set out below.

	2011
	$
(a) Taxation Services	
Tax compliance services, including review of Company income tax returns	8,135
Total remuneration for taxation services	8,135
(b) Advisory Services	
Consulting services	4,000
Total remuneration for advisory services	4,000
Total remuneration for non-audit services	12,135

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for year ended 30 June 2011 has been received and can be found on page 15 of the Annual Report and form part of this report.

Signed in accordance with a resolution of the Board of Directors.

Dr Matthew James
Managing Director

Dated this 28th day of September 2011

FORGE RESOURCES LIMITED ABN 30 139 886 187
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FORGE RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

GWebb

Graham Webb
Partner
Dated: 28 September 2011

SYDNEY

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BRISBANE

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GOLD COAST

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CORPORATE GOVERNANCE STATEMENT

The Company has adopted a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Board is responsible to Shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase Shareholder value within an appropriate framework, which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations (2nd edition) ("**Principles & Recommendations**") as published by ASX Corporate Governance Council.

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition) with 2010 Amendments ("Principles and Recommendations"), which are as follows:

Recommendation 1	Lay solid foundations for management and oversight;
Recommendation 2	Structure the Board to add value;
Recommendation 3	Promote ethical and responsible decision making;
Recommendation 4	Safeguard integrity in financial reporting;
Recommendation 5	Make timely and balanced disclosures;
Recommendation 6	Respect the rights of shareholders;
Recommendation 7	Recognise and manage risk;
Recommendation 8	Remunerate fairly and responsibly;

In accordance with recommendations of the ASX, information published on the Company's web site includes charters of Board and its subcommittees, codes of conduct and other policies and procedures relating to the Board and its responsibilities. A copy of the Company's Corporate Governance Statement can be found on the Company's website www.forgeresources.com.au under the Corporate Governance Section.

To the extent that they are relevant to the organisation, the Company has adopted the eight Corporate Governance Principles and Recommendations (2nd edition) ("**Principles and Recommendations**") as published by the ASX Corporate Governance Council.

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient as the Company's activities develop in size, nature and scope.

The Board sets out below its "if not, why not" report. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

The table below summarises the eight principles and recommendations (P&R) and those recommendations not adopted by the Company.

	ASX P&R[1]	**If not, why not[2]**		**ASX P&R[1]**	**If not, why not[2]**
Recommendation 1.1	✔		Recommendation 4.3	✔	
Recommendation 1.2	✔		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✔	
Recommendation 2.1		✔	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✔	Recommendation 6.1	✔	
Recommendation 2.3	✔		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4		✔	Recommendation 7.1	✔	
Recommendation 2.5	✔		Recommendation 7.2	✔	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✔	
Recommendation 3.1	✔		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✔		Recommendation 8.1		✔
Recommendation 3.3	✔		Recommendation 8.2	✔	
Recommendation 3.4	✔		Recommendation 8.3	✔	
Recommendation 3.5[3]	n/a	n/a	Recommendation 8.4[3]	n/a	n/a

CORPORATE GOVERNANCE STATEMENT

	ASX P&R[1]	If not, why not[2]		ASX P&R[1]	If not, why not[2]
Recommendation 4.1	✔				
Recommendation 4.2	✔				

Notes

1 Indicates where the Company has followed the Principles and Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: *Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

Disclosure:

As contained in the Company's Corporate Governance Statement, the Chairman will review the performance of all Senior Executives on an ongoing basis by way of informal meetings and report his findings to the Board.

Recommendation 1.3: *Companies should provide the information indicated in the Guide to reporting on Principle 1.*

Disclosure:

A summary of the Company's Board Charter and functions reserved for the Board and Executive Chairman is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 2 – Structure to the Board to add value

Recommendation 2.1: *A majority of the Board should be Independent Directors*

Notification of Departure:

2 of 5 Directors are classified as independent.

Explanation for Departure.

The Company's Constitution requires that the minimum number of Directors is 3. The Company presently has five Directors consisting of four Non-Executive Directors and one Managing Director. Of the Directors, only Mr Emmanuel Correia, a Non-Executive Director and Mr James Malone, a Non-Executive Director, are considered as independent. Mr Nicholas Curtis is the Non Executive Chairman and is a substantial shareholder of the Company, Dr Matthew James is the Managing Director of the Company and Mr Harold Wang is a Non-Executive Director and has been a principal of a material adviser to the Company.

The Board seeks to ensure that, where practical, a majority of the Board will be independent. The Board has adopted specific principles in relation to directors' independence. These specific principles are available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Recommendation 2.2: *The Chair should be an independent director.*

Notification of Departure:

The Chair, Nicholas Curtis is not an independent Director by virtue of his shareholding in the Company, in particular the 24 million Performance Shares issued to him or his nominee.

Explanation for Departure

The Board believes that the composition of the Board is both appropriate and acceptable at this stage of the Company's development and includes an appropriate mix of skills and expertise, relevant to the Company's current business.

Recommendation 2.4: *The board should establish a nomination committee.*

Notification of Departure:

CORPORATE GOVERNANCE STATEMENT

The Company has not established a separate Nomination Committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a nomination committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it will operate under the Nomination Committee Charter. The Nomination Committee Charter provides for the Board to meet at least annually and otherwise as required.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.*

Disclosure:

The full Board, in its capacity as the Nomination Committee, is responsible for evaluating the performance of the Board, its committees and individual Directors. The Board, committees and individual Directors are evaluated annually by way of informal meetings. If required the Board may also engage the services of independent performance evaluation consultants to assist in the evaluation of all or some of its directors.

Recommendation 2.6: *Companies should provide the information indicated in the Guide to Reporting on Principle 2.*

Disclosure:

The independent Directors are Emmanuel Correia and Jim Malone. The Directors are independent as they are non-executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

To assist Directors with independent judgement, it is the Board's policy that the Directors may seek independent professional advice at the Company's expense, subject to prior consultation with the Chair of the Board.

The full Board carries out the role of the Nomination Committee. To assist the Board to fulfil its function as the Nomination Committee, it has adopted Remuneration and Nomination Committee Charter, which is publicly available on the Company's website under the section, marked Corporate Governance.

In determining candidates for the Board, the full Board in its capacity as the Nomination Committee follows a prescribed procedure which is publicly available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's Constitution, if there are 3 or more Directors then one third of the Directors (excluding the Managing Director) must retire at every annual general meeting. Retiring directors are eligible for re-election. Re-appointment of Directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.2: The entity has established a policy concerning diversity and has disclosed the policy or a summary of that policy on its website at www.forgeresources.com.au. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Forge will formulate reporting against the measurable objectives relating to its Diversity Policy in advance of its adoption in the 2012 financial year. This policy outlines the Company's commitment to diversity and the active steps the Company will take in implementing the policy, commensurate with a company of its size and the industry with which it operates.

Recommendation 3.3: The entity has disclosed in the annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4: The entity has disclosed in the annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

As these recommendations come into effect for the 2012 financial year, Forge will disclose in its 2012 annual report the requirements of Recommendations 3.3 and 3.4.

CORPORATE GOVERNANCE STATEMENT

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Forge has established a Code of Conduct and a Share Trading policy which all executives and employees are expected at a minimum to follow. The Company's Code of Conduct and Share Trading policy is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.4: *Companies should provide the information indicated in the* Guide to reporting on Principle 4.
Disclosure:

The Company has a Risk Management Policy and an Audit and Risk Management Committee Charter, a copy of which is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.2: *Companies should provide the information indicated in the Guide to reporting on Principle 5.*

Disclosure:

A summary of the Company's policy to guide compliance with ASX Listing Rule disclosure is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 6 – Respect the rights of shareholders

Recommendation 6.2: *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

Disclosure:

A summary of the Company's shareholder communication strategy is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 7 – Recognise and manage risk

Recommendation 7.3: *the Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting.*

The Board intends to seek written assurance from the Managing Director and CFO (or equivalent) in relation to the above statement.

Recommendation 7.4: *Companies should provide the information indicated in the* Guide to Reporting on Principle 7.

The Company has established an Audit and Risk Management Committee to monitor and review on behalf of the Board the system of risk management, which the Company has established. This system aims to identify, assess, monitor and manage operational and compliance risks. In addition the Company has established a Risk Management policy to ensure that procedures are in place to identify, monitor and report on risks facing the Company.

A copy of the Audit and Risk Management Charter and the Risk Management policy is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

Recommendation 8.2: The remuneration committee is structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent chair*
- *has at least three members.*

CORPORATE GOVERNANCE STATEMENT

Notification of Departure:

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a remuneration committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it will operate under the Remuneration Committee Charter. The Remuneration Committee Charter provides for the Board to meet at least annually and otherwise as required.

Under the Remuneration and Nomination Committee Charter, the role of the Board (when convening as the Remuneration Committee) is to review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

Recommendation 8.4: *Companies should provide the information indicated in the Guide to reporting on Principle 8.*

Disclosure:

As noted above, the full Board performs the function of the Remuneration Committee. To assist the Board to fulfil this function, it has adopted Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.forgeresources.com.au under the section marked Corporate Governance.
The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

It is the Company's policy to prohibit transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011.

	Note	2011	* 2010
		$	$
Revenue	2	**727,566**	1,135
Consultancy expenses		**(524,486)**	(6,750)
Professional fees		**(46,989)**	(15,000)
Legal fees		**(367,125)**	(28,000)
Employee benefits expenses		**(19,783)**	-
Occupancy expenses		**(54,796)**	-
Directors remuneration		**(100,167)**	-
Share-based payments		**(1,315,200)**	-
Equity-based compensation		**(1,887)**	-
Depreciation and amortisation expenses		**(1,665)**	-
Other expenses		**(76,286)**	(5,015)
Loss before income tax	3	**(1,780,818)**	(53,630)
Income tax expense	4	**-**	-
Loss after income tax		**(1,780,818)**	(53,630)
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to members of the Parent Entity		**(1,780,818)**	(53,630)
			Cents
Earnings per share			
From continuing operations:			
Basic and diluted loss per share	20	(8.7)	(7.3)

* *Period 8 October 2009 to 30 June 2010*

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	2011	2010
		$	$
CURRENT ASSETS			
Cash and cash equivalents	6	**2,923,991**	233,963
Trade and other receivables	7	**9,021**	16,913
TOTAL CURRENT ASSETS		**2,933,012**	250,876
NON-CURRENT ASSETS			
Plant and equipment	8	**22,168**	-
Exploration and evaluation expenditure	9	**813,622**	-
Other non-current assets	10	**126,095**	587
TOTAL NON-CURRENT ASSETS		**961,885**	587
TOTAL ASSETS		**3,894,897**	251,463
CURRENT LIABILITIES			
Trade and other payables	11	**179,178**	179,518
Short term provisions	12	**1,449**	-
TOTAL CURRENT LIABILITIES		**180,627**	179,518
TOTAL LIABILITIES		**180,627**	179,518
NET ASSETS		**3,714,270**	71,945
EQUITY			
Issued capital	13	**5,546,831**	125,575
Reserves		**1,887**	-
Accumulated losses		**(1,834,448)**	(53,630)
TOTAL EQUITY		**3,714,270**	71,945

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary Issued Capital	Performance Shares	Accumulated Losses	Share Based Payment Reserve	Total
	$	$	$	$	$
For the year ended 30 June 2011					
Balance at 30 June 2010	125,575	-	(53,630)	-	71,945
Total comprehensive loss for the year	-	-	(1,780,818)	-	(1,780,818)
Transactions with owners in their capacity as owners:					
Shares issued during the year	4,495,535	1,315,200	-	-	5,810,735
Transaction costs	(389,479)	-	-	-	(389,479)
Options issued under Employee Incentive Plan	-	-	-	1,887	1,887
Balance at 30 June 2011	4,231,631	1,315,200	(1,834,448)	1,887	3,714,270
For the period 8 October 2009 to 30 June 2010					
Balance on Incorporation	3	-	-	-	3
Total comprehensive loss for the period	-	-	(53,630)	-	(53,630)
Transactions with owners in their capacity as owners:					
Shares issued during the period	300,000	-	-	-	300,000
Transaction costs	(174,428)	-	-	-	(174,428)
Options issued under Employee Incentive Plan	-	-	-	-	-
Balance at 30 June 2010	125,575	-	(53,630)	-	71,945

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011.

	Note	2011 $	* 2010 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**672,670**	-
Payments to suppliers and employees		**(1,301,743)**	(17,439)
Interest received		**116,048**	1,135
Net cash used in operating activities	17(b)	**(513,025)**	(16,304)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(23,833)**	-
Exploration and evaluation expenditure		**(201,229)**	-
Net cash used in investing activities		**(225,062)**	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		**3,895,535**	300,003
Capital raising costs		**(467,420)**	(49,736)
Net cash provided by/(used in) financing activities		**3,428,115**	250,267
Net increase in cash and cash equivalents held		**2,690,028**	233,963
Cash at beginning of year		**233,963**	-
Cash at end of period	17(a)	**2,923,991**	233,963

* *Period 8 October 2009 to 30 June 2010.*

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

Note 1 - Statement of Significant Accounting Policies

These consolidated financial statements and notes represent those of Forge Resources Ltd and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Forge Resources Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern basis of accounting

Notwithstanding the net loss after income tax for the consolidated entity for the financial year ended 30 June 2011 was $1,780,818 (2010: $53,630), the financial statements have been prepared on a going concern basis. The Directors are managing the Company's cash flows carefully to meet its operational commitments. The Company has been successful in raising capital of $3,800,000 during the year and has $2,923,991 in cash and cash equivalents at the end of the year. The Directors consider that the going concern basis is appropriate for the following reasons.

The Company has sufficient working capital to carry out its stated objectives for at least 12 months from the date of this report. If the Company undertakes an acquisition of additional project(s) then it may have to raise additional capital to fund the development of these, however no allowance for such circumstances has been made in the financial statements.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Forge Resources Ltd at the end of the reporting period. A controlled entity is any entity over which Forge Resources Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 21 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised as it accrues.

(c) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(e) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.
Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the consolidated group is measured in Australian dollars. The financial statements are presented in Australian dollars which is the consolidated group's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the year are translated into functional currency using the rates of exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

(g) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

NOTES TO THE FINANCIAL STATEMENTS
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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expenses. Receivables and payables are stated with the amount of GST included.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Employee benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Earnings per share

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Parent Entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share adjusts the figures used in the determination of basic loss per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

When the consolidated group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the consolidated group, than is shown by basic loss per share, the diluted loss per share is reported the same as basic loss per share.

(l) Equity-settled compensation

The consolidated group may operate equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

(m) Segment reporting

The consolidated group identifies its reportable operating segments based on the internal reports that are reviewed by the Board of directors. Corporate office activities are not allocated to operating segment and form part of the balance of unallocated revenue, expenses, assets and liabilities.

(n) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(o) Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

(p) Accounting Period - Comparatives

The comparatives in the final statements cover the period from 8 October 2009 (being the date of incorporation) to 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

  The amendments are not expected to impact the Group.

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

  Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

This Standard is not expected to impact the Group.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

  This Standard is not expected to impact the Group.

		2011	2010
Note 2 – Revenue		**$**	**$**
Non - operating activities			
- interest income		**116,048**	1,135
- other income	(i)	**611,518**	-
		727,566	1,135

(i) Other income includes $600,000 received as settlement in relation to termination of the agreements for sub-leases of the 'Crown' and 'Swan' deposits at Mt Weld.

Note 3 – Expenses

Consulting fees	**524,486**	6,750
Legal fees	**367,125**	28,000
Licence and other fees	**1,836**	1,770
Share registry fees	**24,128**	-
	917,575	36,520

Note 4 - Income tax expense

(a) The components of income tax expense comprise:		
Deferred tax	(138,383)	(16,089)
Deferred tax assets not recognised	138,383	16,089
	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on the loss from ordinary activities	(534,245)	(16,089)
Add:		
Tax effect of:		
Other non-allowable items	736	-
Share options expensed during year	395,126	-
	2011	**2010**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Less:		
Tax effect of:	$	$
Deferred tax assets not recognised	138,383	16,089
Income tax expense/(benefit)	-	-

Tax losses

Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	67,374	16,089

The taxation benefits will only be obtained if:

(i) the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
(ii) the consolidated group continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the consolidated group in realising the benefits from the deductions for the loss.

Note 5 - Auditors' remuneration

Remuneration of the auditor of the Parent Entity for:		
- auditing or reviewing the financial reports	**34,148**	15,000
- taxation services	**8,135**	-
- corporate services	**4,000**	15,000
	46,283	30,000

Note 6 – Cash and cash equivalents

Cash at bank and on hand	**2,923,991**	233,963

Note 7 - Trade and other receivables

Current		
Other receivables	**9,021**	16,913
	9,021	16,913

(a) Effective interest rates and credit risk

There is no interest rate risk for the balance of trade and other receivables.

All amounts past due are considered impaired and provided against. All other receivables are within credit terms and not considered impaired.

Note 8 – Non-current assets –Plant and equipment	**Furniture, fittings and**	**Total**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	office equipment	
	$	$
Consolidated		
Year ended 30 June 2010		
Opening net book amount	-	-
Additions	-	-
Disposals	-	-
Depreciation charge	-	-
Closing net book amount	-	-
At 30 June 2010		
Cost	-	-
Accumulated depreciation	-	-
Net book amount	-	-
Year ended 30 June 2011		
Opening net book amount	-	-
Additions	23,833	23,833
Disposals	-	-
Depreciation charge	(1,665)	(1,665)
Closing net book amount	22,168	22,168
At 30 June 2011		
Cost	23,833	23,833
Accumulated depreciation	(1,665)	(1,665)
Net book amount	22,168	22,168

	2011	2010
Note 9 – Exploration and evaluation expenditure	**$**	**$**
Non-current		
Costs carried forward in respect of areas of interest in the following phases:		
Exploration phase	-	-
Balance at beginning of the year	-	-
Tenements acquired	**600,000**	-
Expenditure capitalised	**213,622**	-
Carrying amount at end of the year	**813,622**	-

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements.

Included in the above balance is $127,589 in relation to costs associated with project Wymah (EL7397), Mayfield North (EL6691) and Captains Flat (EL6840). The consolidated group has applied to the New South Wales Department of Industry and Investment for renewal of these exploration licences. The Directors have no reason to believe these renewals will not be granted.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
Note 10 – Other non-current assets	**$**	**$**
Formation expenses	-	587
Deposits	**126,095**	-
	126,095	587

Note 11 – Trade and other payables

Trade payables	**100,021**	121,519
Sundry payables and accrued expenses	**79,157**	58,000
	179,178	179,519

Note 12 – Short term provisions

	Short term employee benefits	Total
	$	**$**
Opening balances at 1 July 2010	-	-
Additional provisions	1,449	1,449
Amounts used	-	-
Unused amounts reversed	-	-
Balance at 30 June 2011	**1,449**	1,449

	2011	2010
	$	**$**
Note 13 – Issued capital		
25,477,667 (2010: 3,000,003) fully paid ordinary shares	**5,546,831**	125,575

	2011 No of shares	2011 $'s
(a) Fully paid ordinary shares		
Balance at beginning of reporting year	3,000,003	125,575
Issue of shares during the year:		
- AAMC in consideration of acquisition of tenements	3,000,000	600,000
- shares issued during the year	19,000,000	3,800,000
- options converted to shares during the year	477,664	95,535
Transaction costs		(389,479)
Balance at end of reporting year	25,477,667	4,231,631

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

	2010 No of shares	2010 $
Fully paid ordinary shares		
Issue of shares during the period:		
- Founder shares on incorporation	3	3
- Private placements	3,000,000	300,000
Transaction costs	-	(174,428)
Balance at end of reporting period	3,000,003	125,575

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

	2011 No of shares	2011 $
(b) Performance shares		
Balance at beginning of reporting year	-	-
Issue of shares during the year:		
- Share issue 17 September 2010	24,000,000	1,315,200
Balance at end of reporting year	24,000,000	1,315,200

The Performance Shares will convert into Shares in the capital of the Company upon either one of the Company's existing projects or, a project acquired after the Admission Date is identified as having a JORC compliant resource which is able to support a capital raising of at least $15,000,000 at a price not less than $0.35 per Share by the Company and the company completing such a capital raising. All Performance Shares will convert into 24,000,000 Shares in the capital of the Company. The Performance Shares will expire in 18 months from the date of the Initial Public Offering of the Company. In the event that the Milestone is not achieved by the Expiry Date, then all Performance Shares held by a Holder will automatically be forfeited.

(c) Options over unissued shares	2011 Number
Options exercisable at $0.20 each	
Balance at beginning of reporting year	14,000,000
Issued during the year	6,933,569
Converted during the year	(477,664)
Balance at end of reporting year	*20,455,905

* 19,855,905 expiring 31 July 2014
600,000 expiring 15 June 2015

Options exercisable at $0.20 each on or before 31 July 2014	2010 Number
Balance at beginning of reporting period	-
Issued during the period	14,000,000
Balance at end of reporting period	14,000,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6,333,569 Options were issued on 21 September 2010 to shareholders at the initial public offer and 600,000 Options were issued on 27 June 2011 to Geoff Atkins pursuant to the employee share plan.

13,000,000 Options were issued on 1st November 2009 to the founding investor/shareholder group. Of this amount 1,100,000 were issued to Directors of the Company in their capacity as founding investor/shareholders.

1,000,000 Options were issued in two tranches (633,333 on 15th March 2010 and 333,334 on 11th May 2010) as part of the seed capital raising undertaken by the Company. The Company issued 1,000,000 fully paid ordinary shares at an issue price of $0.10, plus each applicant received one free option for every three seed shares subscribed for. Of these 1,000,000 options, 166,668 were issued to two Directors as part of their respective seed capital applications.

(d) Capital management

When managing capital, management's objective is to ensure the consolidated group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the consolidated group.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated group is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool.

Note 14 - Interests of key management personnel (KMP)

Names and positions held of Company key management personnel in office at any time during the year were:

N Curtis (appointed 1 July 2010)	Non-executive Chairman
H Ou Wang (appointed 1 July 2010)	Non-executive Director
J Malone (appointed 1 July 2010)	Non-executive Director
E Correia (appointed 8 October 2009)	Non-executive Director
B Siddall (appointed 8 October 2009 resigned effective 1 July 2010)	Non-executive Director
S Hartwig (appointed 8 October 2009 resigned effective 1 July 2010)	Non-executive Director

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2011 $	2010 $
Short-term employee benefits	99,653	-
Post-employment benefits	1,514	-
Other long-term benefits	-	-
Share-based payments	1,887	-
	103,054	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

(a) KMP share holdings

The number of ordinary shares in Forge Resources Ltd held directly and indirectly by each key management personnel of the Company during the year is as follows:

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2011					
N Curtis	-	-	-	4,000,000	4,000,000
H Ou Wang	-	-	-	350,000	350,000
E Correia	325,001	-	-	-	325,001
J Malone	-	-	-	375,000	375,000
G Atkins	-	-	-	-	-
S Hartwig *	382,501	-	-	-	382,501
B Siddall *	1	-	-	-	1
Total	707,503	-	-	4,725,000	5,432,503

*Resigned effective 1 July 2010

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2010					
N Curtis	-	-	-	-	-
H Ou Wang	-	-	-	-	-
E Correia *	-	-	-	325,001	325,001
J Malone	-	-	-	-	-
S Hartwig *	-	-	-	382,501	382,501
B Siddall	-	-		1	1
Total	-	-	-	707,503	707,503

* Founder and placement shares subscribed for.

(b) KMP Option holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2011					
N Curtis	-	-	-	1,333,334	1,333,334
H Ou Wang	-	-	-	116,667	116,667
E Correia	608,334	-	-	-	608,334
J Malone	-	-	-	125,001	125,001
G Atkins	-	600,000	-	-	600,000
S Hartwig *	627,501	-	-	-	627,501
B Siddall*	100,000	-	-	-	100,000
Total	**1,335,835**	**600,000**	**-**	**1,575,002**	**3,510,837**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

*Resigned effective 1 July 2010

2010					
N Curtis	-	-	-	-	-
H Ou Wang	-	-	-	-	-
E Correia	-	-	-	608,334	608,334
J Malone	-	-	-	-	-
S Hartwig				627,500	627,500
B Siddall				100,000	100,000
Total	-	-	-	**1,335,834**	**1,335,834**

*Founder and placement options subscribed for.

(c) KMP Performance shares holdings

Nicholas Curtis has an interest in the 24,000,000 performance shares of the company. Details of the performance shares can be found at note 13 (b).

Note 15 - Employee benefits

Superannuation

The consolidated group makes contributions based on each employee's salary to superannuation plans that provide employees with benefits on retirement in accordance with the requirements of superannuation legislations.

Employee incentive plan

The Company has established the Forge Resources Ltd Employee Share Trust ("EST") for the purpose of retaining and incentivising its key personnel. A summary of the main terms of the EST is as follows:

i. The trustee of the Forge Resources Ltd Employee Share Trust is Trinity Management Pty Ltd ("Trustee").

ii. The Board will administer the EST in accordance with the terms of the governing Deed ("Terms") (and any other terms prescribed by the Board for the operation of the EST which are consistent with the Terms).

iii. The Board has discretion to determine which employees, Directors, executives or contractors are invited to apply to the Trustee for Share Units ("Eligible Employee"). The Company has absolute discretion to determine the number of Share Units to be issued to an Eligible Employee.

iv. The Board may from time to time suspend operation of, or cancel, the EST.

v. Subject to the ASX Listing Rules and to specified restrictions in the Terms, the Board may at any time by written instrument or by resolution, amend all or any of the provisions of the Terms, and make amendments to the Terms, or structure of an offer, as they apply in respect of foreign jurisdictions where such amendments would be appropriate for tax purposes, as determined by the Board.

vi. When the performance shares are converted to Shares, they will rank pari passu in all respects with the other Shares of the Company from the date of issue.

vii. The Company must not make an offer under the EST where the grant of the performance shares, Options or Shares contemplated by the offer would result in the Company exceeding the limit that applies under ASIC Class Order 03/184. Class Order 03/184 prescribes that the aggregate of all offers of securities in the same class in the previous 5 years under the EST must not exceed 5% of the issued

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

capital of the Company at the time of the offer. There are certain types of issues, which are exempt from this calculation, including offers made pursuant to a disclosure document.

viii. At the time participating employees wish to redeem or encash their holding, bonus share units are issued by the Trustee to enable full share value to be received including any growth over the holding period. The Company's contribution is limited to the issue of Shares in the Company.

ix. The share units provide to unit holders substantially the same rights in respect of the performance shares which are allocated to the share units as if the unit holders were the legal owners of the performance shares, excluding the rights to:

 (a) direct the Trustee how the voting rights attached to the performance shares shall be exercised; and

 (b) receive the income derived from the performance shares including dividends declared in respect of the shares, until such time that the performance shares are converted to Shares.

x. In general, the share units are not transferable.

xi. Any entitlement to share units, which have not vested, will be forfeited if a participant resigns from employment with the Company or ceases employment for any other reason.

xii. Subject to the ASX Listing Rules, in the event of a takeover, scheme of arrangement or other change of control as determined by the Board in respect of the Company, share units may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance.

Note 16 - Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year a sum of $340,090 was paid to Riverstone Advisory Pty Ltd (Riverstone) formerly known as Sino Resources Capital Pty Ltd, a firm involved in the provision of merger and acquisition advisory services to the natural resources sector. Riverstone provided project management and other management support services relating to the Initial Public Offering as well as advisory services relating to the potential acquisition the Company reviewed. Nicholas Curtis and Harold Ou Wang are Directors and shareholders of Riverstone Advisory Pty Ltd.

Whilst not a related party transaction, during the year a sum of $23,333 was paid to a subsidiary of Transocean Securities Pty Ltd for corporate advisory services provided in respect of the Company's Initial Public Offer. Emmanuel Correia was previously an employee of Transocean Securities, however he was not an officer of Transocean nor did he hold any equity in Transocean.

During the period a sum of $6,000 was paid to SWEL Consulting Pty Ltd for the provision of Company Secretarial services. Shane Hartwig is a director of SWEL Consulting Pty Ltd.

Key management personnel

Details of the compensation of key management personnel are included in Remuneration Report section of the Directors Report.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note 17 - Notes to statement of cash flows	2011 $	2010 $
(a) Reconciliation of cash		
Cash at bank and on hand	**2,923,991**	233,963

(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities

Loss from ordinary activities after income tax	**(1,780,818)**	(53,630)
Depreciation and amortisation	**1,665**	-
Non-cash expense – shared based payments	**1,887**	-
Non-cash expense – performance shares	**1,315,200**	-
Changes in assets and liabilities relating to operations:		-
- Increase (Decrease) in creditors and accruals	**65,208**	54,826
- Increase (Decrease) in provisions	**1,449**	-
- Decrease (Increase) in receivables	**7,892**	(16,913)
- Decrease (Increase) in other non current assets	**(125,508)**	(587)
Net cash used in operating activities	**(513,025)**	(16,304)

(c) Non-cash Financing and Investing Activities

Share issue:

3,000,000 ordinary shares were issued at $0.20 cents as consideration for the acquisition of mining tenements from Australian-American Mining Corporation N.L.

Note 18 - Segment information

Identification of reportable segments

The consolidated group has identified its reportable segments based on the location of its exploration assets.

The primary business segment and the primary geographic segment within which the company operates are minerals and energy exploration in Australia respectively.

Note 19 - Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated group's risk management framework. The consolidated group's risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limited and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated group's activities.

The consolidated group's activities expose it to a limited number of financial risks as described below. The consolidated group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated group. To date, the consolidated group has not had the need to

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposure identified. The consolidated group holds the following financial instruments.

	2011	2010
	$	$
Financial assets		
Cash and cash equivalents	**2,923,991**	233,963
Trade and other receivables	**9,021**	16,913
Total	**2,933,012**	250,876
Financial liabilities		
Trade and other payables	**179,178**	179,519
Total	**179,178**	179,519

Specific financial risk exposures and management

The main risks the consolidated group is exposed to through its financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The consolidated group's main interest exposure arises from cash at bank and bank term deposits as at the reporting date, the consolidated group had the following cash profile.

Cash at bank and in hand	**2,923,991**	233,963
Term deposit	**109,722**	-
Total	**3,033,713**	233,963

The consolidated group's main interest rate risk arises from cash and cash equivalents. The cash in the investment account earns a floating interest rate between 4.75% and 4.80%.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

Credit risk

Credit risk is managed on a consolidated group basis. Credit risk arises from cash and cash equivalents, deposits and banks as well credit exposure including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In respect of the parent entity, credit risk relates to loans with subsidiary and associated companies. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiary and associated companies, but only to the level, which the Board considers necessary, to achieve these objectives and meets agreed conditions. Any loans to subsidiary and associated companies considered to be unrecoverable have been provided for.

Liquidity risk

The consolidated group maintains sufficient liquidity by holding cash in readily accessible accounts. The consolidated group manages liquidity risk by continuously monitoring forecast and actual cash flows and

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

matching the maturity profiles of financial assets and liabilities. The consolidated group has no access to borrowing facilities at the reporting date. The consolidated group's financial assets $2,933,012 (2010: $250,876) and financial liabilities $179,178 (2010: $179,519) have a maturity within 12 months of 30 June 2011.

Fair value

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the Statement of Accounting Policies.

Sensitivity analysis

The following table illustrates a sensitivity to the consolidated group's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. This sensitivity assumes that the movement in a particular variable is independent of other variables.

	Profit	Equity
	$	$
Year ended 30 June 2011		
+/-1% in interest rates	+/- 30,337	+/- 30,337
Year ended 30 June 2010		
+/-1% in interest rates	+/- 2,340	+/- 2,340

Note 20 - Earnings per share

	2011	2010
	$'000	$'000
Operating loss after income tax used in the calculation of basic and diluted loss per share	1,780,818	53,630
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	20,507,995	725,277

Note 21 - Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Forge Resources Limited	Country of incorporation	Percentage Owned (%)	
		2011	2010
		%	%
Forge Resources Swan Pty Ltd *	Australia	100	-
Forge Resources Crown Pty Ltd *	Australia	100	-

* Acquired on incorporation for a consideration of $2. There has been no trading to date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

Note 22 - Events occurring after the reporting period

On the 13th September 2011 the Company announced that it agreed to undertake a Placement of $2.5M through the issue of 5,000,000 shares at an issue price of $0.50. The Placement is to be completed in two Tranches. As at the date of this report the Company had completed Tranche 1 of the Placement being the issue of 1,200,000 ordinary shares. Tranche 2 is to be completed upon obtaining shareholder approval which is expected to occur in an Extraordinary General Meeting to be held in the third week of October 2011.

On 13th September 2011 the company announced that it had signed an option agreement to acquire a 100% interest in the West Eucla Mineral Sands project. This agreement signals a strategic direction for the company to develop resources within the titanium feedstock industry. Industry forecasts report a positive outlook for titanium feedstock resources, supported by recent price increases and forecasts for growth in demand and a supply deficit moving forward.

Other than described above there has not arisen in the interval since 30 June 2011 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

The financial report was authorised for issue on 27 September 2011 by the Board of Directors.

Note 23 - Reserves

The share-based payments reserve records items recognised as expenses on valuation of employee share options.

Note 24: Capital and Leasing Commitments

	Note	2011 $	2010 $
Operating Lease Commitments			
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable – minimum lease payments:			
– Within one year		206,160	-
– Later than one year but not later than five years		172,739	-
– Later than five years		-	-
The property lease is a non-cancellable lease with a 24-month term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased 4.5% per annum. The lease allows for subletting of all lease areas.			
Expenditure Commitments			
Minimum expenditure commitments for mining tenements:			
– Within one year		352,000	-
– Later than one year but not later than five years		70,500	-
– Later than five years		-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note 25: PARENT INFORMATION

	2011 $000	2010 $000
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	2,933,012	250,876
Non-current assets	961,885	587
TOTAL ASSETS	3,894,897	251,463
LIABILITIES		
Current liabilities	180,627	179,518
TOTAL LIABILITIES	180,627	179,518
EQUITY		
Issued capital	5,546,831	125,575
Retained earnings	(1,834,448)	(53,630)
Option reserve	1,887	-
TOTAL EQUITY	3,714,270	71,945
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(1,780,818)	(53,630)
Total comprehensive income	(1,780,818)	(53,630)

Guarantees

Forge Resources Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual commitments

At 30 June 2011, Forge Resources Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2010: nil).

Note 26 - Company Details

REGISTERED OFFICE
Level 24, 20
56 Pitt Street,
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS
Level 24,
56 Pitt Street,
Sydney NSW 2000

DIRECTORS DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 21 to 46, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated group;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year comply give a true and fair view.

3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 28th day of September 2011

Dr Matthew James
Managing Director

HALLCHADWICK

Chartered Accountants and Business Advisers

FORGE RESOURCES LIMITED ABN 30 139 886 187
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF FORGE RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Forge Resources Limited which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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HALLCHADWICK

FORGE RESOURCES LIMITED ABN 30 139 886 187
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF FORGE RESOURCES LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of Forge Resources Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Forge Resources Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

Graham Webb
Partner
Date: 28 September 2011

ADDITIONAL INFORMATION

Additional Australian Securities Exchange information as at 31 August 2011.

Number of holders of equity securities

Fully Paid Ordinary Shares

25,477,667 fully paid ordinary shares are held by 553 individual shareholders (3,925,000 subject to ASX escrow).

All issued ordinary shares carry one vote per share.

Options

19,855,905 Options ($0.20 Ex Price, 31st July 2014 Expiry) held by 256 individual shareholders (13,308,332 subject to ASX escrow).

600,000 Unlisted options ($0.67 exercise price, 15 June 2015 expiry) held by one employee.

Performance Shares

24,000,000 Performance Shares held by one holder (24,000,000 subject to ASX escrow).

Distribution of holders of equity securities.

Category (size of Holdings)	Ordinary Shares holders	Option holders
1 - 1,000	107	2
1,001 - 5,000	106	108
5,001 - 10,000	123	35
10,001 - 100,000	172	88
100,001 and over	45	23
	553	256
Holding less than a marketable parcel	107	3

Substantial shareholders

The names of the substantial shareholders listed in the Forge Resources Ltd register as at 31 August 2011 were:

	Fully paid ordinary shares	
Holders	Number	Percentage
Wilkes Holdings Pty Ltd	4,000,000	15.7%
Australian American Mining Corporation NL	3,000,000	11.8%
	7,000,000	27.5%

ADDITIONAL INFORMATION

Top 20 Holders - Quoted Fully Paid Ordinary Shares as at 31st August 2011

Rank	Name	Units	% of Units
1.	WILKES HOLDINGS PTY LTD	4,000,000	18.56
2.	MR ANDREW CLIVE BEDE ROSS + MRS MARY-LOUISE ROSS <ARML SUPER FUND	600,000	2.78
3.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	556,273	2.58
4.	CARRINGBUSH CORPORATION PTY LTD	502,164	2.33
5.	P G HOWARTH PTY LTD	400,000	1.86
6.	BRADFIELD & PRICHARD REAL ESTATE CONSULTANTS PTY LTD <BENSON & GUTH RETIRE FND A/C>	364,171	1.69
7.	DR MATTHEW PETER JAMES	350,000	1.62
8.	KILKENNY ENTERPRISES PTY LTD <MALONE FAMILY A/C>	315,000	1.46
9.	BRADFIELD & PRICHARD REC PTY LTD <BENSON & GUTH RETIRE A/C>	300,000	1.39
10.	ENCOUNTER INVESTMENTS PTY LTD <ENCOUNTER INVESTMENTS A/C>	300,000	1.39
11.	GEBA PTY LTD <GEBA FAMILY A/C>	300,000	1.39
12.	ORIC SUPER PTY LTD <ORIC SUPER FUND A/C>	300,000	1.39
13.	DR ALASTAIR ROWLAND BROWN <HIPIKI STAFF FUND A/C>	258,767	1.20
14.	DAVHAL INVESTMENTS PTY LIMITED	250,000	1.16
15.	KAYMOND PTY LTD	250,000	1.16
16.	CITICORP NOMINEES PTY LIMITED	234,372	1.09
17.	CANGU PTY LTD <CANGU FAMILY A/C>	200,000	0.93
18.	CARRINGBUSH CORPORATION PTY LTD	200,000	0.93
19.	NYREE CORREIA	200,000	0.93
20.	NUMBER 7 INVESTMENTS PTY LTD	200,000	0.93
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**10,080,747**	**46.77**
Total Remaining Holders Balance		**11,471,920**	**53.23**

TOP 20 - QUOTED LISTED OPTIONS EXPIRING ON 31/07/2014 @ $0.20 As of 31 Aug 2011

Rank	Name	Units	% of Units
1.	WILKES HOLDINGS PTY LTD	1,333,334	20.36
2.	P G HOWARTH PTY LTD	426,618	6.52
3.	GEBA PTY LTD <GEBA FAMILY A/C>	283,335	4.33
4.	NUMBER 7 INVESTMENTS PTY LTD <SUPERANNUATION FUND A/C>	250,000	3.82
5.	CARRINGBUSH CORPORATION PTY LTD	212,976	3.25
6.	EVENTFUL BY TIM WEARNE PTY LTD	150,000	2.29
7.	DR MATTHEW PETER JAMES	116,667	1.78
8.	KILKENNY ENTERPRISES PTY LTD <MALONE FAMILY A/C>	105,000	1.60
9.	BRADFIELD & PRICHARD REC PTY LTD <BENSON & GUTH RETIRE A/C>	100,000	1.53
10.	DR ALASTAIR ROWLAND BROWN <HIPIKI STAFF FUND A/C>	100,000	1.53
11.	ENCOUNTER INVESTMENTS PTY LTD <ENCOUNTER INVESTMENTS A/C>	100,000	1.53
12.	KAYMOND PTY LTD	100,000	1.53
13.	MR REGINALD MOORE LOMAS + MRS DOREEN LOMAS <R & D LOMAS	100,000	1.53
14.	ORIC SUPER PTY LTD <ORIC SUPER FUND A/C>	100,000	1.53
15.	PELAGIO PTY LIMITED <WEARNE SUPER FUND A/C>	85,000	1.30
16.	DAVHAL INVESTMENTS PTY LIMITED	83,333	1.27
17.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	78,564	1.20
18.	CLK PTY LIMITED	76,092	1.16
19.	CARRINGBUSH CORPORATION PTY LTD	66,667	1.02
20.	NYREE CORREIA	66,667	1.02
Totals: Top 20 holders of LISTED OPTIONS EXPIRING ON 31/07/2014 @ $0.20		**3,934,253**	**60.09**
Total Remaining Holders Balance		**2,613,319**	**39.91**

ADDITIONAL INFORMATION

DIRECTORS

Mr Nicholas Curtis AM	Non Executive Chairman
Mr Matthew James	Managing Director
Mr Harold Wang	Non Executive Director
Mr Jim Malone	Non Executive Director
Mr Emmanuel Correia	Non Executive Director

COMPANY SECRETARY
Mr Shane Hartwig

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Level 24,
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PRINCIPAL PLACE OF BUSINESS
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AUDITORS
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