



**28 October 2011**

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD  
1 JULY 2011 TO 30 SEPTEMBER, 2011**

**HIGHLIGHTS**

- Signed Farm-In Agreement on the Eucla West Heavy Mineral Sand Project proven to host significant heavy mineral sand occurrences
- Agreed a \$2,500,000 capital raising and received shareholder approval for completion
- Appointed Dr. Matthew James to the role of Managing Director of Forge Resources
- Completed drilling campaign at Eucla West
- Progressed exploration activity on the five NSW Lachlan Fold Belt Projects, including drilling by the JV partner at Capital Flat

## **1. CORPORATE**

### **1.1 Eucla West Heavy Mineral Sand Project**

With the titanium feedstock industry forecasts reporting a positive outlook for titanium feedstock resources, supported by recent price increases and forecasts for growth in demand and a supply deficit moving forward, Forge Resources Ltd ("Forge") was pleased to announced on 13 September 2011 an Option Agreement to acquire a 100% interest in the Eucla West Heavy Mineral Sand Project (Eucla West). Following an exclusive commercial and legal due diligence review period the Vendors of Eucla West and Forge agreed to restructure the Option Agreement to a Farm-In Agreement, which was announced on 29 September 2011, under the following terms:

1. The Vendors agree to grant Forge the rights to earn a 50.1% interest in the project as follows:
  - a. Forge shall issue to the Vendors 1,100,000 paid ordinary shares in Forge as recompense for past exploration expenditure. The Vendors agrees to a voluntary 3 months escrow on trading these shares.
  - b. Forge agrees to spend a minimum of \$1m in the first year before Forge can withdraw.
  - c. Subject to (d), Forge shall complete \$2.0 million of expenditure on exploration, metallurgical works and pre-feasibility assessment over a 2 year period (which would include funding the current exploration programme).
  - d. If Forge elects to withdraw prior to completing 1(c) all rights to the project and information shall be returned to and become the property of the Vendors.
  - e. That the Vendors acknowledge that at any time Forge have the rights to settle and fulfil the 50.1% earn-in by paying outstanding earn-in amounts in cash to the Vendors.
2. At completion of the earn-in to 50.1% by Forge, Forge and the Vendors will, upon mutual decision to further explore and/or develop the West Eucla project, either:
  - a. form a joint venture (JV) to develop the assets with respect to their relevant interests; or
  - b. at the election of either party, Forge shall have the right to earn a further 29.9% interest (total 80%) in the project, by spending a further \$4m on exploration and associated pre-development studies over a further 3 year period;
3. Once Forge earn a 50.1% interest in the West Eucla project, Forge have the right to elect to acquire outright the project within 10 days of the later of the mutual decision whether to further develop the project and the elections of either 2(a) or 2(b). The consideration would represent a payment of \$7.5m (being \$5m in cash and \$2.5m in shares) and the grant of a 1.5% gross sales royalty (calculated after deduction of Federal and State royalties and taxes, other than income taxes) to the Vendors capped at \$100m, which must be settled within 60 days of Forge making this decision.
4. In the event Section 2(b) is undertaken, then at completion of the earn-in to 80% by Forge, Forge and the Vendors will, upon mutual decision to further develop the West Eucla project, either:

- a. Form a joint venture (JV) to develop the assets with respect to their relevant interests, with a normal  $(a/(a+b))$  dilution formulae and with a deemed total expenditure at the start for  $(a+b)$  of \$10 million; or
- b. At the election of the Vendors, the Vendors may convert its 20% participating interest to a 20% free carried interest in the project to the point of commercial production.
- c. Within 10 business days of Forge earning a 80% interest in the West Eucla project, Forge may nullify Section 4(a) or 4(b) by electing to acquire the project outright for a payment of \$5m (being cash and/or shares upon mutual agreement) and the grant of a 1.0% gross sales royalty (calculated after deduction of Federal and State royalties and taxes, other than income taxes) to The Vendors capped at \$100m, which must be settled within 60 days of Forge making this decision.

Forge has completed the first step of the Farm-In agreement; the issue of 1,100,000 paid ordinary shares in Forge as recompense for past exploration expenditure. Both parties have undertaken to enter into more formal documentation according to these agreed terms.

The Farm-In structure allows funds to be directed towards advancing the Eucla West project. Subsequent to the end of the quarter the Company announced completion of a drilling campaign at Eucla West on 10 October 2011. An overview of Eucla West is given in "Exploration Activities".

## **1.2 Capital Raising**

The Company agreed to place 5,000,000 fully paid ordinary shares at an issue price of 50 cents per share to raise funds of \$2,500,000 less expenses. As approved by shareholders on 20 October 2011 at an Extraordinary General Meeting, shares are being placed to a sophisticated investor and client of Riverstone Capital Pty Ltd (Riverstone), Mr. Conglin Yue of Australia Conglin International Investment Group Pty Ltd, under the provisions of Section 708 of the Corporations Act. A fee of 4% of all cash raised is payable upon the completion of the raising to Forge's advisor, Riverstone.

The capital raised through the placement shall be used to contribute to the funding commitments under the Farm-In Agreement for the acquisition of the Eucla West Heavy Mineral Sands Project. The Company is pleased to welcome Mr. Yue as a strategic shareholder of Forge at an exciting time for the Company.

## **1.3 Appointment of Managing Director**

The Board of Forge announced the appointment of Dr Matthew James to the role of Managing Director of Forge during the quarter. Dr. James joins 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, filling a wide range of roles in the senior management, including Chief Financial Officer.

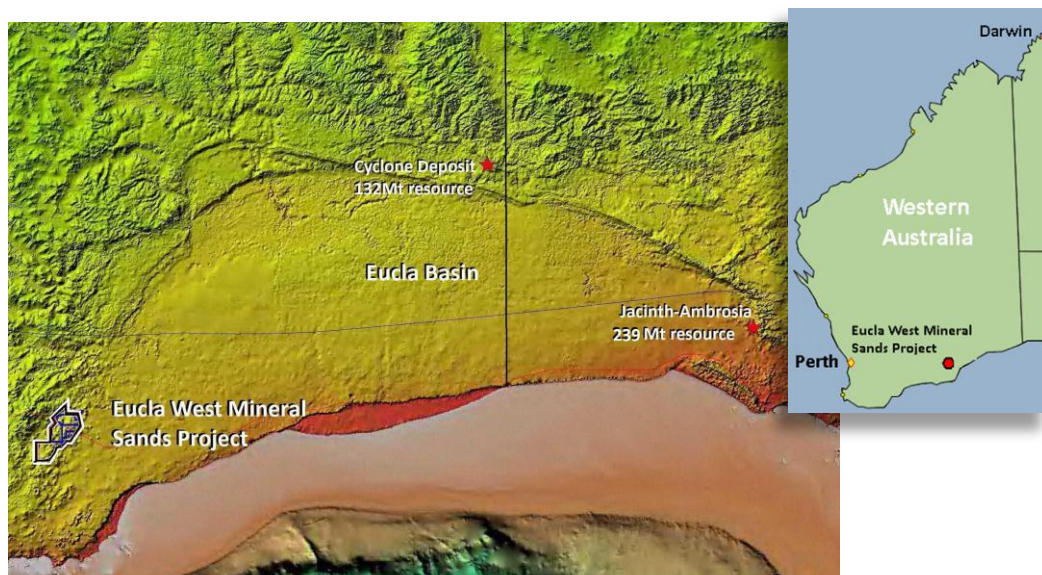
Prior to joining Lynas, Dr. James spent three years at Deutsche Bank in London followed by four years in the London office of McKinsey & Company, the management consulting firm where he worked at the CEO and board level of major companies on strategic, organisational and operations issues.

Dr. James received a BE (Hons) degree in Ceramic Engineering from the University of New South Wales, Australia and Ph.D. in Materials Science and Engineering from Queens' College at the University of Cambridge.

## 2. EXPLORATION ACTIVITIES

### 2.1 Eucla West Heavy Mineral Sand Project

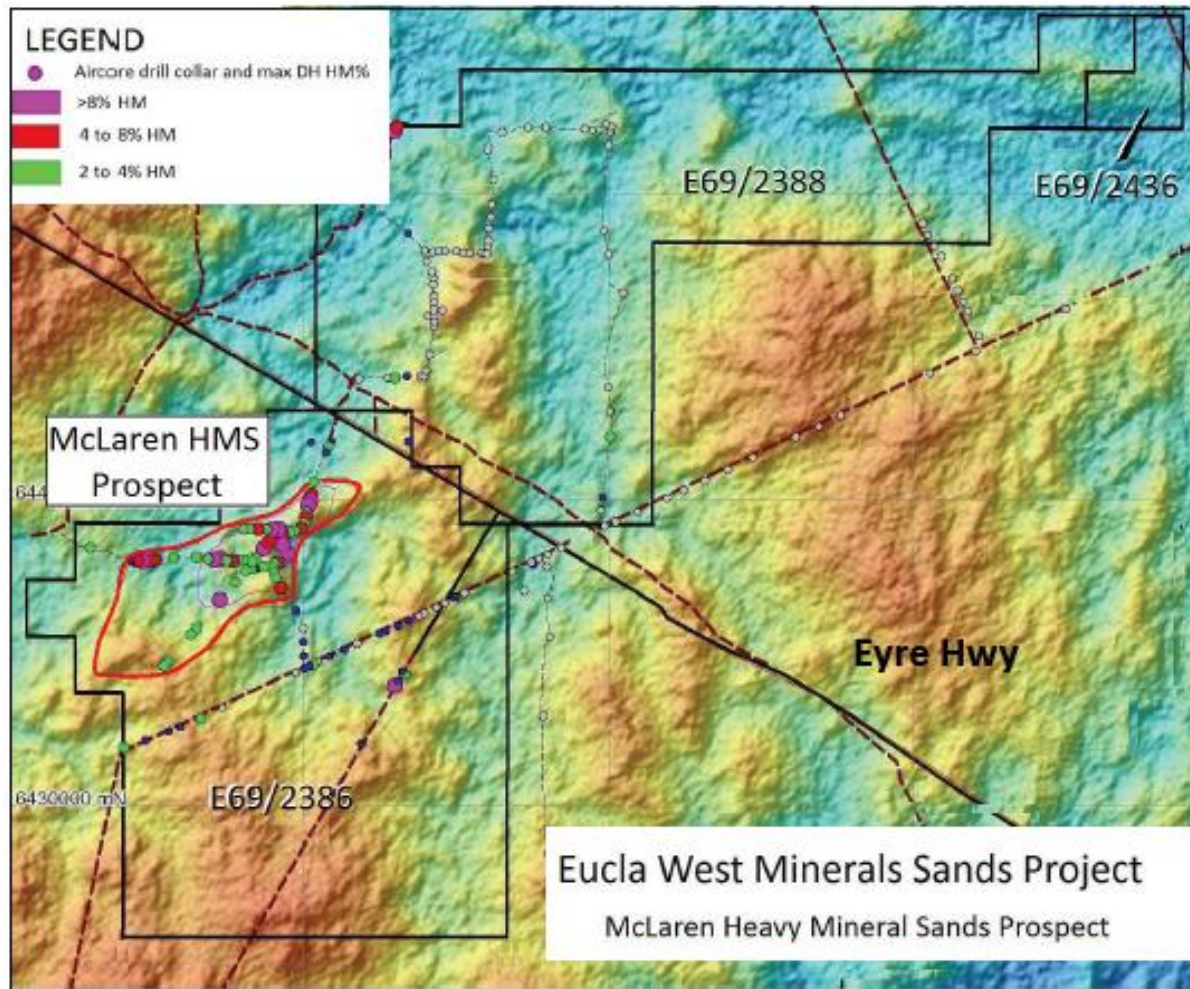
Located in the Eucla Basin, which hosts world class heavy mineral (HM) deposits such as Jacinth-Ambrosia (294Mt Resource<sup>1</sup>) and Cyclone (132Mt Resource<sup>2</sup>), Eucla West consists of three contiguous granted exploration licences (218 square kilometres).



**Figure 1:** The West Eucla Mineral Sand Project Location.

Exploration Licenses (69/2386, 69/2388 and 69/2436) are located approximately 45km west of the Balladonia roadhouse, straddling the Eyre Highway. The Project is located on the western margin of the Eucla basin (See Figure 1), where the eastern margin of the Frazer Range slopes gradually down toward the basin and is increasingly on-lapped by sands of paleo-shoreline and aeolian origin favourable for HMS deposition.

The area has recently emerged as a highly prospective region for new world-class mineral sand discoveries. Exploration immediately to the east of the tenement group began during the 1988-1993 period where Eucla Mining NL identified HM mineralisation with the best result of 3m @ 6.3% HM comprising 66% ilmenite and 19% zircon. Since that time very little exploration has occurred in the area, until in 2008-2009 the current owners began surface investigations by way of hand dug pits. Samples were assayed for HM and indicated a wide distribution of local mineral sand accumulation.

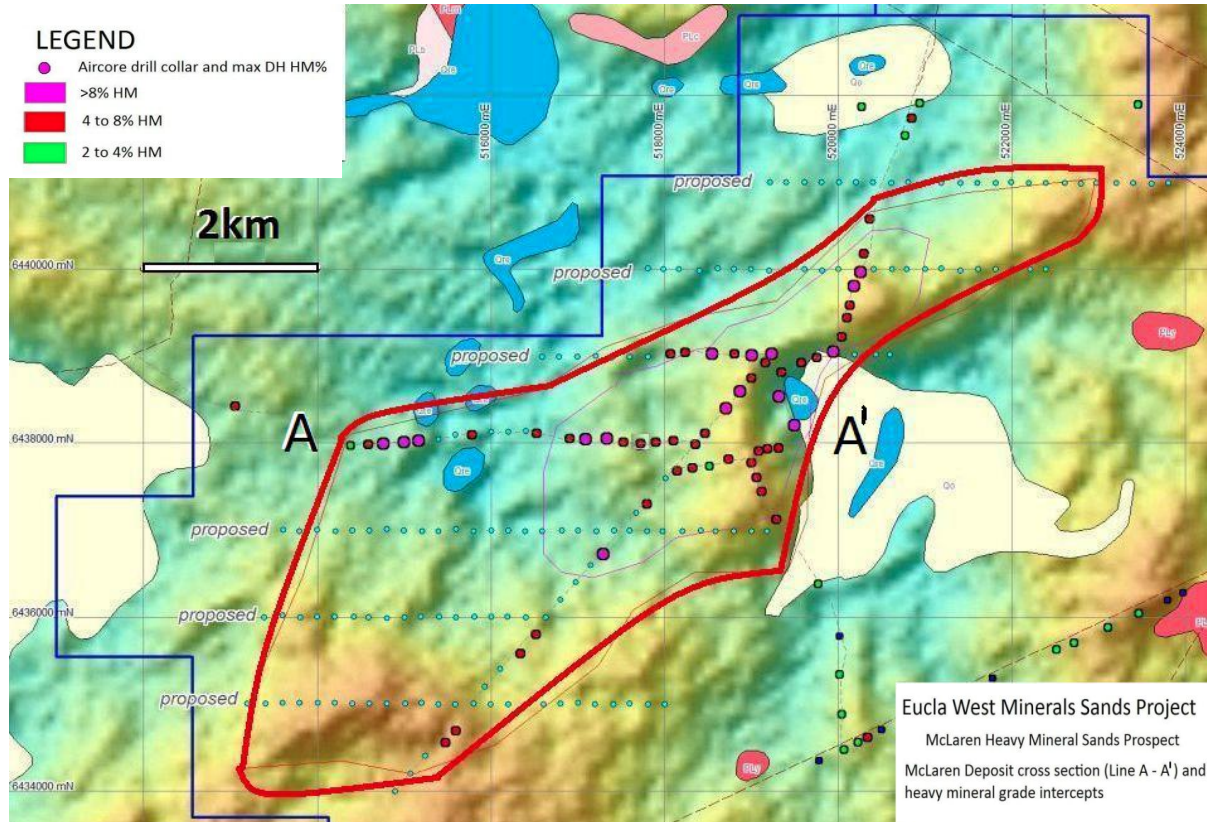


**Figure 2:** Three contiguous exploration licences covering 218km showing the McLaren HMS Prospect

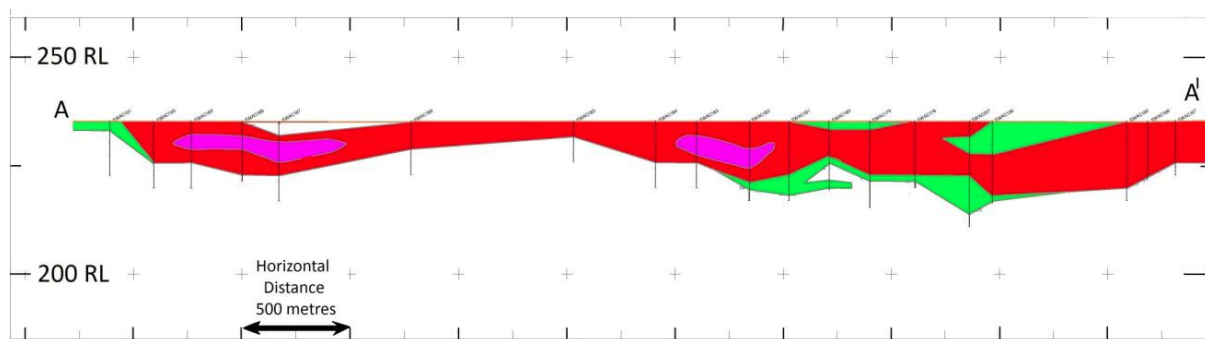
In 2009 the first reconnaissance aircore drill program (242 holes for 3,215 metres) was completed and samples submitted for HM assay with excellent results. This initial work was highly successful and the Eucla West exploration licences are proven to host significant heavy mineral sand (HMS) occurrences (See Figure 2).



These occurrences include a discovery of shallow HMS, named the McLaren Prospect, containing heavy mineralized sand (>5% HM) up to 24 metres thick within 10 metres of the surface, over an area of approximately four by two kilometres, and significant mineralization remains open in all directions.



**Figure 3:** Aircore drill collar plan over a DTM image of the McLaren Prospect showing assayed maximum down-hole HM% and area for proposed resource definition drilling.



**Figure 4:** A west-east cross section (Line A – A') showing contoured heavy mineral grade intercepts from the air-core drilling. Note the vertical exaggeration.

Highlights from the aircore drilling results from the McLaren Prospect include:

- 9.0m @ 7.82% HM from 3m – EWAC187
- 12.0m @ 7.70% HM from 0m – EWAC167
- 12.0m @ 7.62% HM from 0m – EWAC165
- 6.0m @ 7.39% HM from 0m – EWAC201
- 9.0m @ 7.18% HM from 0m – EWAC189
- 7.5m @ 7.15% HM from 0m – EWAC163
- 24.0m @ 7.10% HM from 0m – EWAC156
- 12.0m @ 6.91% HM from 0m – EWAC188
- 13.5m @ 6.90% HM from 0m – EWAC182
- 16.5m @ 6.84% HM from 4.5m – EWAC197

These air-core drill results show a consistency of high grade at shallow depths and demonstrate the potential to define a significant HM resource comparable in size to those defined by other companies in the region.

A further aircore drilling campaign has recently been completed, which covered the main section of the McLaren HMS Prospect and consisted of 212 holes for 2085.65 metres. The average hole depth was 12.6 metres. Samples have been submitted for HM assay with results anticipated within the current quarter.

## Competent Persons Statement

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Benson, who is a member of The Australasian Institute of Mining and Metallurgy. Paul Benson is a consultant to Forge Resources Ltd. Paul Benson has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Benson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## New South Wales Tenements Overview

The Company's NSW tenements are all located within the prospective Lachlan Fold Belt of NSW – see Figure 5. 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.

Renewal of the Mayfield North and Michelago licences has now been received, allowing the Company to initiate substantial exploration programs on these tenements.

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

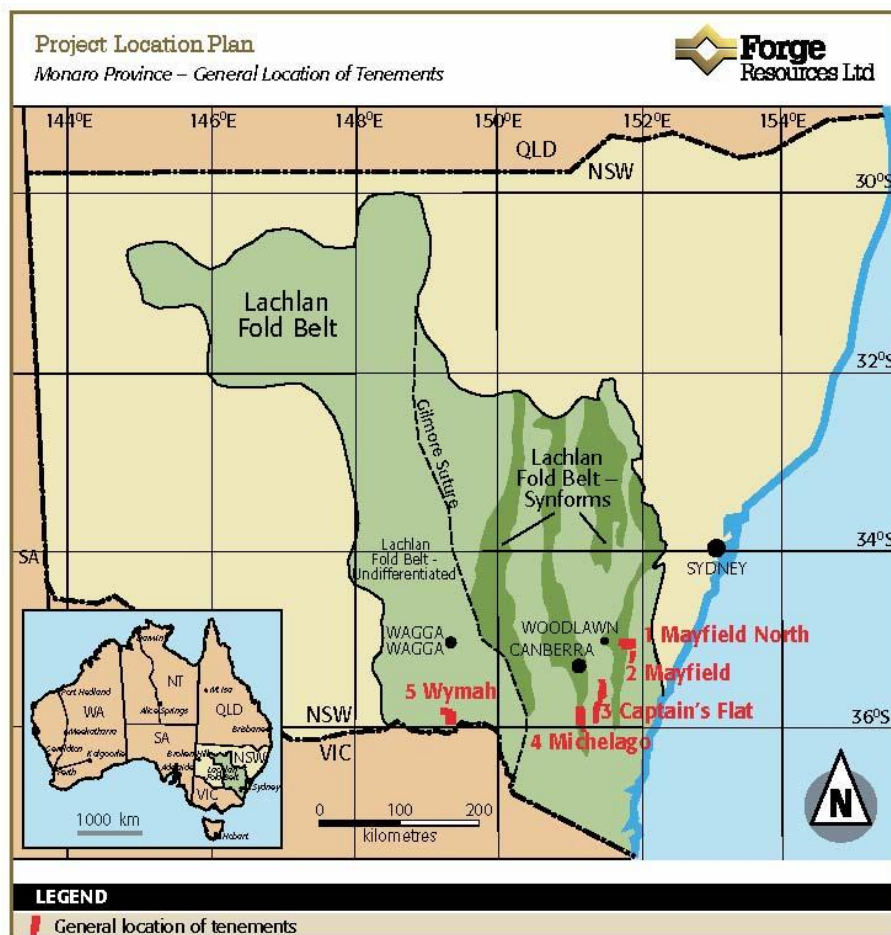
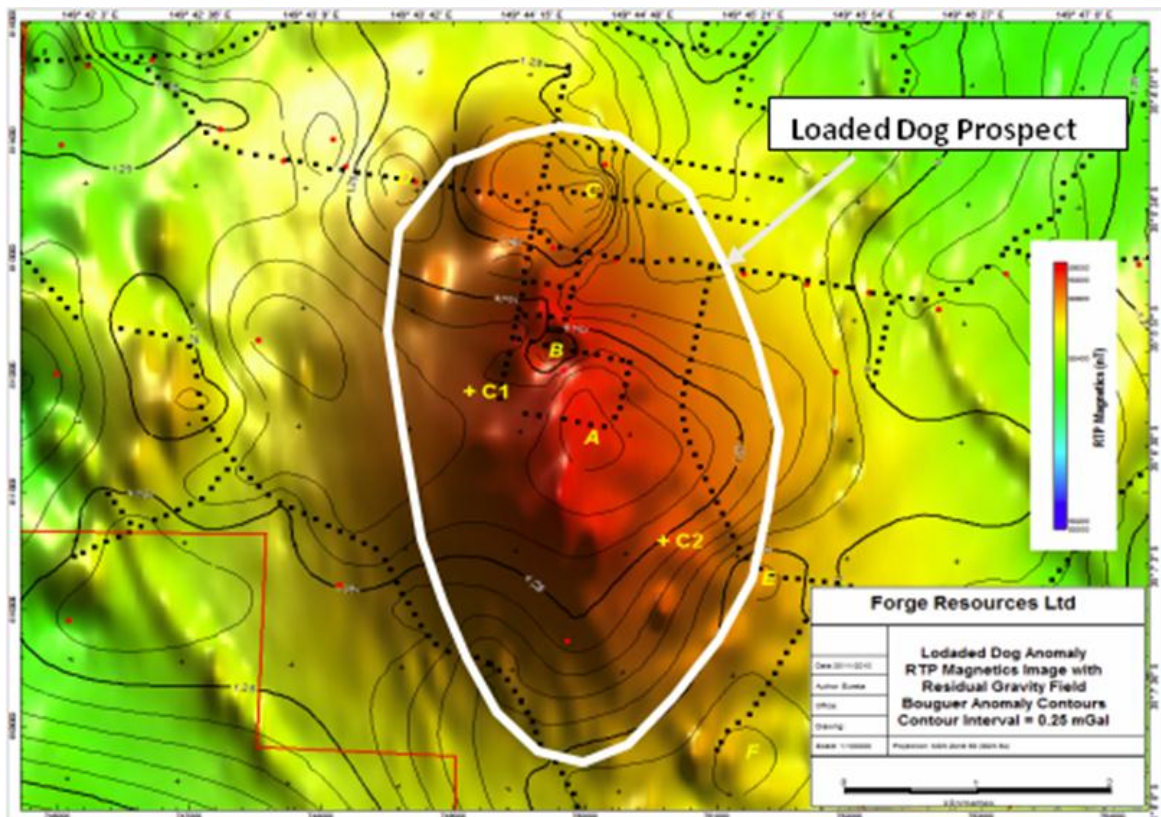


Figure 5: Location of Forge tenements.



## 2.2 Mayfield North (Forge 100%)

Work has re-commenced on this project following renewal of the licence. The exploration objectives for EL 6691 include 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 (otherwise known as the “Loaded Dog Prospect”). The location of these targets are illustrated in Figure 6.



**Figure 6:** Location of targets at the Loaded Dog Prospect.

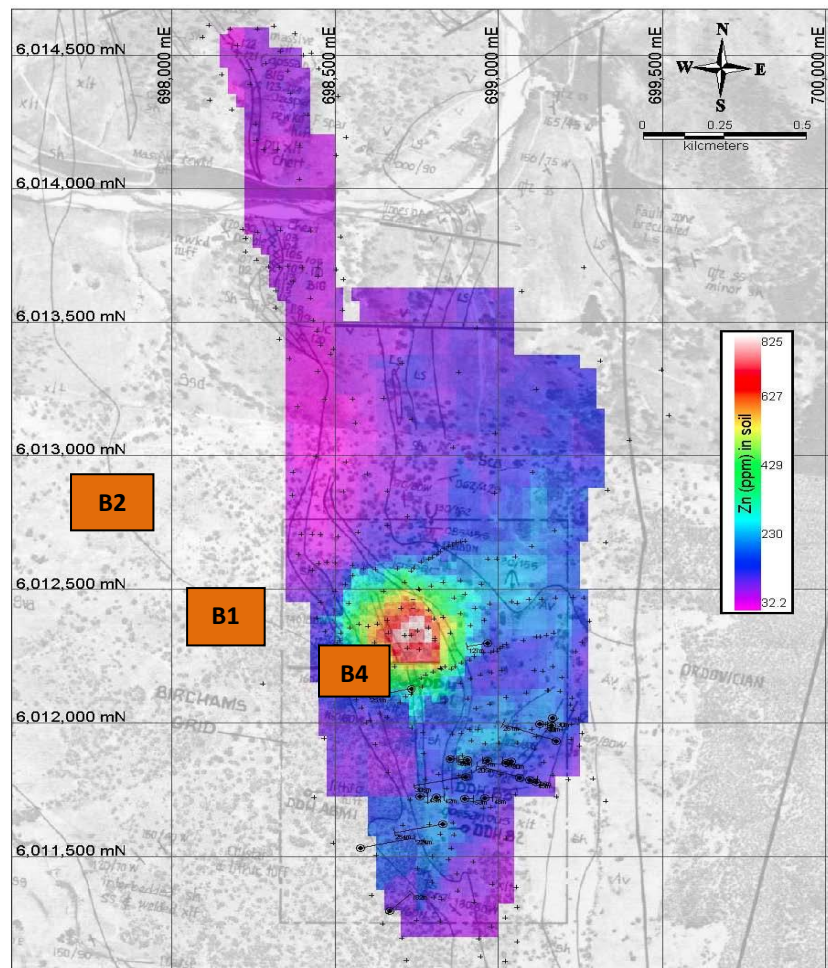
Work in the short term will entail grid based soil sampling and geological mapping over a selection of targets located within the central portion of the Prospect. Appropriate geophysical techniques such as 3D-IP are being assessed as some of the targets are considered to be relatively deep (ie, approximately 400 metres from surface).

### 2.3 Michelago (Forge 100%)

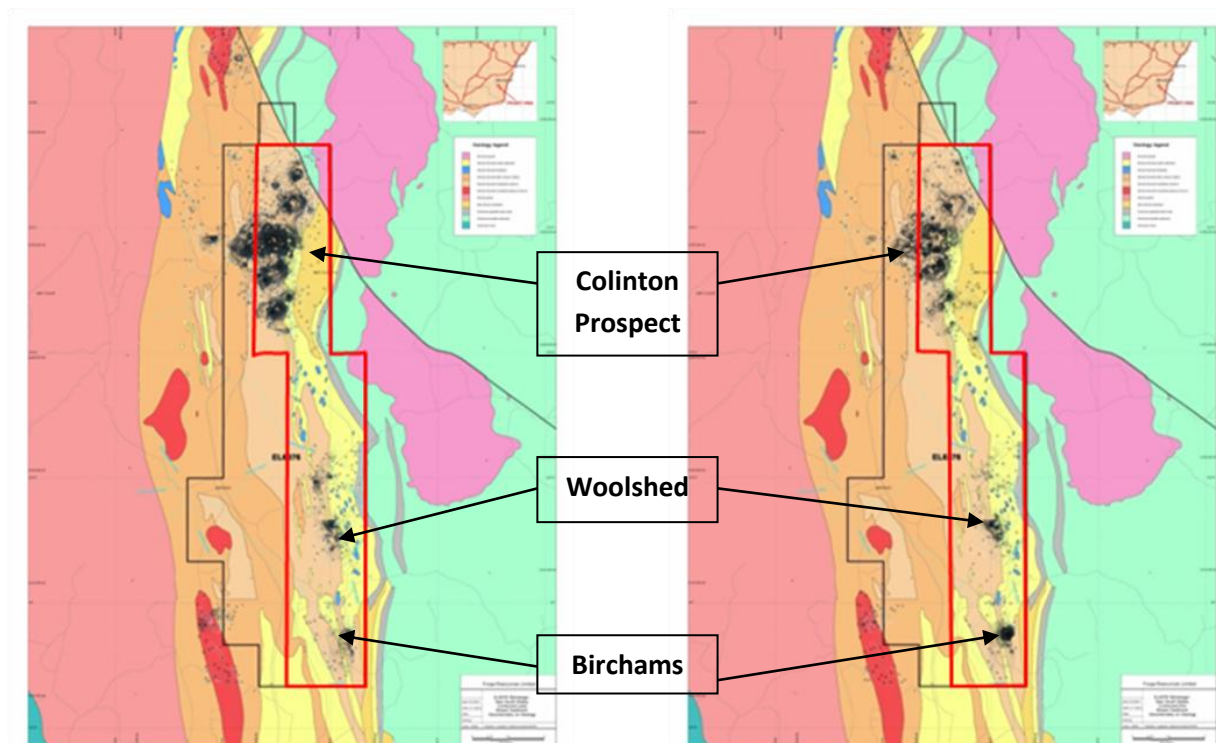
Following renewal of EL 6376, work has commenced on delineating drilling targets on a number of base metal and gold prospects located within this licence. To date, a number of prospects have been evaluated resulting in the identification of high order target zones suitable for drill testing. These include:

**Bircham's Prospect** – previous soil sampling and geophysical evaluation have highlighted several targets requiring follow-up work (see Figure 7).

**Colinton** – this Prospect is located in the northern part of the licence and is characterised by widespread base metal anomalism derived from a number of scattered mineral occurrences. It has a strong footprint with respect to regional stream sediment sampling (see Figure 8) and also coincides with a strong regional magnetic high.



**Figure 7:** Bulls-eye Zn in soil anomaly and gravity/magnetic features. (B1, B2 & B4) to be followed up.



**Figure 8:** Anomalous stream sediment sampling footprint for Pb (LHS) and Zn (RHS) within EL 6376 (red boundary line).

The review has demonstrated that there is an extensive zone of lead and zinc mineralisation occupying over 2500 metres strike length immediately to the east of the Colinton village. Mineralisation is associated with a medium to acid sequence of volcanics and sediments which have been extensively altered and structurally dislocated.

This sequence has been subjected to bedrock rock-chip and soil sampling, IP surveys and percussion and diamond drilling mostly carried out during the 1970's. The drilling was focused on lead, zinc and minor copper anomalism arising from the rock and soil sampling.

Strong lead and copper anomalism was outlined in the central portion of the Prospect and was subsequently drilled by a fence line of inclined (45 deg) percussion and diamond drilling. The most significant results of this drilling are outlined below:

	Interval and (width) in metres		Cu%	Pb %	Zn %
PH 74	0-48.72 m	(48.72)	NSR	0.116	0.144
PH 73	0-48.77 m	(48.77)	NSR	0.308	0.198
PH 72	0-70.10 m	(70.10)	0.130	0.292	0.071
PH 71	0-70.10 m	(70.10)	NSR	0.264	NSR
PH 70	0-70.10 m	(70.10)	NSR	NSR	0.074

NSR = No significant result

These are extensive intercepts of mineralised rock. A diamond drill hole was drilled beneath the above fence line of percussion holes. The most significant results include:

	Interval and (width) in metres	Cu%	Pb %	Zn %
CDD 1	62.48-91.44 m (28.96)	0.01	0.40	0.70
	118.87-128.02 m (9.15)	0.02	0.20	0.30
	327.66-329.18 m (1.52)	0.40	0.30	0.50
	347.17-348.69 m (1.52)	0.03	0.70	0.40
	353.26-354.79 m (1.53)	0.03	0.20	0.40

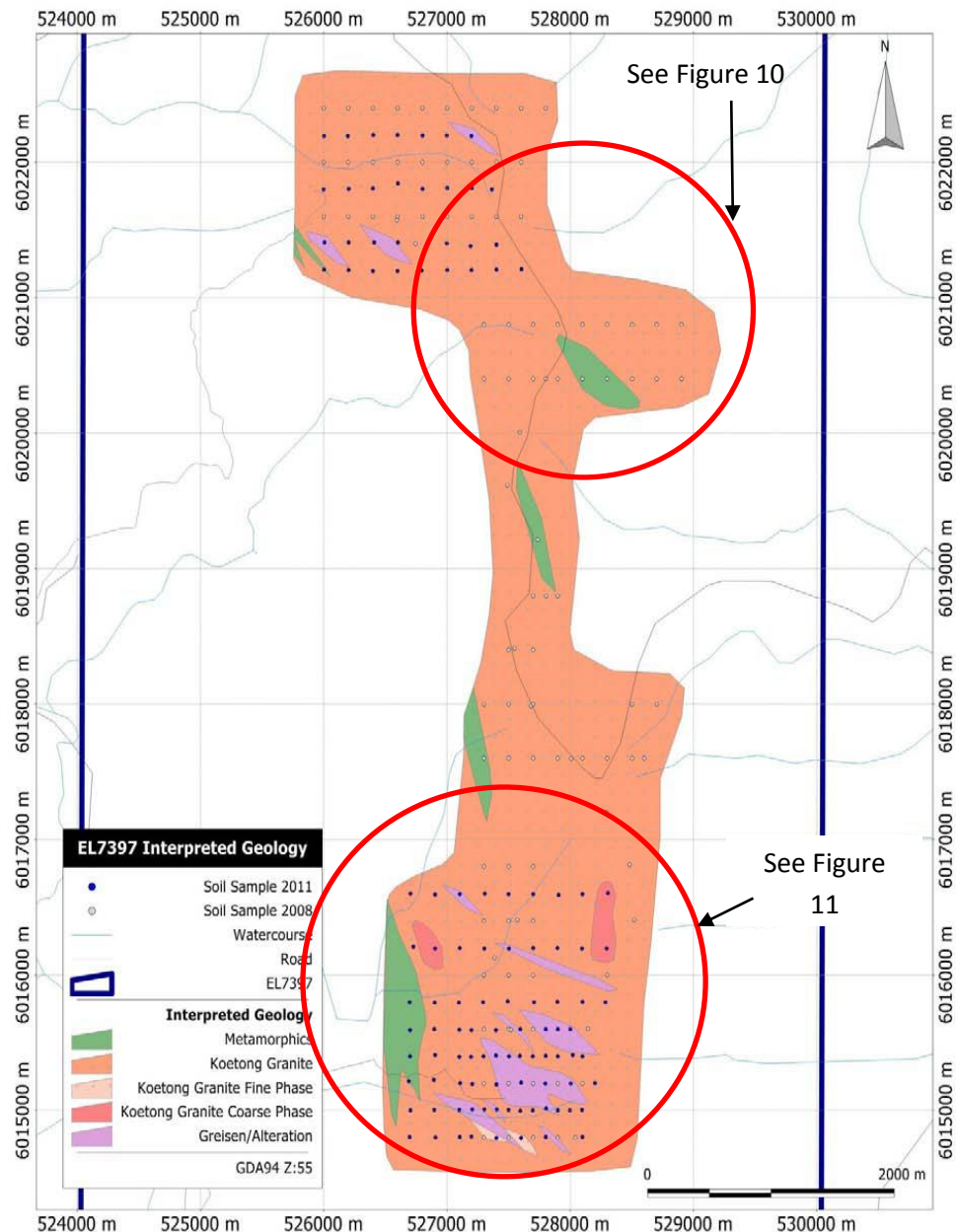
These mineralised zones are open at depth and do not appear to be ever followed up. It is concluded that the past exploration work (which includes the above drilling) has thus far indicated an extensive mineralised system both along strike and at depth. Exploration over the coming quarters will be focused on:

- Assessing the previously drilled areas with additional soil sampling;
- Review recorded IP survey data and assess whether new geophysical techniques would be appropriate; and
- Delineate drilling targets.



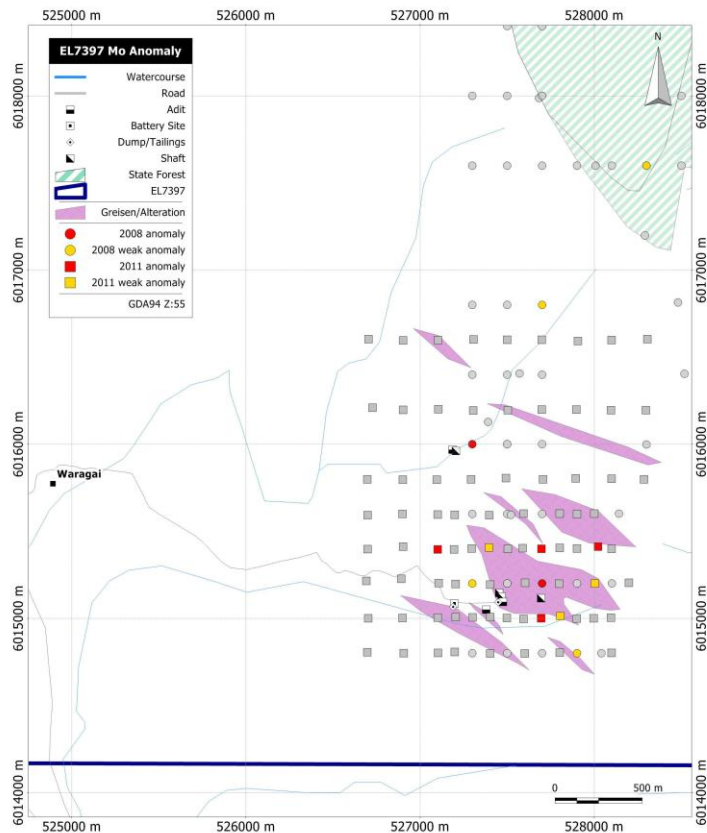
## 2.4 Wymah (Forge 100%)

Broad grid based soil sampling and geological mapping has been successful in highlighting a number of areas anomalous in Tin (Sn), Tungsten (W) and Molybdenum (Mo) within the Wymah licence area. The results of the geological mapping are illustrated in Figure 9 whereas Figures 10 and 11 illustrate the location of anomalous Mo values at the prospect scale.

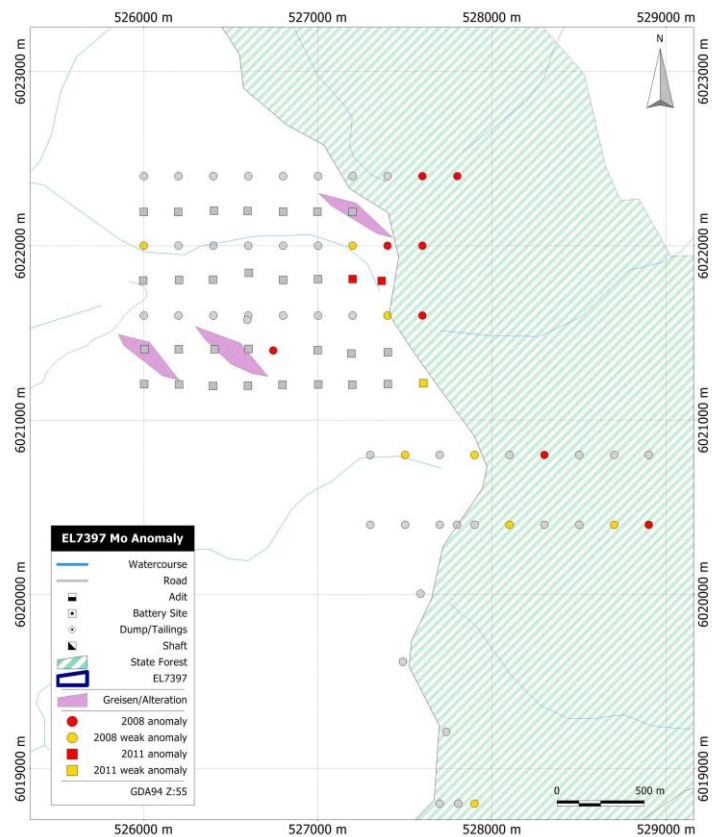


**Figure 9:** Outline of geology, showing soil sample locations.



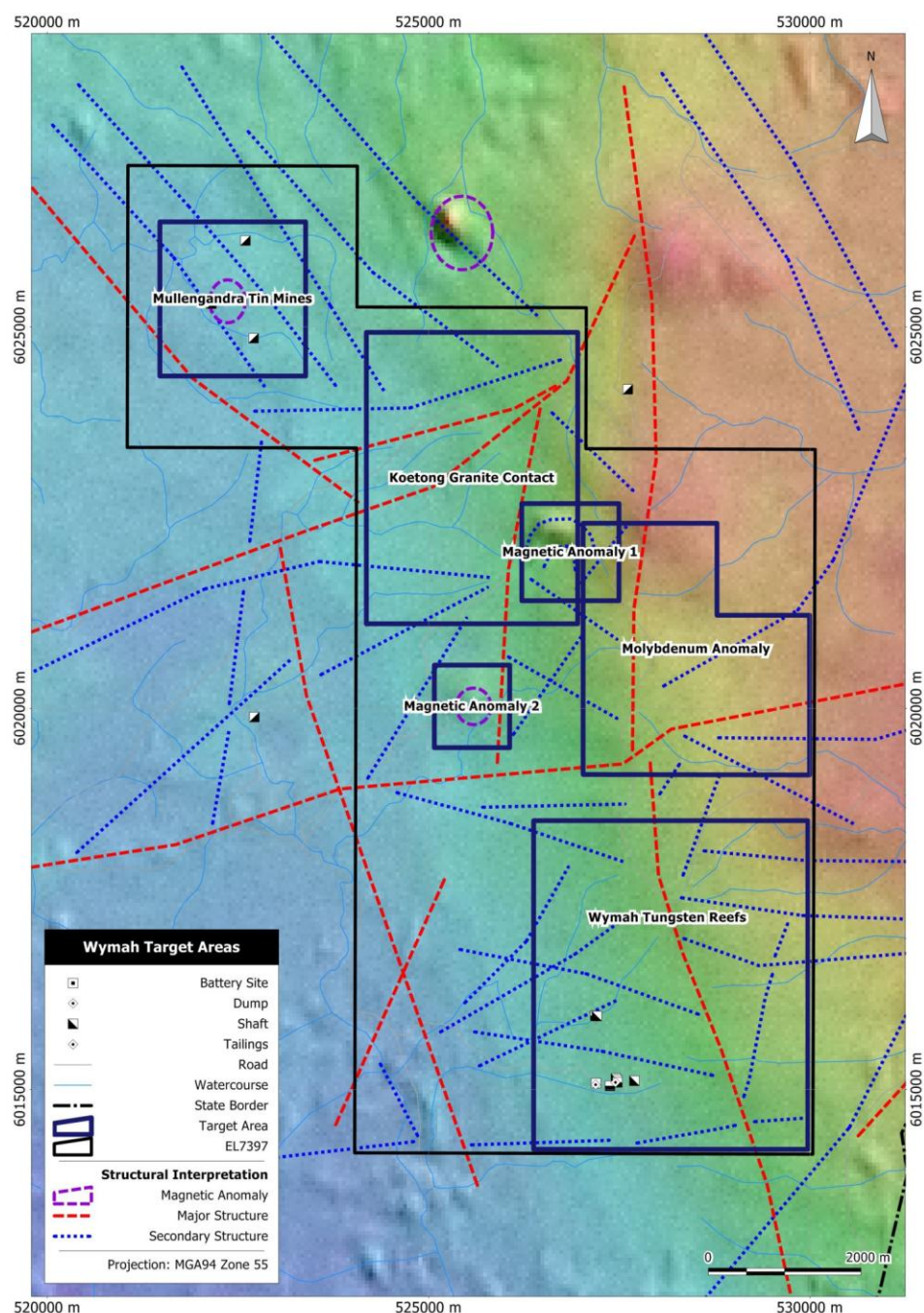


**Figure 10:** Anomalous soil Mo values surrounding the the Wymah tungsten working.



**Figure 11:** Anomalous soil Mo values from the northern portion of the sampled area.

At the same time, a review of public domain structural and geophysical data was completed, resulting in the identification of a number of regionally significant structural features co-inciding with magnetic and radiometric features. The most significant of these features are illustrated in Figure 12.



**Figure 12:** Structural and magnetic features and their relationship with mineralisation and anomalous geochemistry.

The review suggests that there is a strong structural control on mineralisation within the licence area which is reflected both in the distribution of known mineralisation as well as the presence of magnetic and radiometric anomalies.

Exploration efforts in the coming quarters will focus on the evaluation of the above features and their relationship with anomalous geochemistry already outlined. Further soil sampling and geological mapping is planned with the objective of identifying high priority drilling targets.

### **3.5 Captains Flat (Forge 49% reducing to 25%)**

During the quarter, Ironbark Zinc Limited (Ironbark) advised the market that the Operator of the joint venture, NSW Base Metals Pty Ltd (a subsidiary of Glencore International AG) had completed a diamond drillhole at the Jerangle Prospect. The position of the hole was based on historic drilling results and recent soil sampling. The drill hole reached a depth of 450.2m and preliminary visual inspection noted substantial zones of sulphide mineralisation.

Assay results from the drill core are anticipated shortly.

### **3.6 Mayfield Project (Forge 46.55%)**

The Operator of the Joint Venture, Capital Mining Limited (Capital) has advised Forge that a drill rig is expected to arrive on site shortly with the objective of completing an infill drilling program on the Mayfield Prospect. This copper/gold prospect contains a JORC Inferred resource of **4.0 million tonnes at 0.4% copper, 0.6 g/t gold and 8.4 g/t silver.**

Upon completion of the above program, drilling is also planned for the Limekilns Prospect located in the southern part of the licence area. This is a substantial zone of gold, silver and base metal mineralisation which has been delineated by previous explorers and extends over a strike length of 750m.

## **Competent Persons Statement**

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

## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

FORGE RESOURCES LTD

ABN

30 139 886 187

Quarter ended ("current quarter")

30 SEPTEMBER 2011

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date ( 3 months) \$A'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(62)	(62)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(540)	(540)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	32	32
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(570)</b>	<b>(570)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(50)	(50)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-

		(50)	(50)
	<b>Net investing cash flows</b>		
1.13	Total operating and investing cash flows (carried forward)	(620)	(620)
1.13	Total operating and investing cash flows (brought forward)	(620)	(620)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	600	600
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(26)	(26)
	<b>Net financing cash flows</b>	574	574
	<b>Net increase (decrease) in cash held</b>	(46)	(46)
1.20	Cash at beginning of quarter/year to date	2,924	2,924
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,878	2,878

#### Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	59
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

These payments include Non-Executive Director Fees.
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## Non-cash financing and investing activities

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

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

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## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities		
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	425
4.2 Development	
4.3 Production	
4.4 Administration	
<b>Total</b>	

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,878	2,925
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		2,878	2,925

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	E69/2386 E69/2388 E69/2436	Forge has entered into an agreement to Earn an initial 50.1% interest in the exploration licenses outlined known as the Eucla Basin Mineral Sands Project.	

## Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> (description)	Nil			

7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>*Ordinary securities</b>	26,677,667	22,752,667	\$0.20	\$0.20
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Release from escrow	1,200,000	1,200,000	\$0.20	\$0.20
7.5	<b>*Convertible debt securities</b> (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	20,455,905	6,547,573	Exercise price \$0.20	Expiry date 31 July 2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Performance Shares</b> (totals only)	24,000,000	Nil		

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

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

Sign here: .....Shane Hartwig..... Date: .....28/10/11.....

(Company Secretary)

Print name: SHANE HARTWIG

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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