Forge Resources Ltd
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Companies Announcement Office
ASX Limited
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FORGE ENTERS INTO MASTER AGREEMENT WITH LYNAS CORPORATION LTD ("LYNAS") FOR THE PURCHASE AND POTENTIAL DEVELOPMENT OF DESIGNATED AREAS CONTAINING THE CROWN RARE METALS AND THE SWAN PHOSPHATE DEPOSITS

- **Forge has entered into an agreement with Lynas, an ASX 100 listed company focusing on the production and sales of Rare Earths, to sub-lease designated areas (See Annexure A) within the existing Mt Weld Mining Leases which contain the Crown-Coors Rare Metals Deposits ("Crown Deposit") and the Swan Phosphate Deposit ("Swan Deposit") ("Transaction");**

- **The key resources of focus for Forge are niobium within the Crown Deposit and phosphate within the Swan Deposit which hosts significant apatite mineralization;**

- **The Crown Deposit contains an Indicated and Inferred rare metals resource of 37.7Mt @ 1.07% Nb_2O_5 (niobium oxide). This resource has been previously reported in 2004 by Lynas in compliance with the JORC Code. The resource was reported on the basis of positive net values derived from a mix of commodities;**

- **The area of the Swan deposit contains an Indicated and Inferred Resource of 77Mt @ 13.5% P_2O_5 (cut off of greater than10% P_2O_5) reported in compliance with the JORC Code. This resource partially overlaps with the niobium resource. Approximately 28 Mt of this resource is above 10% P_2O_5 at a grade of 14.2% P_2O_5 but below 5000 ppm Nb_2O_5 and is, therefore, additional to the Crown Deposit's niobium resource, outlined above.**

- **Forge will pay AUD$20.7M cash consideration plus issue 7 million options to Lynas to acquire 7 million Forge shares ("Lynas Options"), with an expiry date of 5 years from date of issue and an exercise price of the average issue price per share under the Forge Capital Raising.**

- **Forge will support Lynas's key role in the global Rare Earth Market by granting Lynas the right to receive delivery of intermediate Rare Earths by-products produced from the resource processed from the Sublease Areas and a first right of refusal to take delivery of any Rare Earths from any other mineral deposits that any member of Forge acquires**

- **Upon production being undertaken, Forge will pay Lynas ongoing royalty payments.**

- **Lynas Shareholders to receive priority entitlement in the Forge Capital Raising. Forge will undertake a Capital Raising of $31M and has received commitments for a Professional Investor Placement of $16M and the Underwriting of the priority/entitlement offers to the Lynas and Forge Shareholders of $15M. These commitments are subject to the Transaction proceeding and usual market related clauses.**

- **The Transaction is subject to (amongst other matters) the approval of both Forge and Lynas shareholders at meetings likely to be held in May 2011**

The Board of Forge is pleased to announce that it has entered into a Master Agreement (plus ancillary agreements) with Lynas whereby the Company will be granted sub-leases over designated areas within the Lynas Mt Weld tenements which house the Crown Rare Metals and the Swan Phosphate deposits **("the Projects")**.

Lynas has a vision to be the leader in Rare Earths for a sustainable future, and is solely focused on developing its strategy to create a reliable, fully integrated source of Rare Earths from mine through to market. Therefore the opportunity has arisen for Forge to develop the Lynas "non-core" **Crown Rare Metals** and the **Swan Phosphate deposits** with Lynas' shareholders having the opportunity to maintain an interest in the Projects pursuant to the structure of the Transaction.

1. The Projects in Brief

Crown Rare Metals Deposit

- Announced by Lynas in October 2004, the Crown Deposit is located partly within M38/58 and M38/59 and partly within M38/327 ;

- Several drilling programs have been carried out specifically aimed at the Crown Rare Metals deposit and its niobium and tantalum resource;

  Based on data supplied by Lynas during the original resource estimation the resources were reported on the basis of net value exceeding zero (i.e. profitable), the results of this is provided in the table below for the area mainly defining the Crown Deposit.

Category	Mt	Ta_2O_5	Nb_2O_5	TReO	ZrO_2	Fe_2O_3	P_2O_5	Y_2O_3	Al_2O_3	TiO_2
Indicated	1.5	0.037	1.40	1.65	0.32	46.5	8.9	0.10	9.94	5.8
Inferred	36.2	0.024	1.06	1.14	0.30	42.6	8.0	0.09	11.3	3.9
Total	**37.7**	**0.024**	**1.07**	**1.16**	**0.30**	**42.8**	**8.0**	**0.09**	**11.3**	**4.0**

Mt = million tonnes, other figures are percentages. Ta_2O_5 tantalum oxide, Nb_2O_5 niobium oxide, TReO rare earth oxide, ZrO_2 zirconia, Fe_2O_3 iron oxide, P_2O_5 phosphate, Y_2O_3 yttria, Al_2O_3 alumina, TiO_2 titanium oxide

- To establish the commercial viability of the project, additional drilling (to further develop resources for reporting in accordance with the JORC code as well as to collect bulk samples), break through metallurgical testwork, engineering studies and feasibility studies are required;

- Niobium is used mostly in alloys, 80% of the niobium produced globally is used as an additive in steel making, to produce alloys such as high strength low alloy (HSLA) steel where the same structural properties may be achieved with up to a 40% reduction in steel content.

- Currently niobium demand is greatest in Europe and the USA. On average the USA uses 10 times the amount of niobium per tonne of steel compared to China. China's steel production is now double that of North America. Chinese steel manufacturers can be expected to increase their use of niobium and to move towards North American consumption rates. However, as with iron ore, China will be reliant on overseas supplies and therefore represents an enormous potential market for niobium.

Swan Phosphate Deposit

- The Swan Phosphate Deposit is located in the north eastern sector of the carbonatite largely within M38/327 and occupies approximately one third of the total area known to host significant apatite mineralization;

- In 1990, after adoption of the JORC Code by the ASX, the resource estimation was reviewed and reported in accordance with the JORC Code. Mr Robert Duncan reported a total Indicated and Inferred resource of approximately 250Mt averaging 18% P_2O_5, including an Indicated resource of **60Mt @ 19.2% P_2O_5** within the Swan deposit, all at a 10% P_2O_5 cut off. This resource is confined to the phosphate-rich lower portion of the carbonatite regolith known as the "Residual ApatiteZone". It occurs within the Swan deposit and largely contained within M38/327 in the northeastern sector of the carbonatite.

- Hellman & Schofield estimated the resource within the Crown/Coors polymetallic deposit area (area mostly defining the Swan deposit) at 77Mt at 13.6% P_2O_5(with 5639 Nb_2O_5, 0.81% TReO+Y and 162 ppm Ta_2O_5) which accords reasonably with the 1984 and 1990 tonnage estimates, although at a somewhat lower grade. This resource partially overlaps with the niobium resource. The lower grade of the Hellman & Schofield estimate is partially a function of inclusion of the lower grade overlying crandallite and other regolith zones. The estimates consist of an Indicated Resource of 32.8Mt @13.5% P_2O_5 and an Inferred Resource of 43.8Mt @13.7% P2O5. The "Eastern Sector" also contains a component of the Swan deposit with 24.6Mt of mainly Inferred Resources of 13.8% P_2O_5 (with 5647 Nb_2O_5, 1.04% TReO+Y and 155 ppm Ta_2O_5).

- The area of the Swan deposit contains some low phosphate and low niobium mineralisation with elevated rare earths (ie >1% TReO+Y). This totals 13.7 Mt of 6.4% P_2O_5, 1.51% TReO+Y, 166 ppm Ta_2O_5 and 3762 Nb_2O_5 and is, therefore, additional to the phosphate resource. Indicated Resources are 2.1 Mt of 7.1% P_2O_5, 1.26% TReO+Y, 152 ppm Ta_2O_5 and 4204 Nb_2O_5 and Inferred Resources are 11.6 Mt of 6.3% P_2O_5, 1.56% TReO+Y, 169 ppm Ta_2O_5 and 3678 Nb_2O_5.

- Pilot plant demonstrations showed that a concentrate suitable for phosphate fertilizer manufacture may be produced from this resource.

- In conjunction with an international fertilizer company a preliminary target "end product specification" has been defined including phosphate grades, impurity levels, as well as taking into account Rare Earths content which could provide credits which may assist in reducing the transportation costs for such a product, which has historically been a barrier to development for the Swan Phosphate Deposit.

Project Development

The initial phase of the project development program will be to develop project execution plans for both the Crown Rare Metals and the Swan Phosphate projects. The anticipated scope of works for the development for both the Projects will include the following:

i. Drill Planning:
    a. Resource upgrade
    b. Bulk Sampling program
ii. Metallurgical Testwork
    c. Identify parties to undertake testwork
    d. Develop Testwork program
    e. Undertake program
iii. Prefeasibility Study
iv. Process Optimisation – to include pilot plant operation as required
v. Resource/Reserve Finalisation
vi. Mine Planning
vii. Definitive Feasibility Study
viii. Engineering Feed Package
ix. Engineering
x. Construction

2. Transaction Structure

- Lynas has agreed to grant subleases to certain areas contained within its Mt Weld Tenements being the areas that contain the Crown Rare Metals and Swan Deposits (see Appendix A);

- Subject to certain provisions, the terms of each sublease will confer on Forge exclusive possession of the subleased area for the term of the sublease;

- Forge will be entitled to conduct exploration, mining, concentration, processing and related activities within each sublease and own all minerals recovered by, or for, Forge subject to certain rights of Lynas to take delivery of an intermediate Rare Earths by-products;

- In **consideration** for the rights granted to Forge under the Transaction, Forge will:
    i. make a cash payment of $20.7 million to Lynas on the date the Transaction completes ("**Completion Date**");
    ii. grant to Lynas on the Completion Date 7 million Options (expiring 5 years from the date of the Subleases) to acquire 7,000,000 Forge Shares **("Lynas Option")** at an exercise price of the average issue price per share under the Forge Capital Raising;
    iii. pay a royalty to Lynas equal to 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths).;

iv. grant to Lynas Malaysia (a wholly-owned subsidiary of Lynas) or another related body corporate of Lynas, the right to receive delivery of intermediate Rare Earths by-products produced from the Sublease Areas and the Lynas entity may elect to enter into rolling 5 year off-take arrangements with Forge on commercial terms to be agreed between the parties;

v. in the case where Lynas does not take intermediate Rare Earths by-products then Forge shall pay a royalty equal to 10% of the gross revenue received by any member of the Forge Group from the sale of Rare Earths to a third party; and

vi. grant Lynas a right of first refusal to take delivery of any Rare Earths from any other mineral deposits acquired by any member of the Forge Group.

3. Conditions Precedent

- **Conditions Precedent** to the proposed transaction include:

i. the Independent Directors of Lynas having received a report from an independent expert stating that, in its opinion, the Transaction is fair and reasonable to the shareholders of Lynas and the independent expert does not change or withdraw that opinion;

ii. the shareholders of Lynas having passed an ordinary resolution approving the Transaction (noting Mr Nicholas Curtis and no other person who holds shares for the benefit or on behalf of, or who is an associate of, Forge or Mr Nicholas Curtis may vote);

iii. the shareholders of Forge having passed ordinary resolutions approving the Forge Capital Raising and the issue of the Lynas Option (noting Mr Nicholas Curtis and no other person who holds shares for the benefit or on behalf of, or who is an associate of, Lynas or Mr Nicholas Curtis may vote);

iv. Lynas having obtained the approval of the Department of Mines and Resources to the grant of the Subleases in respect of the proposed Sublease Tenement Area; and

v. Forge having completed a capital raising in an amount of not less than AUD$30M (which amount is inclusive of the payment required to be made to Lynas at Completion) (**the Forge Capital Raising**).

4. Forge Capital Raising

- Forge has received commitments for the Professional Investor Placement of $16M and the Underwriting of the priority/entitlement offers to the LYC and Forge Shareholders of $15M. These commitments are subject to the Transaction proceeding and usual market related clauses.

- The Forge Capital Raising will comprise:

i. A professional investor placement of **$16M** Placement at a proposed issue price of $1.10 per share;

ii. An Underwritten Shareholder Share Placement Scheme ("SPP") to raise up to **$2.5M** from Forge's shareholders at a proposed issue price of $1.10 per share. The SPP will allow Forge shareholders to subscribe to a minimum of $2,000 worth of new fully paid ordinary shares up to a maximum amount of $5,000;

iii. An Underwritten Priority Offer to Lynas's shareholders to raise up to **$12.5M** at a proposed issue price of $1.10 per share. The Priority Offer will allow Lynas shareholders in Australia and New Zealand to subscribe to new fully paid ordinary shares of an amount between $2,000 and $5,000.

- As part of the Forge Capital Raising approximately 7.8 million Options are to be issued to Underwriters, Sub Underwriters and Advisers for the provision of the Underwriting and Capital Raising services and in lieu of cash underwriting fees. The issue and exercise of these Options will also be subject to Forge shareholders' approval;

- Assuming the Forge Capital Raising outlined above is completed, the Pro-forma Capital Structure of the Company upon completion of the Transaction will be as follows:

Pro-forma Capital Structure

Securities	Ordinary Shares	Options	Amount to Raise
Existing Securities on Issue	25,127,125	20,206,397	$ -
Placement	14,545,455		$ 16,000,000
SPP	2,272,728		$ 2,500,000
Priority Offer	11,363,637		$ 12,500,000
Performance Shares converted*	24,000,000	-	-
Underwriting, Sub-underwriting and Adviser Options		7,818,183	
Lynas Option's	-	7,000,000	$ -
	77,308,945	35,024,580	$ 31,000,000

***** Assuming the Transaction is completed on the terms outlined above, then the vesting conditions attached to the 24 million Performance Shares currently on issue would be met, and the Performance Shares will be converted to Ordinary Shares.

5. Next Steps and Timing

- Forge and Lynas will look to complete the drafting of the appropriate Notice of Meetings and Explanatory Memoranda (outlining the full commercial and technical aspects of the transaction and the Projects, including Independent Expert's Reports) and distribute these to their respective shareholders in April 2011.

- It is proposed that the respective shareholders' meetings to approve the Transaction will occur in mid to late May 2011;

- Forge will undertake during May an equity capital raising of approximately $31M to fund acquisition consideration, transaction costs and project development and working capital;

About Forge Resources:

Forge was established in 2009 as a resource and energy exploration company. The Company's primary objective is to build a resource and energy company at a time when the global demand for resources and energy is high.

Forge in conjunction with its Joint Venture partners is advancing the exploration and development of its prospective gold and base metal projects located in New South Wales, Australia projects and in accordance with its charter will also seek to acquire or participate in additional resource and energy projects in Australia and overseas.

For further information on this proposed transaction, please contact:

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Competent Persons' Statement

The resource estimates cited as having been prepared by Hellman & Schofield Pty Ltd ("H&S") were prepared by Dr Phillip Hellman BSc (Hons) PhD FAIG, a Director of H&S. He is a Competent Person as defined by the 2004 JORC Code. Information in this release relating to the H&S resource estimates is based on and accurately reflects information provided by Dr Hellman who consents to the inclusion in the report of the resource estimates which have been attributed to H&S and to the matters based on his information in the form and context in which they appear. H&S has accepted in good faith the drill-hole and assay database provided by Lynas and has not examined issues such as the quality of sampling and assaying, adequacy of density determinations, drill sample recoveries, accuracy of surveying, etc. Significant figures quoted do not imply precision and are to minimise round-off errors.

Estimates relating to the 1990 phosphate Swan resource were reported by Mr Rob Duncan, FAusIMM a Director of R K Duncan & Associates Pty Ltd. He is a Competent Person as defined by the 2004 JORC Code and he consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Annexure A

Figure 1: Proposed Sublease Area