

**FORGE RESOURCES LTD**  
**ABN 30 139 886 187**

**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

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## **DIRECTORS' REPORT**

### **DIRECTORS' REPORT**

The directors of Forge Resources Ltd submit herewith the financial report for the half year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

#### **Directors**

The names of the directors of the company during and since the end of the half year are:

Nicholas Curtis	Non-Executive Chairman
Harold Ou Wang	Non-Executive Director
Emmanuel Correia	Non-Executive Director
Jim Malone	Non-Executive Director

#### **Review of Operations**

The half year to December 2010 was a defining period for Forge with a high level of activity including:

- settling the purchase of its New South Wales based exploration assets with Australian-American Mining Corporation N.L. (AAMC);
- successfully completing a capital raising of \$3.8 million;
- commencing its planned exploration programs surrounding its NSW based projects;
- achieving a listing of its securities on the Australian Securities Exchange; and
- identifying a project for potential acquisition and commencing negotiations with respect to this project.

#### **Exploration 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:

<b>Tenement</b>	<b>Prospect</b>	<b>Current Status</b>
EL 6381/6840	Captains Flat	Forge 51% - Ironbark Gold Ltd & NSW Base Metals F Ltd 49%
EL 6358	Mayfield	Forge 46.55%, Capital Mining Limited/Robe 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 have already attracted the interest of a number of joint venture parties. A proposed two year work programme has been developed in relation to these exploration licences. This work

**DIRECTORS' REPORT**

programme is to be funded from the proceeds of the Company's initial public offering.

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

**EL 6691 Mayfield North** (Forge 100%)

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

Interpretation of gravity data generated five (5) local gravity anomalies which significantly enhanced 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 interpretation of the gravity data indicates that further work on the gravity anomalies warrant additional ground follow-up. Combined with the magnetic and geochemical anomalism, the Loaded Dog prospect confirms the potential for a significant occurrence of gold and base metal mineralisation.

Work to be conducted in the following quarters will include:

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

**EL 6376 Michelago** (Forge 100%)

*Exploration target - VMS base-metals*

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

**DIRECTORS' REPORT**

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.

**Corporate Activity**

On the 9th July 2009, at a meeting of shareholders It was resolved to issue 24,000,000 Performance Shares to Nicholas Curtis, the Executive Chairman of the Company (or his nominee), as remuneration for executive services to be provided and for promoter services rendered up to the date of the Company's IPO Prospectus. The Performance Shares were to be issued pursuant to the Prospectus.

The Performance Shares are convertible into fully paid ordinary shares upon one of the Company's existing projects, or a project acquired after admission to the ASX, being identified as having a JORC compliant resource. The JORC compliant resource must be able to support the completion of a capital raising by the Company of at least \$15,000,000 at a price of not less than \$0.35 per Share. The Performance Shares will expire 18 months from the Admission Date.

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.

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

The capital structure of the Company as at the date of this report is:

Fully Paid Ordinary Shares on issue	25,123,841
Options on issue	20,209,731
Performance Shares on issue (unlisted)	24,000,000

As outlined in the Company's Prospectus, the Company is actively seeking opportunity for growth. As announced in late October 2010, Forge entered into negotiations regarding a potential acquisition and, as at the date of this report these negotiations

## DIRECTORS' REPORT

are ongoing. The Company anticipates being in a position to announce further details surrounding the status of negotiations during the March 2011 quarter.

### Net Tangible Asset Backing

	31 Dec 2010	31 Dec 2009
Per Ordinary Security (cents per share)	7.96 cents	*-

*\* The company was incorporated on 8 October 2009 and no trading activity was undertaken in the period to 31 December 2009, hence no prior corresponding period data is available.*

In the half year to 31 December 2010, the Company has incurred losses of \$1,497,600 and experienced net cash inflows of \$2,991,703 as shown in the statement of comprehensive income and statement of cash flows in this financial report. These results are consistent with the company's strategic objectives and budget estimates.

### Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 5 for the half year ended 31 December 2010.

Signed in accordance with a resolution of the board of directors.

On behalf of the Directors



**Emmanuel Correia**  
Director

14 March 2011

**FORGE RESOURCES LTD**  
**ABN 30 139 886 187**

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*Hall Chadwick*

Hall Chadwick  
Level 29, 31 Market Street  
Sydney NSW 2000

*Graham Webb*

**GRAHAM WEBB**

Partner

Date: 14 March 2011

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**DIRECTORS' DECLARATION**

The directors declare that:

1. The financial statements and notes, as set out on pages 9 to 16:
  - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
2. 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.

Signed in accordance with a resolution of the board of directors.

On behalf of the Directors



**Emmanuel Correia**  
**Director**

14 March 2011



**FORGE RESOURCES LTD**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Half year ended	
	31 December 2010	31 December 2009
	\$	\$
Revenue	51,587	-
Consultancy expenses	(167,791)	-
Directors fees	(14,583)	-
Legal fees	(9,702)	-
Auditor's fees	(10,000)	-
Share-based payments	(1,315,200)	-
Other expenses	(31,911)	-
<b>Net Loss before income tax</b>	<b>(1,497,600)</b>	-
Income tax expense	-	-
<b>Net Loss for the period</b>	<b>(1,497,600)</b>	-
 <b>Other Comprehensive Income</b>		
Other Comprehensive income for the period net of tax	-	-
<b>Total Comprehensive loss for the period</b>	<b>(1,497,600)</b>	-
 <b>Loss per share</b>		
Basic loss per share	5.05 cents	*-
Diluted loss per share	3.17 cents	*-

\* The company was incorporated on 8 October 2009 and no trading activity was undertaken in the period to 31 December 2009.

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

**FORGE RESOURCES LTD**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Note	31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,225,666	233,963
Trade and other receivables		39,437	16,913
<b>TOTAL CURRENT ASSETS</b>		<b>3,265,103</b>	<b>250,876</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current assets	3	794,089	587
<b>TOTAL NON-CURRENT ASSETS</b>		<b>794,089</b>	<b>587</b>
<b>TOTAL ASSETS</b>		<b>4,059,192</b>	<b>251,463</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		148,973	179,518
<b>TOTAL CURRENT LIABILITIES</b>		<b>148,973</b>	<b>179,518</b>
<b>TOTAL LIABILITIES</b>		<b>148,973</b>	<b>179,518</b>
<b>NET ASSETS</b>		<b>3,910,219</b>	<b>71,945</b>
<b>EQUITY</b>			
Contributed equity	6	5,461,449	125,575
Reserves		-	-
Accumulated losses		(1,551,230)	(53,630)
<b>TOTAL EQUITY</b>		<b>3,910,219</b>	<b>71,945</b>

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

**FORGE RESOURCES LTD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Ordinary Issued Capital	Performance Shares	Accumulated Losses	Total
	\$	\$	\$	\$
Balance on incorporation	3	-	-	3
Loss for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-
Shares issued during the period	-	-	-	-
Transaction costs	-	-	-	-
<b>Balance as at 31 December 2009</b>	3	-	-	3
Balance as at 1 July 2010	125,575	-	(53,630)	71,945
Loss for the period	-	-	(1,497,600)	(1,497,600)
<b>Total comprehensive income for the period</b>	<b>125,575</b>	<b>-</b>	<b>(1,551,230)</b>	<b>(1,425,655)</b>
Shares issued during the period	4,424,770	1,315,200	-	5,739,970
Cost attributed to shares issued during the period	(404,096)	-	-	(404,096)
<b>Balance as at 31 December 2010</b>	<b>4,146,249</b>	<b>1,315,200</b>	<b>(1,551,230)</b>	<b>3,910,219</b>

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

**FORGE RESOURCES LTD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Half year 31 December 2010 \$	31 December 2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	46,524	-
Payments to suppliers and employees	(328,156)	-
Net cash used in operating activities	(281,632)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditure	(194,089)	-
Net cash outflow from investing activities	(194,089)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of shares and options	3,824,770	-
Payments relating to capital raising	(357,346)	-
Net cash inflow from financing activities	3,467,424	-
Net increase in cash and cash equivalents	2,991,703	-
Cash and cash equivalents at the beginning	233,963	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>3,225,666</b>	<b>-</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES**

**Basis of Preparation**

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This half year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Forge Resources Ltd during the half year in accordance with the continuous requirements arising under the Corporations Act 2001 and the ASX listing rules.

The accounting policies have been consistently applied by the company and are consistent with those in the 30 June 2010 annual financial report.

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half year has been treated as a discrete reporting period.

**Significant Accounting Judgements and Key Estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2010.

In the half year ended 31 December 2010 management reassessed its estimates in respect of:

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

***Carrying value of exploration expenditure***

The company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 or written off to profit or loss.

**Going Concern**

The Company's financial statements have been prepared and presented on a going concern basis. During the period ended 31 December 2010, the company incurred an operating loss before tax of \$1,497,600 and had net cash outflows from operating activities of \$281,632.

By actively managing its cash flows, controlling costs and revising development plans as necessary the company believes it has sufficient cash reserves to continue as a going concern through the next 12 months from the date of this report.

The Company's ability to continue as a going concern is contingent upon successfully raising additional working capital when required. If additional funds are not raised the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

**NOTE 2: LOSS FOR THE PERIOD**

All revenue and expense items that are relevant in explaining the financial performance for the interim report have been included in the statement of comprehensive income.

**NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
<b>Non-current:</b>	<b>\$</b>	<b>\$</b>
Costs carried forward in respect of areas of interest in the following phases:		
Exploration Phase		
Balance at beginning of period	-	-
Tenements acquired	600,000	-
Expenditure capitalised	194,089	-
Carrying amount at end of period	<u>794,089</u>	<u>-</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 4: OPERATING SEGMENTS**

**Identification of reportable segments**

The Company has identified its operating segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The primary business segment and the primary geographic segment within which the company operates is mining exploration and in Australia respectively.

**NOTE 5: CONTINGENT LIABILITIES**

There have been no changes to contingent liabilities or contingent assets since the last annual reporting date.

**NOTE 6: ISSUED CAPITAL**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>a) Ordinary shares</b>		
Issued and fully paid	5,508,199	125,575
	<u>5,508,199</u>	<u>125,575</u>
	<b>31 December 2010</b>	
	<b>Number</b>	<b>\$</b>
<b>Movements in Ordinary shares on issue</b>		
<b>At 1 July 2010</b>	3,000,003	125,575
Shares issued to AAMC in consideration of acquisition of tenements	3,000,000	600,000
Shares issued during the period	19,123,838	3,824,770
Less cost of issues	-	(404,096)
<b>At 31 December 2010</b>	<b><u>25,123,841</u></b>	<b><u>4,146,249</u></b>
<b>Movements in Performance shares on issue</b>		
<b>At 1 July 2010</b>	-	-
Performance shares issued during the period	24,000,000	1,315,200
<b>At 31 December 2010</b>	<b><u>24,000,000</u></b>	<b><u>1,315,200</u></b>

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

**FORGE RESOURCES LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

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.

**b) Options**

Movements in options on issue

<b>At 1 July 2010</b>	14,000,000	-
Options issued	6,333,569	-
Options converted	(123,838)	-
<b>At 31 December 2010</b>	<b>20,209,731</b>	<b>-</b>

**NOTE 7: SUBSEQUENT EVENTS**

There were no subsequent events after balance date.

**NOTE 8: RELATED PARTY TRANSACTIONS**

During the period a sum of \$176,100 was paid to Sino Resources Capital Pty Ltd (Sino), a firm involved in the provision of merger and acquisition advisory services to the natural resource sector. Sino 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 is currently reviewing. Nicholas Curtis is a Director and shareholder of Sino Resources Capital Pty Ltd



**FORGE RESOURCES LTD**  
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
FORGE RESOURCES LTD**

***Report on the Half Year Financial Report***

We have reviewed the accompanying half year financial report of Forge Resources Ltd which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the half year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

***Directors' Responsibility for the Half Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Forge Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
FORGE RESOURCES LTD**

***Matters Relating to the Electronic Presentation of the Audited Financial Report***

This review report relates to the financial report of the company for the half-year ended 31 December 2010 included on the website of Forge Resources Ltd. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

***Independence***

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

***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Forge Resources Ltd is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

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*Graham Webb*

**GRAHAM WEBB**

Partner

Date: 14 March 2011