



28 January 2013

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2012

HIGHLIGHTS

- Finalisation of preferred trans-shipment facility location on the Balla Balla coastline and an application for a Miscellaneous Licence tenement from mine to coastline submitted to the WA Department of Mines and Petroleum.
- Achievement of positive results from the initial test work on Balla Balla Magnetite concentrate samples by Laiwu Iron and Steel Group Co. Limited with further test work underway.
- Reported mineralogy of West Eucla Heavy Mineral ilmenite product sample confirmed the ilmenite grains show TiO_2 values tending to be between 50% and 55%, while FeO values tended to be between 45% and 50%.
- Interpretation of airborne geological electromagnetic (EM) survey data in the Fraser Ranges West Eucla Project identified numerous basement anomalies. Three areas of the greatest significance within the project area defined by a cluster of high-order EM anomalies in each area and provide targets for future exploration programs.
- Approval of a drill program for the Mayfield North Loaded Dog Copper-Gold Prospect

+ See chapter 19 for defined terms.

1. CORPORATE

The Balla Balla Vanadium – Titanium – Magnetite (VTi Magnetite) project remains the primary focus of the Company's activities. The strategic location of the Balla Balla VTi Magnetite project next to the Pilbara coast enables a low-cost export path to be developed via a trans-shipment proposal. The preferred location for the Balla Balla coastal trans-shipment facility has now been selected and the relevant tenements pegged and registered with the Department of Mines and Petroleum. In addition, a visit to China was completed to review test results after potential customers received Balla Balla concentrate samples.

In addition to the Heavy Mineral Sand (HMS) JORC compliant Resource already defined at the Company's Fraser Range West Eucla Project, additional exploration potential for mineralisation in the basement structures within the tenements has been confirmed through an airborne electro-magnetic (EM) survey. Planning is underway for the next steps on exploration of the basement based on the EM results. Process optimisation test work on HMS samples is also underway.

During the quarter the Board made a decision to complete an exploratory drill program at the Mayfield North Loaded Dog Copper-Gold Prospect. This prospect has been developed over the last year and represents the most prospective target within the NSW tenements. All planning activities are complete and drilling shall commence once the seasonal bush fire risk has abated.

These activities are discussed in further detail below.

2. BALLA BALLA DEFINITIVE FEASIBILITY STUDY ACTIVITIES

Trans-shipment Update

The Balla Balla project is approximately 10km from the Pilbara coastline adjacent to Balla Balla Port Area established in May 2009 by the Western Australia Department of Transport. Forge has previously announced its intention to implement a low impact trans-shipment export solution on the Pilbara coast.

A large number of trans-shipment related studies have been completed this quarter. These studies include: a terrestrial fauna reconnaissance survey and detailed vertebrate, invertebrate and shorebird surveys; mangrove and Benthic Primary Producer Habitat (BPPH) mapping and impact assessment analysis and reporting; regional marine turtle desktop review and subsequent marine turtle and dugong activity aerial surveys; noise and dust modelling technical reports; as well as storm surge modelling. Engineers from the consultant engineering company also undertook a site visit.

Following a detailed analysis of environmental, local stakeholder, known heritage and engineering constraints, Forge identified the preferred location for the trans-shipment export path. This includes a small stockyard and jetty-based loader operation on the coast which will enable the magnetite concentrate to be loaded from the stockyards onshore into a self-propelled barge which will sail out to a trans-shipment anchorage point for transfer to Cape-size ocean going vessels (OGV). A Miscellaneous Licence tenement was pegged during the quarter, which would accommodate the required infrastructure from the plant to the proposed jetty.

As the trans-shipment concept is a change to the project approvals received in April 2009, Forge is scheduled to present to the Office of the Environmental Protection Agency next quarter. This presentation will outline the proposal, together with the studies undertaken, to present potential environmental impacts compared to the previously approved transport route and how the perceived issues may be managed with environmental management plans. The outcome of this meeting shall determine what further work may be required for approval of the trans-shipment proposal, along with

+ See chapter 19 for defined terms.

an anticipated approvals timeline.

Definitive Feasibility Study

The Balla Balla Project JORC compliant Resource is 456 million tonnes at 45% Fe, 0.64% V₂O₅, and 13.7% TiO₂, located on granted mining tenements. The Definitive Feasibility Study (DFS) is based on an onsite processing plant initially producing 6,000,000tpa magnetite concentrate and 280,000tpa ilmenite concentrate as a Phase 1 production. A DFS was completed in 2010 for an expansion to 10,000,000tpa magnetite concentrate and 470,000tpa ilmenite concentrate, plus a 7,000 tpa Ferro Vanadium plant and remains an option for the Company.

During the quarter the Definitive Feasibility Study (DFS) engineers and consultants continued to update the Phase 1 DFS following the agreed changes from an optimisation program, including the export path changes, and is targeted to be completed in the March 2013 quarter.

Customer Marketing

Post quarter end the Company announced testing of its Balla Balla VTi Magnetite by China's Laiwu Iron and Steel Group Co. Limited ("Laiwu") is progressing well, with positive results from the initial round of testing.

Forge and Laiwu signed a Letter of Intent in October 2012, which included cooperation on testing processing options to extract additional value from Balla Balla VTi Magnetite concentrate beyond a standard blast furnace blending feed.

Laiwu – within one of the largest iron and steel conglomerates in China – has informed Forge that its test results indicate the Balla Balla VTi Magnetite has good reduction properties required for the processing options and can be used to produce acceptable products at laboratory scale. Laiwu has indicated the results support a decision to advance to the next stage of testing at a semi-industrial scale to understand the efficiency and equipment stability of larger scale operations. Forge and Laiwu will commence planning this pilot plant test work.

Laiwu's test work aims to apply processing technology to Balla Balla VTi Magnetite for iron production, ferro-vanadium production, and high titanium content slag production. This processing technology has the potential to significantly increase the value extracted from each tonne of concentrate product by creating credits from the materials beyond the iron content.

3. EXPLORATION ACTIVITIES

3.1 West Eucla, Fraser Ranges

3.1.1 Basement Exploration Activity

Fugro Airborne Surveys ("Fugro") completed an airborne TEMPEST Geophysical survey within the Company's Fraser Range West Eucla Project. Fugro's interpretation of the electromagnetic ("EM") survey was completed this quarter and successfully achieved three main objectives of the exploration survey, which were:

- Identification of any discrete EM anomalies within the basement that may be associated with base metals deposits;

+ See chapter 19 for defined terms.

- Interpretation of the basement structure to assist in the identification of potential locations for base metal deposits; and
- Mapping of palaeochannels to assist with ongoing Heavy Mineral sands exploration.

West Eucla is located 20km south of Sirius Resources NL's (ASX:SIR) recent Nova nickel-copper discovery and directly south east of Sheffield Resources' (ASX:SFX) Red Bull project within the newly identified Fraser Range Nickel Province in Western Australia, see Figure 1.

These recent Fraser Range discoveries prompted the Company to advance its investigations into the potential of the West Eucla tenements to host primary deposits of base metals and gold.

A relatively shallow cover of transported heavy mineral bearing sediments that overlay the eastern area of the proterozoic Frazer Complex dominates the West Eucla project geology. Therefore the Company utilized a geophysical airborne survey to gain valuable information of the underlying geology and structure. Fugro completed the airborne TEMPEST Geophysical survey on a 400 metre line spacing over the entire project area. There has been no previous exploration of the basement geology.

+ See chapter 19 for defined terms.

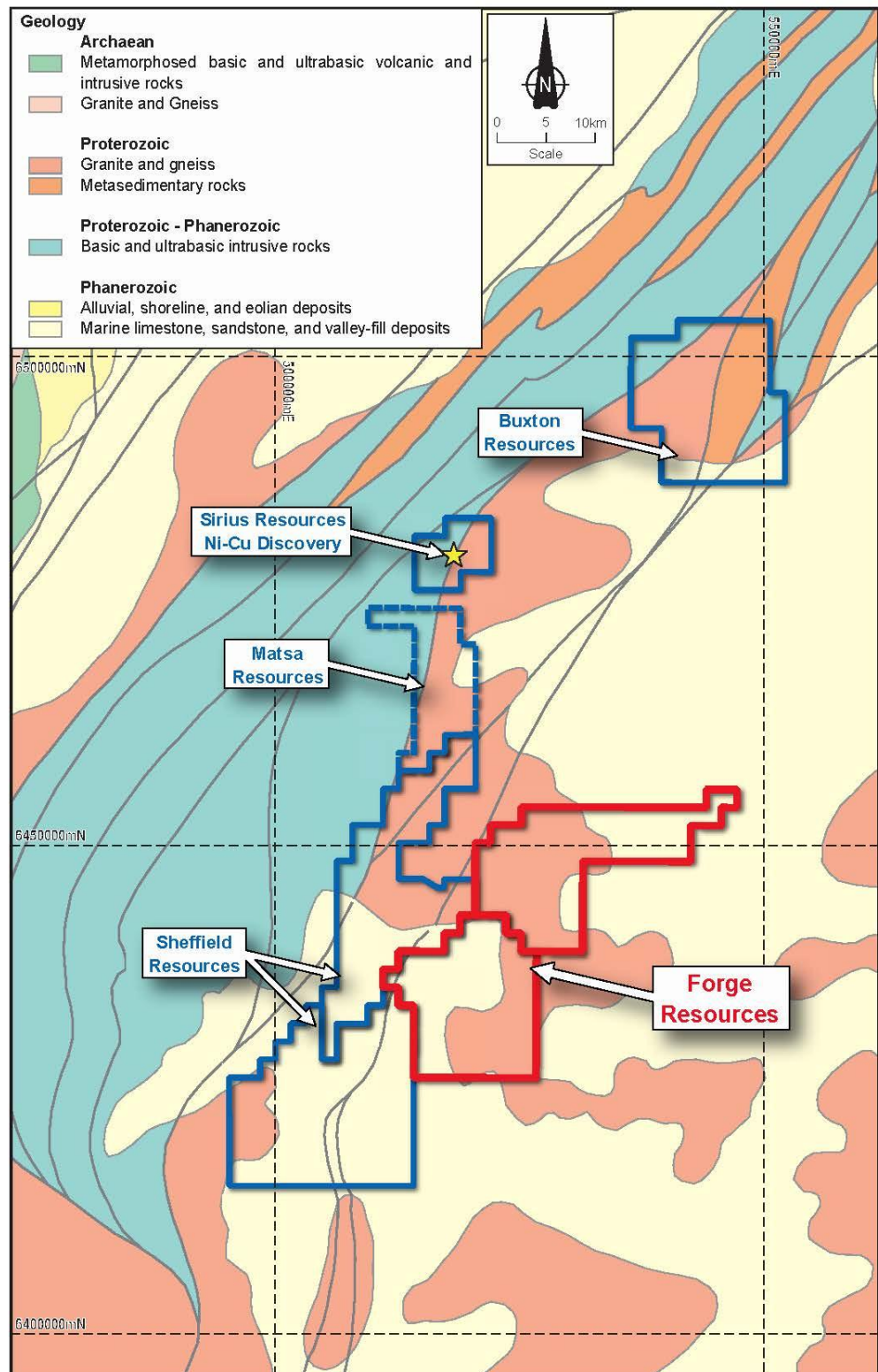


Figure 1. Location of the Forge Resources West Eucla tenements within the context of the Fraser Range tenements holders and Sirius Resources NL's Ni-Cu discovery

+ See chapter 19 for defined terms.

BASEMENT EM ANOMALIES AND STRUCTURE

The first two objectives of the survey were the identification of discrete EM anomalies within the basement that may be associated with base metals deposits, together with structural interpretation of the basement to assist in the identification of potential locations for base metal deposits.

Furgo identified numerous anomalies, with three areas of the greatest significance within the project area being defined by a cluster of high-order EM anomalies in each area. Figure 2 shows the results of the survey and interpretation. The EM anomalies have been ranked according to the degree of interest and clarity. The red colour indicates an anomaly of greatest interest while the yellow and green coloured anomalies are of secondary interest due to a number of factors that interfere with the data including but not limited to highly saline conductive over burden such as salt lakes.

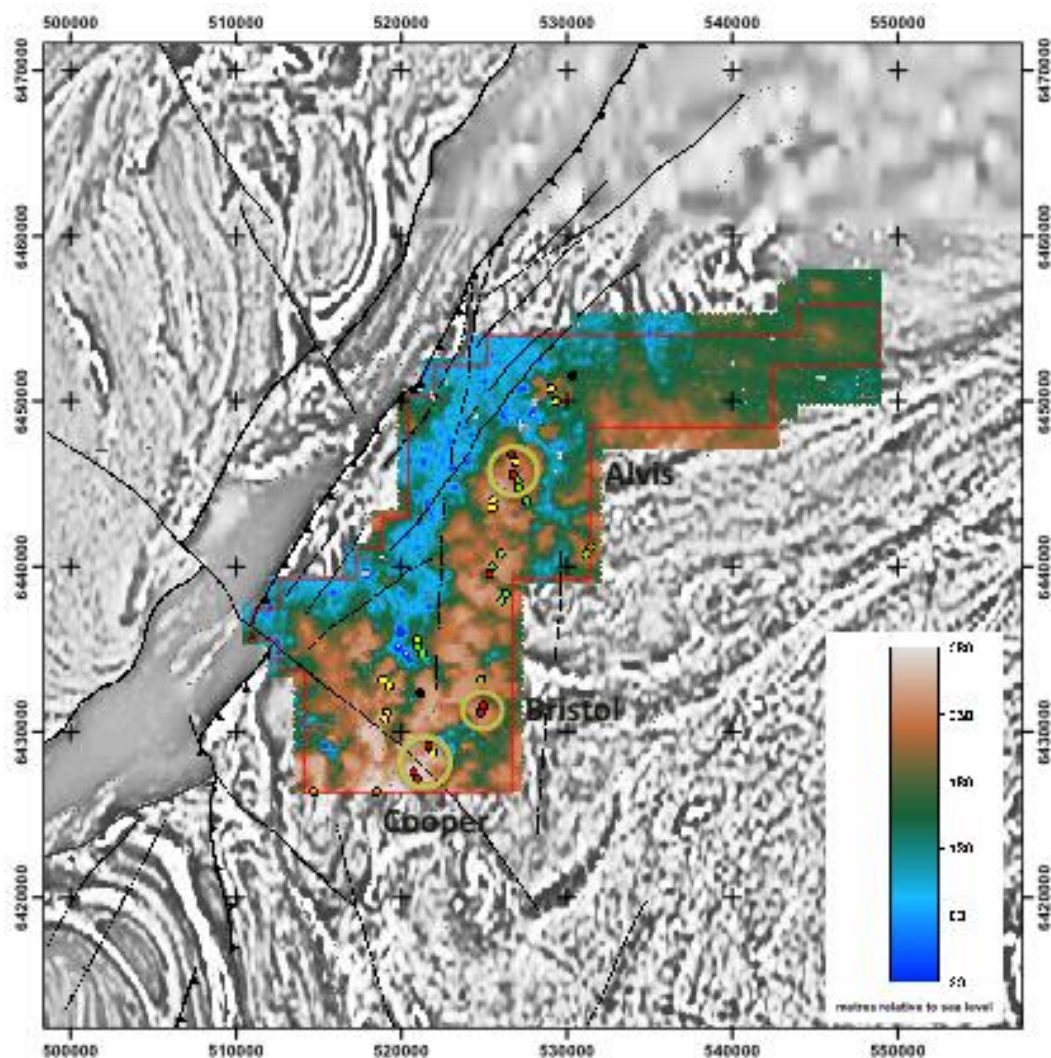


Figure 2. Map showing the interpreted major structures, depth to basement (based on conductivity contrasts) and the location of the ranked EM anomalies

The three areas of the greatest significance are marked on the map as Cooper, Bristol and Alvis:

1. The first cluster, Cooper, appears to occur as a line of anomalies that is orientated along an interpreted regional structure, a geological contact between granite / gneiss in the Nornalup Complex and northwest trending faults that is offset the major faults in the area. This

+ See chapter 19 for defined terms.

coincidence is compelling. It is these sites where secondary faults intersect the major regional North-South shears that are most prospective for follow-up exploration.

2. The second cluster of anomalies, Bristol, includes the best discrete anomaly modelled from the data. While further detailed work is required, it appears to be a steeply dipping conductor, lying on an interpreted NNE-striking lithological boundary (migmatites and granites of Normalup complex), and associated with a discrete magnetic low.
3. The third cluster, Alvis, is in the north and is orientated in the north to south direction. This is an extensive line of anomalies over a good distance and therefore the consistency from line to line warrants further follow-up investigations.

The Company intends to follow these areas up with ground geophysics to enable higher resolution of these anomalies. The aim will then be to drill test those anomalies that show further potential. While the majority of the tenement area consists of transported overburden, field investigations may show some areas may be suitable for a surface geochemical survey or air-core drilling to the overburden / basement interface. Therefore, additional field investigation reconnaissance shall be completed before this ground geophysics survey is undertaken.

3.1.2 Heavy Mineral (HM) Resource Development

The third objective of the survey was mapping of palaeochannels to assist with Heavy Mineral Sands exploration. Areas of high conductivity related to palaeodrainage features are apparent in the data (blue areas of Figure 2). In these areas the TEMPEST effectiveness in penetrating to the basement is limited, however a good map of the paleochannel and depth has been achieved. The depth is interpreted by the changes in resistivity and the resistive boundary is deemed likely to be a basement horizon. Depths in the centre of the paleochannel are somewhat still unknown, whereas the depths near or on the margins are interpreted with more certainty.

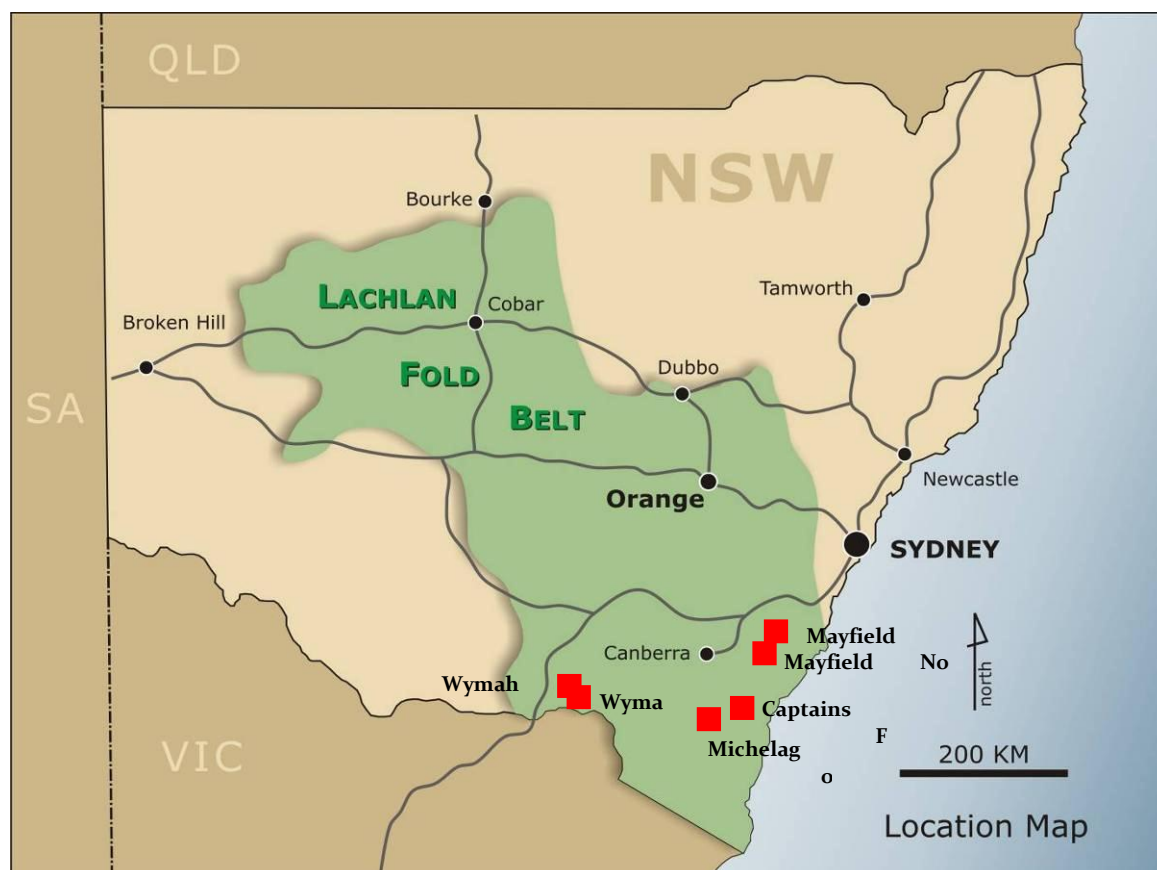
The McLaren Heavy Mineral Deposit is located in what appears to be a meander in the channel. This is consistent with our earlier geological interpretation, however the channel is far more accurately mapped as a result of this work and therefore any future proposed drilling for the extension of the Heavy Mineral Resource can be targeted with much greater accuracy particularly as this data set is combined with existing accurate topography.

The mineralogical report received during the quarter on the ilmenite sample produced from the bulk sample test work reported SEM analyses confirmed the ilmenite grains show TiO_2 values tending to be between 50 and 55%, while FeO values tended to be between 45 and 50%. A review of all the results from the McLaren Heavy Mineral Sand Deposit, including mineralogy, separation characteristics and the test-work of the 370kg bulk sample from the latest air-core drill program at McLaren was completed towards the end of the quarter.

Following this review, a program has been planned to refine the initial separation test work. These refinements aim to include increased efficiencies in the separation of the valuable heavy mineral and the gangue oxides, which include silica, aluminosilicates and iron oxide. This test program is expected to commence in the next quarter.

+ See chapter 19 for defined terms.

3.2 New South Wales Tenements Overview



Activities during the last quarter have been focused on obtaining all environmental and other associated consents to enable the completion of several drilling programs on the NSW projects. As a result, all necessary consents have been received by the Company to carry out a drilling program on the Mayfield North Loaded Dog Prospect located near Tarago. Post quarter end Ironbark (ASX:IBG) announced commencement of a deep diamond drill hole at the Captains Flat Jerangle Prospect to which they are farming-in. Details on these and the other NSW projects are outlined in the following sections. The locations of these projects are illustrated on Figure 3.

3.2.1 Mayfield North (Forge 100%)

Following the results of an Induced Polarisation (IP) Survey carried out in 2012, as outlined in the March 2012 Quarterly Report, and the identification of drill targets where particularly strong IP anomalies are coincidence with anomalous rock and soil geochemistry results as outlined in the June 2012 Quarterly Report, the Board has approved the execution of a drilling program at the Loaded Dog Copper-Gold Prospect designed to test these two strong chargeability targets.

In the current quarter the Company received consent from the NSW Department of Mineral Resources upon the submission and evaluation of the Company's Review of Environmental Factors (REF) covering the drilling of six exploration RC holes at the Loaded Dog Prospect.

Quotes obtained from drilling and earthmoving contractors are now being revised with the view to completing the drilling program prior to the end of the next quarter.

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3.2.2 Captains Flat (Forge 49% reducing to 25%)

Detailed interpretation of fixed-loop Transient Electro Magnetic (TEM) and ground magnetic surveys have identified extensive and strong bedrock conductors at the Jerangle Prospect. The most recent drill hole (JRDD1101) was strongly mineralised near the top of the modelled electromagnetic (EM) conductor and highlighted the potential for considerable deeper mineralisation at this prospect. Drilling of a 700m diamond drill hole has commenced at the Jerangle Prospect following the receipt of environmental consents from the NSW Department of Mineral Resources, which will target the source of the conductor.

In addition, progressing of the Anembo prospect through mapping, sampling and ground magnetics programs, together with the completion of a diamond drill hole at Vanderbilt Hill is also planned for the following quarters.

Ironbark (ASX: IBG) and NSW Base Metals (a Glencore Limited subsidiary) are jointly earning a 75% interest in the Captains Flat Project from Forge which currently holds a 49% non-contributing interest diluting to 25% subject to Ironbark and NSW Base Metals meeting agreed expenditure commitments.

3.2.3 Wymah and Wymah North (Forge 100%)

Forge is awaiting the grant of the Wymah North exploration licence application, which is anticipated shortly. At the same time, a program of soil sampling and mapping is set to commence during the next quarter. Both licences are prospective for tin and tungsten and intrusive related gold deposits.

3.2.4 Michelago (Forge 100%)

Following the completion of extensive soil sampling and magnetic surveys within the licence area during 2012, a number of prospects have now reached the stage where a comprehensive drill testing program is warranted.

At the Poveys Road Prospect, the accumulated data has confirmed a strong magnetic lineation over a 2,500 metre strike length. Its relation to base metal mineralisation appears at this stage to be dichotomous with base metal mineralisation being strongly aligned with the magnetic trend at the northern end of the prospect, but appearing to split at the southern end. Accordingly, a 2600 metre drilling program is required to test near surface, down dip or down plunge extensions to identified base metal mineralisation. A planned drilling program covers nine Reverse Circulation (RC) drill holes.

The Company will now consider funding options for the next stage of this project, including joint venture proposals and earn-in structures for Michelago.

3.2.5 Mayfield Project (Forge 46.55%)

Capital Mining Limited (Capital) is the Operator of the Joint Venture over this licence. No significant activity has been recorded during the reporting period.

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Competent Persons Statement – West Eucla

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.

Competent Persons Statement – NSW Projects

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.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

FORGE RESOURCES LTD

ABN

30 139 886 187

Quarter ended ("current quarter")

31 DECEMBER 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation		
	- Balla Balla project	(784)	(1,468)
	- Balla Balla Transaction costs	-	(896)
	- Other	(239)	(450)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(863)	(1,659)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	62	129
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	Receipts from Joint venture partner	512	643
		(1,312)	(3,701)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(4)
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)	-	-

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Appendix 5B
Mining exploration entity quarterly report

		-	(4)
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	(1,312)	(3,705)
1.13	Total operating and investing cash flows (brought forward)	(1,312)	(3,705)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	Capital Raising Fees		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,312)	(3,705)
1.20	Cash at beginning of quarter/year to date	7,327	9,720
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,015	6,015

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	105
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 and Salary to the Managing Director

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,393
4.2 Development	-
4.3 Production	-
4.4 Administration	649
Total	3,042

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	6,015	7,327
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,015	7,327

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			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased

	Refer to commentary in Quarterly Activity Report.		
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Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	Nil	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	80,577,667	80,577,667	\$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				
7.5	+Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

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7.7	Options (description and conversion factor)	19,855,909 600,000 1,575,000 3,900,000 50,000 1,000,000	19,855,909	Exercise price \$0.20 \$0.67 \$0.54 \$0.54 \$0.56 \$0.50	Expiry date 31 July 2014 15/6/2015 1/12/2015 15/6/2015 10/9/2017 29/5/2015
7.8	Issued during quarter				
	Release from escrow				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Performance Shares (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	Nil			

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 \(see note 5\)](#).
- 2 This statement does /does not* ([delete one](#)) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date:28/1/13.....

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.

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Appendix 5B

Mining exploration entity quarterly 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.