

19 March 2012

Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**FORGE RESOURCES SECURES JOINT VENTURE PARTNER FOR BALLA  
BALLA PROJECT AS PART OF A \$50 MILLION FUNDING TRANSACTION**

- Forge Resources has signed definitive documentation with Todd Capital in respect of a proposed investment in Forge Resources and entry into an unincorporated Joint Venture for the development of the Balla Balla Magnetite – Vanadium – Titanium Project in Western Australia.
- Todd Capital has agreed to provide \$45.5 million towards the purchase of Balla Balla from Atlas Iron Ltd and the funding of ongoing exploration and development costs, by way of a combination of:
  - i. An \$8 million share subscription in Forge Resources at \$0.50 per share;
  - ii. Provision of secured project-level debt of \$27.5 million; and
  - iii. Acquisition of a 25% direct interest in the Balla Balla project for \$10 million.
- Forge has received commitments from sophisticated/institutional investors totalling a further \$4.5 million at \$0.50 per share.
- Todd Capital is part of the Todd Corporation, a private New Zealand based company with a diversified portfolio of business interests.
- The parties have agreed that Forge Resources will market the magnetite concentrate and titanium concentrate products from the Balla Balla Joint Venture through an exclusive marketing agreement.
- Implementation of the proposed transactions is subject to satisfaction of conditions precedent, including FIRB approval and Forge Resources shareholder approval.

The Board of Forge Resources Ltd (ASX:FRG; “Forge”) is pleased to announce that the Company has signed definitive transaction documentation with Todd Capital Ltd (“Todd”) whereby Todd has agreed that it will, via related bodies corporate, make an investment in Forge and enter into an unincorporated Joint Venture (“JV”) with Forge for the development of the Balla Balla Magnetite – Vanadium – Titanium Project in Western Australia (the “Todd Investment”).

The Todd Investment will consist of:

- i. an investment by Todd to acquire a direct 25% interest in the Balla Balla Project (\$10 million) to be run as an unincorporated joint venture between Todd (25%) and Forge (75%);
- ii. a senior secured project-level debt facility from Todd to Forge (\$27.5 million);
- iii. a placement of Forge shares to Todd (at an issue price of \$0.50 per share) (\$8 million); and
- iv. a grant to Todd of options to acquire additional Forge shares,

in each case as further described below.

It has also been agreed between Todd and Forge that Forge shall undertake the marketing of iron ore and certain other minerals produced by the Balla Balla Project via an exclusive marketing agreement.

Upon completion of the Todd Investment, Todd will be entitled to have a nominee appointed as a director to Forge’s board (with any such appointee subject to re-election at Forge’s next AGM in the ordinary course).

Alongside the Todd Investment, Forge has received commitments from sophisticated/institutional investors totaling a further \$4.5 million at \$0.50 per share bringing the total new funding raised (inclusive of Todd’s direct investment in the Balla Balla Project) as a result of the Todd Investment and the placement to \$50 million (collectively the “Transaction”).

The Transaction will enable Forge to complete the purchase of Balla Balla from Atlas Iron Ltd (“Atlas”) and provide Forge with additional working capital to advance both Balla Balla and the Eucla West mineral sands project in Western Australia.

Commenting on the proposed Transaction, Forge Managing Director, Dr. Matthew James, said:

“This investment package represents both a strong vote of confidence in the acquisition of the Balla Balla Magnetite – Vanadium – Titanium Project, which will be the company’s flagship asset, as well as the company’s ability to develop a significant resources business under the stewardship of our Chairman, Mr. Nicholas Curtis.”

### **Additional information about the proposed Transaction**

Forge and Todd have entered into a Master Agreement which provides a framework for implementation of the Todd Investment.

The Master Agreement sets out the conditions precedent to completion of the Todd Investment, which include Foreign Investment Review Board (FIRB) approval, Forge shareholder approval and other third party approvals including consent from Atlas Iron.

The Transaction will comprise the following key components:

- Forge completing the acquisition of the Balla Balla Magnetite – Vanadium – Titanium Project from Atlas Iron for \$40 million plus a capped royalty payment structure based on tonnage sold. Todd will purchase a direct 25% interest in the Balla Balla project for \$10 million. Forge and Todd will enter into an unincorporated JV for the Balla Balla project.

In addition Forge will grant an option to Todd whereby, subject to certain conditions (including Forge securing project finance on the Balla Balla project) Todd has the ability to acquire from Forge an additional 7.5% interest in the unincorporated joint venture for the Balla Balla project for a purchase price of \$36.4 million (the "JV Option"). The JV Option will expire on the earliest of: project finance being obtained and drawn for the Balla Balla Project; the repayment date of the senior secured project-level debt facility (see below); or the end of 10 years.

- Forge will issue an aggregate of 25 million fully paid ordinary shares, of which 16 million will be issued to Todd at \$0.50 per share and 9 million shares will be placed to sophisticated/institutional investors at issue prices of not less than \$0.50 per share. Forge will grant Todd a top-up right to subscribe for additional shares in order to maintain its percentage interest in Forge in circumstances where there is a third party share issue. The top-up right is subject to obtaining an ASX waiver.
- Todd will receive 6.5 million options to subscribe for additional fully paid ordinary shares of Forge, with each option having an expiry date 2 years from the date of issue and an exercise price of \$0.50 per share.
- Todd will provide a Forge subsidiary (at the Balla Balla JV level) with \$27.5 million of senior secured debt secured over Forge's interests in the Balla Balla project. The debt will have an initial 2 year term, which can be rolled for 6 month periods at the option of Todd up to a maximum 10 year term. During the first 2 years, interest will accrue at 15% pa compounded annually, and during each rollover period it will accrue at 5% pa plus BBSW for the rollover period. If the JV Option is exercised and completed, the entire loan amount will become repayable and the \$36.4 million purchase price will offset outstanding amount by \$36.4 million. The outstanding debt will also become repayable upon first drawdown of project finance.
- Forge has agreed to customary no-shop and no-talk obligations and has agreed to pay Todd a reimbursement fee of \$750,000 if the Transaction does not proceed under certain circumstances.

### **Pro-forma capital structure**

Mr. Nicholas Curtis holds 24 million Performance Shares in Forge, which are subject to satisfaction of performance milestones by 21 March 2012. However, given the statutory timing required to obtain all Transaction approvals, the Transaction will close after 21 March 2012, subject to satisfaction of all conditions to the Transaction.

A key consideration for Todd in making and proceeding with the Todd Investment is that Mr. Nicholas Curtis be Chairman of Forge and be appropriately incentivised to oversee the development of the Balla Balla project.

The Board of Directors of Forge (excluding Mr Curtis) is of the opinion that the entry into definitive documentation in respect of the Todd Investment substantially satisfies the

performance milestones of the Performance Shares and that it is appropriate in these circumstances, and also considering Todd's view, that Mr. Curtis should continue to have the benefit of his Performance Shares.

As a consequence Forge intends to seek shareholder approval to issue 24 million fully paid ordinary shares to Mr. Curtis (which would have been the number of shares that the Performance Shares would convert into on completion of the Transaction if they did not expire on 21 March 2012). The issue of those shares is conditional upon shareholders approving the Todd Investment. The shares would be issued on completion of the Transaction. Shareholder approval for the issue of those shares will also be a condition to completion of the Todd Investment.

Set out below is the pro-forma capital structure of Forge Resources post completion of the acquisition of the Balla Balla project and the \$50 million funding Transaction.

<b>Subject to shareholder approval, the capital structure of Forge post the funding Transaction will be:</b>	
Existing Shares on issue (excluding escrowed shares):	27,652,667
Existing Escrowed Shares on issue:	3,925,000
New Shares to be issued to Todd:	16,000,000
New Shares to be issued to Sophisticated/Institutional Investors:	9,000,000
New Shares to be issued to Mr Nicholas Curtis:	24,000,000
<b>Post-Transaction shares on issue:</b>	<b>80,577,667</b>
Options currently on issue:	24,955,905
New Options to be issued to Todd:	6,500,000
New Options to be issued to Riverstone Advisory in accordance with its advisory mandate in connection with the Transaction:	1,000,000
<b>Post-Transaction fully diluted shares :</b>	<b>113,033,572</b>

### Next steps

The Transaction is subject to Forge shareholder approval. Forge intends to convene a general meeting of shareholders to be held in late April 2012 to vote on various resolutions in relation to the Transaction. In advance of that, shareholders will be sent a Notice of Meeting and Explanatory Memorandum, including an Independent Expert's Report.

The Recommending Directors of Forge<sup>1</sup> unanimously recommend that Forge shareholders vote in favour of all of the Forge shareholder resolutions to be put to shareholders at the general meeting:

- in the absence of a superior proposal; and

<sup>1</sup> The Recommending Directors of Forge are Dr Matthew James (Managing Director) and Mr Emmanuel Correia (Non-Executive Director). Mr Nicholas Curtis (Chairman) has decided not to provide a recommendation given the proposed issue of shares to him and his interest in Forge's financial adviser, Riverstone Advisory. Mr Harold Wang (Non-Executive Director) has decided not to provide a recommendation given his interest in Riverstone Advisory.

- subject to the Independent Expert concluding that the proposed transactions are fair and reasonable or not fair but reasonable (and, where required by law or ASIC policy, that the various transactions are in the best interests of Forge shareholders).

The Forge board has decided to cancel the extraordinary general meeting scheduled to be held on 21 March 2012, and will send a notice to shareholders to advise them of that. It was contemplated that, at such meeting, shareholders would have been asked to approve a general share placement facility. That meeting is no longer required because shareholders will now be asked to approve specific resolutions in relation to the proposed Transaction.

### **About Todd Capital:**

Todd Capital is part of the Todd Corporation, a 100% private, family owned company, and one of New Zealand's largest and most successful companies. With a history that spans over 125 years, the business has interests in oil and gas exploration and production, electricity generation, energy retailing, property development, healthcare, pay television, telecommunications and wine. Through enterprise, professionalism and by caring for its employees, the community and the environment, the Todd Corporation continues to grow and prosper. The Company supports a range of individuals and organisations through the Todd Foundation which was formed in 1972.

### **Financial adviser**

Riverstone Advisory Pty Ltd and Riverstone Capital Pty Ltd have acted as advisers to Forge in relation to the proposed Transaction.

**For further information please contact Dr. Matthew James, Managing Director, or Mr. Nicholas Curtis, Chairman, on +61 2 9259 4400. For all media enquires please contact Michael Vaughan from FTI Consulting on +61 2 8298 6100**

### **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 has signed a Sales and Purchase Agreement with Atlas Iron Limited for the acquisition of the Balla Balla Magnetite – Vanadium – Titanium Project located in Western Australia. Forge is also currently farming-in to a mineral sands exploration project within the Eucla Basin. In addition, 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.

<b>ASX Codes: FRG, FRGO</b>		<b>Directors</b>	
<b>Issued Capital:</b>		Mr. Nicholas Curtis: Chairman	
Ordinary Shares:	31,577,667	Dr. Matthew James: Managing Director	
Options (Exp 7/14, Ex \$0.20):	19,855,905	Mr. Emmanuel Correia: Non Exec Director	
Options (Exp 6/15, Ex \$0.67):	600,000	Mr. Harold Wang: Non Exec Director	
Options (Exp 12/15, Ex \$0.54):	4,500,000		
Performance Shares:	24,000,000		
<b>Principal Place of Business</b>		<b>Company Secretary</b>	
Level 24, 56 Pitt Street Sydney NSW		Mr Shane Hartwig	
<a href="http://www.forgeresources.com.au">www.forgeresources.com.au</a>			