

Forge Group Ltd

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Australian Securities Exchange
Company Announcements Office
10th Floor
20 Bond St
SYDNEY NSW 2000

23rd February 2010

Via E - lodgement

Dear Sir

NPAT exceeds previous corresponding period by 192%

For the six months ending 31st December 2009, the Company is pleased to report an increase in pre tax earnings of 163% to \$19.04m on the previous corresponding period (pcp). Reported net profit after tax was \$14.81m (an increase of 192%). The final half year results are consistent with the guidance the Company provided on the 4th February 2010. An interim fully franked dividend of 2 cents per share has been declared with the record date of 19th March 2010 and a payment date of 31st March 2010.

Overseas construction projects contributed strong after tax margins due to the non assessable non exempt (NANE) nature of the income derived as the certainty of the profit earned on these projects was determined during the period under review.

All divisions of the Group's wholly owned construction company, Cimeco Pty Ltd contributed strongly to earnings with the mechanical and E&I division accounting for 42% of Cimeco's revenue, concrete division 26%, commercial building 28% with the balance coming from maintenance and fabrication activities. Construction activities within the mechanical and E&I division included the continuation of work for the Dampier to Bunbury Natural Gas Pipeline (DBNGP) Stage 5B Expansion Project; the successful completion of the Chirano Gold Mine Expansion and ROM Bin Oversize Project; the successful completion of the Neerabup Gas Compressor Station; the commencement of the Tank Refurbishment Contract and MF251 API650 Utilities Tank Contract for Chevron as part of the Gorgon Project.

The main activities for the concrete division include the successful completion of the train load-out vault at Rio Tinto's Mesa A site, concrete foundations as part of the Tiwest Kwinana plant expansion, and concrete works on the DBNGP Stage 5B Expansion. Contract commitments continue on Woodside's Pluto BMF Stage 2 facilities and Worsley Alumina's E&G and multi-fuel cogeneration plant. The division has recently commenced new contracts for the Southern Seawater Alliance on the Binningup desalination project and at Cape Preston for four filter buildings for Sino Iron.

Furthermore, the company is pleased to announce that Cimeco has received a Letter of Intent from MCC Mining (Australia) Pty Ltd to award a further civil and concrete package for the Concentrate Terminal at the Sino Iron Ore Project valued in excess of \$20m which will commence in early March 2010.

Cimeco's commercial building division, operating out of the South West office commenced construction activities as part of the Building Education Revolution (BER) programme.

Abesque Engineering Ltd, the company's engineering arm, recommenced work on several major design and construct projects that were previously in suspension due to project financing issues. The restart of these projects along with the procurement of new EPCM work has provided Abesque with a strong order book going forward.

Abesque is currently carrying out the design and construction of Lynas Corporation's Mt Weld Concentrator at its rare earths project near Laverton in WA along with the dismantle and relocation of the decommissioned Pillara Flotation Plant (currently located in the WA Kimberly) to Hillgrove Resource's Kanmantoo Copper/Gold project near Adelaide in South Australia. Abesque has also commenced the provision of EPCM services to Simcoa Operations Ltd for the Furnace Expansion Project at its Kemerton Silicon Smelter near Bunbury in WA. This project is very exciting for the Group as it potentially provides a further opportunity to introduce Cimeco's diversified construction services into the project on a competitive basis, particularly given the proximity to the Cimeco South West office in Bunbury.

The Company spent over \$3.5m on capital expenditure during the period under review. Significant further capital expenditure has been approved by the board subsequent to the 31st December 2009. Although the Company has a modern and large fleet, the sheer number of projects and the Company's general philosophy of "owning its plant and equipment" necessitated further investment. With plant specific hire purchase facilities available to the Company most large items have been funded, although the cash capital expenditure amounted to \$1.3m. The crane fleet particularly, has been significantly expanded with the impending arrival of a 250 tonne crawler crane, the purchase and delivery of five 20 tonne Franna cranes and two 50 tonne rough terrain cranes. Another concrete pump truck (36m reach) has been purchased to complement the new one purchased last year. Various other pieces of equipment include trucks, excavators, five new boom lifts and numerous light vehicles. This investment will assist in maintaining strong margins in the construction division in the years ahead.

The Company has a very strong order book and is about to embark on the next stage of its aggressive growth strategy. Subject to the successful completion of the proposed transaction with Clough Ltd, and the subsequent implementation of the Strategic Alliance Agreement (announced earlier today), the board is confident that any execution risk on contracts will be mitigated considerably.

Yours sincerely



Managing Director
Forge Group Ltd



**FORGE GROUP LIMITED
AND CONTROLLED ENTITIES
A.B.N. 58 065 464 226**

**APPENDIX 4D
HALF YEAR REPORT
31 DECEMBER 2009**



FORGE GROUP LIMITED
A.B.N. 58 065 464 226

APPENDIX 4D

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FORGE GROUP LIMITED
A.B.N. 58 065 464 226
AND CONTROLLED ENTITIES
RESULTS FOR ANNOUNCEMENT TO THE MARKET
for the six months ended 31 December 2009

APPENDIX 4D
HALF YEAR REPORT

This Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31 December 2009
Previous Corresponding Period: 31 December 2008

Revenue and Net Profit (Loss)		AU\$'000's
Revenue from ordinary activities	up 16.1% to	111,971
Profit (loss) from ordinary activities after tax attributable to members	up 192.2% to	14,809
Net profit (loss) for the period attributable to members	up 192.2% to	14,809

For a brief explanation of the figures reported above, please refer to pages 4 to 11 of this document.

Dividends	Amount per security	Franked amount per security
Interim dividend	2.0 cents	2.0 cents (100%)
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend: 19 March 2010
Date for payment of dividend: 31 March 2010

Net Tangible Assets per Security	31 DEC 2009	31 DEC 2008
Net Assets	60,971,514	37,201,467
Less intangible assets	(15,634,911)	(15,670,594)
Less net deferred tax assets	(913,455)	(807,791)
Net tangible assets of the Consolidated Entity	44,423,148	20,723,082
Fully paid ordinary shares on issue at Balance Date	68,381,752	68,311,752
Net tangible asset backing per issued ordinary share as at Balance Date (cents)	65 c	30.3 c



**FORGE GROUP LIMITED
A.B.N. 58 065 464 226
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

**APPENDIX 4D
HALF YEAR REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2009.

Directors

The names of the directors who held office during or since the end of the half-year:

- Peter Geoffrey Hutchinson
- Andrew Blair Ellison
- Marcello Davide Cardaci
- Gregory Lewis McRostie

Review of Operations

Please refer to the letter dated 23 February 2010 accompanying this half-year report.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'P G Hutchinson'.

**P G Hutchinson
Managing Director**

Dated this 23rd day of February 2010

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**Auditor's Independence Declaration
To The Directors of Forge Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Forge Group Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Director - Audit & Assurance Services

Perth, 23rd February 2010

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Forge Group Limited And Controlled Entities
A.B.N. 58 065 464 226

**Condensed Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2009**

	Consolidated Group	
	31 December 2009	31 December 2008
	\$	\$
Revenue	111,970,680	96,448,364
Other income	447,530	53,129
Changes in inventories of finished goods and work in progress	2,589,092	1,757,993
Raw materials and consumables used	(38,463,149)	(40,138,793)
Employee benefits expense	(51,757,383)	(45,878,114)
Depreciation and amortisation expense	(1,692,055)	(1,176,615)
Finance costs	(214,121)	(577,107)
Other expenses	(3,836,350)	(3,251,211)
Profit before income tax	19,044,244	7,237,646
Income tax benefit/(expense)	(4,234,745)	(2,169,158)
Profit for the period	14,809,499	5,068,488
Other comprehensive income		
Foreign exchange translation differences, net of tax	(594,822)	402,816
Total comprehensive income for the period	14,214,677	5,471,304
Profit attributable to members of the parent entity	14,809,499	5,068,488
Total comprehensive income attributable to members of the parent entity	14,214,677	5,471,304
Earnings per share		
From continuing operations:		
Basic earnings per share (cents)	21.67	7.42
Diluted earnings per share (cents)	19.52	6.68

The accompanying notes form part of these financial statements



Forge Group Limited and Controlled Entities
A.B.N. 58 065 464 226

Condensed Consolidated Statement of Financial Position
as at 31 December 2009

	Note	Consolidated Group	
		31 December 2009 \$	30 June 2009 \$
Current Assets			
Cash and cash equivalents		39,311,714	17,450,442
Trade and other receivables		9,758,170	16,960,332
Inventories		9,984,310	4,925,340
Current tax assets		205,337	2,004,913
Other assets		1,729,389	2,367,662
		<u>60,988,920</u>	<u>43,708,689</u>
Non-current assets classified as held for sale	4	-	8,604,887
Total Current Assets		<u>60,988,920</u>	<u>52,313,576</u>
Non-Current Assets			
Property, Plant and Equipment		20,136,747	17,622,688
Investment Properties	4	8,566,519	-
Deferred Tax Assets		913,455	1,048,922
Intangibles		15,634,911	15,648,060
		<u>45,251,632</u>	<u>34,319,670</u>
Total Non-Current Assets		<u>45,251,632</u>	<u>34,319,670</u>
Total Assets		<u>106,240,552</u>	<u>86,633,246</u>
Current Liabilities			
Trade and other payables		34,906,338	31,062,809
Financial Liabilities		2,799,362	3,084,986
Current Tax Liabilities		2,848,955	-
Provisions		436,496	469,270
		<u>40,991,151</u>	<u>34,617,065</u>
Total Current Liabilities		<u>40,991,151</u>	<u>34,617,065</u>
Non-Current Liabilities			
Financial Liabilities		4,032,537	3,037,045
Deferred Tax Liabilities		82,654	40,500
Provisions		162,696	156,046
		<u>4,277,887</u>	<u>3,233,591</u>
Total Non-Current Liabilities		<u>4,277,887</u>	<u>3,233,591</u>
Total Liabilities		<u>45,269,038</u>	<u>37,850,656</u>
Net Assets		<u>60,971,514</u>	<u>48,782,590</u>
Equity			
Issued Capital		23,953,953	23,929,453
Reserves		784,585	1,379,405
Retained Earnings		36,232,976	23,473,732
		<u>60,971,514</u>	<u>48,782,590</u>
Total Equity		<u>60,971,514</u>	<u>48,782,590</u>

The accompanying notes form part of these financial statements



Forge Group Limited and Controlled Entities
A.B.N. 58 065 446 226

Condensed Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2009

	Note	Reserves			Retained Earnings	Total
		Issued Capital	Option Reserve	Foreign Currency Translation Reserve		
		\$	\$	\$	\$	\$
Balance at 1 July 2008		23,929,453	1,917,600	(128,009)	6,011,119	31,730,163
Total comprehensive income for the period		-	-	402,816	5,068,488	5,471,304
Sub-total		23,929,453	1,917,600	274,807	11,079,607	37,201,467
Dividends paid or provided		-	-	-	-	-
Balance at 31 December 2008		23,929,453	1,917,600	274,807	11,079,607	37,201,467
Balance at 1 July 2009		23,929,453	1,917,600	(538,195)	23,473,732	48,782,590
Shares issued during the year	5	24,500	-	-	-	24,500
Total comprehensive income for the period		-	-	(594,822)	14,809,499	14,214,677
Sub-total		23,953,953	1,917,600	(1,133,017)	38,283,231	63,021,767
Dividends paid or provided		-	-	-	(2,050,253)	(2,050,253)
Balance at 31 December 2009		23,953,953	1,917,600	(1,133,017)	36,232,978	60,971,514

The accompanying notes form part of these financial statements



Forge Group Ltd and Cont. Entities

ABN 58 065 464 226

**Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 31 Dec 2009**

	Consolidated Group	
	31 December 2009 \$	31 December 2008 \$
Cash flows from operating activities		
Receipts from customers	129,684,515	96,378,152
Payments to suppliers and employees	(103,909,205)	(90,608,114)
Other revenue	414,403	21,884
Rent received	315,465	300,342
Interest paid	(214,121)	(577,107)
Income taxes paid	594,865	(1,011,883)
	26,885,922	4,503,274
Cash flows from investing activities		
Payments for property, plant and equipment	(1,340,991)	(681,595)
Proceeds from sale of property, plant and equipment	55,312	126,874
Interest received	307,622	30,179
	(978,057)	(524,542)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	24,500	-
Repayment of borrowings	(2,018,350)	(2,078,425)
Dividends paid to the company's shareholders	(2,050,253)	-
	(4,044,103)	(2,078,425)
Net increase in cash and cash equivalents	21,863,762	1,900,307
Cash and cash equivalents at the beginning of the period	17,440,094	881,864
Effect of foreign exchange rate on cash holding in foreign currency	7,858	175,369
Cash and cash equivalents at the end of the period	39,311,714	2,957,540

The accompanying notes form part of these financial statements



Forge Group Limited
A.B.N. 58 065 446 226

Notes to the Condensed Financial Statements **For the Half-Year Ended 31 December 2009**

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Forge Group Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, cash-generating units have been examined having regard to the requirements in AASB 136: Impairment of Assets.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.



Forge Group Limited
A.B.N. 58 065 446 226

Notes to the Condensed Financial Statements For the Half-Year Ended 31 December 2009

2. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments 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 Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Forge \$	Abesque \$	Cimeco \$	Webb Construction (West Africa) \$	Total \$
Six months ended 31 December 2009					
Revenue					
External sales	-	3,167,671	102,784,339	5,712,902	111,664,912
Inter segment sales	-	-	-	-	-
Interest revenue	305,768	-	-	-	305,768
Total segment revenue	<u>305,768</u>	<u>3,167,671</u>	<u>102,784,339</u>	<u>5,712,902</u>	<u>111,970,680</u>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-	-	-	-	-
Total group revenue	<u>305,768</u>	<u>3,167,671</u>	<u>102,784,339</u>	<u>5,712,902</u>	<u>111,970,680</u>
Segment net profit/(loss) before tax	<u>(517,300)</u>	<u>(470,780)</u>	<u>18,882,094</u>	<u>1,150,233</u>	<u>19,044,247</u>
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Unallocated items					-
Net profit before tax from continuing operations					<u><u>19,044,247</u></u>



Forge Group Limited
A.B.N. 58 065 446 226

Notes to the Condensed Financial Statements
For the Half-Year Ended 31 December 2009

	Forge \$	Abesque \$	Cimeco \$	Webb Construction (West Africa) \$	Total \$
Six months ended 31 December 2008					
Revenue					
External sales	-	14,662,748	73,667,628	8,116,327	96,446,703
Inter segment sales	-	-	-	-	-
Interest revenue	1,661	-	-	-	1,661
Total segment revenue	<u>1,661</u>	<u>14,662,748</u>	<u>73,667,628</u>	<u>8,116,327</u>	<u>96,448,364</u>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total group revenue	<u>1,661</u>	<u>14,662,748</u>	<u>73,667,628</u>	<u>8,116,327</u>	<u>96,448,364</u>
Segment net profit/(loss) before tax	<u>(941,750)</u>	<u>(1,081,678)</u>	<u>8,585,877</u>	<u>675,197</u>	<u>7,237,646</u>
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Unallocated items					<u>-</u>
Net profit before tax from continuing operations					<u><u>7,237,646</u></u>



Forge Group Limited and Controlled Entities
A.B.N. 58 065 446 226

Notes to the Condensed Financial Statements
For the Half-Year Ended 31 December 2009

3. DIVIDENDS

	Cents per share	Amount \$
2010 interim dividend		
Subsequent to reporting date, the Company announced a 100% franked interim dividend in respect of the year ended 30 June 2010. The dividend is payable on 31 March 2010. This dividend has not been provided for in the balance sheet.	2.0	1,367,635
Dividends recognised in the reporting period to 31 December 2009		
2009 final ordinary dividend 100% franked paid on 25 September 2009	3.0	2,050,253

4. INVESTMENT PROPERTIES (PREVIOUSLY CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE)

The Company's subsidiary, Abesque Engineering Ltd, had previously entered into a Heads of Agreement with a prospective purchaser for the two properties located in Welshpool, Western Australia. The sale however, was not completed during the last six months due to the prospective purchaser's inability to settle. An active program to locate another buyer was suspended prior to the reporting date.

The properties continue to be leased and are currently providing the Company with commercial rental returns together with the associated capital appreciation that typically accompanies the holding of commercial real estate.

The Directors have seen it fit to reclassify the Non-current Assets (previously classified as held for sale) as Investment Properties until such time as a new sale program is reinstigated.

	31 December 2009	30 June 2009
5. ISSUED CAPITAL		
(a) Share capital	\$	\$
Fully paid ordinary shares	<u>23,953,953</u>	<u>23,929,453</u>
	No.	No.
Number of ordinary shares on issue	<u>68,381,752</u>	<u>68,311,752</u>
(b) Movements in ordinary share capital	No.	No.
At the beginning of reporting period	68,311,752	68,311,752
Shares issued during the period as a result of the exercise of options		
- 14 September 2009	30,000	-
- 5 October 2009	40,000	-
At reporting date	<u>68,381,752</u>	<u>68,311,752</u>

6. EVENTS SUBSEQUENT TO REPORTING DATE

The directors announced on 23 February 2010 that the Boards of Forge Group Ltd and Clough Limited ("Clough") have agreed to a series of transactions which, if approved by the Company's shareholders and completed, will result in Clough making a significant investment in Forge and the two companies forming a strategic alliance. The directors have not yet determined what the financial impact will be to the Company pursuant to Accounting Standard AASB 110.

Further, more detailed information pertaining to the above transaction can be obtained from the joint announcement made to the market on 23 February 2010.

7. CONTINGENT LIABILITIES

The only changes to commitments and contingencies disclosed in the most recent annual financial report are specified below:

The National Australia Bank continues to provide the Group with bank guarantee facilities totalling \$20,500,000 which are supported by a fixed and floating charge over all the assets and undertakings of the Group.

The National Australia Bank recently provided the Group with an offer to modify the facilities so that the majority of the fixed rate and floating rate bill facilities were converted to either bank guarantees or asset finance facilities. The Directors of Forge resolved to accept this revised facility and signed the bank offer on 17 February 2010.



Forge Group Limited and Controlled Entities
A.B.N. 58 065 446 226

Directors' Declaration

The directors of the company declare that:

In the opinion of the directors:

1. The financial statements and notes, as set out on pages 4 to 11 are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134 : Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's group's financial position as at 31 December 2009 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.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'P G Hutchinson', written over a horizontal line.

P G Hutchinson
Managing Director

Perth
Dated this 23rd of February 2010

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Independent Auditor's Review Report To the Members of Forge Group Limited

We have reviewed the accompanying half-year financial report of Forge Group Limited ("Company"), which comprises the consolidated financial statements being the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 controls 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 consolidated 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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2009 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.

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As the auditor of Forge Group Limited, 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 other 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.

Independence

In conducting our review, we 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 Group Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Director - Audit & Assurance Services

Perth, 23rd February 2010

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