This Management's Discussion and Analysis ("MD&A") of financial position and results of operations, as provided by the management of Forest Gate Energy Inc. ("Forest Gate" or the "Company"), should be read in conjunction with the financial statements and related notes thereto for the period ended December 31, 2010. Forest Gate's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are in Canadian dollars unless otherwise indicated.

This MD&A is dated April 30, 2011. The Company's shares trade under the symbol FGE on the TSX Venture Exchange. These documents and additional information about Forest Gate are available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain information in this MD&A of the Company's financial position and results of operations constitutes forward-looking information. These statements and this information represent Forest Gate's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. All information other than statements of historical fact may be forward-looking information. In consequence, actual results in the future may differ materially from any conclusion, forecast or projection in such forward-looking information.

Examples of statements that constitute forward-looking information may be identified by words such as "may", "could", "should", "believe", "expect", "plan", "target" and other similar words and expressions. These statements reflect current expectations of management regarding future events and operating performance, and speak only as of the date of this report.

This forward-looking information includes, amongst others, information with respect to our objectives and strategies to achieve those objectives. Readers are cautioned not to place undue reliance on these forward-looking statements or information. You will find more information about the risks that could cause our actual results to significantly differ from our current expectations in the "Risks and Uncertainties" section. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Overview

Forest Gate is incorporated under the Canada Business Corporations Act and is a publicly listed oil and gas exploration and production, and non-energy resource company trading on the TSX Venture Exchange under the symbol FGE. The Company is seeking to increase shareholder value through participation and development of energy and other resources in Canada and internationally.

In 2007, the Company entered into its first oil and gas project with a joint venture agreement with Emerald Bay Energy Inc. ("Emerald Bay") in coal bed methane (CBM) project in the Nevis area of Central Alberta. Later in 2007, Forest Gate successfully drilled an oil well at Ferrybank, also located in Central Alberta. This represented the second joint venture signed in 2007 with Emerald Bay. In March 2008, Forest Gate entered into a third joint venture agreement with Emerald Bay to acquire a 38% working interest in the Kelsey exploration well in Alberta. In August, drilling was successful at Kelsey and this gas well was tied-in in the first quarter of 2009.

At a special meeting held on June 23, 2009, shareholders approved Management's proposal to consolidate the Company's common shares at a rate of one (1) new common share for each tranche of ten (10) outstanding common shares and to change the company's name to Forest Gate Energy Inc. The common shares of Forest Gate started trading on June 30, 2009 under the new symbol "FGE".

Late in June 2009, the Company terminated discussions related to the previously announced agreement to acquire 90% of all of the issued and outstanding shares of Atlantis Deepwater Production, Inc. and of Impact Exploration & Production, LLC, of Houston, Texas.

In October 2009, Forest Gate acquired a 70% equity interest in all Arizona oil and gas licenses belonging to Vanterra Energy Inc. ("Vanterra"). In consideration for the 70% equity interest in the licenses, the Company issued to Vanterra 2,690,000 Forest Gate common shares, 5,250,000 subscription receipts convertible into Forest Gate common shares without any additional consideration and 7,300,000 warrants at an exercise price of $0.25 per share, which will expire on the second anniversary of their issuance. No such subscription receipt or warrant could be converted or exercised by Vanterra if, as a result of that conversion or exercise, Vanterra would hold more than 15% of Forest Gate's outstanding common shares. Forest Gate undertook to pay 100% of the cost to drill, case and complete the initial exploratory well on the lands covered by the licenses.

Forest Gate and Vanterra were targeting oil in the Sacramento Valley Neogene Sub-Basin of Arizona which lies within what is known as the Basin and Range Geologic Province, which loosely runs north to south from northern Nevada to southern Arizona and east to west from Utah to California.

In January 2010, the Company began acquiring a number of additional licenses in Utah. Drilling at the Crescent Junction property in Grand County, Utah well began in January 2010. In March 2010, Forest Gate abandoned this first well following production testing that recovered oil but at non-commercial rates.

In May 2010, Forest Gate received a cash call for its portion of its Rush Lake oil prospect in Cedar Valley, Iron County, Utah. The Rush Lake prospect is a shallow-drilling target. The initial 5,000-foot well will test the Dakota Formation and a deeper Navajo target at a cost of $800,000 or $1.2 million if completed. Permit applications for drilling at the Rush Lake prospect have been filed.

In July 2010, Forest Gate reported that it has reached an agreement with Vanterra whereby Vanterra would return to Forest Gate 3,596,053 Forest Gate common shares, 4,343,947 Forest Gate's subscription receipts and 7,300,000 Forest Gate common share purchase warrants in exchange for Forest Gate's 70% interest in certain oil and gas licenses vended-in to the company in late 2009 and in January of this year. Vanterra is a private company owned by Donald Vandergrift. Mr. Vandergrift is a former President of Forest Gate Energy.

In October 2010, Forest Gate entered into a Purchase Agreement to acquire the Pershing gold property located near Val D'Or, Quebec from two private gold exploration companies, Montigua Resources Inc. ("Montigua") and Bermont Resources Inc. ("Bermont"). Pershing is a gold exploration property consisting of 252 contiguous, unpatented mining claims. In consideration for the acquisition of a 100% interest in the claims comprising the Pershing gold property, Forest Gate issued 3,000,000 Forest Gate common shares to Montigua and Bermont. In addition, Montigua and Bermont will hold a 2% net smelter return royalty on the Pershing gold property. One percent (1%) of the royalty can be purchased by Forest Gate at any time following the completion of a pre-feasibility study on the property. Forest Gate also holds a right of first refusal on the sale or reassignment of the remaining 1% royalty. Forest Gate also issued 150,000 common shares as a finder's fee to a consultant upon closing of the transaction.

Following the receipt of the conditional acceptance of the TSX Venture Exchange, on November 26, 2010, Forest Gate completed the transfer to Vanterra of the Arizona and Utah oil and gas licenses that were originally vended-in to the Company, and proceeded to cancel the 3,596,053 common shares, 4,343,947 subscription receipts and 7,300,000 warrants that were previously-issued to Vanterra.

On December 23, 2010, Forest Gate entered into an agreement to purchase a 20% interest in oil and gas assets from a privately-held Calgary, Alberta company. The total consideration for the acquisition is approximately $1.5 million. Forest Gate invested $65,000 as a non-refundable payment and $213,000 as a deposit being held in escrow until the close of the transaction in 2011. On April 20, 2011, the TSX Venture exchange accepted for filing the documentation relating to the purchase of these oil and gas assets.

Pricing

Crude oil prices improved 29% during the year 2010 as compared to 2009 as West Texas Intermediate ("WTI") benchmark price averaged US$79.40 per Bbl in 2010, as compared to US$61.65 per Bbl in 2009. The price of crude oil continued to be volatile, a result of uncertainty around future worldwide economic conditions.

Natural gas prices are averaging $4.18 per Mcf for AECO in 2010 as compared to $3.66 per Mcf (14% increase) in 2009. Fluctuating North American supply/demand forecasts along with volatile international natural gas prices, which affect the global flow of liquefied natural gas, continue to cause significant price volatility in North American natural gas prices. Continued uncertainty around North American industrial demand has resulted in a continued high volatile price trend for North American natural gas.

Results of Operations

For the twelve months ended December 31, 2010, Forest Gate incurred a net loss from continuing operations of $3,479,699 ($0.114 per share) compared to $1,679,415 ($0.100 per share) for the same period in 2009. The net loss from discontinued operations was $19,276 ($0.001 per share) compared to $509,900 ($0.030 per share) in 2009.The total net loss, after discontinued operations in 2010 was $3,498,975 ($0.115 per share) and in 2009 was $2,189,315 ($0.130 per share).

The net loss from discontinued operations of $19,276 is for an accretion of asset retirement obligation (ARO) for its discontinued operations in oil and gas properties. In 2009 the net loss of $509,900 from discontinued operations includes a write-down of $500,000 in the carrying value of the Saskatchewan diamond properties and $9,900 for the Celtic Sea project. The Company continues evaluating strategic options to sell its Saskatchewan diamond properties.

Revenues

	Twelve months	
For the years ended December 31,	**2010**	2009
	$	$
Revenues petroleum and natural gas revenue	**332,603**	276,647
Royalties	**(68,988)**	(48,057)
Direct operating expenses	**93,034**	315,461

For the twelve months ended December 31 2010, Forest Gate reported oil and gas revenue of $332,603 less royalties of $68,988 and direct operating expenses of $93,034, compared to revenue of $276,647 less royalty of $48,057 and direct operating expenses of $315,461 for the twelve months ended December 31, 2009.

Higher oil prices offset lower production volumes for the year 2010 and the Kelsey gas well came on stream in the second quarter of 2009, which accounted for higher natural gas production and higher direct operating expenses in 2009. Higher natural gas production was partially offset by lower natural gas prices.

Expenses

Expenses consist primarily of petroleum extraction costs, depletion, salaries, professional and consulting fees, general and administration fees and expenses relating to the business development of the Company. Forest Gate incurred total expenses from continuing operations of $2,438,020 in 2010 compared to $1,846,000 in 2009:

For the years ended December 31,	**2010** $	2009 $
Revenues		
Petroleum and natural gas revenue	**332,603**	276,647
Royalties	**(68,988)**	(48,057)
Interest and other income	**750**	1,995
	264,365	230,585
Expenses		
Operating expenses	**93,034**	315,461
Salaries and levies	**588,754**	188,056
Value of stock option granted	**241,831**	85,808
Professional and consulting fees	**568,645**	272,714
General and administration expenses	**382,466**	277,318
Corporate marketing and business development	**199,446**	321,820
Financial charges	**88,780**	4,145
Amortization of discount on convertible note	**103,750**	-
Accretion of asset retirement obligation	**3,558**	22,355
Depletion	**156,967**	348,521
Depreciation of property and equipment	**10,789**	9,802
	2,438,020	1,846,000
Loss before write-downs, income taxes and discontinued operations	**2,173,655**	1,615,415
Write-down of oil and gas lease	**153,350**	64,000
Write-down of oil and gas properties	**1,152,694**	-
Net loss from continuing operations	**3,479,699**	1,679,415

The increase in total expenses relates mainly to the salaries and levies expense of $588,754 (2009 - $188,056) and to the professional and consulting fees of $568,645 (2009 – $272,714). On July 30, 2010, Forest Gate issued 4,228,290 common shares valued at $380,546, based on the fair market value using the quoted market price on the date of issue. The shares were issued for unpaid salaries and consulting fees, payable to officers, directors and consultants of the Company.

As more fully described in the table below, the consulting services provided by Dr. Easton Wren consisted of technical presentations in Canada and the United States, geophysical data interpretation and well location selection. The consulting services provided by Robert Therriault and Daniel Bortoluzzi consisted of accounting work. The following table details settlement for unpaid salaries and fees:

Name	Amount Owed	Number of Shares	Nature of Debt
Michael C. Judson	$198,510	1,527,000	Salary
Don Vandergrift	$127,698	982,292	Salary
Jean Mayer	$96,102	739,246	Salary
Robert Kramberger	$22,260	171,230	Salary
Dr. Easton Wren	$25,108	193,138	Consulting Fees
Robert Therriault	$50,000	384,615	Consulting Fees
Daniel Bortoluzzi	$30,000	230,769	Consulting Fees
Total	**$549,678**	**4,228,290**	

The value of stock options granted of $241,831 (2009 - $85,808) rose, due in part, to the increase in the number of directors on the Board that were granted options.

Financing charges and the amortization of discount on convertible note increased due to the accrued interest amortization of the discount related to the convertible note. On January 14, 2010, the Company issued a convertible note for a principal amount of $675,675, for net proceeds to the Company of $625,000. The note bears interest at a rate of 10% per annum and is convertible into Forest Gate common shares at a conversion price of $0.125, at the option of the lender. Any outstanding principal amount together with accrued but unpaid interest are payable by the Company one year from the closing date in equity or cash at the Company's discretion. 25% of the net proceeds in excess of $500,000 of any future financing will be used to redeem this note. The accumulated interest on the convertible note is $64,791. The Company is examining its payment options and expects to settle the debt in 2011.

The write-down of oil and gas properties (Arizona and Utah) of $1,152,694 is the result of the unwinding transaction with Vanterra Energy Inc.

Selected Quarterly Information

		Net loss (unaudited) $	Loss per weighted average number of shares outstanding $
2010	Fourth quarter	1,475,217	0.0485
	Third quarter	757,856	0.0264
	Second quarter	316,219	0.0110
	First quarter	949,683	0.0354
2009	Fourth quarter	1,273,475	0.0545
	Third quarter	229,883	0.0153
	Second quarter	413,994	0.0291
	First quarter	271,963	0.0191
2008	Fourth quarter	1,034,648	0.0073
	Third quarter	8,453,070	0.0650
	Second quarter	465,822	0.0037
	First quarter	390,590	0.0033

Oil and Gas Properties & Participating Interest

As of December 31, 2010, the total participating interests and deferred exploration and development costs in oil and gas exploration, net of depletion and write-offs, were $345,714 compared to $2,664,338 as at December 31, 2009. The decrease is the result of the Vanterra unwinding transaction.

	December 31, 2010 Net $	December 31, 2009 Net $
Canada	**345,714**	614,709
USA	**-**	2,049,629
	345,714	2,664,338

No general and administrative expenses have been capitalized to property and participating interest. The Company applied a ceiling test to its petroleum and natural gas assets at December 31, 2010 and determined that there was no impairment of costs requiring a write-down.

Forest Gate has entered into a number of Joint Venture Agreements with Emerald Bay Energy Inc. to acquire working interests in Alberta properties. As of December 31, 2010, the total cost of the Company's participating interest is $1,179,604 (2009 - $1,280,364) less cumulative depletion expenses of $833,890 (2009 - $665,655) and a write-down of $153,350. The Company's accounts reflect only the proportionate interest in these activities.

Canada

In 2007, Forest Gate entered into a joint venture agreement with Emerald Bay, to acquire working interests in the Nevis area, located in Central Alberta, which hosts natural gas as coal bed methane. A second joint venture agreement with Emerald Bay was entered into to drill a well at Ferrybank, Alberta.

In February 2008, Forest Gate announced that crude oil was discovered at Ferrybank, and also announced that the four Nevis methane wells had begun producing natural gas.

In March 2008, Forest Gate entered into a third joint venture agreement with Emerald Bay to acquire a 38% working interest in the Kelsey exploration well in Alberta. Drilling at Kelsey, Alberta was successful and this gas well was tied-in in April 2009.

In January 2009, Forest Gate Resources reported that it has acquired a license targeting Bakken Formation hydrocarbons in South Eastern Saskatchewan. The Company opted to let this license lapse in early 2010.

Pursuant to its agreement with Emerald Bay Energy, the Company and its joint venture partners committed to drill an offset well at Ferrybank, Alberta. Forest Gate later opted not to fund its participation and will be carried on the first $91,900 of costs. Forest Gate has agreed to the penalty clause, whereby the joint venture partners will be reimbursed first from production up to such time as they have recouped 300% of their investment. Thereafter, Forest Gate will earn its 41.3% working interest in this second Ferrybank well.

On December 23, 2010 Forest Gate entered into an agreement to purchase a 20% interest in oil and gas assets from a privately-held Calgary, Alberta company. The total consideration for the acquisition is approximately $1.5 million. Forest Gate invested $65,000 representing a non-refundable payment and $213,000 as a deposit being held in escrow until the close of the transaction in 2011. On April 20, 2011, the TSX Venture exchange accepted for filing the documentation relating to the purchase of these oil and gas assets.

On February 24, 2011 the transaction was closed.

The Company's reserves in Canada were evaluated by AJM Petroleum Consultants ("AJM") as at December 31, 2010. Net reserves are the total of the Company's working interest reserves after deducting the amounts attributable to royalties owned by others.

Unit value of net reserves by production group	Oil Net Mbbl	Gas Net MMcf	BOE Net boe	NPV 10% M$	Unit Value $/boe
Proved developed producing	1.3	85.7	15,549.2	222.1	14.3
Probable additional	1.7	21.0	5,168.6	114.0	22.1
Proved plus probable additional	3.0	106.7	20,717.8	336.1	16.2

United States

Forest Gate has entered into an agreement with Vanterra Energy Inc, whereby Forest Gate acquired a 70% equity interest in all Arizona oil and gas licenses belonging to Vanterra. In consideration, Forest Gate issued to Vanterra 2,690,000 Forest Gate common shares, 5,250,000 subscription receipts convertible into Forest Gate common shares, without any additional consideration, and 7,300,000 warrants at an exercise price of $0.25 per share. The warrants will expire on the second anniversary of their issuance.

On November 29, 2010 the Company reported that it has completed a unwinding transaction with Vanterra Energy Inc. by transferring its 70% interest in certain Arizona and Utah oil and gas licenses vended-in to Forest Gate in exchange for the surrender for cancellation by Vanterra of 3,596,053 common shares of Forest Gate, 4,343,947 subscription receipts convertible into common shares of Forest Gate, and 7,300,000 common share purchase warrants. Effective November 26, 2010, Forest Gate cancelled all of the foregoing subscription receipts and common share purchase warrants, and remitted the 3,596,053 common shares to its transfer agent and registrar so that the shares could be returned to treasury and cancelled.

Mining properties

	Cost of Claims $	**Deferred Exploration Costs $**	**December 31, 2010 Net $**	December 31, 2009 Net $
Pershing gold property	**252,000**	**37,256**	**289,256**	-

On October 8, 2010 the Company entered into a Purchase Agreement to acquire the Pershing Gold property located near Val D'Or, Quebec, from two private gold exploration companies. Pershing is a gold exploration property consisting of 252 contiguous, unpatented mining claims. Following the closing of the purchase, Forest Gate will have a 100 percent interest in the Pershing property.

In consideration for the 100% interest in the claims, Forest Gate issued 3,000,000 Forest Gate common shares. In addition, the seller will hold a 2% net smelter return royalty on the Pershing gold property. One percent (1%) of the royalty can be purchased by Forest Gate at any time following the completion of a pre-feasibility study on the property. Forest Gate also holds a right of first refusal on the sale or reassignment of the remaining 1% royalty. A finder's fee of 150,000 Forest Gate common shares has been paid to a consultant.

Saskatchewan Diamond Properties

Forest Gate also owns a 100% interest in the East Side, West Side and South Side diamond exploration properties located in the Fort a la Corne area, 50 km northeast of Prince Albert, Saskatchewan. Fort a la Corne is host to the largest diamondiferous kimberlite pipes in the world. As of December 31, 2010, total mining properties and deferred exploration costs are $500,000 (December 31, 2009 - $500,000) and are recorded under "Saskatchewan diamond properties". The Company did not incur any expenses during the year for these discontinued operations.

The total investment thus far in Saskatchewan is $4,125,982 of which $500,000 are now shown as "Saskatchewan Diamond Properties" ($1,921,519 had been invested on the East Side Property and $1,161,701 on the West Side Property, and $1,042,762 on the South Side Property). While management believes that the carried amount of these assets in Saskatchewan can be realized through disposition, a complete write-down for the South Side Property investment was recorded at the end of fiscal year 2006 and additional write-downs of the East Side and West Side properties were recorded in the 2008 and in 2009.

Liquidity, Financing and Capital Resources

Cash and cash equivalents as at December 31, 2010 totalled $396,991 compared to $85,263 at December 31, 2009.

Cash flows used in the operating activities were $1,577,863 for the 12 months ended December 31, 2010 and $823,928 for the same period in 2009:

Cash flows from (used in) operating activities	**2010**	2009
	$	$
Net loss from continuing operations	**(3,479,699)**	(1,679,415)
Non-cash items:		
Expenses paid through issuance of shares	**380,546**	-
Amortization of discount on convertible note	**103,750**	-
Interest on convertible note	**64,791**	-
Accretion of asset retirement obligation	**3,558**	22,355
Depletion	**156,967**	348,521
Depreciation of property and equipment	**10,789**	9,802
Write-down of amount owing to shareholders	**-**	62,140
Write-down of oil and gas lease	**153,350**	-
Write-down of oil and gas properties	**1,152,694**	-
Value of stock option granted	**241,831**	85,808
Net changes in non-cash components of operating working capital	**(366,440)**	326,861
	(1,577,863)	(823,928)

The cash flows from financing activities were $3,572,729 compared to $471,204 in 2009:

Cash flows from financing activities	**2010**	2009
	$	$
Proceeds from the issue of equity	**2,616,737**	348,749
Equity component of convertible note	**57,521**	-
Increase in due to joint ventures	**-**	122,455
Debt settlement paid through issuance of shares	**330,992**	-
Convertible note	**567,479**	-
	3,572,729	471,204

The cash flows used in investing activities were $1,683,138 compared to $193,762 in 2009:

Cash flows from (used) investing activities	**2010**	2009
	$	$
Increase in deposit in escrow	**(213,000)**	-
Acquisition of property and equipment	**(2,518)**	(3,113)
Mining properties and deferred exploration costs	**(289,256)**	-
Oil and gas participating interest and deferred exploration costs	**(1,178,364)**	(190,649)
	(1,683,138)	(193,762)

Issue of Equity

Net proceeds from the issues of equity amounted to $2,616,737 during the twelve months of 2010 ($348,749 in the same period of 2009).

On January 15, 2010, Forest Gate issued 5,160,000 Units at a price of $0.10 per Unit, for total gross proceeds of $516,000. Each Unit consists of one common share and one half common share purchase warrant and net proceeds credited to share capital of $314,870 after payment of share issue costs. Share issue costs include $2,500 of cash finder's fee, a stock based compensation of $196,080 in the form of 2,580,000 warrants and $2,550 to agents paid in the form of 25,000 broker warrants.

On January 18, 2010, the Company was granted an option by a Denver based company with regards to Forest Gate's potential acquisition of various oil and gas licenses in Utah. The option was granted in consideration for $50,000 payable to the vendor by the issuance of 344,827 Forest Gate common shares.

On February 17, 2010, Forest Gate issued 2,364,960 Units at a price of $0.13 per Unit, for total gross proceeds of $307,445. Each Unit consists of one common share and one half common share purchase warrant and net proceeds credited to share capital of $205,546 after payment of share issue costs. Share issue costs include $8,379 of cash finder's fee, a stock based compensation of $88,686 in the form of 1,182,479 warrants and $4,834 to agents paid in the form of 64,450 broker warrants.

On February 25, 2010, Forest Gate issued 906,053 common shares with no value consideration in exchange of 906,053 subscription receipts that were issued on October 13, 2009.

On May 5, 2010, Forest Gate issued 1,324,000 Units at a price of $0.25 per Unit, for total gross proceeds of $331,000. Each Unit consists of one common share and one half common share purchase warrant and net proceeds credited to share capital of $260,184 after payment of share issue costs. Share issue costs include $16,250 of cash finder's fee, a stock based compensation of $48,326 in the form of 662,000 warrants and $6,240 to agents paid in the form of 65,000 broker warrants.

On May 5, 2010, the Company issued 1,504,962 common shares to Blue Note Mining Inc. at a deemed price of $0.20 each. These shares have been issued in settlement of a debt of $330,992 resulting from Blue Note's payment of various invoices on the Company's behalf.

On July 30, 2010, Forest Gate issued 4,228,290 common shares valued at $380,546, based on the fair market value using the quoted market price on the date of issue. The shares were issued for unpaid salaries and consulting fees, payable to officers, directors and consultants of the Company. The payment of salaries and consulting fees had been deferred in order to preserve cash.

On October 8, 2010, Forest Gate issued 3,000,000 common shares to acquire the Pershing gold property in Val D'Or, Quebec. A finder's fee of 150,000 Forest Gate common shares has been paid to a consultant. The net proceed credited to share capital is $252,000.

On October 28, 2010, Forest Gate issued 6,111,110 flow-through Units at a price of $0.09 per Unit, for gross proceeds of $550,000. Each flow-through Unit consists of one flow-through common share and one non-flow-through common share purchase warrant and net proceeds credited to share capital of $309,833 after payment of share issue costs. Share issue costs include $27,500 of cash finder's fee, a stock based compensation of $183,333 in the form of 6,111,110 warrants and $29,334 to agents paid in the form of 611,111 broker warrants.

On October 28, 2010, Forest Gate issued 625,000 Units at a price of $0.08 per unit for gross proceeds of $50,000. The hard dollar unit consists of one common share and one common share purchase warrant and net proceeds credited to share capital of $23,125 after payment of share issue costs. Share issue costs include $2,500 of cash finder's fee, a stock based compensation of $21,250 in the form of 625,000 warrants and $3,125 to agents paid in the form of 62,500 broker warrants.

On November 26, 2010, Forest Gate completed its unwinding transaction with Vanterra Energy Inc. by transferring its 70% interest in certain Arizona and Utah oil and gas licenses vended-in to Forest Gate in the fourth quarter of 2009 and January 2010 in exchange for the surrender by Vanterra of 3,596,053 common shares ($593,349) of Forest Gate, 4,343,947 subscription receipts ($716,751) convertible into common shares of Forest Gate, and 7,300,000 common share purchase warrants ($700,800).

On December 10, 2010, Forest Gate issued 94 Units, comprising a total of 470,000 common shares and 470,000 flow-through shares for gross proceeds of $94,000. Each Unit consists of 5,000 common share and 5,000 flow-through common shares and 10,000 common share purchase warrants. Net proceeds credited to share capital were $59,220 after payment of share issue costs. Share issue costs include a stock based compensation of $34,780 in the form of 940,000 warrants.

On December 17, 2010, Forest Gate issued 4,100,000 units, comprising of 4,100,000 flow-through shares and 4,100,000 common share purchase warrants for gross proceeds of $410,000. Each Unit consists of 1 flow-through common shares and 1 common share purchase warrants and net proceeds credited to share capital of $258,300 after payment of share issue costs. Share issue costs include a stock based compensation of $151,700 in the form of 4,100,000 warrants.

During the year ended December 31, 2010, 722,050 warrants ($150,456), 157,550 broker warrants ($25,183) and 150,000 stock options ($23,250) were exercised into common shares.

Share Capital

The weighted average number of shares issued and outstanding as at December 31, 2010 is 30,406,731 compared to 16,745,313 as at December 31, 2009. As of December 31, 2010 there were 47,629,982 shares issued and outstanding compared to 24,687,233 at December 31, 2009.

As of the date of this report there are 59,281,064 shares issued and outstanding.

Summary of Significant of Accounting Policies

Standards of financial statement presentation: the Canadian Institute of Chartered Accountants has amended section 1400, "General Standards of Financial statement Presentation", which is effective for interim periods beginning on or after October 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared by management in accordance with Canadian GAAP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant areas requiring the use of management estimates include valuation of the following:

- Oil and gas participating interest and deferred exploration costs
- Mining properties and deferred exploration costs
- Saskatchewan diamond properties
- Asset retirement obligations
- Stock based compensation
- Warrants
- Future tax

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below in the next section.

Revenue recognition: revenue associated with oil and gas sales is recognized when title passes from the Company to its customers. Investment transactions are accounted for on the transaction date and resulting revenues are recognized using the accrual basis. Interest income is accrued based on the number of days the investment is held during the period.

Cash and cash equivalents: the Company considers currency on hand and demand deposits with financial institutions to be cash. The Company considers all highly liquid investments with an insignificant risk and purchased with a maturity of three months or less to be cash equivalents.

Property and equipment: property and equipment are recorded at cost. Depreciation and amortization is calculated over the estimated useful lives of the related assets at the following rates and methods:

	Rates	Methods
Furniture and office equipment	20%	Diminishing balance
Computer equipment	30%	Diminishing balance

Flow through common shares: proceeds received upon the issue of common shares that transfer the mineral exploration expense deductions to investors are credited to the share capital and the related exploration costs are charged to deferred exploration costs. The estimated tax benefits transferred to shareholders are recorded as a future income tax liability at the time of filing of the renouncement documents with the tax authorities with a corresponding reduction in share capital.

Oil and gas participating interest and deferred exploration costs:

Capitalized costs: the Company follows the full cost method of accounting for oil and gas operations in accordance with Canadian guidelines. Under this method, all costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized in cost centres on a country-by-country basis. Such costs can include lease acquisition costs, geological and geophysical costs and carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, tangible production equipment and overhead expenses directly related to these activities. Proceeds from the sale of properties are applied against capital costs, without any gain or loss recognized unless such sale would significantly alter the rate of depletion and depreciation by 20% or more.

Depletion: upon the commencement of commercial production, depletion of oil and gas properties is provided using the unit-of-production method based on estimated proven reserves, before royalties, as determined by independent consultants, on a cost centre basis. The costs of significant unevaluated properties and major development projects are excluded from costs subject to depletion. Unevaluated properties and major development projects are assessed for impairment periodically. When proved reserves are assigned or the property/major development project is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion. For depletion purposes, relative volumes, before royalties, of oil and gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

***Measurement Uncertainty**:* the amounts recorded for depletion and depreciation of oil and natural gas properties and equipment, the provision for asset retirement obligations, the provision for income taxes, and the ceiling test calculations are based on estimates of proven reserves, production rates, oil and natural gas prices, future costs, future prices and other relevant assumptions. Accruals for royalties and costs are prepared based on estimates when actual amounts are not yet known. Stock based compensation amounts are determined using certain assumptions. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Ceiling tests: in following the full cost method, an impairment loss is recognized when the carrying amount of the oil and gas properties of a cost centre is not recoverable and exceeds its fair value. The carrying amounts are assessed to be unrecoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market value of unproved properties and the cost of major development projects are less than the carrying amount of the cost centre. In determining the amount of impairment, the carrying amount of oil and gas properties capitalized in a cost centre is compared to the fair value of the associated proved and probable reserves and the lower of cost and market value of any unproved properties which are subject to a separate test for impairment. In determining the fair value of the proved and probable reserves, the Company uses cash flows based upon the oil and gas prices as quoted in the futures market. These cash flows are then discounted using a risk-free interest rate. If the carrying value of the oil and gas properties is in excess of its fair value, the excess is charged against earnings. All of the Company's oil and gas activities are conducted jointly with other participants. The Company's accounts reflect only the Company's proportionate interest in these activities.

Asset retirement obligation: the Company follows the CICA standard for Asset Retirement Obligation ("ARO"). Under this standard, the fair value of a liability for an ARO is recorded in the period where a liability is incurred and a reasonable estimate of the fair value can be determined. When the liability is recorded, the carrying amount of the related asset is increased by the same amount as the liability. The asset recorded is depleted over the useful life of the asset. Additions to asset retirement obligations due to the passage of time are recorded as an accretion expense. Actual expenditures incurred are charged against the obligation.

Joint ventures: substantially all of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Mining properties and deferred exploration costs: The cost of acquisition of an area of interest and exploration expenditures will be carried forward as an asset on the balance sheet where: it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or, the exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence of economically recoverable reserves. Should a project or an area of interest be abandoned, the carrying value will be written off in the year in which the decision to abandon the project is made. Where there has been a decision to proceed with development, accumulated expenditures will be amortized over the life of the associated resource once mining operations have commenced. Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral exploration properties and related deferred exploration expenditures. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Stock-based compensation: the Company has a stock option compensation plan. The Company follows the fair value method to record compensation expense with respect to stock options and warrants granted in exchange for goods and services. This method is applied for all awards made to non-employees and employees. The fair value of each option or warrant granted is estimated on the date of grant and a provision for the costs is provided for as contributed surplus over the term of the option agreement. Compensation expense associated with options issued to employees, consultants, officers and directors of the Company are expensed. The consideration received by the Company on the exercise of share options is recorded as an increase to share capital together with corresponding amounts previously recognized in contributed surplus. Forfeitures are accounted for as they occur which could result in recoveries of the compensation. Expense related to broker warrants issued are recorded as share issue costs and deducted from share capital.

Share issuance expenses: share issue expenses are recorded as a charge to share capital in the year in which they are incurred.

Loss per share: the basic loss per share is computed by dividing the net loss by weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of stock options that are used to purchase common shares at the average market price during the year.

Future income taxes: the Company uses the liability method of tax allocation to account for income taxes. Future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities due to a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Foreign exchange: revenues and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. All transaction gains and losses are reflected in net earnings.

Comprehensive Income: comprehensive income is the change in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources. In accordance with this standard, the Company reports a statement of comprehensive loss and a new category, accumulated other comprehensive income, and has been added to the shareholder's equity section of the balance sheet. The components of this category include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. Section 3251 establishes standards for the presentation of equity and changes in equity as a result of the new requirements of Section 1530.

Financial Instruments – Disclosure and Presentation: this section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Financial instruments: A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to contractual provisions of the instrument. On initial recognition, all financial instruments must be measured at fair value which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Subsequent to initial recognition, the fair value of financial instruments is dependent on the purpose for which the financial assets were acquired or issued, their characteristics and the Company's designation of such instruments.

At each reporting date the carrying amounts of financial assets, other than those to be measured at fair value through profit or loss, are assessed to determine whether there is objective, significant evidence of impairment (e.g. a debtor is facing serious financial difficulties, or there is a substantial change in the technological, economic, legal or market environment of the debtor). For equity instruments, a significant or prolonged decline in fair value is objective evidence for a possible impairment. The Company has defined criteria for the significance and duration of a decline in fair value as discussed in the categories below.

The standards require that all financial assets be classified as held-for-trading ("HFT"); held-to-maturity ("HTM"); available-for-sale ("AFS") or loans and receivables ("L&R"). Financial liabilities should be classified as HFT or other than HFT liabilities.

Financial Assets:

Held-for-trading: Financial assets required to be classified as HFT are measured at fair value, with gains, losses and transaction costs recorded in net income for the period in which they arise. A financial instrument is designated as HFT on initial recognition if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of HFT ("fair value option"). Held-for-trading securities are usually held for a short term and are actively traded.

Held-to-maturity: Financial assets that are purchased and have a fixed maturity date and which management has the intention and the ability to hold to maturity are classified as held-to-maturity. These instruments are accounted for at amortized cost using the effective interest rate method and charged to income in the period of amortization. The Company currently does not hold any of these assets.

Available-for-sale: Financial assets classified as AFS are measured at fair value, except for investments in equity instruments that do not have a quoted market price in an active market, which are measured at cost. Unrealized gains and losses, including the effect of changes in foreign exchange rates, are recognized directly in Other Comprehensive Income, except for impairment losses, which are recognized in net income. Upon de-recognition of the financial asset, the cumulative gains or losses, previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income. Transaction costs are added to the carrying amount of the financial instruments.

If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is reclassified from direct recognition in equity to the income statement. Reversals with respect to equity instruments classified as available-for-sale are not recognized in the income statement. A reversal of an impairment loss on a debt instrument is reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognized in income.

Loans and receivables: L&R financial assets are measured at amortized cost using the effective interest rate method. Interest income calculated using the effective interest rate method is recorded in financing income in the period in which it arises. Transaction costs are added to the carrying amount of the financial asset.

The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. The impairment loss on loans and receivables is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables. When receivables are assessed as uncollectible the impaired asset is derecognized.

Financial Liabilities:

HFT liabilities: Financial liabilities are measured at fair value. Gains and losses on liabilities held-for-trading are recognized in earnings. The Company currently does not hold any of these liabilities.

Other than HFT liabilities: Financial liabilities classified as other than HFT are measured at amortized cost using the effective interest method. Interest expense is recorded in financing expense in the period. Transaction costs are added to the carrying amount of the financial liability. Accounts payable, the convertible note and Due to Joint Ventures are classified as "other than HFT liabilities".

Hedges: this section establishes standards for when and how hedge accounting may be applied. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of earnings in the same period. The company did not use any hedging in 2010 and 2009.

EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities: In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

Goodwill and Intangible assets: Section 3064 Goodwill and Intangible Assets replaces Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. As permitted by Section 3064, the Corporation has early adopted the new standards in the current fiscal year. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The objectives of Section 3064 are to:

- Remove material that may be interpreted as permitting the recognition of assets that would not otherwise meet the definition of an asset or the recognition criteria;
- Include guidance to clarify the distinction between assets and expenses;
- Include guidance on the definition of an intangible asset and the recognition of internally generated intangible assets; and
- Withdraw Section 3450 Research and Development Costs, as assets developed as a result of research and development activities would now be included within the scope of Section 3064.

Financial Instruments – Disclosures: this section describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation", replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

Financial Instruments – Presentation: this section establishes standards for presentation of the financial instruments and non-financial derivatives.

Risks and uncertainties

Going Concern Disclosure: The Company's financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. The company has a history of operating losses and negative cash flow and its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its wells, and eventually to generate positive cash flows from oil and gas extraction operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Exploration and development: the business of exploring for developing and producing oil and gas involves a high degree of risk. Oil and gas reserves may never be found or, if discovered, may not result in production at reasonable costs or profitability.

Dependence: oil and gas activities are conducted presently through partners and in respect of which the Company is not the operator. Forest Gate is dependent upon its operating partners for the financial and technical support which they contribute to the Company's oil and gas projects. If those operating partners are unable to fulfill their own contractual obligations, the Company's interests could be jeopardized, resulting in project delays, additional costs and loss of the participating interests.

Environmental: the Company's oil and gas participating projects are subject to environmental regulations in the jurisdictions in which they operate. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the projects in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing partners or operators of the projects or by illegal mining activities.

*Liquidity: s*ubstantial expenditures are required for exploration programs and the development of reserves. In the absence of sufficient cash flow from operations, the Company relies on capital markets to fund its exploration and evaluation activities. Capital market conditions and other unforeseeable events may impact the Company's ability to finance and develop its projects. The business of exploring, developing and producing is also capital intensive and, to the extent that cash flows from operation activities and external sources become limited or unavailable, the ability of Forest Gate and of its operating partners to meet their respective financial obligations which are necessary to maintain their interests in the underlying projects could be impaired.

Foreign currency exchange rate: the Company's operations and financial results are exposed to currency fluctuations as the commodity prices it receives are based on the US dollar. The Company does not currently engage in any hedging activities to mitigate its foreign exchange risk. Material changes in the value of the Canadian dollar vis-à-vis any of the other currencies relevant to the Company's business could have a material impact on its financial statements.

Governmental: government approvals and permits are generally required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be delayed or prohibited from proceeding with planned exploration or development of projects. Although the governments of the various countries or provinces in which Forest Gate operates have been stable recently, there is no assurance that political and economic conditions will remain stable.

Commodity price risk: The value of the Company's mineral resource properties is related to the prices of oil, gas and diamonds and the outlook for these commodities. Commodity prices historically have fluctuated widely and are affected by numerous factors outside the Company's control, including, but not limited to, industrial and retail demand, levels of worldwide production, short term changes in supply and demand due to speculative hedging activities, and macro-economic variables.

The profitability of the Company's continuing operations is highly correlated to the market price of oil and gas. To the extent that prices increase over time, asset value increases and cash flows improve; conversely, declines in the prices directly impact value and cash flows negatively. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. The Company did not have any financial instruments in place to manage commodity prices during the year ended December 31, 2010.

Accounting changes and new pronouncements

International financial reporting standards conversion plan

Canada's Accounting Standards Board (AcSB) confirmed that effective January 1, 2011, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) will replace current Canadian GAAP for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. Financial reporting under IFRS differs from Canadian GAAP in many respects, some of which are significant. IFRS on the date of adoption may differ from current IFRS due to new IFRS standards and pronouncements issued before the changeover date that may cause the Company to select different accounting policy choices and/or IFRS 1 exemptions.

To comply with the Canadian Securities Administrators (CSA) Staff Notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS", we have structured our IFRS conversion plan to incorporate six key elements, specifically: i) accounting policies and financial statement preparation, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied retrospectively or prospectively; ii) information technology and data systems; iii) internal control over financial reporting; iv) disclosure controls and procedures including investor relations and external communications plans; v) training requirements and communications and vi) business activities, such as foreign currency activities, as well as other matters that may be influenced by Canadian GAAP measures.

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial reporting Standards would be required for Canadian publicly accountable enterprises for fiscal years beginning on or later January 1, 2011, including comparatives for 2010. Accordingly, our first quarter under the IFRS reporting standards will be for the three-month period ending March 31, 2011. To comply with the Canadian Securities Administrators (CSA) Staff Notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS", Forest Gate has structured its IFRS conversion plan to incorporate six key phases:

- Diagnostic of conversion and impact assessment;
- Information technology and data systems;
- Design and implementation;
- Disclosure controls and procedures;
- Training requirements and communications;
- Business activities.

We have completed the diagnostic and impact assessment phase which involved a review of the differences between Canadian GAAP and IFRS, as well as a review the alternatives available on adoption. In 2009 and 2010, we identified the differences between IFRS and our current accounting policies and we have assessed the impact of these differences as well as the various accounting policy alternatives offered pursuant to IFRS.

The second phase has been in progress since December 2009 and as of this reporting date has been completed. This phase was to identify and address IFRS differences that require changes to financial systems. Evaluate and select methods to address need for parallel record-keeping of IFRS and Canadian GAAP during 2010 for comparatives, budget and planning purposes in 2011. Reviewing options to address process changes to parallel record-keeping during 2010, no significant system impacts have been identified.

The third phase, design and implementation, is conducted jointly up until the changeover date. We monitor the development of any new accounting standards and their impact on the choices and exemptions made to date and working jointly with our external auditors. We also conducted an assurance engagement addressing our opening financial position upon conversion.

The fourth phase, the disclosure controls and procedures (DC&P), is for changes to accounting policies and practices identified, assess the DC&P design and effectiveness implications. The changes were completed in the third quarter 2010 by conduct management evaluation of new or revised controls throughout the fiscal year 2010 and including the Chief Executive Officer and the Chief Financial officer Certification process by the end of the fiscal year 2010.

In order to establish IFRS financial reporting expertise at all levels, Forest Gate has established a training plan, which is the fifth phase of its conversion plan. Training for project team members and resources directly involved in the conversion has occurred throughout the project and updates were provided to the audit Committee and ongoing on a regular basis.

The last phase is to identify the impact of changeover on contractual engagements, including the collaboration and the supplier agreements, financial covenants and employee compensation plans. The sixth phase was completed by the end of the third quarter of the fiscal year 2010. Reviewing contracts for embedded derivatives and other potential IFRS impacts, no material impacts have been identified.

In the first quarter of 2010, Forest Gate appointed a project manager to lead the conversion to IFRS and retained its external auditors to assist its finance team in completing the diagnostic review of the significant differences between IFRS and Canadian GAAP.

In the second quarter of 2010, the completed IFRS scoping and impact assessment analysis was reported to the Audit Committee and Board of Directors.

In the fourth quarter of 2010, a detailed analysis of the major financial statement impact areas was completed and those financial impacts presented to the Audit Committee and Board of Directors by quantifying the income statement and balance sheet changes under IFRS and comparing the amounts to those under GAAP.

The major financial impact areas identified for the Company are:

- Property, plant and equipment
- Impairment testing
- Contingent liabilities, particularly asset retirement obligations
- Stock based compensation
- Interest in joint ventures

The Company has worked closely with his financial team to coordinate and understand their election choices under IFRS 1 (the transition standard), as well as the areas of impact in their financial statements.

In the third quarter of 2010 the Company completed accounting position papers, refined the financial numbers impacted by IFRS, met with auditors to review its worksheets and documents, and is preparing for an audit of its opening IFRS balance sheet which is expected to be completed in the first quarter of 2011.

In the fourth quarter of 2010 it is the Company's plan to prepare and audit its proposed March 31, 2011 IFRS compliant note disclosures. The Company's December 31, 2010 IFRS Balance Sheet and Income Statement are expected to be audited concurrently with the Company's annual audit under GAAP.

In reviewing our policy choices, we do not currently see any major impact on our key performance measures. The company monitor and assess the impact of the convergence of Canadian GAAP to IFRS and will be ready as per the Canada's Accounting Standards Board for its fiscal year beginning January 1, 2011.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Corporation, the SEDAR website at www.sedar.com.

Signed: *"Michael Judson"*

Michael Judson
Chairman and Chief Executive Officer
Forest Gate Energy Inc.

April 30, 2011
Montreal, Quebec