

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations, as provided by the management of Forest Gate Resources Inc. ("Forest Gate" or the "Company"), should be read in conjunction with the financial statements and related notes thereto for the years ended December 31, 2008 and 2007. 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 May 28, 2009. The Company's shares trade under the symbol FGT 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 an international oil and gas exploration and production company that seeks to create shareholder value through the exploration and development of projects worldwide. The Company is focusing on low-risk Canadian hydrocarbon production to generate cash flow while also pursuing, on a selective basis, international projects. It holds various participating interests in oil and gas exploration and production projects in Canada.

In May 2009, Forest Gate announced that it has entered into an agreement to acquire, subject to certain conditions, 90% of all of the issued and outstanding shares of Atlantis Deepwater Production, Inc. and of Impact Exploration & Production, LLC, of Houston, Texas. In consideration, Forest Gate would issue a certain number of common shares from its share capital so that the sellers, as a whole, would own 50% of Forest Gate's outstanding common shares upon completion of the transaction but before taking into account a concurrent financing. Concurrently with the completion of this transaction, Forest Gate announced it expects to close a non-brokered private placement financing whereby it intends to raise between \$500,000 and \$2.5 million under existing market terms and conditions and consolidate its common shares on a 10 for 1 basis.

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

Atlantis has signed an agreement on February 26, 2009 with a third party, enabling it to acquire interests ranging from 57.3% to 100% in the High Island 98-L (HI-98L) project located in Gulf of Mexico off the coast of Texas. According to Atlantis, HI-98L produced 600 barrels of oil per day before being shut-in in September 2008. HI-98L currently consists of five well bores and a single processing platform with multiple primary separation and measurement components, secondary processing facilities, and sales measurement readings. All hydrocarbons are transported by a single 8 inch multiphase pipeline and routed 6 miles to the terminal facility for separation, treatment and sales. Five wells have been drilled and completed with two wells capable of immediate production. According to Atlantis, production could re-commence at HI-98L as early as August with optimization and acceleration possible. The HI-98L field is located in 40 feet of water and encompasses multiple state leases on High Island 98L and a federal lease on the opposite side of the 3 league line in the same block.

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 a 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.

Pricing

Crude oil prices continued to fall as WTI reached a low of US\$33.98 per Bbl during the first quarter. WTI averaged US\$43.08 per Bbl in the first quarter of 2009 compared to US\$97.70 per Bbl in the first quarter of 2008, a 56 percent decrease. Edmonton Par averaged \$49.65 per Bbl in the first quarter of 2009, as compared to \$98.61 per Bbl in the first quarter of 2008, a 50 percent decrease. The decline in the price of crude oil has continued as a result of market reaction to a global economic slowdown. It is expected that the price of crude oil and the Canadian dollar will remain volatile in the near term. Natural gas prices averaged \$4.71 per Mcf for AECO daily spot, and US\$4.58 per Mmbtu for NYMEX daily gas in the first quarter of 2009. In the first quarter of 2008, natural gas prices averaged \$7.86 per Mcf for AECO daily spot and US\$7.16 per Mmbtu for NYMEX daily gas. 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. More recently, significant declines in North American industrial demand have resulted in a negative price trend for North American natural gas.

Results of Operations

For the three months ended March 31, 2009 Forest Gate reported oil and gas revenue of \$49,910 less royalties of \$7,588 and operating expenses of \$35,734. There were no petroleum revenues in the same period last year. Results were negatively affected by lower prices for oil and gas sales and lower oil production due to equipment breakdown at Ferrybank.

Forest Gate incurred a net loss from continuing operations of \$271,963 (0.00191 per share) in the 3 months ended March 31, 2009. The net loss for the first quarter of 2008 was \$390,590 (\$0.00319 per share).

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

Periods ended	Three months ended March 31,	
	2009	2008
	\$	\$
Revenues		
Petroleum & natural gas revenue,	49,910	
Royalties	(7,588)	-
Interest & other income <i>[note 13]</i>	1,586	4,199
	43,908	4,199
Expenses		
Operating Expenses	35,734	-
Salaries and levies	106,461	127,987
Value of stock option granted <i>[note 9 (b)]</i>	18,810	54,731
Professional & consulting fees	37,588	147,245
General and administration expenses	63,072	83,236
Corporate marketing & business development	17,803	132,545
Financial charges	62	270
Accretion of asset retirement obligation	1,563	-
Depletion	31,654	-
Depreciation of property & equipment	3,349	3,349
	316,095	549,363
Loss before write-down, income taxes	272,188	545,164
Write-down (recovery) of mining properties and deferred exploration costs	(225)	7,405
Loss before income taxes	271,963	552,569
Future income taxes recovered	-	(161,979)
Net loss	271,963	390,590

In the first quarter of 2009, there was no amount recorded for future income taxes. An amount for future income taxes recovery of \$161,979 was recorded during 2008. The Company has recorded a share issue cost to account for the future tax cost of the exploration expenses it has renounced on the flow-through shares issued. This amount has been charged to share capital.

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.

For the three months ended March 31, 2009, Forest Gate incurred total expenses from continuing operations of \$316,095 compared with \$549,363 in the same period in 2008. The decrease in total expenses resulted mainly from lower professional and consulting and lower corporate marketing and business development expenses. Expenses in 2008 were higher due to efforts expended on Celtic Sea drilling work

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

		Net loss Net (earnings) Unaudited \$	Per weighted average number of Shares outstanding \$
2009	First quarter	271,963	0.00191
2008	Fourth quarter	1,034,648	0.00727
	Third quarter	8,453,070	0.06503
	Second quarter	465,822	0.00365
	First quarter	390,590	0.00325
2007	Fourth quarter	609,205	0.00528
	Third quarter	572,580	0.00621
	Second quarter	632,207	0.00767
	First quarter	572,171	0.00719

Oil and Gas Participating Interest

Forest Gate currently owns a number of participating interests in oil and gas production in Canada. As of March 31, 2009, the total participating interests and deferred exploration and development costs in oil and gas exploration, net of depletion and write-offs, were \$803,726 compared to \$758,566 as at December 31, 2008. The increase was due mainly to the acquisition of the Bakken property in Saskatchewan.

The Company's reserves were evaluated by AJM Petroleum Consultants ("AJM") as at December 31, 2008. Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others. Net reserves are the total of the Company's working interest reserves after deducting the amounts attributable to royalties owned by others.

	Gross Reserves			Net Reserves		
	Light and Medium Crude Oil Mbbbls	Natural Gas Mmcft	Oil Equivalent Mbbl	Light and Medium Crude Oil Mbbbls	Natural Gas Mmcft	Oil Equivalent Mbbl
Proved Developed Producing	3.3	52.1	12.0	2.2	37.8	8.5
Proved Developed Non-Producing	0.0	0.0	0.0	0.0	0.0	0.0
Proved Undeveloped	0.0	107.2	17.9	0.0	93.0	15.5
Total Proved	3.3	159.3	29.9	2.2	130.8	24.0
Probable	2.1	22.4	5.8	1.4	18.8	4.5
Total Proved plus Probable	5.4	181.7	35.7	3.6	149.6	28.5

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

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 acquired a license targeting Bakken Formation hydrocarbons in South Eastern Saskatchewan. The terms of the lease allow Forest Gate to undertake oil and gas exploration, development and production on two-quarter sections (320 acres), near the town of Estevan, Saskatchewan.

Other Properties

Saskatchewan Mining Exploration Properties

Forest Gate 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, 2008, total mining properties and deferred exploration costs were written down to \$1,000,000 (December 31, 2007 - \$3,083,220).

Liquidity, Financing and Capital Resources

Cash and cash equivalents as at March 31, 2009 totalled \$333,644 compared to \$631,749 at December 31, 2008.

Issue of Equity

The Company did not issue additional share capital during the first quarter of 2009.

Share Capital

The weighted average number of shares issued and outstanding as at March 31, 2009 is 142,322,333 unchanged from December 31, 2008. As at May 29, 2009, 142,322,333 shares were issued and outstanding.

Disclosure Controls, Procedures and Internal Controls

We evaluated our disclosure controls and procedures as defined in the rules under the Canadian Securities Administrators. The Board of Director's duties include the assessment of the integrity of the Company's internal control and information system. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

As of December 31, 2008 we believe that our internal control systems at Forest Gate are sufficient to execute our business plan and to provide meaningful results upon which to manage our business. No changes were made in our internal control systems during the fiscal year that have materially affected our financial reporting and controls.

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. The recoverability of capitalized costs in relation to its oil and gas developments is dependent on the ability of the company to successfully operate the wells. The company's ability to continue as a going concern 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. 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: substantial 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 exchange: 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.

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

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.

ACCOUNTING CHANGES AND NEW PRONOUNCEMENTS

Changes in Accounting Policies

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs" which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

Goodwill and intangible assets

Section 3064, "Goodwill and Intangible Assets", replaces "Goodwill and Other Intangible Assets", section 3062, and "Research and Development Costs", section 3450. This new section establishes standards for 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 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.

The adoption of this standard had no impact on the Company's presentation of its financial position or the results of operations as at March 31, 2009.

New Accounting Pronouncements

Business combinations, Consolidated financial statements and Non-controlling interests

In January 2009, the Accounting Standards Board issued 3 new accounting standards: Section 1582 "Business Combinations"; Section 1601 "Consolidated Financial Statements"; and Section 1602 "Non-Controlling Interests". Section 1582 provides the Canadian equivalent to "International Financial Reporting Standard IFRS 3 Business Combinations". These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these new sections on its consolidated financial statements presentation. In the event that the Company would have a business combination prior to January 1, 2011, the Company would adopt Section 1582 in the year of acquisition, and also 1601 and 1602, prospectively as permitted by the new accounting standards.

Forest Gate Resources Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2009

Convergence with International Financial Reporting Standards:

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal year beginning on January 1, 2011.

As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date of these financial statements, it is premature to currently assess the impact of the Canadian initiative on the company.

Signed: "Michael Judson"

Michael Judson
President and Chief Executive Officer
Forest Gate Resources Inc.
May 28, 2009,
Montreal, Quebec