Forest Gate Energy Inc.
Management's Discussion and Analysis

For the quarter ended June 30, 2009

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 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 August 28, 2009. The Company's shares began trading under the symbol "FGE" on the TSX Venture Exchange on June 30, 2009. The Company previously traded under the symbol "FGT". 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.

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 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. Drilling was successful at Kelsey and this gas well was tied-in in the first quarter of 2009.

Pricing

Crude oil prices decreased in the second quarter of 2009 as compared to 2008 as Edmonton Par averaged $65.90 per Bbl in the second quarter of 2009, as compared to $126.51 per Bbl in the second quarter of 2008, a 48 percent decrease. The price of crude oil continued to be volatile in the second quarter of 2009, a result of uncertainty around future worldwide economic conditions. Natural gas prices averaged $3.29 per Mcf for AECO daily spot, $3.66 per Mcf for AECO monthly, and US$3.70 per Mmbtu for NYMEX daily gas in the second quarter of 2009. In the second quarter of 2008, natural gas prices averaged $9.70 per Mcf for AECO daily spot, $9.72 per Mcf for AECO monthly, and US$11.36 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. Continued uncertainty around North American industrial demand has resulted in a continued negative price trend for North American natural gas.

Results of Operations

For the three months ended June 30, 2009 Forest Gate reported higher oil and gas production however lower revenues due to the sharp decline in price received. Revenue amounted to $82,180 (2008 - $163,868) less royalties of $13,644 (2008 - $27,141) and operating expenses of $36,910 (2008 - $35,601). For the 6 month period ended June 30, 2009 reported oil and gas revenue of $132,091 (2008 - $163,868) less royalties of $21,232 (2008 - $27,141) and operating expenses of $72,643 (2008 - $35,601). Initial production began in the second quarter of 2008. Revenues and royalties are directly related to the prices received by the Company. Results were negatively affected by lower prices for oil and gas.

Forest Gate incurred a net loss of $413,944 (0.02909 per share) in the 3 months ended June 30, 2009. The net loss for the second quarter of 2008 was $465,822 ($0.03605 per share). For the 6 months ended June 30, 2009 the Company had a net loss of $685,907 (0.04819 per share) (June 30, 2008 - $856,412 (0.06921 per share)).

Periods ended	Three months 2009 $	Three months 2008 $	Six months 2009 $	Six months 2008 $
Revenues				
Petroleum & natural gas revenue,	**82,180**	163,868	**132,091**	163,868
Royalties	**(13,644)**	(27,141)	**(21,232)**	(27,141)
Interest & other income	**297**	4,613	**1,882**	8,812
	68,833	141,340	**112,741**	145,539
Expenses				
Operating Expenses	**36,910**	35,601	**72,643**	35,601
Salaries and levies	**42,459**	128,868	**148,920**	256,855
Value of stock option granted *[note 9 (b)]*	**4,534**	48,862	**23,344**	103,593
Professional & consulting fees	**69,715**	99,909	**107,307**	247,154
General and administration expenses	**75,244**	73,809	**138,316**	157,045
Corporate marketing & business development	**207,367**	63,280	**225,170**	195,825
Financial charges	**3,804**	14,365	**3,863**	14,635
Accretion of asset retirement obligation	**1,716**	-	**3,279**	-
Depletion	**37,747**	-	**69,401**	-
Depreciation of property & equipment	**3,349**	3,349	**6,698**	6,698
	482,845	468,043	**798,940**	1,017,406
Loss before write-down, income taxes	**414,012**	326,703	**686,200**	871,867
Write-down (recovery) of mining properties and deferred exploration costs	**(68)**	-	**(293)**	-
Loss before income taxes and discontinued operations	**413,944**	326,703	**685,907**	871,867
Future income taxes current (recovered)	**-**	132,864	**-**	(29,115)
Net loss from discontinued operations	**-**	6,255	**-**	13,660
Net loss	**413,944**	465,822	**685,907**	856,412

In the first half of 2009, there was no amount recorded for future income taxes. An amount for future income taxes recovery of $132,864 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 June 30, 2009, Forest Gate incurred total expenses from continuing operations of $482,845 compared with $468,043 in the same period in 2008. Salaries expenses have been declined through headcount reductions. The main increases in expenses were from higher professional and consulting and higher corporate marketing and business development expenses related to the abandoned Texas High Island venture and the commencement of depletion expenses.

For the six months ended June 30, 2009, expenses from continuing operations totalled $798,940 compared with $1,017,406 in the same period in 2008. Operating expenses represent 6 months of operations in 2009. Petroleum operations only began in the second quarter of 2008. Only corporate marketing and business development expenses, mainly related to the abandoned Texas High Island venture, were higher.

		Net loss **Net (earnings)** Unaudited **$**	**Per weighted average number of Shares outstanding** **$**
2009	Second quarter	413,944	0.02909
	First quarter	271,963	0.01911
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	0.00327
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 June 30, 2009, the total participating interests and deferred exploration and development costs in oil and gas exploration, net of depletion and write-offs, were $773,971 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 Mbbls	Natural Gas Mmcf	Oil Equivalent Mbbl	Light and Medium Crude Oil Mbbls	Natural Gas Mmcf	Oil Equivalent Mbbl
Proved Developed Producing	3.3	52.1	12.0	2.2	37.8	8.5
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

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 June 30, 2009 totalled $58,686 compared to $631,749 at December 31, 2008.

Issue of Equity

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

Share Capital

The weighted average number of shares issued and outstanding as at June 30, 2009 is 14,232,233 unchanged from December 31, 2008. This reflects the 1 for ten share consolidation which took place on June 30, 2009.

On July 16, 2009, Forest Gate completed a non-brokered private placement and issued 1,016,500 Units at a price of $0.15 per Unit, for total gross proceeds of $152,475. Each Unit ("Unit") consists of one common share ("Share") and one common share purchase warrant ("Warrant") allowing the holder to subscribe for one Share at a price of $0.20 for a period of two years from the subscription date. The Units are subject to a four-month hold period. Forest Gate paid $7,073 in commissions and finder's fees, and issued 47,150 Broker Warrants in connection with this private placement, in accordance with the rules and regulations of the TSXV.

As at August 27, 2009, 15,248,733 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.

As of June 30, 2009 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 period 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: 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 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.

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 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 June 30, 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 June 30, 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.

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.
August 28, 2009,
Montreal, Quebec