

## **Management's Discussion and Analysis**

*March 31, 2005*

Forest Gate Resources Inc. is a mineral exploration company with properties located in Saskatchewan and New Brunswick. The business of the company consists of the acquisition, exploration and development (if warranted) of the properties in which it holds an interest. The principal natural resources being targeted by the company are diamonds, gold, silver and base metals. This discussion and analysis of the Company should be read in conjunction with the accompanying consolidated financial statements and related notes. This financial information was prepared in accordance with generally accepted Canadian accounting principles. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

### **Results of operations**

For the period ended March 31, 2005, the Company incurred a net loss of \$299,962 (\$0.010 per share) compared to a net loss of \$168,552 (\$0.008 per share) for the same period last year. During the period the Company invested \$12,172 in exploration.

### **General and administrative expenses**

General and administrative expenses increased from \$172,382 for the same period last year to \$303,688 for this period. This increase is a reflection of an increase in corporate activities and salaries, filing fees and investor relations activities.

### **Mining Properties**

The Company has two main areas of interest. The Company holds a 100% interest in the East Side diamond property near Prince Albert, Saskatchewan and has staked the South Side property for additional exploration. It also holds a 100% interest in the California Lake silver property, Rio Road Gold property and Canoe Landing Lake Polymetallic deposit all situated near Bathurst, New Brunswick.

### **Exploration and development programs**

The Company invested \$12,172 during the period in exploration work. This consisted of the preparation of work reports. The Company spent most of its energies and resources on a private placement of shares that it completed on March 30, 2005.

During the next quarter, the Company plans to drill its 1,024-hectare East Side Property, which hosts the Dizzy kimberlite pipe and is strategically located along the eastern flank of the Fort a la Corne kimberlite field. The Dizzy pipe is situated just 4 kilometers northeast of the DeBeers-Kensington 140-141 kimberlite complex and only 6 kilometers north of Shore Gold's Star kimberlite pipe. The Company will also execute geophysical surveys on its East Side and South Side diamond properties. Fugro Airborne Surveys has been engaged to fly a magnetic and electromagnetic survey on 300-meter line spacing on the Company's South Side Property and 75-meter line spacing on the Company's East Side Property.

No exploration work is planned for the Company's New Brunswick properties during the next quarter.

During the next quarter, the Company plans to transfer, through a Plan of Arrangement under the Canada Business Corporations Act, a Letter of Intent it has with Breakwater Resources Ltd, Toronto, to purchase Breakwater's Caribou and Restigouche mines, to Blue Note Metals Inc., a wholly owned subsidiary of Forest Gate. The Company also plans to transfer its ownership of the Canoe Landing Lake polymetallic deposit, the California Lake silver property and the Rio Road gold property to Blue Note Metals Inc.

Pursuant to the Arrangement, each issued and outstanding common share of the Company will be exchanged for one new common share and 0.1168 of a reorganization share of the Company, all the reorganization shares will be transferred by shareholders to subsidiary, Blue Note Metals Inc., in exchange for one common share of Blue Note to be issued to shareholders by Blue Note for each reorganization

share, and the Company will redeem all of the reorganization shares by the transfer to Blue Note of its New Brunswick mineral properties, its Letter of Intent with Breakwater Resources Ltd., and an amount of working capital.

The Company's Saskatchewan diamond properties and the balance of its working capital will remain with the Company. As a result of these steps, upon completion of the Arrangement holders of common shares of the Company will end up holding commons shares in both the Company and Blue Note.

Details on this transaction can be obtained in the Company's Management Information Circular dated April 15, 2005 and can be viewed via [www.sedar.com](http://www.sedar.com).

In a subsequent event at the Company's Annual General and Special General Shareholder's meeting held May 25, 2005, shareholders passed a resolution approving the Arrangement to transfer ownership of the New Brunswick metals properties to Blue Note Metals Inc. and to spin off Blue Note Metals as a separate company.

Blue Note Metals is presently in the process of seeking a separate listing on the TSX Venture Exchange.

### **Financing**

March 30, 2005, Forest Gate completed a private placement for gross proceeds of \$6,500,000. The issue included a total of 20,000,000 units at \$0.25, each unit consisting of a common share and a half warrant exercisable at \$0.35 for two years generating proceeds of \$5 million, and the issuance of 5,000,000 flow-through units at \$0.30, each unit consisting of a flow-through share and a half warrant exercisable at \$0.40 per share for two years.

Northern Securities was paid a commission of 10% of the gross proceeds of the offering and was granted broker warrants to acquire 2,500,000 Units. The broker warrants are exercisable at \$0.25 per Unit for a period of two years.

Between January 1, 2005 and March 31, 2005, the Company issued approximately 9,189,903 common shares further to the exercise of approximately the same number of warrants and options generating proceeds of approximately \$1,471,819. The total number of shares in circulation on March 31, 2005 are 61,034,537.

At March 31, 2005, the Company had cash resources of \$7.3 million. This cash position enables the Company to execute its planned exploration program.

Detailed information with respect to the company's operations can be obtained via [www.sedar.com](http://www.sedar.com).

### **Risk factors**

All of the resource properties of the Company are at an exploration stage only and are without a known body of commercial ore or minerals. Mineral exploration and development involves a high degree of risk. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration and subsequent evaluation programs, which may be affected by a number of factors. These include the particular attributes of mineral deposits, including the quantity and quality of the ore, the cost to develop infrastructure for extraction, the financing cost, the rough diamond and metals prices, as well as the competitive nature of the industry. The effects of these factors cannot be accurately predicted, but any combination of them may result in the Company not receiving an adequate return on invested capital. Substantial expenditures are required for exploration programs and the development of reserves. In the absence of 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.

*Signed: "Michael Judson"*

Michael Judson

President and Chief Executive Officer

Forest Gate Resources Inc.

May 27, 2005

Westmount, Quebec