Management's Discussion and Analysis

For the quarter ended March 31, 2007

This Management's Discussion and Analysis (MD&A) is designed to provide investors with informed communication of the Company's operations, performance and financial condition for the quarter ended March 31, 2007 and compares the actual financial results with those of 2006 for the same period. The MD&A also presents an outlook and expectations for months to come, as well as issues and risks that may have an impact on our future performance. It is intended to supplement the financial information and should be read in conjunction with our unaudited financial statements and related notes. This MD&A was prepared as at May 30, 2007.

We report our financial statements under Canadian Generally Accepted Accounting Principles (GAAP). All references to dollar amounts are in Canadian dollars unless otherwise indicated.

The Company's shares trade under the symbol FGT on the TSX Venture Exchange. Additional information relating to our Company is available on SEDAR at www.sedar.com.

Caution regarding forward-looking information

Certain information in this MD&A includes forward-looking statements about our corporate direction and financial objectives that are subject to important risks, uncertainties and assumptions. 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, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions.

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.

Our business

Forest Gate Resources is an international oil and gas exploration company. The Company is seeking to increase shareholder value through participation and development of oil & gas exploration and production projects in Ireland and Canada.

Historically, the Company has worked in mineral exploration and with the identification of new opportunities in this quarter, has decided to change its strategic orientation into oil and gas exploration.

Forest Gate Resources enters oil and gas exploration in the Celtic Sea, Ireland

In a news release dated February 22, 2007, Forest Gate Resources announced that it has entered into an agreement to acquire a 15% working interest in two licenses for an offshore international oil and gas prospect in the Celtic Sea located off the south coast of Ireland.

The project operator is Providence Resources P.L.C. headquartered in Dublin, Ireland. Providence is involved in petroleum exploration licenses in Ireland, the United Kingdom, West Africa and the Gulf of Mexico and is listed on the AIM Exchange (London) and IEX Exchange (Dublin).

Providence is the oil and gas exploration vehicle of Sir Anthony O'Reilly, one of Europe's leading industrialists. Sir Anthony has been a leading investor in offshore Ireland oil and gas since 1981.

Management believes that this is a breakthrough deal for shareholders and that the Celtic Sea has significant upside potential for oil and gas reserves.

Results of operations

For the quarter ended March 31, 2007, the Company incurred a net loss of $572,171 ($0.00719 per share) compared to net earnings of $590,466 ($0.00812 per share) for the quarter ended March 31, 2006.

The loss, for the first quarter 2007, before loss on investments ($50,961), the write-down ($26,599) and future income taxes recovered ($266,387) is $760,998 compared to $386,144 same quarter last year.

A loss on investment has been recorded for a net amount of $50,961. The result is the selling of shares invested in a mining exploration company during the first quarter.

The actual loss includes a $26,599 write-down on property claim expenses and deferred exploration costs. The Company has decided to expand its business into oil and gas exploration. It is currently evaluating strategic options for its mining properties including further exploration, sale of properties and exploitation partnerships. Although management believes that the carried amount of these assets can be realized a partial write-down has been recorded, nonetheless.

An amount for future income taxes recovered of $266,387 has been recorded during the period compared to $976,610 for same quarter in 2006 and explains the net earning position of last year for the same quarter.

General & Administrative Expenses

Forest Gate Resources incurred total expenses of $792,092 in the quarter ended March 31, 2007 compared to $435,888 for the same period last year. This increase is a reflection of the necessary investment in consulting fees, travel expenses, corporate marketing and business development to expand into oil and gas industry. All disbursements have been expensed during the first quarter and we do not anticipate any special or additional investments in the months to come.

Other expenses consist primarily of salaries, professional and consulting fees, office expenses, travel and marketing expenses, and expenses relating to the regular business development of the Company.

Selected Quarterly Information

	Net Loss $ **Net (earnings) $**	**Per weighted average number of shares outstanding**
2007		
First Quarter	572,171	0.00719
2006		
Fourth Quarter	3,344,949	0.04243
Third Quarter	298,494	0.00380
Second Quarter	334,526	0.00452
First Quarter	(590,466)	(0.00812)
2005		
Fourth Quarter	350,992	0.00501
Third Quarter	700,307	0.01133
Second Quarter	340,051	0.00552
First Quarter	299,962	0.01023

Oil and gas Properties

In February 2007, the Company reported that it has entered into an Agreement to acquire a 15% working interest in an off-shore international oil and gas prospect in the Celtic Sea located off the south coast of Ireland. The 15% working interest was held by a private Calgary based international oil and gas company called Arriba Capital Corporation Inc. The project operator is Providence Resources P.L.C. with headquarters in Dublin, Ireland. Providence is involved in petroleum exploration licenses in Ireland, UK, West Africa and the Gulf of Mexico.

In March 2007, Forest Gate Resources received final TSX Venture Exchange approval for its transaction. Under the terms of the Agreement and after regulatory approval, the Company paid 3,600,000 common shares of Forest Gate Resources ($0.17 per share) to Arriba principals and entered into consulting agreements and granted one million options to them. As part of the Agreement, the Company paid 586,104 euros ($902,249) to Providence for outstanding cash calls on work already performed. The cash call for the first quarter 2007 was accrued for 640,650 euros ($997,427) and paid to the project operator on April 4, 2007. Forest Gate Resources will cover their 15% participating interest share of all future commitments including this summer drilling program.

At the end of March 2007, the Irish Minister for Communications, Marine and Natural Resources has approved the granting of a new Petroleum Exploration License to Providence and its existing partners including Forest Gate Resources. Successful conclusions were also reported by the Ocean Bottom Seismic Survey on potential presence of additional hydrocarbons and gas chimney in the prospect area tested.

In order to maintain its 15% working interest, Forest Gate Resources is required to fulfill its financial obligations through cash calls. Although management is confident that it can raise the required funds, there can be no assurances as capital market conditions and other unforeseeable events may impact the Company's ability to finance and develop its projects.

Other Properties

Forest Gate Resources also owns a number of diamond properties in Saskatchewan.

As of March 31, 2007, total mining properties and deferred exploration costs were $3,052,711, compared to $3,042,149 as at last year.

The Company invested $37,161 before tax credits and government assistance and disposals during the first quarter of 2007 in its total diamond exploration programs, $15,291 in Saskatchewan and $21,870 in Quebec. Tax credits and government assistance at March 31, 2007 is $988,486 and total write-down provision is $2,498,461.

Saskatchewan Properties

The Company holds a 100% interest in the East Side, West Side and South Side diamond exploration properties located near Prince Albert, Saskatchewan. The Fort a la Corne area, located 50 km northeast of Prince Albert, is host to the largest diamondiferous kimberlite pipes in the world. This year approximately $100 million will be spent on exploration in that area and Forest Gate Resources has key strategic properties located on the eastern and western flanks of this field.

The total investment thus far in Saskatchewan is $4,094,850 of which $1,895,017 has been invested on the East Side Property, $1,157,694 on the West Side Property, and $1,042,139 on the South Side Property. While management believes that the carried amount of these assets in Saskatchewan can be realized through operation or by way of opportunities with other partners in the industry, a complete write-down for the South Side Property investment has been recorded at the end of fiscal year 2006 ($1,037,410) and the additional expenses incurred at March 31, 2007 of $4,729 were also written-off. This is considered to be appropriate given the strategic orientation to direct current resources to oil and gas exploration.

Quebec property

The Company had an agreement with Majescor Resources Inc. ("Majescor") towards a joint venture on Majescor's Portage diamond property situated in the Otish Mountain region of northern Quebec.

On May 7, 2007, the Company announced that it has terminated its joint venture with Majescor, thereby relinquishing its participation in exploring the Portage property in Quebec. This strategy is consistent with Forest Gate's recent expansion to international oil and gas exploration.

As at March 31, 2007, the Company has invested $2,327,030 before tax credits and government assistance of $870,708 in the Portage property. A write-down for the whole Portage property investment has been recorded in the last quarter of fiscal year 2006 ($1,434,452) and an additional amount was recorded for $21,870 at March 31, 2007.

Liquidity, Financing and Capital Resources

Cash and cash equivalents at March 31, 2007 totaled $1.9 million, which compares with $3.2 million at December 31, 2006 and $4.7 million at March 31, 2006.

This period's change in short term assets include a payable to Providence for cash call first quarter 2007 of $997,427 paid on April 4, 2007. Total investment for oil and gas properties and deferred exploration costs is $2,511,676 for this period ended March 31, 2007.

Accounts receivable are comprised of accrued income receivable for bank interest ($2,125), amounts receivable from Blue Note Mining ($115,545) reimbursed on monthly basis and taxes receivables for GST, HST and QST ($226,287).

The total interest received in this quarter is $30,739 compared to $139,381 same quarter last year. The variance comes from short term investment (GIC) in March 31, 2006 for $4,324,000 converted into cash during last quarter of fiscal year 2006.

Capital expenditures (CAPEX) for this three months period are $7,024 for computer and office equipment.

The Company completed its acquisition of the 15% working interest in off-shore international oil and gas prospect in the Celtic Sea. As consideration paid on the transaction, the Company issued 3,600,000 common shares for a value of $612,000. The fair value of the common shares was based on the fair market value prevailing at the negotiation date. Each common share issued with this transaction has a fair value of $0.17.

The Company has recorded an additional share issue cost of $387,758 to account for the future tax cost of the exploration costs it has renounced in March 2007 on the flow-through shares issued in 2006. The amount has been charged to share capital.

Forest Gate Resources does not have any long term debt. Accounts payable and accrued liabilities are related to services or goods rendered as March 31, 2007 from suppliers on basic operating activities. All of them are current and due 30 days from invoice date and the Company uses all cash discounts when available.

The number of shares issued & outstanding as at March 31, 2007 is 82,426,157 compared to 78,826,157 as December 31, 2006. As of May 30, 2007, there were 82,426,157 shares 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. Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective.

As of March 31, 2007 we believe that our internal control systems at Forest Gate Resources 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.

Risk factors

All of the resource properties and its oil and gas interest of the Company are at an exploration stage only and are without a known body of commercial ore, minerals, or reserves. Mineral exploration and development, along with oil and gas exploration, 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 30, 2007
Montreal, Quebec