Forest Gate Resources Inc.
Management's Discussion and Analysis

For the year ended December 31, 2007

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 audited financial statements and related notes thereto for the year ended December 31, 2007 and 2006. 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 14, 2008. 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 a Canadian-based international oil exploration and production company. It holds various participating interests in oil and gas exploration and production projects in Ireland and Canada. The Company is seeking to increase shareholder value through participation and development of international oil and gas exploration and production projects.

Historically, the Company has worked in mineral exploration and with the identification of new opportunities decided to change its strategic orientation towards oil and gas exploration. In February 2007, Forest Gate entered into an agreement to acquire a working interest in two licenses in an offshore international oil and gas prospect in the Celtic Sea located off the south coast of Ireland. In November 2007, the Company entered into a joint venture agreement in a coalbed methane project. Leases have been acquired by the consortium and four coalbed methane (CBM) test wells were drilled in the Nevis area, located in Central Alberta.

Forest Gate's strategy is to be a significant international player and investor in the oil and gas industry. Management's goal is to maximize shareholder value by seeking and participating in what management believes are undervalued oil and gas projects.

Results of Operations

For the year ended December 31, 2007, Forest Gate incurred a net loss of $2,386,163 ($0.02579 per share) when compared to a net loss of $3,387,503 ($0.04454 per share) for the year ended December 31, 2006.

	2007 $	2006 $
Revenues	(45 090)	(157 729)
Expenses	2 169 279	1 661 900
Loss from continuing operations	2 124 189	1 504 171
Unrealized loss on short term investments	-	43 655
Write-down of mining properties and deferred exploration costs	-	2 471 862
Loss before income taxes and discontinued operations	2 124 189	4 019 688
Future income taxes recovered	(341 829)	(632 185)
Net loss from continuing operations	1 782 360	3 387 503
Net loss from discontinued operations	603 803	-
Net loss	**2 386 163**	**3 387 503**

The loss before write-down, income taxes and discontinued operations for fiscal year 2007 is $2,124,189 if compared to a loss of $1,504,171 in 2006. The $2,386,163 net loss in 2007 includes a $603,803 (2006 - $0) net loss from discontinued operations for the mining exploration business. The Company has decided to expand its business into oil and gas exploration and is currently evaluating strategic options to sell its mining properties.

	2007 $
Revenues	(3 452)
Salaries and levies	60 727
Professional and consulting fees	123 464
General and administration expenses	59 166
Registration and filing fees	158
Corporate marketing and business development	76 937
Loss on short term investments	50 961
Write-down of mining properties and deferred exploration costs	235 842
	607 255
Loss from discontinued operations	**603 803**

An amount for future income taxes recovered of $341,829 (2006 – $632,185) has been recorded during the year 2007. The Company has recorded a share issue cost to account for the future tax cost of the exploration expenses it has renounced in March 2007 on the flow-through shares issued in 2006. This amount has been charged to share capital.

Expenses

Forest Gate incurred total expenses from continuing operations of $2,169,279 in fiscal year 2007 compared to $1,661,900 in fiscal year 2006. This increase is a reflection of the investment required to expand into the oil and gas industry.

	2007 $	**2006** $
First quarter	792 092	435 888
Second quarter	589 210	378 407
Third quarter	595 779	334 584
Fourth quarter	512 650	513 021
Less: discontinued operations expenses	(320 452)	-
	2 169 279	**1 661 900**

For the last quarter ended December 31, 2007, the Company incurred total expenses of $512,650, compared to $513,021 in last quarter 2006. An amount of $320,452 has been recorded under net loss from discontinued operations in the fourth quarter related to the mining exploration business discontinued operations.

Expenses consist primarily of salaries, professional and consulting fees, general and administration fees and expenses relating to the business development of the Company.

Selected Quarterly Information

For the last quarter ended December 31, 2007, the Company incurred a net loss of $609,205 ($0.00528 per share) compared to a net loss of $3,344,949 ($0.04243 per share) for the same period last year.

		Net loss Net (earnings) $	**Per weighted average number of shares outstanding** $
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
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 Participating Interest

Forest Gate owns a number of participating interests in oil and gas exploration in Ireland and Canada. As of December 31, 2007, total participating interests and deferred exploration costs in oil and gas exploration were $6,479,339 compared to nil as at December 31, 2006.

	Participating Interest $	Deferred exploration costs $	2007 Net $
Ireland - Celtic Sea	612 000	5 474 346	**6 086 346**
Canada - Alberta	-	392 993	**392 993**
	612 000	**5 867 339**	**6 479 339**

Ireland - Celtic Sea

In February 2007, Forest Gate reported that it had entered into an Agreement to acquire a 15% working interest in an offshore 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 energy company called Arriba Capital Corporation Inc. ("Arriba"). The project operator is Providence Resources P.L.C. ("Providence") with headquarters 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).

In March 2007, Forest Gate 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 ($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 Irish Minister for Communications, Marine and Natural Resources had approved the granting of a new Petroleum Exploration License to Providence and its existing partners including Forest Gate. 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 July 2007, it was announced that Forest Gate had signed, on June 29, 2007, a Joint Operating Agreement ("JOA") with its Celtic Sea consortium partners regarding its upcoming oil and gas drilling program off the coast of Southern Ireland.

In September 2007, the Company reported that it had forfeited 7.5% of its 15% interest in the JOA.

In October 2007, Forest Gate reported that, in accordance with the JOA dated June 29, 2007, it had been issued a Notice of Default for inability to pay its September 2007 cash call within a specific period of time from Operator, Providence. Forest Gate also reported later that month that in accordance with the JOA it had remedied the Notice of Default and still owned a 7.5% interest in the JOA.

The Company, together with its Celtic Sea partners, reported also in October 2007, that the appraisal well on its Hook Head field showed a significant oil accumulation and a high quality reservoir. The well has now been suspended for future re-entry and potential production.

In February 2008, Forest Gate confirmed that it has secured a semi-submersible rig for a drilling campaign in the Celtic Sea during the summer of 2008. This follows the announcement confirming the presence of a significant oil accumulation at the Hook Head structure with the drilling of the appraisal well. The success of Hook Head would justify economic development of the additional Celtic Sea fields.

Canada - Alberta

In November 2007, Forest Gate reported that it had entered into a joint venture agreement with Emerald Bay Energy Inc. ("Emerald Bay"), based in Calgary, to acquire a working interest in an Alberta property, which potentially hosts natural gas in coal bed methane. Leases have been acquired by the consortium for the drilling of four coal bed methane test wells in the Nevis area, located in Central Alberta. All four wells were drilled by the end of the year 2007. The Company's commitment to the four well drilling program was fully funded.

The project operator is Emerald Bay with headquarters in Calgary, Alberta, with land holdings and operations in Alberta and South Texas. Just Freehold Energy Corporation, Calgary, is another partner in the Consortium.

Partner	Before Payout	After Payout
Emerald Bay Energy	45%	28%
Just Freehold Energy	45%	22%
Forest Gate Resources	10%	5%

In December 2007, Forest Gate reported the drilling of a single well on a potential oil and gas target at Ferrybank with partner Emerald Bay. This represented the second joint venture signed in 2007 with Emerald Bay. The participating interest is 37.5% in the Ferrybank property before payout and an 18.75% interest after payout, subject to gross overriding royalties.

In February 2008, Forest Gate announced that it has discovered crude oil at Ferrybank, Alberta. The discovery well was tested and produced over 92 barrels of crude oil with no water during 13 hours of swabbing. There are no comparable wells in the area, therefore further completion operations are required to determine potential initial production rates.

In February 2008, Forest Gate also announced that the four Nevis methane wells had began producing natural gas at a rate comparable to the average offset well initial daily production rates of between 125 and 400 thousand cubic feet per day. The four wells are flowing natural gas at an initial rate of approximately 450 thousand cubic feet of gas per day. The Company expects this rate to potentially double over the coming months as facilities are optimized. Forest Gate's participating interest in this project is 10% before payout.

In March 2008, Forest Gate reports that it had entered into a third joint venture agreement with Emerald Bay to acquire a 38% working interest in the Kelsey exploration well in Alberta.

Other Properties

Forest Gate also owns a number of diamond properties in Canada. As of December 31, 2007, total mining properties and deferred exploration costs were $3,083,220 and are recorded under "assets of business held for sale" when compared to $3,042,149 as at December 31, 2006.

The Company decided in 2007 to expand its business into oil and gas exploration. It is currently evaluating selling strategic options for its mining properties. Although management believes that the carried amount of these assets can be realized by way of total disposal, the Company formally adopted a plan to divest of its mining operations and focus on oil and gas exploration and operation

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 has key strategic properties located on the eastern and western flanks of this field.

The total investment thus far in Saskatchewan is $4,125,982 of which $3,083,220 are shown as "assets of business held for sale" ($1,921,519 has 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 disposal 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 of $5,352 incurred during 2007 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 had 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 December 31, 2007, the Company has invested $2,435,650 before tax credits and government assistance of $770,708 in the Portage property. A write-down for Portage property investment was recorded in December 2006 ($1,434,452) and the remaining balance was written-off in 2007.

Liquidity, Financing and Capital Resources

Cash and cash equivalents as at December 31, 2007 totaled $892,537, when compared to $3,173,739 at December 31, 2006.

Investments

This periods' change in cash and cash equivalents include the total payments for oil and gas exploration projects to Providence for cash calls of $5,474,346 paid during the year for the Celtic Sea project.

Celtic Sea project	***USD***	***EUROS***	***GBP***	***Equivalent CND***
February 19, 2007		586 104		**902 248**
April 4, 2007		640 650		**997 428**
July 26, 2007	473 172			**500 001**
August 1, 2007	358 866			**382 372**
August 27, 2007		11 298		**16 495**
September 11, 2007		150 000		**218 400**
September 21, 2007	150 000			**151 125**
September 24, 2007	130 350		215 476	**570 578**
October 17, 2007	240 188		240 398	**718 242**
October 19, 2007	396 338		317 718	**1 017 457**
	1 748 914	**1 388 052**	**773 592**	**5 474 346**

It also includes $392,993 to Emerald Bay for the Nevis Area project and the Ferrybank project in Alberta.

November 11, 2007	94 424
December 11, 2007	223 926
December 27, 2007	74 643
	392 993

Issue of Equity

Proceeds from issue of Equity are $4,339,896, from the two Non-Brokered Private Placements completed in 2007.

On August 10, 2007 the Company closed a private placement of 13,544,999 shares at $0.12 per share. The issue generated total gross proceeds of $1,625,400 and net proceeds credited to share capital of $689,607 after payment of share issues costs of $109,871, a stock-based compensation of $766,664 in the form of 13,544,999 warrants to acquire a common share at $0.15 over a period of two years and a stock-based compensation of $59,258 to the agent paid in the form of 915,600 broker warrants to acquire a common share at $0.12 over a period of two years.

On October 18, 2007 the Company closed a private placement of 23,077,414 shares at $0.13 per share. The issue generated total gross proceeds of $3,000,064 and net proceeds credited to share capital of $478,945 after payment of share issues costs of $175,697, a stock-based compensation of $2,202,222 in the form of 23,077,414 warrants to acquire a common share at $0.17 over a period of two years and a stock-based compensation of $143,200 to the agent paid in form in the form of 1,351,517 broker warrants to acquire a common share at $0.13 over a period of two years.

Other activities

The total interest received in 2007 was $45,089 compared to $274,734 for last year. The variance comes from cash used in oil and gas investments during fiscal year 2007. There is $7,025 in capital expenditures (CAPEX) for this year compared to $25,150 in fiscal year 2006.

Forest Gate does not have any long term debt. Accounts payable and accrued liabilities are related to services or goods rendered at December 31, 2007 from suppliers on basic operating activities. All of them are current and due 30 days from invoice date except for those with which we have made a special arrangement. The Company uses all cash discounts when available.

Share Capital

The weighted average number of shares issued and outstanding as at December 31, 2007 is 92,505,887 compared to 76,050,018 as at December 31, 2006. As of December 31, 2007, there were 119,048,570 shares issued and outstanding compared to 78,826,157 as December 31, 2006. As at April 14, 2008, 121,760,570 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 December 31, 2007 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

Exploration and development: all the resource properties and the oil and gas participating interests of the Company are at an exploration stage only and are without a known body of commercial ore, minerals or reserves. 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 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. Forest Gate holds funds in Canadian dollars but a significant amount of its investments and costs are done in US dollars, Euros and British Pounds. The Company does not engage in any hedging activities to mitigate its foreign exchange risk. Material declines in the value of the Canadian dollar vis-à-vis any of the other currencies relevant to the Company's business could have a negative 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.

Signed: "Michael Judson"
Michael Judson
President and Chief Executive Officer
Forest Gate Resources Inc.
April 14, 2008
Montreal, Quebec