

# **Forest Gate Resources Inc.**

## **Interim Financial Statements**

**March 31, 2009**

**(Unaudited)**

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## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2009.

# Forest Gate Resources Inc.

## Balance Sheet (unaudited)

At	March 31, 2009	December 31, 2008 (Audited)
	\$	\$
<b>Assets</b>		
<i>Current assets</i>		
Cash	333,644	631,749
Accounts receivable	136,842	95,896
Prepaid expenses	5,733	11,467
	<b>476,219</b>	739,112
Oil and gas participating interests and deferred exploration costs <i>[note 4]</i>	803,726	758,566
Assets of business held for sale <i>[note 5]</i>	1,000,000	1,000,000
Property and equipment <i>[note 6]</i>	35,004	38,353
	<b>2,314,949</b>	2,536,031
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities <i>[note 7]</i>	631,861	663,494
<i>Long term liabilities</i>		
Asset retirement obligations <i>[note 8]</i>	319,363	317,800
	<b>951,224</b>	981,294
<b>Shareholders' equity <i>[note 9]</i></b>		
Share capital	15,412,376	15,412,376
Warrants	3,891,225	3,891,225
Contributed surplus	1,505,205	1,424,254
Deficit	(19,445,081)	(19,173,118)
	<b>1,363,725</b>	1,554,737
	<b>2,314,949</b>	2,536,031

Contingent liabilities and subsequent events *[notes 15 and 17]*

Approved on behalf of the board:

Signed "Michael C. Judson" \_\_\_\_\_ Director

Signed "Jean Mayer" \_\_\_\_\_ Director

See accompanying notes to financial statements

# Forest Gate Resources Inc.

## Statements of Operations (unaudited)

	Three months ended March 31,	
	2009	2008
	\$	\$
<b>Revenues</b>		
Petroleum & natural gas revenue,	49,910	-
Royalties	(7,588)	-
Interest & other income <i>[note 12]</i>	1,586	4,199
	<b>43,908</b>	<b>4,199</b>
<b>Expenses</b>		
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
	<b>316,096</b>	<b>549,363</b>
<b>Loss before write-down, income taxes and discontinued operations</b>	<b>272,188</b>	<b>545,164</b>
Write-down (recovery) of mining properties & deferred exploration costs <i>[note 10]</i>	(225)	7,405
<b>Loss before income taxes</b>	<b>271,963</b>	<b>552,569</b>
Future income taxes current (recovered)	-	(161,979)
<b>Net loss</b>	<b>271,963</b>	<b>390,590</b>
Deficit at the beginning of period	19,173,118	8,828,988
Deficit at the end of period	19,445,081	9,219,578
Basic and diluted loss per share <i>[note 13]</i>		
continuing operations	\$0.00191	\$0.00319
discontinued operations	\$0.00000	\$0.00006
Weighted average number of shares outstanding	142,322,333	120,002,240

See accompanying notes to financial statements

# Forest Gate Resources Inc.

## Statements of Cash Flows (unaudited)

	Three months ended March 31,	
	2009	2008
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Net loss from continuing operations	(271,963)	(383,185)
<i>Non-cash items:</i>		
Write-down of mining properties and deferred exploration costs		
Future income taxes current (recovered)	-	(161,979)
Accretion of Asset Retirement Obligation	1,563	
Depletion	31,654	
Depreciation of property and equipment	3,349	3,349
Write-down of amount owing to shareholders	62,141	-
Stock based compensation <i>[note 9]</i>	18,810	54,731
Net changes in non-cash working capital items <i>[note 12]</i>	(66,845)	247,845
	<b>(221,291)</b>	<b>(239,239)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issue of equity <i>[note 9]</i>	-	326,955
	-	326,955
<b>Cash flows from (used in) investing activities</b>		
Oil and gas participating interests and deferred exploration costs	(76,814)	(308,896)
	<b>(76,814)</b>	<b>(308,896)</b>
<b>Net increase (decrease) in cash and cash equivalents of continuing operations</b>		
	<b>(298,105)</b>	<b>(221,180)</b>
Cash and cash equivalents provided		
by discontinued operations <i>[note 10]</i>	-	(7,405)
Cash and cash equivalents - beginning of Period	631,749	892,537
<b>Cash and cash equivalents - end of Period</b>	<b>333,644</b>	<b>663,952</b>
<b>Represented by:</b>		
Cash with financial institutions	333,644	663,952

See accompanying notes to financial statements

# Forest Gate Resources Inc.

## Notes to the Financial Statements

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March 31, 2009

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### 1. DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

#### (a) Description of operations

Forest Gate Resources Inc. ("Forest Gate" or the "Company") is incorporated under the Canada Business Corporations Act and is publicly traded on the TSX Venture Exchange under the symbol "FGT". Forest Gate is an international oil exploration and production company.

The Company's operations consist of the exploration and production of oil and gas reserve properties, either directly, through joint ventures or with working interest partners. Recovery of deferred exploration costs and reserve properties depend on the existence of economically recoverable reserves and the Company's ability to obtain financing for its operations and future profitable commercial production.

The Company has put its diamond mining properties in Saskatchewan up for sale, as Forest Gate is no longer a mining exploration company, but an international oil and gas exploration and production company. The mining properties and deferred exploration costs are shown and presented as an asset of business held for sale. Management believes that the carried amount of these assets reflects fair market value of properties and can be realized by way of total disposal.

#### (b) Going Concern Disclosure

These 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. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These 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.

#### (c) Basis of presentation

These unaudited financial statements of the Company are prepared in accordance with Canadian generally accepted accounting procedures ("GAAP") for presentation of interim financial information and in the opinion of management, all adjustments necessary to present fairly the results of operations have been included. All disclosures required for annual financial statements have not been included in these financial statements and therefore these interim statements should be read in conjunction with the Company's 2008 annual audited financial statements. These financial statements use the same accounting policies and methods used in the preparation of the Company's 2008 annual audited financial statements except for changes in accounting policies described in note 2. Interim results may not necessarily be indicative of results for the year.

#### (d) Comparative financial statements

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

# Forest Gate Resources Inc.

## Notes to the Financial Statements

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March 31, 2009

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### 2. CHANGES IN ACCOUNTING POLICIES

#### (a) 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.

#### (b) 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.

### 3. NEW ACCOUNTING PRONOUNCEMENTS

#### (a) 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.

#### (b) 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.

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### 4. OIL & GAS PARTICIPATING INTERESTS AND DEFERRED EXPLORATION COSTS

	Participating Interest \$	Deferred exploration costs \$	March 31, 2009 Net \$	December 31, 2008 Net \$
Canada	803,726	-	803,726	758,566

#### Canada

The major part of the increase in Oil & Gas participating interests and deferred exploration costs relates to \$64,000 for the acquisition of the Bakken property. This increase was partially offset by depletion charge of \$31,654 in the 3 months ended March 31, 2009. The Company will cover its participating interest share of all future commitments. The Company's accounts reflect only the proportionate interest in these activities.

### 5. ASSETS OF BUSINESS HELD FOR SALE

	Cost of Claims \$	Deferred exploration costs \$	Tax credits and government assistance \$	March 31, 2009 Net \$	December 31, 2008 Net (Audited) \$
Saskatchewan					
EastSide	69,792	592,417	(38,110)	624,099	624,099
WestSide	330,517	45,384	-	375,901	375,901
	400,309	637,801	(38,110)	1,000,000	1,000,000

Forest Gate continues to own its Saskatchewan diamond properties, which includes the East Side and West Side properties at the Fort a la Corne kimberlite field. The mining properties and deferred exploration costs are shown and presented as an asset of business held for sale as at March 31, 2009.

### 6. PROPERTY AND EQUIPMENT

Period ended	Cost \$	Accumulated Depreciation \$	March 31, 2009 Net \$	December 31, 2008 Net \$
Furniture and office equipment	33,314	18,922	14,392	14,114
Computer equipment	68,094	47,482	20,612	24,239
Leasehold improvements	7,020	7,020	-	-
	108,428	73,424	35,004	38,353

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2009 \$	December 31, 2008 \$
Accounts payable - trade	309,917	341,827
Accounts Payable to shareholders	0	62,141
Accounts payable - related parties (net)	321,944	259,526
	631,861	663,494

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### 8. ASSET RETIREMENT OBLIGATIONS

At the time completion of drilling and testing, the Company identified obligations related to oil and gas properties and records a liability equal to the present value of expected future assets retirement obligations. The total future ARO was estimated by management based on the Company's net ownership interest in the wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its ARO to be \$319,383 as at March 31, 2009 based on the future liability and incorporated the Company's credit-adjusted risk-free interest rate. These payments are expected to be made over the next 9 years.

The following table reconciles the Company's asset retirement obligation:

Period ended	March 31, 2009 \$	December 31, 2008 \$
Asset retirement obligation, beginning of period	317,800	-
Addition for continuing operations	1,563	17,800
Addition for discontinued operations	-	300,000
Asset retirement obligation, end of year	319,363	317,800

### 9. SHARE CAPITAL

*Authorized:*

The authorized share capital comprises an unlimited number of common shares with no par value.

	<u>Share capital</u>		<u>Warrants</u>		<u>Broker Warrants</u>	<u>Contributed</u>	<u>Total</u>
	Number	\$	Number	\$	and Options Number	Surplus \$	
<b>Balance - December 31, 2008</b>	142 322 333	15 412 376	58 096 010	3 891 225	17 645 253	1 424 254	20 727 855
Equity issued	-	-	-	-	-	-	-
Warrants issued	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	-	-	-
Broker warrants issued	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	-	-	-
Options issued	-	-	-	-	-	-	-
non-cash item	-	-	-	-	-	62 141	62 141
Stock-based compensation charged to operations	-	-	-	-	-	18 810	18 810
Future income taxes on flow through expenses renounced	-	-	-	-	-	-	-
<b>Balance - March 31, 2009</b>	142 322 333	15 412 376	58 096 010	3 891 225	17 645 253	1 505 205	20 808 806

### 9. SHARE CAPITAL (continued)

#### (a) Issues during 2009

*Quarter ended March 31, 2009*

- The Company did not issue additional share capital during the first quarter

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### (b) Stock option plan

The Company has a stock option plan authorizing the Board of Directors to grant options to directors, officers, employees and consultants to acquire common shares of the Company at a price computed by reference to the closing market price of the shares of the Company on the business day before the Company notifies the stock exchanges of the grant of the option. The number of shares which may be granted to any one person shall not exceed 5% (2% for consultants) over a twelve month period. The options will vest from the date of the grant to 18 months and expire within 5 years, as determined by the board, with exceptions to death, employment, etc. The Company is authorized to issue a maximum of 15,298,500 common shares.

The option activity, under the share option plan and information concerning outstanding and exercisable options, is as follows:

	March 31, 2009		March 31, 2008	
	Granted	Weighted Average Exercise Price \$	Granted	Weighted Average Exercise Price \$
<b>Balance - December 31, 2008</b>	<b>13,125,000</b>	<b>0.14</b>	8,565,100	0.18
Options granted under Stock option plan (*)	-	0.10	-	-
Options forfeited	(2,000,000)	0.10	-	-
<b>Balance - March 31, 2009</b>	<b>11,125,000</b>	<b>0.14</b>	8,565,100	0.18

(\*) The following amounts were recorded as value of stock options granted to directors and consultants (stock-based compensation) and credited to contributed surplus for options vesting in the period:

	Three months ended March 31,	
	2009 \$	2008 \$
Directors and management compensation	12 793	27 098
Consultants compensation	6 017	27 633
<b>Charged to Income</b>	<b>18 810</b>	54 731

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### 9. SHARE CAPITAL (continued)

#### (b) Stock option plan (continued)

As at March 31, 2009, the outstanding options, as issued under the stock option plan to directors, officers, employees and consultants for the purchase of one common share per option, are as follows:

Granted	Exercisable	Weighted Average		Expiry date
		Exercise Price	\$	
75,000	75,000	0.15		June 2009
25,000	25,000	0.17		September 2009
200,000	133,333	0.10		April 2010
2,375,000	2,375,000	0.25		July 2010
200,000	200,000	0.16		November 2011
1,000,000	1,000,000	0.17		March 2012
1,100,000	1,100,000	0.13		June 2012
200,000	150,000	0.15		August 2012
500,000	375,000	0.16		November 2012
500,000	375,000	0.15		December 2012
200,000	50,000	0.10		August 2013
4,750,000	1,187,500	0.10		December 2013
<b>11,125,000</b>	<b>7,045,833</b>	<b>0.14</b>		

#### (c) Broker warrants

During the year, the activity and information concerning outstanding and exercisable broker warrants is as follows:

	Number	Weighted Average	
		Exercise Price	\$
<b>Balance - December 31, 2008</b>	<b>4,520,253</b>	<b>0.12</b>	
Granted	-	-	
<b>Balance - March 31, 2009</b>	<b>4,520,253</b>	<b>0.12</b>	

As at December 31, 2008 the Company had the following broker warrants outstanding:

	Granted	Exercisable	Weighted Average	
			Exercise Price	\$
Warrants to buy units of 1 common share	675,600	675,600	0.12	July 2009
Warrants to buy units of 1 common share	240,000	240,000	0.12	August 2009
Warrants to buy units of 1 common share	338,960	338,960	0.13	September 2009
Warrants to buy units of 1 common share	1,012,557	1,012,557	0.13	October 2009
Warrants to buy units of 1 common share	196,960	196,960	0.13	February 2010
Warrants to buy units of 1 common share	2,056,176	2,056,176	0.10	June 2010
	<b>4,520,253</b>	<b>4,520,253</b>	<b>0.12</b>	

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### 9. SHARE CAPITAL (continued)

#### (d) Share purchase warrants

The Company has, as at March 31, 2009, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price \$	Expiry date
10,244,999	0.15	July 2009
3,300,000	0.15	August 2009
4,692,000	0.17	September 2009
18,385,414	0.17	October 2009
2,712,000	0.17	February 2010
18,761,597	0.10	June 2010
<b>58,096,010</b>		

### 10. DISCONTINUED OPERATIONS

On September 4, 2008 Forest Gate announced that it forfeited its entire interest in the Celtic Sea project as it had not paid its share of the full amount of the outstanding balance to the Operator within the specified period of time. As of that date, participating interest amounted to \$612,000 and total exploration costs amounted to \$6,018,434 including the outstanding cash calls of \$544,090. The Company's accounts reflected only the 7.5% proportionate interest in these activities.

The Company formally adopted a plan to divest of its mining operations and focus on oil and gas exploration and operation. As of December 31, 2007 the mining division was classified as a discontinued operation. The following table presents summarized financial information related to discontinued operations:

For the three months ended March 31, 2009	Oil and gas Exploration (Celtic Sea)	Mining Exploration (Saskatchewan)	Total
Write-off of deferred exploration costs (net of future income taxes)	-	-	-
Write-down of assets held for sale (net of future income taxes)	-	(225)	(225)
Net loss from discontinued operations (net of future income taxes)	-	(225)	(225)
Cash and cash equivalents provided from discontinued operations	-	-	-

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

##### Fair value

The Company's financial instruments consist of cash and cash equivalent, accounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents are presented at fair value.

# Forest Gate Resources Inc.

## Notes to the Financial Statements

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March 31, 2009

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### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Risk management of financial instruments

The Company is exposed to various risks arising from financial instruments. The following analysis provides a measurement of risks as at March 31, 2009.

##### Credit risk

The Company's principal financial assets are cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with major financial institutions and the risk of default is considered remote. Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers and project operators. The maximum exposure to credit risk as at March 31, 2009 is represented by the carrying value of accounts receivable on the balance sheet.

##### Liquidity risk

The cash and cash equivalents on hand and expected cash generated from operations will allow the Company to meet its planned operating requirements. Financial liabilities all have maturity dates prior to December 31, 2009.

Additional funds will be required to meet the Company's planned capital expenditures.

##### Market risk

###### *a) Commodity price risk*

The value of the Company's mineral resource properties is related to the prices of oil, gas and diamonds and the outlook for these commodities. Commodity prices historically have fluctuated widely and are affected by numerous factors outside the Company's control, including, but not limited to, industrial and retail demand, levels of worldwide production, short term changes in supply and demand due to speculative hedging activities, and macro-economic variables.

The profitability of the Company's continuing operations is highly correlated to the market price of oil and gas. To the extent that prices increase over time, asset value increases and cash flows improve; conversely, declines in the prices directly impact value and cash flows negatively. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. The Company did not have any financial instruments in place to manage commodity prices during the period ended March 31, 2009.

###### *b) Market sensitivity analysis*

Due to the fact that the Company is at a very early stage of production, it is not possible to do a market sensitivity analysis on the earnings.

###### *c) Foreign currency exchange rate risk*

Foreign currency exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. Although all of the Company's revenues are denominated in Canadian dollars, realized petroleum and, to a certain extent, natural gas prices are based upon reference prices denominated in US dollars and are therefore impacted by changes in the exchange rate between the Canadian and US dollar. A strengthening of the Canadian dollar in comparison to the US dollar will decrease revenues received by the Company from the sale of its production. Correspondingly, a decrease in the value of the Canadian dollar relative to the US dollar will increase the revenues received. The impact of such exchange rate fluctuations cannot be accurately quantified. The Company did not have any forward exchange rate contracts in place for the period ended March 31, 2009 to reduce its exposure to foreign currency fluctuations. As of year end, no other financial instruments were denominated in foreign currency.

# Forest Gate Resources Inc.

## Notes to the Financial Statements

March 31, 2009

### 12. SUPPLEMENTAL DISCLOSURES OF EXPENSES AND CASH FLOW INFORMATION

#### a) Net change in non-cash components of operating working capital

	Three months ended March 31,	
	2009	2008
	\$	\$
Accounts receivable	( 40 946)	( 87 932)
Prepaid expenses	5 734	5 212
<b>Increase (decrease) in:</b>		
Accounts payable and accrued liabilities	( 31 633)	330 565
	<b>( 66 845)</b>	<b>247 845</b>

#### b) Interest paid and received

Interest received during the three months ended March 31, 2009 amounts to \$1,586 (March 31, 2008 - \$4,199).

### 13. LOSS PER SHARE

Due to an expected loss for the entire current period, no incremental shares are included in calculating the dilutive loss per share because the effect would be anti-dilutive.

### 14. COMMITMENTS

The Company has no long term lease contract for premises.

### 15. CONTINGENT LIABILITIES

#### Environmental

The Company's exploration activities are subject to various federal and provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing. Environmental consequences are difficult to identify in terms of results, timetable and impact. The Company conducts its operations so as to protect the public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

### 16. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

There are no externally imposed capital requirements. The Company manages the capital structure and makes adjustments depending on economic conditions.

The Company manages its capital structure and makes adjustments to it in response to changes in general industry conditions and its petroleum and natural gas assets. The Company may choose to issue equity or debt, revise its capital expenditure programme, and/or sell assets. Access to equity markets is currently very limited due to recent weakening of the global economy and low commodity prices.

The Company's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented.

# Forest Gate Resources Inc.

## Notes to the Financial Statements

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March 31, 2009

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### 17. SUBSEQUENT EVENTS

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.

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.