Forest Gate Resources Inc.

Quarterly Financial Statements

September 30, 2007

(Unaudited)

Contents

Forest Gate Resources Inc.

Balance Sheets

At	September 30, 2007	December 31, 2006
	(unaudited)	*(audited)*
	$	$
Assets		
Current assets		
Cash	**1 035 467**	3 173 739
Investments, at fair value	**100**	437 950
Accounts receivable	**563**	236 881
Tax credits and government assistance receivable *[notes 5 and 16]*	**297 465**	849 708
Prepaid expenses	**16 581**	116 850
	1 350 176	4 815 128
Oil and gas participating interest and deferred exploration costs *[note 4]*	**5 068 989**	-
Mining properties and deferred exploration costs *[note 5]*	**3 076 814**	3 042 149
Capital assets *[note 6]*	**56 574**	64 026
	9 552 553	7 921 303
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *[note 12]*	**1 139 075**	363 230
Future income taxes *[note 14]*	**42 145**	-
Shareholders' equity *[note 7]*		
Share capital	**14 629 420**	13 424 737
Warrants	**1 317 031**	297 000
Contributed surplus	**644 665**	279 161
	16 591 116	14 000 898
Deficit	**(8 219 783)**	(6 442 825)
	8 371 333	7 558 073
	9 552 553	7 921 303

Approved on behalf of the board:

Signed “Michael Judson” *Director*

Signed “Peter Watson” *Director*

Forest Gate Resources Inc.

Statements of Operations (unaudited)

Period ended September 30,	Three months ended		Nine months ended	
	2007	2006	**2007**	2006
	$	$	**$**	$
Revenues				
Interest income *[note 9]*	**5 366**	36 090	**40 690**	129 716
Expenses				
Salaries and levies	**164 382**	94 369	**469 776**	285 215
Stock-based compensation *[note 7 (b)]*	**94 071**	45 935	**284 553**	232 702
Professional and consulting fees	**178 379**	100 437	**437 020**	188 263
General and administration expenses	**57 571**	52 992	**270 550**	224 967
Corporate marketing and business development	**95 483**	36 634	**491 254**	197 104
Financial charges *[note 9]*	**1 068**	258	**9 452**	8 327
Depreciation *[note 6]*	**4 825**	3 959	**14 476**	12 301
	595 779	334 584	**1 977 081**	148 879
Loss before write-down and income taxes	**590 413**	298 494	**1 936 391**	1 019 163
Loss on investments	**-**	-	**50 961**	-
Write-down of mining properties and deferred exploration costs *[note 5]*	**(17 833)**	-	**135 219**	-
Loss before income taxes	**572 580**	298 494	**2 122 571**	1 019 163
Future income taxes recovered	**-**	-	**(345 613)**	(976 610)
Net loss and comprehensive loss for the period	**572 580**	298 494	**1 776 958**	42 553
Deficit at the beginning of period	**7 647 203**	2 799 381	**6 442 825**	3 055 322
Deficit at the end of period	**8 219 783**	3 097 875	**8 219 783**	3 097 875
Basic loss per share and diluted loss per share *[note 10]*	**$0.00621**	$0.00380	**$0.02096**	$0.00057
Weighted average number of shares outstanding	**92 169 388**	78 581 417	**84 773 326**	75 114 470

Forest Gate Resources Inc.
Statements of Cash Flows (unaudited)

Period ended September 30,	Three months ended		Nine months ended	
	2007	2006	**2007**	2006
	$	$	**$**	$
Cash flows from (used in) operating activities				
Net loss	**(572 580)**	(298 494)	**(1 776 958)**	(42 553)
Non-cash items:				
Write-down of mining properties				
and deferred exploration costs	**(17 833)**	-	**135 219**	-
Future income taxes recovered *[note 14]*	**-**	-	**(345 613)**	(976 610)
Depreciation	**4 825**	3 959	**14 476**	12 301
Loss on investments	**-**	-	**(50 961)**	-
Stock-based compensation *[note 7]*	**94 071**	45 935	**284 553**	232 702
Net change in non-cash working capital items *[note 9]*	**1 362 947**	466 143	**1 664 675**	998 045
	871 430	217 543	**(74 609)**	223 885
Cash flows from (used in) financing activities				
Proceeds from the issue of equity *[note 7]*	**2 081 423**	640 647	**2 081 423**	1 806 130
Deferred financing costs	**-**	45 689	**-**	-
	2 081 423	686 336	**2 081 423**	1 806 130
Cash flows from (used in) investing activities				
Deferred acquisition costs	**-**	10 554	**-**	-
Acquisitions of capital assets	**-**	(1 744)	**(7 024)**	(7 049)
Short-term investments, net variation	**-**	204 000	**488 811**	484 000
Oil and gas participating interest				
and deferred exploration costs	**(2 557 313)**	-	**(4 456 989)**	-
Mining properties and deferred exploration costs	**10 505**	(1 192 588)	**(169 884)**	(2 362 372)
	(2 546 808)	(979 778)	**(4 145 086)**	(1 885 421)
Net increase (decrease)				
in cash and cash equivalents	**406 045**	(75 899)	**(2 138 272)**	144 594
Cash and cash equivalents, beginning of period	**629 422**	625 236	**3 173 739**	404 743
Cash and cash equivalents, end of period	**1 035 467**	549 337	**1 035 467**	549 337
Represented by:				
Cash with financial institutions	**1 035 467**	549 337	**1 035 467**	549 337

1. NATURE OF BUSINESS

Forest Gate Resources Inc. (“Forest Gate” or the “Company”) is incorporated by the Canada Business Corporations Act and is publicly traded on the TSX Venture Exchange under the symbol FGT. The Company’s operations consist of the exploration of 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 ore reserves, the Company’s ability to obtain financing for its operations and future profitable commercial production.

Forest Gate is an international oil & gas exploration company. It is currently evaluating strategic options for its mining properties including further exploration, sale of properties and exploitation partnerships. As no final decision in this regard has been made by management, the mining properties and deferred exploration costs continue to be shown and presented as in prior years. Management believes that the carried amount of these assets can be realized though exploitation and operation or by way of opportunities with other participants in the industry.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information as at September 30, 2007 is not audited. However, in the opinion of the management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim financial statements are prepared in accordance with generally accepted accounting principles in Canada for the presentation of interim financial information. All disclosures required for annual financial statements have not been included in the financial statements and therefore should be read in conjunction with the Company’s most recent annual financial statements. These financial statements use the same accounting policies and methods in the preparation of the Company’s most recent annual financial statements.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial statements have, in management’s opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the accounting policies summarized in the most recent annual audited financial statements.

Comparative financial statements: certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

3. CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (“CICA”) has issued the following new Handbook Sections which were effective for interim periods beginning on or after January 1, 2007:

Section 1530, Comprehensive Income, and Section 3251, Equity: comprehensive income is the change in shareholder’s equity during a period arising from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive loss and a new category, accumulated other comprehensive income, has been added to the shareholder’s equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. Section 3251 establishes standards for the presentation of equity and changes in equity as a result of the new requirements of Section 1530. Adopting this section on January 1, 2007 did not result in any components to be recognized in comprehensive income for the quarterly financial statements ended September 30, 2007.

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3. CHANGES IN ACCOUNTING POLICIES (continued)

Section 3865, Hedges: this section establishes standards for when and how hedge accounting may be applied. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of earnings in the same period. Adopting this section on January 1, 2007 did not have any effect on the financial statements ended September 30, 2007.

Section 3855, Financial Instruments, Recognition and Measurement: this section establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives. The new standard lays out how financial instruments are to be recognized depending on their classification. Depending on financial instruments classification, changes in subsequent measurements are recognized in net income or comprehensive income.

The Company has implemented the following classification:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. These financial assets are marked-to-market through net income at each period end.
- Accounts receivable and short term investments are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.
- Accounts payable are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

4. OIL & GAS PARTICIPATING INTEREST AND DEFERRED EXPLORATION COSTS

	Participating Interest $	**Deferred Exploration costs $**	**September 30, 2007 Net $**	December 31, 2006 Net (audited) $
Celtic Sea	**612 000**	**4 456 989**	**5 068 989**	-
	612 000	**4 456 989**	**5 068 989**	-

In February 2007, the Company entered into an Agreement to acquire a 15% working interest in off-shore international oil & gas prospect in the Celtic Sea located off the south coast of Ireland. The working interest was held by a private Calgary based company called Arriba Capital Corporation Inc. The 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 September 2007, the Company reported that it has forfeited 7.5% of its 15% interest in the Celtic Sea joint venture.

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) for outstanding cash calls on work already performed.

As of September 30, 2007, the total cost of exploration costs is $4,456,989 including the outstanding cash calls on work already performed of $902,249. The Company must fund its 7.5% participating interest share of all future commitments. The Company’s accounts reflect only the Company’s proportionate interest in these activities.

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5. MINING PROPERTIES AND DEFERRED EXPLORATION COSTS

	Cost of Claims $	Deferred exploration costs $	Write-down of abandoned property $	Cumulative tax credits & government assistance $	September 30, 2007 Net $	December 31, 2006 Net (audited) $
Saskatchewan						
East Side	**215 689**	**1 817 202**	**-**	**117 778**	**1 915 113**	1 884 455
South Side	**5 714**	**1 036 425**	**1 042 139**	**-**	**-**	-
West Side	**1 021 444**	**140 257**	**-**	**-**	**1 161 701**	1 157 694
Quebec						
Portage	**266 236**	**2 169 414**	**1 564 942**	**870 708**	**-**	-
	1 509 083	**5 163 298**	**2 607 081**	**988 486**	**3 076 814**	3 042 149

Costs incurred during the period are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007 $	2006 $	**2007** $	2006 $
Cost of claims	**-**	29 590	**-**	40 189
Drilling for samples and lab analysis	**3 999**	683 566	**91 888**	1 483 948
Engineering	**-**	-	**-**	785
Surveys	**-**	309 936	**-**	410 373
Consulting	**(21 832)**	105 190	**42 984**	271 715
Travel	**-**	17 842	**370**	23 140
Equipment, other rentals and other costs	**7 328**	31 939	**33 126**	62 903
Exploration	**-**	-	**-**	11 714
Personnel	**-**	22 042	**1 516**	65 122
	(10 505)	1 170 515	**169 884**	2 329 700
Total before grants	**(10 505)**	1 200 105	**169 884**	2 369 889
Tax credits and government assistance	**-**	(7 517)	**-**	(7 517)
Total	**(10 505)**	1 192 588	**169 884**	2 362 372
Disposal of claims and deferred exploration costs	**17 833**	-	**(135 219)**	-
Net variation	**7 328**	1 192 588	**34 665**	2 362 372

…continued

5. MINING PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

In July 2005, the Company signed an option agreement with Majescor Resources to earn up to 55% undivided recorded and beneficial interest in Majescor's Portage property located north of Quebec's Otish Mountains. Under the terms of the agreement, Forest Gate must invest $5 million over five years to earn a 50% working interest and can earn an additional 5% by funding a 200-tonne bulk sample from a kimberlite body. A formal joint venture between the two companies will be entered into when the Company has earned its 50% working interest. On May 7, 2007 the Company announced that it has terminated its agreement with Majescor, thereby relinquishing its participation in exploring the Portage property in Quebec. As at September 30, 2007, the Company has invested a total of $2,435,650 on the Portage property or $1,564,942 net of tax credits and government assistance. As of September 30, 2007 all investments in Portage property have been written-down.

This strategy is consistent with Forest Gate's recent expansion in international oil & gas exploration. The Company continues to exploit its 100% owned Saskatchewan diamond properties, which includes the East Side and West Side properties at the Fort a la Corne kimberlite field. A total write-down for South Side property has been recorded on December 31, 2006.

The Company has written-down certain of its mining properties and deferred exploration costs for a total amount of $2,471,862 at December 31, 2006 based on the decision taken to defer further exploration work on these properties. Additional write-downs of $135,219 were taken during fiscal year 2007, the total cumulative write-down as of September 30, 2007 is $2,607,081.

6. CAPITAL ASSETS

	Cost	**Accumulated Depreciation**	**September 30, 2007 Net**	December 31, 2006 Net (audited)
	$	**$**	**$**	$
Furniture and office equipment	**36 232**	**13 720**	**22 512**	22 703
Computer equipment	**65 176**	**31 644**	**33 532**	39 202
Leasehold improvements	**7 019**	**6 489**	**530**	2 121
	108 427	**51 853**	**56 574**	64 026

…continued

7. SHARE CAPITAL

Authorized:

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

	Share capital		Warrants		Broker Warrants and Options		Contributed Surplus	Total
	Number	$	Number	$	Number	$	$	$
December 31, 2006	**78 826 157**	**13 424 737**	**12 168 067**	**297 000**	**7 016 636**	**-**	**279 161**	**14 000 898**
Equity issued	3 600 000	612 000						612 000
Warrants forfeited			(10 668 067)					
Broker warrants and broker unit warrants forfeited					(1 872 048)			
Options issued and Stock-based compensation charged to operations					1 500 000		86 560	86 560
Future income taxes on flow through expenses renounced		(387 758)						(387 758)
March 31, 2007	**82 426 157**	**13 648 979**	**1 500 000**	**297 000**	**6 644 588**	**-**	**365 721**	**14 311 700**
Options forfeited					(800 000)			
Options issued and Stock-based compensation charged to operations					2 200 000		103 922	103 922
Future income taxes on flow through expenses renounced								
June 30, 2007	**82 426 157**	**13 648 979**	**1 500 000**	**297 000**	**8 044 588**	**-**	**469 643**	**14 415 622**
Equity issued	18 236 999	980 441	18 236 999	1 020 031			80 951	2 081 423
Broker warrants issued					1 254 560			
Broker warrants forfeited					(329 488)			
Options issued and Stock-based compensation charged to operations					400 000		94 071	94 071
Options forfeited					(450 000)			
September 30, 2007	**100 663 156**	**14 629 420**	**19 736 999**	**1 317 031**	**8 919 660**	**-**	**644 665**	**16 591 116**

…continued

7. SHARE CAPITAL (continued)

(a) 2007 equity issues

i) Quarter ended March 31, 2007

- The Company completed its acquisition of the 15% working interest in off-shore international oil & 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 shares 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.

ii) Quarter ended June 30, 2007

- There was no equity issues during the second quarter ended June 30, 2007

iii) Quarter ended September 30, 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 $109,872, a stock-based compensation of $766,663 in the form of 13,545,000 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 form in the form of 915,600 broker warrants to acquire a common share at $0.12 over a period of two years.

- The Company closed the first tranche a private placement of 4,692,000 shares at $0.13 per share. The issue generated total gross proceeds of $609,960 and net proceeds credited to share capital of $290,834 after payment of share issues costs of $44,065, a stock-based compensation of $253,368 in the form of 4,692,000 warrants to acquire a common share at $0.17 over a period of two years and a stock-based compensation of $21,693 to the agent paid in form in the form of 21,693 broker warrants to acquire a common share at $0.13 over a period of two years.

(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 24 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. This is an increase from the previous maximum of 12,321,000 after board approval was obtained in June 2006.

…continued

7. SHARE CAPITAL (continued)

(b) Stock option plan (continued)

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

	2007		2006	
	Granted	**Weighted average Exercise Price $**	Granted	Weighted average Exercise Price $
Balance - December 31	**4 815 100**	**0.22**	4 715 500	0.22
Options granted (*)	**1 500 000**	**0.18**	-	0.00
Options exercised	**-**	**0.00**	(100 400)	0.15
Balance - March 31	**6 315 100**	**0.21**	4 615 100	0.22
Options granted (*)	**2 200 000**	**0.13**	-	0.00
Options forfeited	**(800 000)**	**0.27**	-	0.00
Balance - June 30	**7 715 100**	**0.18**	4 615 100	0.22
Options granted (*)	**400 000**	**0.15**	-	0.00
Options forfeited	**(450 000)**	**0.22**	-	0.00
Balance - September 30	**7 665 100**	**0.18**	4 615 100	0.22

(*) 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 September 30,		**Nine months ended September 30,**	
	2007 $	2006 $	**2007 $**	2006 $
Directors and management compensation	**57 206**	41 637	**161 539**	210 200
Consultants compensation	**36 865**	4 298	**123 014**	22 502
Net variation	**94 071**	45 935	**284 553**	232 702

…continued

7. SHARE CAPITAL (continued)

(b) Stock option plan (continued)

As at September 30, 2007, 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 Exercise Price $	Expiry date
790 100	790 100	0.15	March 2008
75 000	75 000	0.15	June 2009
25 000	25 000	0.17	September 2009
100 000	100 000	0.15	January 2010
2 375 000	2 375 000	0.25	July 2010
200 000	100 000	0.16	November 2011
500 000	250 000	0.19	January 2012
1 000 000	400 000	0.17	March 2012
2 200 000	525 000	0.13	June 2012
400 000	100 000	0.15	August 2012
7 665 100	4 740 100	0.18	

(c) Broker warrants

During the quarter ended September 30, 2007, the activity and information concerning outstanding and exercisable broker warrants is as follows:

	Number	Weighted average Exercise Price $
Balance - December 31, 2006	2 201 536	0.29
Forfeited	(1 872 048)	0.27
Balance - March 31, 2007	329 488	0.38
No activity	-	-
Balance - June 30, 2007	329 488	0.38
Granted	1 254 560	0.12
Forfeited	(329 488)	0.38
Balance - September 30, 2007	1 254 560	0.12

…continued

7. SHARE CAPITAL (continued)

(c) Broker warrants (continued)

As at September 30, 2007 the Company had the following broker warrants outstanding:

	Granted	Exercisable	Weighted average Exercise Price $	Expiry date
Warrants to buy one common share	**675 600**	**675 600**	**0.12**	**July 2009**
Warrants to buy one common share	**240 000**	**240 000**	**0.12**	**August 2009**
Warrants to buy one common share	**338 960**	**338 960**	**0.13**	**September 2009**
	1 254 560	**1 254 560**	**0.12**	

(d) Share purchase warrants

The Company has, as at September 30, 2007, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price $	Expiry date
1 500 000	**0.55**	**November 2007**
10 244 499	**0.15**	**July 2009**
3 300 000	**0.15**	**August 2009**
4 692 000	**0.17**	**September 2009**
19 736 499		

(e) Exercise of broker warrants and warrants

Pursuant to an agreement with Blue Note as part of the arrangement and effective November 10, 2005, Blue Note has agreed that, upon exercise of a warrant and broker warrants by a Forest Gate warrant holder, Blue Note will issue 0.1168 of a Blue Note share in exchange for 6.23% of the exercise price received by Forest Gate. As at September 30, 2007, Forest Gate has no warrants outstanding as they have all expired in March 2007.

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7. SHARE CAPITAL (continued)

(f) Fair value

The fair value of options and warrants issued were estimated at their respective grant dates using the Black-Scholes pricing model using the following assumptions:

	Stock option plan issues during 2007			
	500 000	1 000 000	2 200 000	400 000
Risk-free interest rate	4.04%	3.88%	4.65%	4.33%
Expected life (years)	5	5	5	5
Expected volatility	95%	95%	95%	85%
Expected dividend yield	nil	nil	nil	nil
Weighted average grant date fair value	0.141 $	0.127 $	0.097 $	0.087 $

	Broker warrant issues during 2007			
	559 067	116 533	240 000	338 960
Risk-free interest rate	4.59%	4.53%	4.53%	4.19%
Expected life (years)	2	2	2	2
Expected volatility	87%	87%	86%	88%
Expected dividend yield	nil	nil	nil	nil
Weighted average grant date fair value	0.066 $	0.058 $	0.065 $	0.064 $

	Warrant issues during 2007			
	7 538 333	2 706 666	3 300 000	4 692 000
Risk-free interest rate	4.59%	4.53%	4.53%	4.19%
Expected life (years)	2	2	2	2
Expected volatility	87%	87%	86%	88%
Expected dividend yield	nil	nil	nil	nil
Weighted average grant date fair value	0.058 $	0.051 $	0.058 $	0.054 $

8. FINANCIAL INSTRUMENTS, CREDIT AND PRICE RISK MANAGEMENT

a) Fair values

The carrying amount of financial instruments approximates fair value because of the short-term maturity of these items and terms are similar to prevailing market terms.

b) Interest risk

The short-term investments include shares and redeemable short-term deposits with financial institutions, invested at current market rates and have terms of up to one year.

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9. SUPPLEMENTAL DISCLOSURES OF EXPENSES AND CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	**2007**	2006
	$	$	**$**	$
Decrease (increase) in:				
Accounts receivable	**179 147**	(47 592)	**236 318**	828 555
Prepaid expenses	**(15 634)**	196 834	**100 269**	(106 470)
Tax credits and government assistance receivable	**573 243**	-	**552 243**	-
Increase (decrease) in:				
Accounts payable and accrued liabilities	**626 191**	316 901	**775 845**	275 960
	1 362 947	466 143	**1 664 675**	998 045

b) Interest paid and received

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	**2007**	2006
	$	$	**$**	$
Interest paid	**-**	-	**-**	5 496
Interest received	**5 366**	8 980	**40 690**	160 759

c) Non-monetary transactions

Non-cash transactions have been incurred in relation to stock-based compensation for the issue of stock options and warrants as partial payment of share issue costs and other services. In addition, common shares have been issued in the acquisition of the 7.5% working interest in off-shore international oil & gas prospect in the Celtic Sea. A full description of the transaction can be found in note 7(a) (i).

10. 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.

11. COMMITMENTS

The Company has no long term commitments as of September 30, 2007.

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12. RELATED PARTY TRANSACTION

Some of the Company's officers are also shareholders of the Company. Transactions with these officers were carried out in the normal course of business and measured at the exchange amount, that is, the amount established and agreed upon by the parties.

Operations

During the three months quarter ended September 30, 2007, the Company incurred $0 (September 30, 2006 - $23,406) of consulting fees and professional services with officers. Total amount for the nine months ended September 30, 2007, is $45,000 (September 30, 2006 - $33,128). The total amount consists of professional and consulting fees. As at September 30, 2007, no amount relating to these fees were included in the accounts payable and accrued liabilities (September 30, 2007 - $11,395).

13. SEGMENTED INFORMATION

The Company has two reportable segments in two geographic locations; Canada, for mining exploration and Ireland, for oil & gas exploration. The significant aspects of these operating segments are presented below. The accounting policies of each segment are the same as those described in the summary of significant accounting policies in note 2. The following table present information on the Company's operations based on its reportable segments for the three months ended September 30, 2007:

For the three months ended September 30, 2007	Oil and gas Exploration	Mining Exploration	Corporate	Consolidated
Revenues	**-**	**-**	**5 366**	**5 366**
Expenses				
Salaries and levies	123 287	8 219	32 876	164 382
Stock based compensation	-	-	94 071	94 071
Professional and consulting fees	119 711	22 256	36 412	178 379
General & administration expenses	1 376	2 123	54 072	57 571
Corporate marketing and business development	75 216	1 850	18 417	95 483
Financial charges	-	-	1 068	1 068
Depreciation	-	-	4 825	4 825
	319 590	**34 448**	**241 741**	**595 779**
Loss before write-down & income taxes	**319 590**	**34 448**	**236 375**	**590 413**
Loss on investments	-	-	-	-
Write-down of mining properties and deferred exploration costs	-	(17 833)	-	(17 833)
Loss before income taxes	**319 590**	**16 615**	**236 375**	**572 580**
Total Assets	**5 069 291**	**3 375 359**	**1 107 903**	**9 552 553**

…continued

13. SEGMENTED INFORMATION (continued)

The following table presents information on the Company's operations based on its reportable segments for the nine months ended September 30, 2007:

For the nine months ended September 30, 2007	Oil and gas Exploration	Mining Exploration	Corporate	Consolidated
Revenues	**-**	**3 452**	**37 238**	**40 690**
Expenses				
Salaries and levies	314 826	51 833	103 117	469 776
Stock based compensation	-	-	284 553	284 553
Professional and consulting fees	271 589	89 232	76 199	437 020
General & administration expenses	11 224	13 025	246 301	270 550
Corporate marketing and business development	276 224	100 682	114 348	491 254
Financial charges	-	-	9 452	9 452
Depreciation	-	-	14 476	14 476
	873 863	**254 772**	**848 446**	**1 977 081**
Loss before write-down & income taxes	**873 863**	**251 320**	**811 208**	**1 936 391**
Loss on investments	-	50 961	-	50 961
Write-down of mining properties and deferred exploration costs	-	135 219	-	135 219
Loss before income taxes	**873 863**	**437 500**	**811 208**	**2 122 571**
Total Assets	**5 069 291**	**3 375 359**	**1 107 903**	**9 552 553**

…continued

14. TAX LOSSES AND OTHER EXPENSES TO CARRY FORWARD

a) Provision for income taxes

The provision for income taxes for the nine months ended September 30, 2007, differs from the combined Canadian federal and provincial statutory rates as follows:

	September 30, 2007		
	Federal	**Provincial**	**Combined**
Loss before income taxes	**(2 122 571)**	**(2 122 571)**	**(2 122 571)**
Federal income tax rate	**22.12%**	**9.90%**	**32.02%**
Tax effect	**(469 513)**	**(210 135)**	**(679 647)**
Stock based compensation	**62 943**	**28 171**	**91 114**
Share issue costs	**(69 726)**	**(31 207)**	**(100 933)**
Depreciation	**3 202**	**1 433**	**4 635**
Write-down of short-term investments, mining properties and deferred exploration costs	**41 183**	**18 432**	**59 615**
Recapture of mining exploration expenses	**-**	**-**	**-**
Restriction on resource losses	**-**	**-**	**-**
Other	**4 806**	**4 302**	**9 108**
Benefit of losses not previously recognized	**-**	**-**	**-**
Change in valuation allowance, tax estimates and rate changes	**39 346**	**189 004**	**228 350**
Income taxes	**(387 759)**	**-**	**(387 758)**

b) Future income tax assets and liabilities

The Company has exploration costs, operating losses and other costs which are being carried forward and which can reduce future taxable income. The components of the net future income tax assets (liabilities) as at September 30 were as follows:

	September 30, 2007		
	Federal	**Provincial**	**Combined**
Share issue costs *[see note i]*	**381 975**	**170 956**	**552 931**
Carrying value of mining properties and deferred exploration costs in excess of tax basis	**(506 606)**	**200 827**	**(305 779)**
Tax cost of property and equipment in excess of carrying value	**5 934**	**2 656**	**8 590**
Non capital losses carried forward *[see note i]*	**1 098 016**	**465 192**	**1 563 208**
	979 319	**839 631**	**1 818 950**
Valuation allowance for future tax assets	**(979 319)**	**(839 631)**	**(1 818 950)**
	-	**-**	**-**

Note i: the Company has the following non capital losses and share issue costs available to reduce future income taxes.

…continued

14. TAX LOSSES AND OTHER EXPENSES TO CARRY FORWARD (continued)

The losses and costs expire as follows:

	September 30, 2007	
Expiry date	**Federal**	**Provincial**
2008	**117 000**	**117 000**
2009	**75 000**	**84 000**
2010	**325 000**	**320 000**
2014	**641 000**	**739 000**
2015	**1 284 000**	**1 148 000**
2016	**591 000**	**382 000**
2017	**1 930 902**	**1 908 902**
	4 963 902	**4 698 902**
Share issue costs (from 2008 to 2010)	**1 726 833**	**1 726 833**
Less: losses and share issue costs recognized due to exploration costs renounced to investors	**(5 280 225)**	**(50 000)**
	1 410 510	**6 375 735**

c) Exploration costs renunciations

The future income tax liability takes into account the effect of tax deduction renunciations made in favour of investors, relating to exploration expenses in connection with the flow-through investment of $1,752,975 filed in June 2007 (see note 15) but effective December 31, 2006. The effect of this renunciation is to be recognized in the year the renunciation is filed with the tax authorities. The liability is offset by the losses recognized in the financial statements.

15. CONTINGENT LIABILITIES

a) 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 environment and believes its operations are materially in compliance with all applicable laws and regulations.

b) Flow-through share issues

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

In 2006, the Company received $1,752,975 following flow-through share issues. After year-end, but effective December 31, 2006, the Company has renounced all of its tax deductions relating to flow-through investments (see note 14). In order to meet its obligation under flow-through share program, the Company must spend $1,293,000 in Canadian exploration by December 31, 2007 in addition to the exploration expenses it has incurred to date.

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16. GOVERNMENT GRANTS

During 2006, the Company earned tax credits and government assistance for mineral exploration costs amounting to $878,226 ($38,000 in 2005), which were reduced against mining properties and deferred exploration costs (note 5).

17. SUBSEQUENT EVENTS

a) On October 4, 2007, Forest Gate reported that, in accordance with the Joint Operating Agreement dated June 29, 2007, it has been issued a Notice of Default for inability to pay its September 17, 2007 cash call within a specific period of time from Operator, Providence Resources Plc.

b) On October 22, 2007, Forest Gate raised gross proceeds of $2,390,104 by issuing 18,385,414 shares at $0.13 per share. The proceeds of the financing will be used for general working capital purposes and to finance the commitments in acquiring the 7.5% working interest in the Celtic Sea oil and gas exploration project.

c) On October 22, 2007, Forest Gate reported that in accordance with the Joint Operating Agreement dated June 29, 2007, it has remedied the Notice of Default pertaining to its September 17, 2007 cash call from Operator, Providence Resources Plc.

d) On November 13, 2007, Forest Gate reported that it has entered into a joint venture agreement with Emerald Bay Energy Inc., based in Calgary, to acquire a working interest in an Alberta property, which potentially hosts natural gas in coal bed methane.