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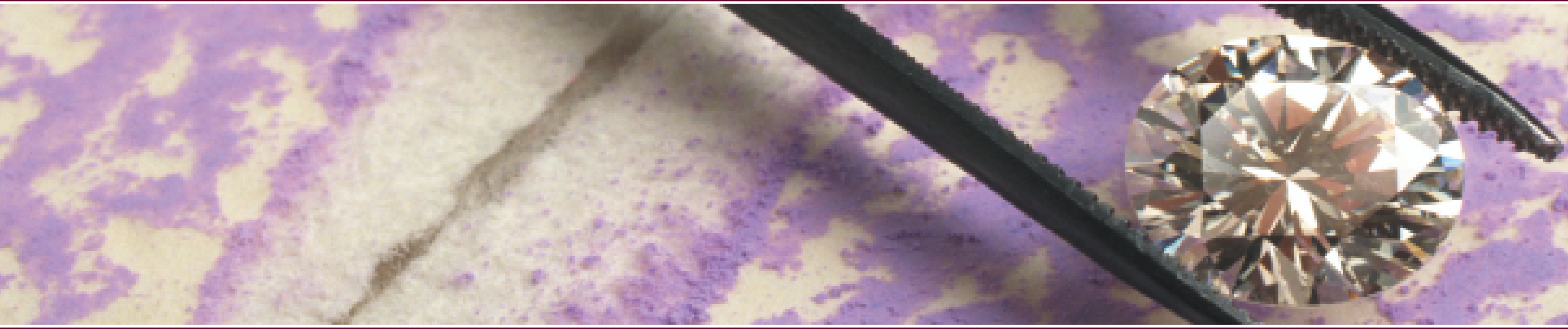


Annual Report 2003

Diamond Finders

President’s Message

Forest Gate has achieved in one year with $1 million what normally takes 10 years and $10 million to achieve: a diamond discovery. For a new junior exploration company, the beginnings simply do not get any better than this.

This year each of our exploration programs has resulted in the creation of additional value. Earlier in the year, fresh geophysics conducted on the East Side diamond property found a tantalizing new magnetic anomaly on the southern part of the property and other potential targets. Drilling on Dizzy hit the payload - a diamondiferous kimberlite.

Even small programs undertaken in New Brunswick, with the humble goal of maintaining the properties in good standing, yielded compelling results. Shallow drilling into the Canoe Landing Lake property encountered gold, silver, copper, zinc and lead mineralization. A geophysical survey on our Rio Road gold property in late 2003 and early 2004 continued to define attractive gold targets. And we discovered a broad new magnetic anomaly on our California Lake silver property.

In late 2003 we also began the process of acquiring the remaining 15% of the East Side diamond property that we didn’t own. This deal was consummated in February 2004.

We completed our initial public offering in March 2003 and raised just over a $1 million. In the fall of 2003 we executed an additional equity offering raising approximately $1.2 million. Thanks to the exercising of warrants and options, Forest Gate raised an additional $380,000 through late 2003 and into 2004. As a result, the Company has over $1 million in cash.

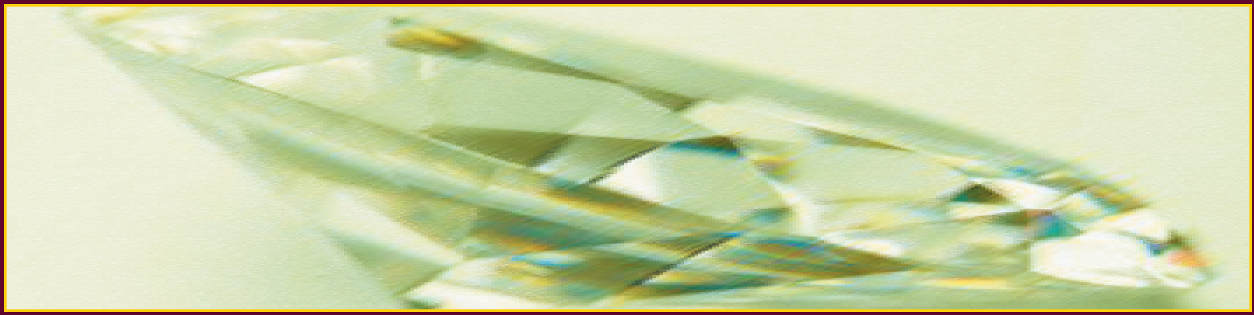
While last fall’s financing was taxing on the Company’s capital structure, it was a necessary event and, at a minimum, proved that management can raise money whenever it needs to. The challenge going forward, since mineral exploration companies like ours finance their activities through the capital markets, is to make the financings less dilutive. Having discovered diamonds should make this easier.

2004 Outlook

Forest Gate's diamond discovery has ushered the Company into a new period in its history and it must re-organize itself accordingly. Until now, Forest Gate has worked exclusively with consulting geologists. As a result of our diamond discovery, it is now necessary to build an in-house exploration team. With an enhanced management team, our next step is to conceive and execute a comprehensive diamond exploration program on the East Side diamond property.

There is collectively still much to learn about diamond exploration in Canada. The industry is still in its infancy from a knowledge point of view. A Russian geologist recently informed management that there are economic diamond deposits in remote parts of Russia with 60 metres of overburden. Recently, another geologist also pointed out that the East Side property is larger than the property that hosts the four kimberlite pipes that make up the Ekati Mine.

The East Side diamond property is an hour outside of Prince Albert, Saskatchewan. As we will soon say in our marketing material, "we found 37 diamonds 10 minutes from a donut shop." The distance is a slight exaggeration but it is useful in underlining how the economics of mining diamonds near Prince Albert will differ from mining diamonds in the Far North.



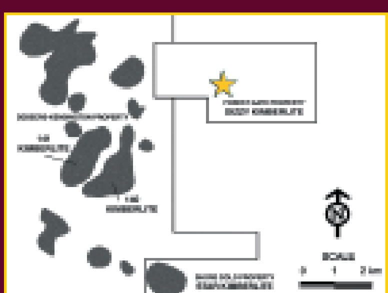
East Side Diamond Property: Fort à la Corne, Saskatchewan

Forest Gate's East Side diamond property is located in Fort à la Corne, Saskatchewan; the location of the largest field of diamondiferous kimberlite pipes in the world. The property hosts the Dizzy kimberlite and is approximately two miles northeast of the De Beers-Kensington 140-141 kimberlite, one of the largest diamondiferous kimberlites in the world.

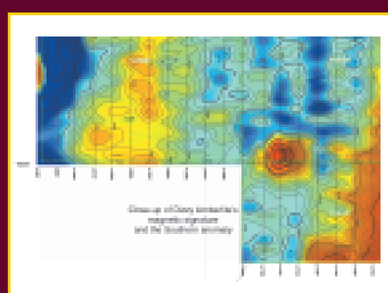
Contiguous and roughly four miles to the south of the East Side property is Shore Gold's Star kimberlite into which a 4.5 metre vertical shaft has been sunk and on which a modular diamond recovery plant has been built. The Star kimberlite is estimated to contain 500 million tons of diamondiferous kimberlite.

Forest Gate Resources recovered 37 diamonds from a 485.52 kilogram sample. Eight of the 37 diamonds have at least one side measuring more than 0.50 millimetres. While standards vary, diamonds measuring greater than 0.50 millimetres are considered to be macrodiamonds by many industry groups. The 485.52 kilogram sample was assayed by Kennecott Canada Exploration Inc., Thunder Bay, Ontario and by SGS Lakefield Research Limited, Lakefield, Ontario.

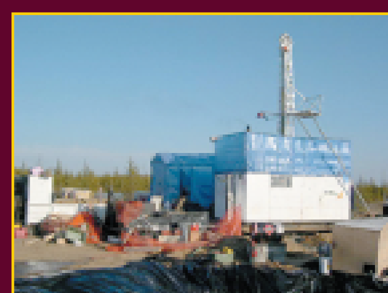
The sample was recovered from a five-hole drilling program executed in November 2003. The company drilled NQ-size holes (approximately 47.6 millimetres) to begin to delineate the structure of the Dizzy kimberlite. Hole FG03-3, the center hole, produced 23 diamonds. Hole FG03-05, drilled 50 metres north of FG03-03 produced 6 diamonds. Hole FG03-6, drilled 50 metres west of FG03-03, produced 8 diamonds. FG03-3 hosted six of the diamonds measuring greater than 0.50 millimetres and FG03-6 hosted two.



Dizzy Kimberlite Map



Close-up: Dizzy Magnetic Signature and the Southern Anomaly



Dizzy Drill Site

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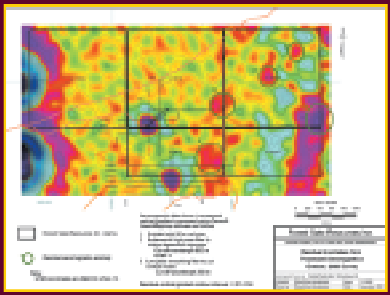
The latest assay results appear to confirm that the diamondiferous kimberlite body is trending in a northwest direction, with the majority of the diamonds found in what is believed to be near the center of the kimberlite and in the holes north and west of that hole.

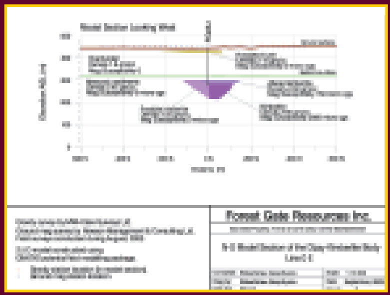
Gravity and ground magnetic surveys over the Dizzy kimberlite suggest that the kimberlite may be as much as 100 metres thick. Modeling indicates that the Dizzy kimberlite footprint is probably around 250 metres in diameter (about 5 hectares in area) consisting of both magnetic and non-magnetic kimberlite.

Forest Gate has also identified a new anomaly straddling the southern border of its East Side property and the adjacent property held by Shore Gold Inc. Modeling suggests that this feature, if caused by kimberlite could be as large as 600 metres north-south by 400 metres east-west.

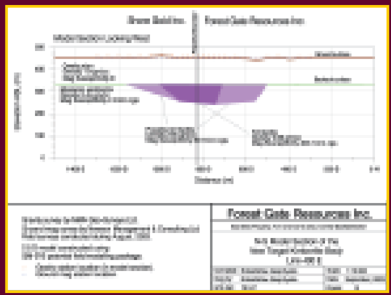
The company is currently planning the next phase of exploration on its Dizzy kimberlite and on the rest of its 100 percent-owned, four-square-mile East Side diamond property.



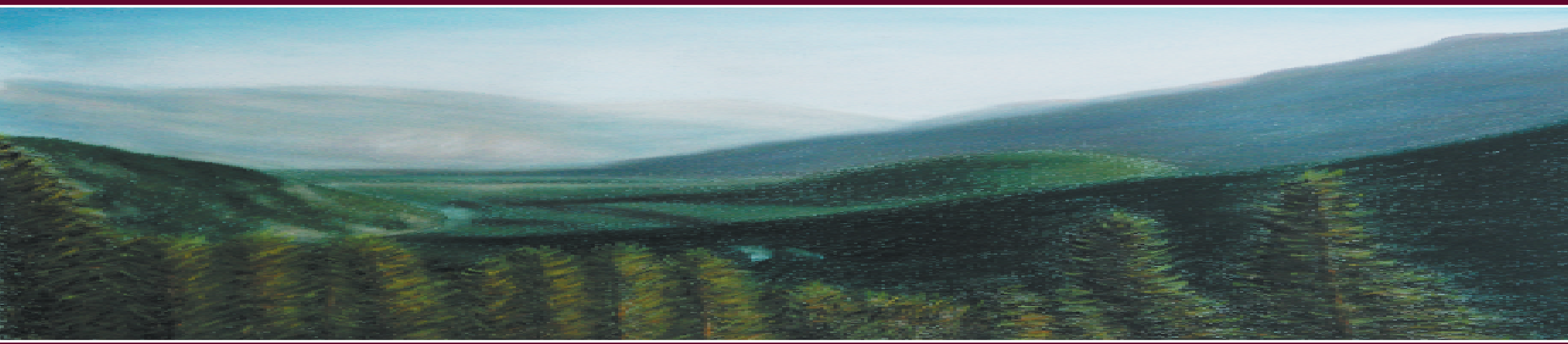
Aeromag Survey



Dizzy Survey



Southern Survey



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Bathurst, New Brunswick Properties

California Lake Silver Property, Bathurst, N.B.

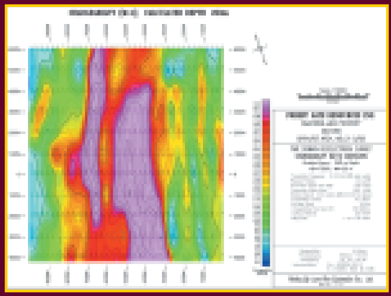
Forest Gate's California Lake Silver property hosts an epigenetic breccia and vein system which has been outlined with 32 widely spaced diamond drill holes along a strike length in excess of 400 metres. Grades of up to 203.81 oz/ton silver and 117.45 oz/ton silver were intersected in narrow widths. A new anomaly has been discovered, possibly indicative of sulphide mineralization. A recent geophysical survey sought to better define a known electromagnetic (EM) anomaly for drill testing. Using induced polarization (I.P.), the survey successfully defined the known anomaly and also identified a previously unknown zone running parallel to the known anomaly. The new zone is almost twice as wide (100 metres) and shows approximately the same chargeability strength. The new zone extends over 800 metres of strike length. In simple terms, I.P. surveys shoot charges of electricity into subsurface rock. Massive sulphide rock typically holds a charge well and enables the charge to pass through it more quickly than non-mineralized rock. Both anomalies responded with high chargeability and low resistivity.

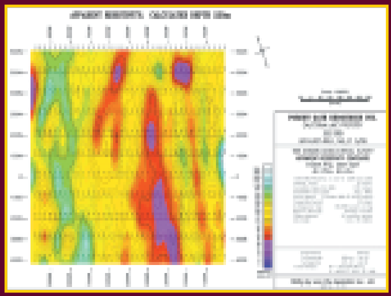
Canoe Landing Lake Polymetallic Deposit, Bathurst, N.B.

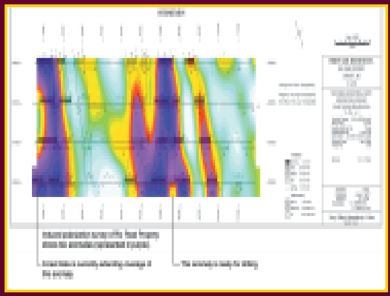
The Canoe Landing Lake polymetallic deposit, according to the records of the New Brunswick Dept. of Natural Resources and Energy (assessment work file no. 473133) , has a "geological resource" (not the correct term according to current usage) of 22.8 million tons of sulphide rock containing 0.03 oz/ton gold, 0.94 oz/ton silver, 0.56% copper, 1.82 % zinc and 0.64% lead. Other lenses of higher grade mineralization have been identified on the property.

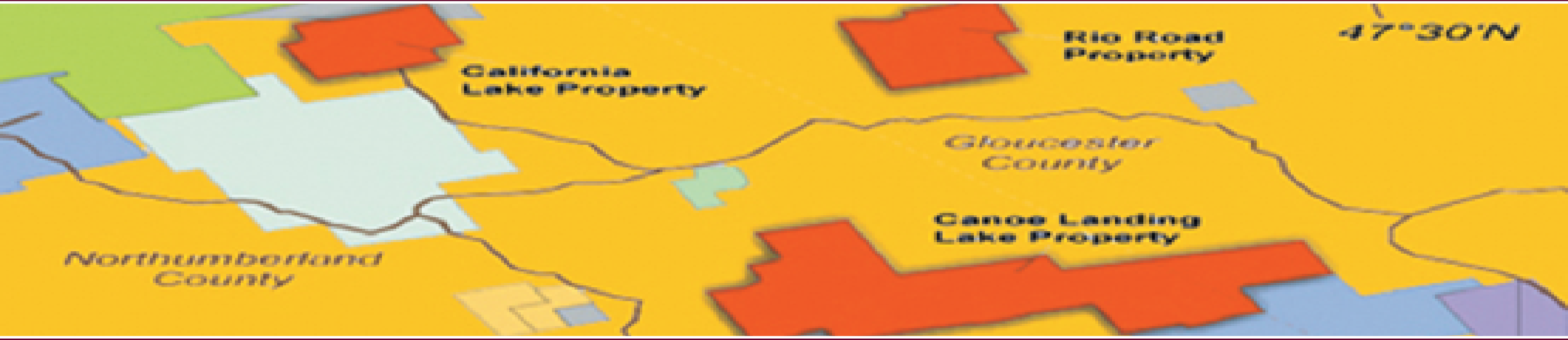
Rio Road Gold Property, Bathurst, N.B.

This is a gold occurrence consisting of volcanics stratigraphically equivalent to the footwall rocks of Noranda's Number 6 and 12 mines. Recent geophysical surveying has identified two geophysical anomalies which suggest the existence of mineralization. Previous drilling reported encountering minor gold values at shallow depths. It is believed that higher-grade gold mineralization may exist at depth.


California Lake IP Survey 1


California Lake IP Survey 2


Rio Road IP Survey



Forest Gate Resources Inc.

Management's Discussion

and Analysis

Management's Discussion and Analysis
December 2003

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

Results of operations

For the fiscal year ended December 31, 2003, the Company incurred a net loss of $386,700 ($0.03 per share) compared to a net loss of $189,025 ($0.03 per share) for fiscal 2002. During the period the Company invested $330,914 in exploration.

General and administrative expenses

General and administrative expenses increased from $112,733 for the same period last year to $400,218 for this period. This increase is a reflection of a significant increase in exploration and corporate activity. As a matter of policy, Forest Gate reviews the carrying value of its mining properties and deferred exploration and development expenses during the fourth quarter of each fiscal year. The Company has concluded that no adjustments to the carrying value of its Saskatchewan and New Brunswick assets are required.

Mining Properties

The Company has two main areas of interest. The Company holds an 85% interest in a diamond property at Fort a la Corne, Saskatchewan and 100% of the California Lake Silver Property and Canoe Landing Lake Polymetallic Deposit, both situated in Bathurst, New Brunswick.

Exploration and development programs

Forest Gate spent $330,914 during the period on exploration and claim renewals of its mining properties. On the East Side property at Fort a la Corne, the Company ran various geophysical surveys including ground magnetic, aeromagnetic and gravity surveys. These were successful at identifying a new magnetic anomaly on the southern portion of the property as well as other potential targets.

After first intersecting kimberlite on its East Side diamond property with two holes drilled in June 2003, Forest Gate drilled an additional five holes in November, all of which encountered kimberlite. Assays taken in March 2004 showed that the Company had been successful in recovering 37 diamonds from a 485.52 kilogram sample taken from its Dizzy kimberlite. Eight of the 37 diamonds had at least one side measuring more than 0.50 millimetres. While standards vary, diamonds measuring greater than 0.50 millimetres are considered to be macrodiamonds by many industry groups.

Contractors in New Brunswick were extremely scarce thanks to a boom in exploration activity in the Bathurst Camp. In spite of that, the Company successfully drilled two shallow holes into its Canoe Landing Lake polymetallic deposit, with each intersecting gold, silver, copper lead and zinc. Geophysical surveys conducted by the Company on its California Lake silver property further defined and confirmed the existing anomaly and identified an new anomaly, apparently twice as large as the known anomaly. The Company also executed geophysical surveys on its Rio Road gold property, which further defined drill targets there.

Financing

The company completed an initial public offering on March 3, 2003 of units pursuant to a prospectus filed with the British Columbia, Alberta, Quebec and Ontario Securities Commissions to issue units at an issue price of $0.15. Each unit consists of one common share and one transferable purchase warrant entitling the holder to acquire one additional common share at $0.15 per share for a period of two years. A total of 6,799,191 units were issued, generating gross proceeds of $1,019,879 and net proceeds credited to share capital and warrants of $610,656, after payment of $329,221 for related issue costs and $80,002 for stock-based compensation to the agent. The stock-based compensation was paid in the form of 1,693,167 non-transferable share purchase warrants to acquire shares at $0.15 per share for a period of two years and 1,015,900 options to acquired shares at $0.15 for a period of 60 days. The fair value of these warrants and options, totaling $70,097 and $9,905 respectively, were estimated (see "Notes to financial statements" of the Company for details).

During the last quarter of 2003, the company closed a private placement of 6,142,333 Units and 1,275,000 flow-through shares. The Units, issued at $0.15 per Unit, consist of one common share and one half of a common share purchase warrant entitling the holder to purchase one half of a common share over a period of two years at $0.20 per share. The flow-through shares were offered at $0.20 per share. The Units have a mandatory hold period of four months from closing. The issue generated total gross proceeds of $1,176,350 and net proceeds credited to share capital and warrants of $916,113, after payment of share issued costs of $218,214 and a stock-based compensation to the agent. The stock-based compensation was paid in the form 1,037,600 options to acquire 1,037,600 of the said units at an exercise prior of $0.15 for a period of two years. The options have a fair value of $42,023 (see "Notes to financial statements" of the Company for details).

In 2002, the company issued special warrants for a cash consideration of $77,450, exchangeable for no additional consideration, into 704,090 Units identical to those described in "Notes to financial statements" consisting of one common share accompanied by a warrant to purchase one common share for $0.15 per share over a two year period. During 2003, the special share purchase warrants have been exchanged for 704,090 Units.

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 no less then the closing market price of the shares of the company of 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. The company is authorized to issue a maximum of 2,760,000 common shares, increased from 2,600,000 on September 30, 2003.

Risk factors

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

Michael Judson
President and Chief Executive Officer

Forest Gate Resources Inc.

Financial Statements

December 31, 2003

Forest Gate Resources Inc.

Financial Statements

December 31, 2003

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Comptables agréés
Chartered Accountants

Lippman Leebosh April
Une société en nom collectif / A general partnership

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Montréal, Canada H3Z 2P9
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Fax: (514) 931-3602
Email: lla@lla.com

AUDITORS' REPORT

To the Shareholders of
Forest Gate Resources Inc.

We have audited the balance sheets of **Forest Gate Resources Inc.** as at December 31, 2003 and 2002 and the statements of earnings and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "Lippman Leebosh April"

Chartered Accountants

Montreal, Quebec
February 13, 2004 - *except as to note 14 which is at March 25, 2004*

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Forest Gate Resources Inc.

Balance Sheet

At December 31	**2003**	2002
	$	$
Assets		
Current assets		
Cash and cash equivalents	**-**	6,709
Short-term investments	**1,040,000**	-
Sundry receivables *[note 5]*	**35,958**	-
Prepaid expenses	**2,625**	-
Deferred financing costs	**-**	74,927
	1,078,583	81,636
Mining properties and deferred exploration costs *[note 4]*	**910,421**	579,507
Leasehold improvements [net of accumulated amortization of $730 (2002 - $487)]	**244**	487
	1,989,248	661,630
Liabilities		
Current liabilities		
Bank indebtedness	**2,582**	-
Accounts payable and accrued liabilities *[note 5]*	**243,958**	237,128
Due to an affiliated company *[note 5]*	**-**	50,873
Due to a director *[note 5]*	**-**	18,055
	246,540	306,056
Shareholders' equity		
Share capital *[note 6]*	**1,826,813**	754,075
Warrants *[note 6]*	**476,471**	-
Contributed surplus *[note 6]*	**224,625**	-
	2,527,909	754,075
Deficit	**(785,201)**	(398,501)
	1,742,708	355,574
	1,989,248	661,630

Approved on behalf of the board:

Signed "Michael Judson" ***Director***

Signed "John Mavridis" ***Director***

Forest Gate Resources Inc.

Statement of Earnings and Deficit

Year ended December 31	2003 $	2002 $
Revenues		
Interest income	**13,518**	-
Expenses		
Management fees, salaries and levies *[note 6(c)]*	**146,698**	28,400
Professional and consulting fees *[note 5]*	**138,599**	36,270
Rent	**12,589**	16,085
Office expenses	**11,290**	7,049
Taxes	**11,191**	12,035
Registration and filing fees	**9,486**	2,138
Telephone	**6,020**	1,549
Travel, advertising and business development	**53,200**	6,862
Insurance	**6,826**	-
Bank charges and interest *[note 7]*	**4,076**	2,102
Amortization of leasehold improvements	**243**	243
	400,218	112,733
Net loss before the following:	**386,700**	112,733
Write-down of deferred exploration costs	**-**	76,292
Net loss	**386,700**	189,025
Deficit at the beginning of year	**398,501**	209,476
Deficit at the end of year	**785,201**	398,501

Basic loss per share and diluted loss per share *[note 11]*	**0.02836**	0.03036
Weighted average number of shares outstanding	**13,634,305**	6,226,753

Forest Gate Resources Inc.

Statement of Cash Flows

Year ended December 31	**2003**	2002
	$	$
Cash flows from (used for):		
Operating activities		
Net loss	**(386,700)**	(189,025)
Non-cash items:		
Write-down of deferred exploration costs	**-**	76,292
Amortization of leasehold improvements	**243**	243
Non-cash stock based compensation *[note 6]*	**102,600**	-
Net change in non-cash components of operating working capital *[note 7]*	**(31,753)**	76,971
	(315,610)	(35,519)
Financing activities		
Proceeds from the issue of special warrants *[note 6]*	**-**	77,450
Proceeds from the issue of units of share capital and warrants *[note 6]*	**1,671,234**	-
Deferred financing costs	**74,927**	(74,927)
Due to a director	**(18,055)**	18,055
Due to an affiliated company	**(50,873)**	41,495
	1,677,233	62,073
Investing activities		
Short-term investments	**(1,040,000)**	-
Mining properties and deferred exploration costs	**(330,914)**	(21,268)
	(1,370,914)	(21,268)
Net increase (decrease) in cash and cash equivalents	**(9,291)**	5,286
Cash and cash equivalents - beginning of year	**6,709**	1,423
Cash and cash equivalents (bank indebtedness) - end of year	**(2,582)**	6,709
Represented by:		
Cash	**-**	6,709
Bank indebtedness, representing outstanding cheques	**(2,582)**	-
	(2,582)	6,709

1. Description of operations

The Corporation's operations consist in the exploration of mineral properties, directly or through joint ventures. It is in the process of determining whether its properties contain economically recoverable reserves. Recovery of deferred exploration costs and mining properties depend on the existence of economically recoverable ore reserves, the Corporation's ability to obtain financing for its operations and future profitable commercial production.

2. Summary of significant accounting policies

The financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 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 below.

Cash and cash equivalents:

The company considers currency on hand and demand deposits with financial institutions to be cash. The company considers all highly liquid investments with an insignificant risk and purchased with a maturity of three months or less to be cash equivalents.

Leasehold improvements:

Leasehold improvements are recorded at cost. Amortization is provided for over the term of the lease on a straight-line basis.

Mining properties and deferred exploration costs:

Mining properties and deferred exploration costs are recorded at cost which may not reflect present or future values. Costs of exploration and related capital assets on existing projects are deferred until production commences. Mining properties and deferred exploration costs are amortized over the estimated economic life of the project if successful and written off or written down to its estimated net realizable value if a project is unsuccessful or is economically unfeasible. Option payments received are applied against the related mining properties and deferred exploration costs.

Flow through common shares:

Proceeds received upon the issue of common shares that transfer the mineral exploration expense deductions to investors are credited to the share capital and the related exploration costs are charged to deferred exploration costs.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued. The deferred financing costs consist primarily of corporate finance fees, legal fees and filing fees.

...continued

2. Summary of significant accounting policies (continued)

Stock option plan

The company has a stock option compensation plan which is described in Note 6. Any consideration paid by employees, directors and others on exercise of stock options is credited to share capital.

The company uses the fair value method to account for stock-based compensation and other stock-based payments made in exchange for goods and services. This method is applied for all awards made to non-employees and employees.

Future income taxes

The company uses the liability method of tax allocation to account for income taxes. Future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in the tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of stock options that are used to purchase common shares at the average market price during the year.

3. Comparative figures and changes in accounting policies

a) Effective January 1, 2002, the company retroactively adopted the liability method of tax allocation to account for income taxes as outlined in the CICA Handbook Section 3465. The prior year figures have not been restated as a result of the change in accounting policy because the effect of the change on the current year's and prior year's earnings is not material.

b) Effective January 1, 2002, the company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants (the "CICA") with respect to stock-based compensation and other stock-based payments as outlined in the CICA Handbook Section 3870. These recommendations establish standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. The company has adopted the fair value based method of accounting for all stock-based compensation. In 2001 and prior years, no stock-based compensation payments were made. Therefore, adjustments and restatement of prior year amounts is not required.

c) Certain comparative figures have been reclassified in order to conform to the presentation adopted in the current year. These changes do not affect net income and prior year amounts.

4. Mining properties and deferred exploration costs

	Cost of claims $	Deferred exploration costs $	Write-off of abandoned property $	2003 Net $	2002 Net $
Saskatchewan					
East Side	**113,558**	**304,321**	**-**	**417,879**	128,479
New Brunswick					
Canoe Landing Lake	**177,497**	**108,712**	**-**	**286,209**	260,641
California Lake	**141,256**	**56,203**	**-**	**197,459**	190,387
Rio Road	**66,527**	**27,182**	**84,835**	**8,874**	-
	498,838	**496,418**	**84,835**	**910,421**	579,507

No amortization has been calculated on the mining properties and deferred exploration costs.

5. Related party transactions

a) Transactions with affiliated companies

	2003 $	2002 $
Management fees to an affiliated company (d)	**2,843**	7,253
Consulting fees to shareholders	**-**	14,648

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

b) Amounts due to a director and affiliated company are non-interest bearing and due on demand.

c) Accounts payable include $71,275 ($70,471 in 2002) owed to affiliated companies.

d) Sundry receivables include an advance to a shareholder director of $3,025 (nil in 2002).

e) Affiliated companies are companies that are controlled by some of the company’s shareholders.

6. Share capital

The company is incorporated under the Canada Business Corporations Act.

Authorized: An unlimited number of common shares with no par value

	Share capital		Warrants		Options		Contributed	Total
	Number	$	Number	$	Number	$	Surplus $	$
Balance–December 31, 2001	6,226,753	676,625	-	-	-	-	-	**676,625**
Special warrants issued for cash (b)	-	-	704,090	77,450	-	-	-	**77,450**
Balance–December 31, 2002	**6,226,753**	**676,625**	**704,090**	**77,450**	-	-	-	**754,075**
Units issued for cash (a)	14,216,524	1,075,804	9,870,357	450,965	-	-	-	**1,526,769**
Stock-based compensation					1,037,600 ①	-	112,120	**112,120**
paid on unit issues (a)	-	-	1,693,167	-	1,015,900 ②	-	9,905	**9,905**
Exchange of special warrants			(704,090)	(77,450)	-	-	-	**(32,388)**
into units (b)	704,090	45,062	704,090	32,388	-	-	-	**32,388**
Warrants exercised	149,600	29,322	(149,600)	(6,882)	-	-	-	**22,440**
Options expired	-	-	-	-	(1,015,900) ②	-	-	**-**
Stock-based compensation charged to operations (c)	-	-	-	-	1,900,000 ③	-	102,600	**102,600**
Balance–December 31, 2003	**21,296,967**	**1,826,813**	**12,118,014**	**476,471**	**2,937,600**	**-**	**224,625**	**2,527,909**

① options to buy units [see note 6(a)(ii)]
② options to buy shares [see note 6(a)(i)]
③ share option plan [see note 6(c)]

(a) Public financing

i) The company completed an initial public offering on March 3, 2003 of units pursuant to a prospectus filed with the British Columbia, Alberta, Quebec and Ontario Securities Commissions to issue units at an issue price of $0.15. Each unit consists of one common share and one transferable purchase warrant entitling the holder to acquire one additional common share at $0.15 per share for a period of two years. A total of 6,799,191 units were issued, generating gross proceeds of $1,019,879 and net proceeds credited to share capital and warrants of $610,656, after payment of $329,221 for related issue costs and $80,002 for stock-based compensation to the agent. The stock-based compensation was paid in the form of 1,693,167 non-transferable share purchase warrants to acquire shares at $0.15 per share for a period of two years and 1,015,900 options to acquired shares at $0.15 for a period of 60 days. The fair value of these warrants and options, totalling $70,097 and $9,905 respectively, were estimated as described below in note 6(d).

...continued

6. Share capital (continued)

(a) Public financing

ii) During the last quarter of 2003, the company closed a private placement of 6,142,333 Units and 1,275,000 flow-through shares. The Units, issued at $0.15 per Unit, consist of one common share and one half of a common share purchase warrant entitling the holder to purchase one half of a common share over a period of two years at $0.20. The flow-through shares were offered at $0.20 per share. The Units have a mandatory hold period of four months from closing. The issue generated total gross proceeds of $1,176,350 and net proceeds credited to share capital and warrants of $916,113, after payment of share issued costs of $218,214 and a stock-based compensation to the agent. The stock-based compensation was paid in the form 1,037,600 options to acquire 1,037,600 of the said units at an exercise prior of $0.15 for a period of two years. The options have a fair value of $42,023 and was estimated as described below in note 6(d).

(b) Special warrants

In 2002, the company issued special warrants for a cash consideration of $77,450, exchangeable for no additional consideration, into 704,090 Units identical to those described in note 6(a)(i), consisting of one common share accompanied by a warrant to purchase one common share for $0.15 per share over a two year period. During 2003, the special share purchase warrants have been exchanged for 704,090 Units.

(c) 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 no less then the closing market price of the shares of the company of 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. The company is authorized to issue a maximum of 2,760,000 common shares, increased from 2,600,000 on September 30, 2003.

The option activity, including options issued under the share option plan, and information concerning outstanding and exercisable options as at December 31, 2003 is as follows:

	Options outstanding		Weighted Average Exercise Price
	Available for Grant	Granted	$
Balance - December 31, 2001	-	-	-
Implementation of plan	2,600,000	-	-
Balance - December 31, 2002	2,600,000	-	-
Increase in amount authorized	160,000	-	-
Options granted under the stock option plan (*)	(1,900,000)	1,900,000	0.15
Options exercised	-	-	-
Options cancelled	-	-	-
Balance - December 31, 2003	860,000	1,900,000	0.15

(*) The fair value of the options granted is estimated at $102,600, caculated as described in note 6(d), is included as stock-based compensation and is included in management salaries.

...continued

6. Share capital (continued)

(d) Fair value

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

	March 3, 2003 Issue		March 18, 2003 Stock option plan issue	2003 Issues during the last quarter of 2003
	Warrants	**Options**	**Options**	**Options**
Risk-free interest rate	**3.76%**	**3.76%**	**3.76%**	**3.1%**
Expected life (years)	**2**	**0.16**	**5**	**2**
Expected volatility	**50%**	**50%**	**50%**	**50%**
Expected dividend yield	**Nil**	**Nil**	**Nil**	**Nil**
Weighted average grant date fair value	**$0.046**	**$0.013**	**$0.072**	**$0.045**

e) Share purchase warrants

The company has, as at December 31, 2003, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Number of shares	Exercise price $	Expiry date
9,046,848	0.15	March 2005
3,016,666	0.20	October 2005
54,500	0.20	November 2005
12,118,014		

f) Options

As at December 31, 2003, the company had the following options outstanding:

Option description	Granted	Exercisable	Weighted average Exercise price $	Expiry date
Stock options issued under the stock option plan to directors and shareholders for the purchase of 1,900,000 common shares [see note 6(c)]	1,900,000	950,000	0.15	March 2008
Options to buy units of 1 common share and ½ a warrant to purchase ½ a share	901,250	901,250	0.15	October 2005
	136,350	136,350	0.15	November 2005
	1,037,600	1,037,600		
	2,937,600	1,987,600		

7. Supplemental disclosures of expenses and of cash flow information:

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

	2003 **$**	2002 $
(Increase) decrease in:		
Sundry receivables	**(35,958)**	32,585
Prepaid expenses	**(2,625)**	-
Increase in:		
Accounts payable and accrued liabilities	**6,830**	44,386
	(31,753)	76,971

ii) Interest paid and received

Interest paid during the year amounts to $3,268 (2002 - $1,490). Interest received during the year amounts to $7,264 (2002 – nil).

iii) Non-cash transactions

All non-cash transactions relate to stock-based compensation for the issue of stock options and warrants as partial payment of share issue costs and other services, including the issue of stock options under the stock-option plan. A full description can be found in Note 6.

8. Fair value of financial instruments

The carrying amount of financial instruments approximates fair value because of the short-term maturity of these items.

9. Income taxes

The Corporation has exploration costs of approximately $102,000 and losses of $646,000 which are being carried forward and which can reduce future taxable income. The related potential future tax reduction is not recorded in these financial statements. The losses expire as follows:

	$
2006	**5,000**
2007	**36,000**
2008	**156,000**
2009	**169,000**
2010	**324,000**
	690,000

10. 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. 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.

11. Loss per share

Due to a loss for the fiscal year, no incremental shares are included in calculating the dilutive loss per share because the effect would be anti-dilutive.

12. Segmented information

The company has only one reportable segment. All of the company's operations are in one geographic location, Canada, and all relate to mining exploration.

13. Commitments

The company has entered into a net long-tem lease for premises. The lease ends on November 30, 2004. The minimum annual rentals, excluding property taxes and operating expenses, amount to $11,979.

14. Subsequent events

The company has issued over 2,100,000 common shares as a result of warrants being exercised, thus generating gross proceeds of approximately $325,000.

Notes

Board Of Directors

Michael Judson
President and Chief Executive Officer

André Fortier
Director

Jean Girard
Director

John Mavridis
Director and Secretary

Company Information

Symbol and Stock Exchange: FGT - V
Shares outstanding: 24.185 Million

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Website: www.forestgate.ca

Investor Contact:
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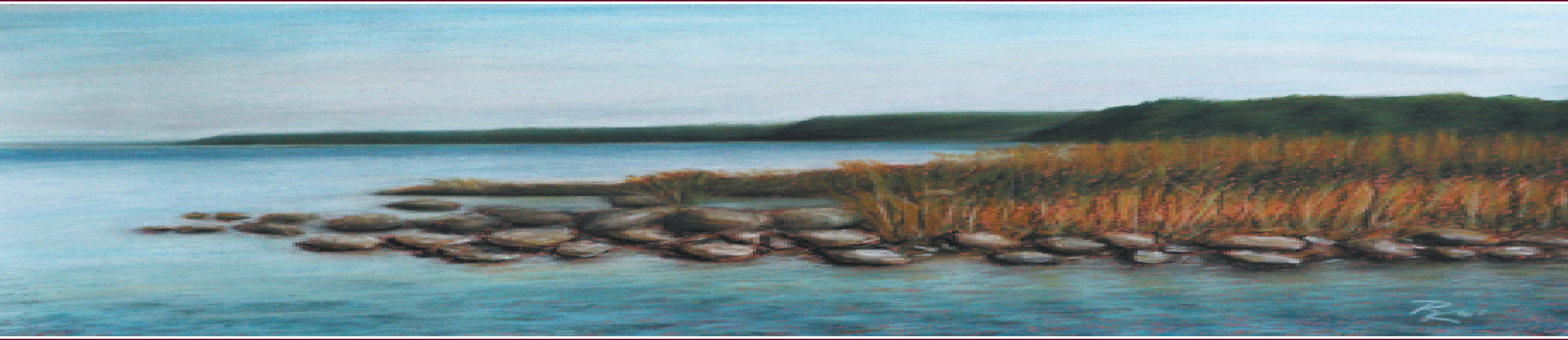
Email: mjudson@forestgate.ca

Registrar & Transfer Agent:
Pacific Corporate Trust Company
Vancouver, B.C.
(604) 689-9853

Auditors:
Lippman Leebosh April
Westmount, Quebec

Annual Concept/Design:
Robert Kramberger & Michael Judson

Original paintings:



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