

## **Management's Discussion and Analysis**

*March 31, 2004*

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 the 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 period ended March 31, 2003, the Company incurred a net loss of \$168,552 (\$0.008 per share) compared to a net loss of \$29,682 (\$0.003 per share) for the same period last year. During the period the Company invested \$58,907 in exploration.

### **General and administrative expenses**

General and administrative expenses increased from \$30,170 for the same period last year to \$172,382 for this period. This increase is a reflection of an increase in exploration and corporate activity.

### **Mining Properties**

The Company has two main areas of interest. The Company holds an 85% interest (100% as of May 2004) in the East Side diamond property in Fort a la Corne, Saskatchewan and 100% interests in the California Lake silver Property, Rio Road Gold property and Canoe Landing Lake Polymetallic deposit, all situated in Bathurst, New Brunswick.

### **Exploration and development programs**

Forest Gate spent \$58,907 during the period on exploration of its mining properties. This consisted primarily of expenses incurred to assay a 485 kilogram sample taken from its Dizzy kimberlite. The Dizzy kimberlite is located on the Company's East Side diamond property in Fort a la Corne, Saskatchewan. The assaying successfully recovered 37 diamonds, including eight macrodiamonds.

Geophysical surveys conducted by the Company on its California Lake silver property further defined and confirmed an existing anomaly and identified a 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**

During the quarter, 1,933,767 warrants and 199,000 options were exercised for proceeds of \$319,915, resulting in the issue of 2,132,767 common shares.

**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