

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

*March 31, 2006*

Forest Gate Resources Inc. (the "Company" or "Forest Gate") is a mineral exploration company with exploration activities in Saskatchewan and Quebec. 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 resource being targeted by the company is diamonds. This discussion and analysis of the Company should be read in conjunction with the accompanying unaudited 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 quarter ended March 31, 2006, the Company incurred a net earning of \$590,466 (\$0.008 per share) compared to a net loss of \$299,962 (\$0.01 per share) for the same period last year. During the period the Company invested \$859,435 in its exploration programs.

### **General and administrative expenses**

The Company incurred general and administrative expenses of \$435,888 in the current period, compared to \$303,688 for the same period last year. This increase is a reflection of (i) an overall increase in business activity, (ii) an increase in employment and consultant expenses to operate the business, and (iii) the grant of stock options generating a non-cash charge of \$109,185.

We believe the internal control systems of the Company are sufficient to execute our business plan and to provide meaningful results upon which to manage our business.

### **Exploration Properties**

The Company has two main areas of interest. The Company holds a 100% interest in the East Side, West Side and South Side diamond exploration properties located near Prince Albert, Saskatchewan. The Company has also entered into an agreement with Majescor Resources Inc. towards a joint venture on Majescor's Portage diamond property situated in the Otish Mountain region of northern Quebec.

### **Exploration and development programs**

The Company invested \$859,435 during the period in its exploration programs. The Portage Project in the Otish Mountains of Quebec saw the bulk of exploration activity in the first quarter of 2006. The Remick kimberlite dyke was the main focus with a ground geophysics program leading into a diamond drill campaign. A total of 760 metres of NQ sized core was drilled with 11 of the 14 holes intersecting the dyke with kimberlite widths ranging from 5 cm to 85 cm. The kimberlite is described as hypabyssal and locally macrocrystic and has been sent to Mineral Services in Vancouver for petrographic analysis. The dyke remains open along strike and down dip.

Also at Portage, a lake bottom sediment sampling program was conducted taking over 140 samples from several lakes up-ice from areas of high indicator mineral counts. The data will be fed into a property wide data compilation that is on-going and be evaluated as an exploration technique. Finally, about 60% of the 1087 glacial till samples collected in autumn 2005 were returned from the lab.

In July 2005, the Company signed a memorandum of understanding ("MOU") with Majescor Resources Inc., to earn up to a 55% participating interest in Majescor's Portage property located north of Quebec's Otish Mountains. Under the terms of the MOU, 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. The Company had to invest \$500,000 on claim renewals and exploration by November 1, 2005, and has to invest \$800,000 by November 1, 2006, \$1,000,000 by November 1, 2007, \$1,200,000 by November 1, 2008 and \$1,500,000 by November 1, 2009. Majescor will remain operator of the project, until \$5 million is invested, but the Company will have a final say on the content and form of the exploration program on Portage. A formal joint venture between the two companies will be entered into when the Company has earned its 50% working interest. As at March 31, 2006, the Company has invested \$1,564,810 on the Portage property.

## **Financing**

Pursuant to the exercise of approximately 200,000 warrants, 100,000 options under the stock option plan and 539,000 broker options, the Company issued approximately 839,000 common shares and 201,000 broker warrants during the period, generating net proceeds of approximately \$221,000. The total number of shares in circulation on March 31, 2006 is 73,063,045.

At March 31, 2006, the Company had cash resources of approximately \$4.7 million. This cash position enables the Company to execute its planned exploration programs.

In a subsequent event, in April 2006, the Company obtained a \$1,000,000 line of credit facility in an effort to optimize its cash management. The facility bears interest at the bank's prime rate plus 1.375%, and is secured by a \$1.05 million movable hypothec and pledge on the Company's short term investments.

Detailed information with respect to the company's operations can be obtained on [www.sedar.com](http://www.sedar.com) and on its own web-site at [www.forestgate.ca](http://www.forestgate.ca).

## **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.

*Signed: "Michael Judson"*

Michael Judson  
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Forest Gate Resources Inc.  
May 30, 2006  
Westmount, Quebec