

Management's Discussion and Analysis

June 30, 2005

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 unaudited 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 June 30, 2005, the Company incurred a net loss of \$340,051 (\$0.006 per share) compared to a net loss of \$183,529 (\$0.008 per share) for the same period last year. During the period the Company invested \$692,639 in exploration.

General and administrative expenses

General and administrative expenses increased from \$188,013 for the same period last year to \$387,085 for this period. This increase is a reflection of hiring more employees and consultants to run the business and an increase in business activity.

Mining Properties

The Company has two main areas of interest. The Company holds a 100% interest in the East Side and South Side diamond properties located near Prince Albert, Saskatchewan and 100% interests in the California Lake silver Property, Rio Road Gold property and Canoe Landing Lake Polymetallic deposit all situated near Bathurst, New Brunswick. In a subsequent event, the Company has 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 \$692,639 during the period in exploration work. This consisted of electromagnetic and aeromagnetic geophysical surveys over the Company's diamond properties in Saskatchewan. The exploration costs also included drilling its Dizzy kimberlite, Duke kimberlite and the 121 pipe. The Dizzy and Duke kimberlite pipes are located approximately 4 kilometers northeast of the DeBeers-Kensington 140-141 kimberlite complex and 6 kilometers north of Shore Gold's Star kimberlite pipe.

No exploration work was conducted on the Company's New Brunswick properties during the last quarter. A small amount of line-cutting on the Company's Canoe Landing Lake property is planned for the next quarter, essentially to keep the property in good standing.

During the quarter the Company received a court order, as part of a Plan of Arrangement under the Canada Business Corporations Act, approving the spin-off of the Company's New Brunswick properties to Blue Note Metals Inc. Details on this transaction are in the Company's Management Information Circular date April 15, 2005 and can be viewed via www.sedar.com. As well, details on all other aspects of the Company's business can also be obtained at the same web site.

In a subsequent event, the Company's wholly-owned subsidiary, Blue Note Metals Inc., entered into a revised Letter of Intent with Breakwater Resources Ltd. and its wholly-owned subsidiary, CanZinco Ltd., regarding the acquisition of the Caribou and Restigouche mines.

Under the terms of the LOI, after raising sufficient funds, Blue Note will acquire the Caribou and Restigouche mines by (i) replacing the reclamation deposits with the New Brunswick government for environmental rehabilitation of approximately \$7 million, and (ii) issuing to CanZinco a C\$15 million convertible debenture with a maturity of five years.

The debenture is repayable in shares at CanZinco's option or in cash or shares at maturity at Blue Note's option. Additionally, CanZinco has the right to convert the debenture in return for a direct 20% ownership of the mines; this must be exercised within one year from the commencement of commercial production. Blue Note has also agreed to spend \$1.5 million on exploration on the properties before the 12-month anniversary of the commencement of commercial production.

CanZinco will also receive a royalty on zinc metal production in the event the price of zinc reaches US\$0.65 per pound or more as determined by the London Metals Exchange. In addition, Breakwater is granted a conditional first right of refusal on Blue Note's marketing rights of its metals concentrates produced from the properties.

Financing

Between April 1, 2005 and June 30, 2005, the Company issued approximately 612,000 common shares further to the exercise of approximately the same number of warrants and options generating proceeds of approximately \$105,725. The total number of shares in circulation on June 30, 2005 is 61,646,537.

In a subsequent event, in July 2005, a total of 3,300,000 stock options were issued under the stock option plan to directors and consultants. The options can be exercised for the purchase of one common share at \$0.25 over a period of five years.

At June 30, 2005, the Company had cash resources of \$6.3 million. This cash position enables the Company to execute its planned exploration program.

In a subsequent event, Forest Gate Resources Inc. has entered into a private placement financing agreement with Northern Securities Inc., to raise up to \$1 million in flow-through shares at \$0.38 per share. The proceeds of the financing will be used to further develop the Company's Canadian diamond exploration projects.

Northern will be paid a non-refundable work fee of \$10,000. In addition, Forest Gate will issue Northern, at the closing of the financing, a commission of 9% and Broker Warrants equal to 9% of the number of flow-through shares sold pursuant to the offering. Each of these Broker Warrants will be exercisable into one common share at any time prior to the date that is 24 months from the closing of the financing.

It is anticipated that the financing will be completed on or before the close of business on September 16, 2005.

In another subsequent event, the Company announced that it has entered into a \$2 million 'bought deal' financing with Northern Securities Inc. of Toronto, to seed finance Blue Note Metals Inc. The Blue Note offering consists of a Unit at \$0.25 per common share and one common share purchase warrant exercisable into one common share of Blue Note Metals Inc. at a price of \$0.30 for a period of two years from the date of closing.

Blue Note will pursue a listing on TSX Venture Exchange immediately following the closing of its seed financing with Northern Securities Inc. anticipated to be on or before September 30, 2005.

Detailed information with respect to the company's operations can be obtained via www.sedar.com.

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
President and Chief Executive Officer
Forest Gate Resources Inc.
August 25, 2005
Westmount, Quebec