

Management's Discussion and Analysis

September 30, 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 September 30, 2004, the Company incurred a net loss of \$108,083 (\$0.004 per share) compared to a net loss of \$69,852 (\$0.005 per share) for the same period last year. During the period the Company invested \$117,799 in exploration.

General and administrative expenses

General and administrative expenses increased from \$72,822 for the same period last year to \$111,925 for this period. This increase is a reflection of an increase in exploration, corporate activity and salaries.

Mining Properties

The Company has two main areas of interest. The Company holds an 100% interest in the East Side diamond property 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.

Exploration and development programs

Forest Gate spent \$117,799 during the period on exploration of its New Brunswick metals properties. Six holes were drilled at California Lake this past summer. Two holes tested geophysical anomalies outlined by Forest Gate recently, and four tested the known silver zone for base metal mineralization.

The anomalies, which we theorized were caused by massive sulphides, appear to be caused by disseminated pyrite. The program confirmed the existence of good silver mineralization on the property but not the base metal values that would have made it more attractive. California Lake is now being considered on the basis of its silver potential only.

A drilling program at the Rio Road gold property was also executed this summer to test two prominent geophysical anomalies identified by Forest Gate. Two drill holes intersected a sequence of sedimentary rocks made up of volcanic rock that appears to have been eroded and re-deposited, mixed with sedimentary material of an approximately argillaceous composition. The most interesting feature of Hole 1 at Rio was an alteration zone intersected from 275.9 to 281.9 metres.

Pyrite contained in the core of both holes was in the right location to be interpreted as the cause of the geophysical anomaly, but the amount identified appeared insufficient to explain the anomaly. Conductors found by old MaxMin surveys can be explained by the graphite seen.

Geophysical surveys were conducted over Forest Gate's Canoe Landing Lake polymetallic deposit and property this summer to delineate new zones of mineralization. The company executed magnetic, electromagnetic surveys and induced polarization with resistivity (IP/resistivity) surveys. A series of "stacked" anomalies were identified and are interpreted as worthwhile drill targets.

In a subsequent event, Forest Gate has engaged mining contractors, Ross-Finlay 2000 Inc, Val-d'Or, Quebec, as general contractors to conduct due diligence on the Caribou Mine located near Bathurst. Forest Gate recently signed a Letter of Intent with Breakwater Resources Ltd., Toronto, to acquire its Caribou lead-zinc-copper mine. Accordingly, future exploration plans for California Lake, Rio Road and Canoe Landing Lake are on hold until this transaction is completed. If Forest Gate closes on the Caribou Mine acquisition, the Company plans to transfer ownership of the Caribou Mine and its New Brunswick metals properties to Blue Note Metals Inc., a wholly owned subsidiary of Forest Gate. Blue Note Metals would seek a separate listing on the TSX.

Future expenditures are planned on the Company's East Side diamond property near Prince Albert, Saskatchewan.

Financing

During the September 2004 quarter, 77,500 warrants were exercised for proceeds of \$11,310 resulting in the issue of 77,500 common shares. In addition, the company closed a private placement of 1,325,000 flow-through shares at \$0.17 per share. The issue generated total gross proceeds of \$225,250 and net proceeds credited to share capital of \$189,066 after payment of shares issue costs of \$25,849 and a stock-based compensation of \$10,335 to the agent paid in the form of 132,500 warrants to acquire shares at \$0.17 per share for a period of two years. The fair value of these warrants was estimated at \$0.078.

During October 2004, the company closed a private placement of 1,400,000 flow-through units, generating gross proceeds of \$252,000. The Units consists of one common flow-through share at \$0.18 and one half of a common share purchase warrant. Each whole warrant is exercisable into one non-flow-through common share for a period of two years at a price of \$0.23 in the first year and \$0.26 in the second year.

The Company intends, at some future point, to issue shares to finance its operations and future exploration programs.

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.

Michael Judson
President and Chief Executive Officer