Forest Gate Resources Inc.
Management's Discussion and Analysis

For the quarter ended June 30, 2007

This Management's Discussion and Analysis (MD&A) is designed to provide Forest Gate Resources Inc. ("Forest Gate" or the "Company") investors with informed communication of the Company's operations, performance and financial condition for the quarter ended June 30, 2007 and compares the actual financial results with those of 2006 for the same period. The MD&A also presents an outlook and expectations for months to come, as well as issues and risks that may have an impact on our future performance. It is intended to supplement the financial information and should be read in conjunction with our unaudited financial statements and related notes. This MD&A was prepared as at August 10, 2007.

We report our financial statements under Canadian Generally Accepted Accounting Principles (GAAP). All references to dollar amounts are in Canadian dollars unless otherwise indicated.

The Company's shares trade under the symbol FGT on the TSX Venture Exchange. Additional information relating to our Company is available on SEDAR at www.sedar.com.

Caution regarding forward-looking information

Certain information in this MD&A includes forward-looking statements about our corporate direction and financial objectives that are subject to important risks, uncertainties and assumptions. In consequence, actual results in the future may differ materially from any conclusion, forecast or projection in such forward-looking information.

Examples of statements that constitute forward-looking information may be identified by words such as "may", "could", "should", "believe", "expect", "plan", "target" and other similar words and expressions. These statements reflect current expectations of management regarding future events and operating performance, and speak only as of the date of this report.

This forward-looking information includes, amongst others, information with respect to our objectives and strategies to achieve those objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions.

We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Our business

Forest Gate is an international oil and gas exploration company. The Company is seeking to increase shareholder value through participation and development of oil and gas exploration and production projects in Ireland and Canada.

Historically, the Company has worked in mineral exploration and with the identification of new opportunities in 2007, has decided to change its strategic orientation into oil and gas exploration.

In a news release dated February 22, 2007, Forest Gate announced that it has entered into an agreement to acquire a 15% working interest in two licenses for an offshore international oil and gas prospect in the Celtic Sea located off the south coast of Ireland.

Management believes that this is a breakthrough deal for shareholders and that the Celtic Sea has significant upside potential for oil and gas reserves.

Results of operations

For the quarter ended June 30, 2007, the Company incurred a net loss of $632,207 ($0.00767 per share) when compared to a net loss of $334,525 ($0.00452 per share) for the same quarter ended June 30, 2006.

For the quarter ended June 30, 2007

The loss, for the second quarter 2007, before the write-down of deferred mining exploration costs ($126,453) and future income taxes recovered ($79,226) is $584,980 when compared to $334,525 in the same quarter last year.

The actual loss includes a $126,453 write-down on deferred mining exploration costs. The Company has decided to expand its business into oil and gas exploration. It is currently evaluating strategic options for its mining properties including further exploration, sale of properties and exploitation partnerships. Although management believes that the carried amount of these assets can be realized a partial write-down has been recorded nonetheless.

Expenses

Forest Gate incurred total expenses of $589,210 in the quarter ended June 30, 2007 compared to $378,407 last year. This increase is a reflection of the necessary investment to expand into oil and gas industry. Most special disbursements have been expensed during the first months of the year and we do not anticipate any other special or additional investments in the next two quarters.

Other expenses consist primarily of salaries, professional and consulting fees, general and administration fees and expenses relating to the regular business development of the Company.

Selected Quarterly Information

		Net loss Net (earnings) $	Per weighted average number of shares outstanding $
2007			
	Second quarter	632 207	0.00767
	First quarter	572 171	0.00719
2006			
	Fourth quarter	3 344 949	0.04243
	Third quarter	298 494	0.00380
	Second quarter	334 526	0.00452
	First quarter	(590 466)	(0.00812)
2005			
	Fourth quarter	350 992	0.00501
	Third quarter	700 307	0.01133
	Second quarter	340 051	0.00552
	First quarter	299 962	0.01023

Oil and gas Participating Interest

In February 2007, Forest Gate reported that it had entered into an Agreement to acquire a 15% working interest in an off-shore international oil and gas prospect in the Celtic Sea located off the south coast of Ireland. The 15% working interest was held by a private Calgary based international energy company called Arriba Capital Corporation Inc. The project operator is Providence Resources P.L.C. with headquarters in Dublin, Ireland.

Providence is involved in petroleum exploration licenses in Ireland, the United Kingdom, West Africa and the Gulf of Mexico and is listed on the AIM Exchange (London) and IEX Exchange (Dublin). Providence is the oil and gas exploration vehicle of Sir Anthony O'Reilly a leading investor in offshore Ireland oil and gas since 1981.

In March 2007, Forest Gate received final TSX Venture Exchange approval for its transaction. Under the terms of the Agreement and after regulatory approval, the Company paid 3,600,000 common shares of Forest Gate ($0.17 per share) to Arriba principals and entered into consulting agreements and granted one million options to them. As part of the Agreement, the Company paid 586,104 Euros ($902,249) to Providence for outstanding cash calls on work already performed. The cash call for the first quarter 2007 was accrued for 640,650 Euros ($997,427) and paid to the project operator on April 4, 2007.

At the end of March 2007, the Irish Minister for Communications, Marine and Natural Resources had approved the granting of a new Petroleum Exploration License to Providence and its existing partners including Forest Gate. Successful conclusions were also reported by the Ocean Bottom Seismic Survey on potential presence of additional hydrocarbons and gas chimney in the prospect area tested.

On July 5, 2007, it was announced that Forest Gate had signed a Joint Operating Agreement (JOA) with its Celtic Sea consortium partners regarding its upcoming oil and gas drilling program off the coast of Southern Ireland.

On July 12, 2007 Forest Gate received a second cash call from Providence for 702,785 GBP and 793,800 USD, which is approximately $2,350,000. As of today a wire transfer of $500,000 was sent as a cash advance on that cash call in order to maintain the Company 15% working interest. Forest Gate is required to fulfill its financial obligations through cash calls. Although management is confident that it can raise the required funds, there can be no assurances as capital market conditions and other unforeseeable events may impact the Company's ability to finance and develop its projects.

Other Properties

Forest Gate also owns a number of diamond properties in Canada. As of June 30, 2007, total mining properties and deferred exploration costs were $3,069,486 when compared to $3,042,149 as at December 31, 2006.

The Company invested $143,228 before tax credits and government assistance and disposals during the second quarter of 2007 in its diamond exploration programs, $16,775 in Saskatchewan and $126,453 in Quebec. Total investment in its exploration programs up to June 30, 2007 is $180,389. Tax credits and government assistance at June 30, 2007 is $988,486 and the total write-down provision is $2,624,914.

Saskatchewan Properties

The Company holds a 100% interest in the East Side, West Side and South Side diamond exploration properties located near Prince Albert, Saskatchewan. The Fort a la Corne area, located 50 km northeast of Prince Albert, is host to the largest diamondiferous kimberlite pipes in the world. This year approximately $100 million will be spent on exploration in that area and Forest Gate has key strategic properties located on the eastern and western flanks of this field.

The total investment thus far in Saskatchewan is $4,111,625 of which $1,907,785 has been invested on the East Side Property, $1,161,701 on the West Side Property, and $1,042,139 on the South Side Property. While management believes that the carried amount of these assets in Saskatchewan can be realized through operation or by way of opportunities with other partners in the industry, a complete write-down for the South Side Property investment has been recorded at the end of fiscal year 2006 ($1,037,410) and the additional expenses incurred at June 30, 2007 of $4,729 were also written-off. This is considered to be appropriate given the strategic orientation to direct current resources to oil and gas exploration.

Quebec property

The Company had an agreement with Majescor Resources Inc. ("Majescor") towards a joint venture on Majescor's Portage diamond property situated in the Otish Mountain region of northern Quebec.

On May 7, 2007, the Company announced that it had terminated its joint venture with Majescor, thereby relinquishing its participation in exploring the Portage property in Quebec. This strategy is consistent with Forest Gate's recent expansion to international oil and gas exploration.

As at June 30, 2007, the Company has invested $2,453,483 before tax credits and government assistance of $870,708 in the Portage property. A write-down for the whole Portage property investment has been recorded in December 2006 ($1,434,452) and an additional amount was recorded for $148,323 at June 30, 2007.

Liquidity, Financing and Capital Resources

Cash and cash equivalents at June 30, 2007 totaled $629,422, which compares with $3.2 million at December 31, 2006 and $625,236 at June 30, 2006.

This period's change in short term assets include the payment to Providence for cash call of $997,427 paid on April 4, 2007 for the Celtic Sea project. Accounts receivable are comprised of amounts receivable from Blue Note Mining ($32,985) reimbursed on monthly basis and taxes receivable for GST, HST and QST ($155,930).

The total interest received in this quarter is $6,349 compared to $12,398 for the same quarter last year. The variance comes from interest paid on short term investment converted into cash during the last quarter of fiscal year 2006. There are no capital expenditures (CAPEX) for this three month period.

Forest Gate does not have any long term debt. Accounts payable and accrued liabilities are related to services or goods rendered as June 30, 2007 from suppliers on basic operating activities. All of them are current and due 30 days from invoice date except for those with which we have made a special arrangement and the Company uses all cash discounts when available.

During the first quarter of 2007 the Company completed its acquisition of the 15% working interest in the off-shore international oil and gas prospect in the Celtic Sea. As consideration paid on the transaction, the Company issued 3,600,000 common shares for a value of $612,000. The fair value of the common shares was based on the fair market value prevailing at the negotiation date. Each common share issued with this transaction has a fair value of $0.17.

In the first quarter the Company recorded an additional share issue cost of $387,758 to account for the future tax cost of the exploration costs it had renounced in March 2007 on the flow-through shares issued in 2006. The amount has been charged to share capital.

Forest Gate announced on July 18, 2007 a non-brokered private placement whereby the Company intends to raise up to $1,500,000 at a price of $0.12 per unit. Each unit was comprised of one common share and one common share purchase warrant of the Company. Each share warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.15 per share for a period of two years after issuance.

On July 20, Forest Gate raised gross proceeds of $904,600 by issuing 7,538,333 shares at $0.12 per share and on July 27, the Company raised gross proceeds of $324,800 by issuing 2,706,666 shares at $0.12 per share. The net proceeds of this financing will be used for general working capital purposes and to finance the commitments in acquiring the 15% working interest in the Celtic Sea oil and gas exploration project.

The number of shares issued & outstanding as at June 30, 2007 is 82,426,157 compared to 78,826,157 as December 31, 2006. As of August 10, 2007, there were 92,671,156 shares issued and outstanding.

Disclosure Controls, Procedures and Internal Controls

We evaluated our disclosure controls and procedures as defined in the rules under the Canadian Securities Administrators. Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective.

As of June 30, 2007 we believe that our internal control systems at Forest Gate are sufficient to execute our business plan and to provide meaningful results upon which to manage our business. No changes were made in our internal control systems during the fiscal year that have materially affected our financial reporting and controls.

Risk factors

All of the resource properties and the oil and gas interest of the Company are at an exploration stage only and are without a known body of commercial ore, minerals, or reserves. Mineral exploration and development, along with oil and gas exploration, 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 10, 2007
Montreal, Quebec