Forest Gate Energy Inc.

Interim Financial Statements

June 30, 2009

(Unaudited)

Contents

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2009.

Forest Gate Energy Inc.
Balance Sheet (unaudited)

At	**June 30, 2009**	December 31, 2008 (Audited)
	$	$
Assets		
Current assets		
Cash	**58,686**	631,749
Accounts receivable	**129,851**	95,896
Prepaid expenses	**791**	11,467
	189,328	739,112
Oil and gas participating interests and deferred exploration costs *[note 4]*	**773,971**	758,566
Assets of business held for sale *[note 5]*	**1,000,000**	1,000,000
Property and equipment *[note 6]*	**31,655**	38,353
	1,994,954	2,536,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *[note 7]*	**719,560**	663,494
Long term liabilities		
Asset retirement obligations *[note 8]*	**321,079**	317,800
	1,040,639	981,294
Shareholders' equity *[note 9]*		
Share capital	**15,412,376**	15,412,376
Warrants	**3,891,225**	3,891,225
Contributed surplus	**1,509,739**	1,424,254
Deficit	**(19,859,025)**	(19,173,118)
	954,315	1,554,737
	1,994,954	2,536,031

Contingent liabilities and subsequent events *[notes 15 and 17]*

Approved on behalf of the board:

Signed "Michael C. Judson" *Director*

Signed "Jean Mayer" *Director*

See accompanying notes to the financial statements.

Forest Gate Energy Inc.
Statements of Operations (unaudited)

Periods ended June 30,	Three months **2009**	2008	Six months **2009**	2008
	$	$	**$**	$
Revenues				
Petroleum and natural gas revenue	**82,180**	163,868	**132,091**	163,868
Royalties	**(13,644)**	(27,141)	**(21,232)**	(27,141)
Interest and other income	**297**	4,613	**1,882**	8,812
	68,833	141,340	**112,741**	145,539
Expenses				
Operating Expenses	**36,910**	35,601	**72,643**	35,601
Salaries and levies	**42,459**	128,868	**148,920**	256,855
Value of stock option granted *[note 9 (b)]*	**4,534**	48,862	**23,344**	103,593
Professional and consulting fees	**69,715**	99,909	**107,307**	247,154
General and administration expenses	**75,244**	73,809	**138,316**	157,045
Corporate marketing and business development	**207,367**	63,280	**225,170**	195,825
Financial charges	**3,804**	14,365	**3,863**	14,635
Accretion of asset retirement obligation	**1,716**	-	**3,279**	-
Depletion	**37,747**	-	**69,401**	-
Depreciation of property and equipment	**3,349**	3,349	**6,698**	6,698
	482,845	468,043	**798,941**	1,017,406
Loss before write-down, income taxes and discontinued operations	**414,012**	326,703	**686,200**	871,867
Write-down of mining properties and deferred exploration costs *[note 10]*	**(68)**	-	**(293)**	-
Loss before income taxes	**413,944**	326,703	**685,907**	871,867
Future income taxes current (recovered)	**-**	132,864	**-**	(29,115)
Net loss from continuing operations	**413,944**	459,567	**685,907**	842,752
Net loss from discontinued operations	**-**	6,255	-	13,660
Net loss	**413,944**	465,822	**685,907**	856,412
Deficit at the beginning of period	**19,445,081**	9,219,578	**19,173,118**	8,828,988
Deficit at the end of period	**19,859,025**	9,685,400	**19,859,025**	9,685,400
Basic and diluted loss per share *[note 13]*				
continuing operations	**$0.02909**	$0.03605	**$0.04819**	$0.06811
discontinued operations	**$0.00000**	$0.00049	**$0.00000**	$0.00110
Weighted average number of shares outstanding *[note 9]*	**14,232,233**	12,747,515	**14,232,233**	12,373,869

See accompanying notes to the financial statements.

Forest Gate Energy Inc.
Statements of Cash Flows (unaudited)

Period ended June 30,	Three months ended		Six months ended	
	2009	2008	**2009**	2008
	$	$	**$**	$
Cash flows from (used in) operating activities				
Net loss from continuing operations	**(413,944)**	(459,567)	**(685,907)**	(842,752)
Non-cash items:				
Future income taxes current (recovered)	**-**	132,864	**-**	(29,115)
Accretion of Asset Retirement Obligation	**1,716**	-	**3,279**	-
Depletion	**37,747**	-	**69,401**	-
Depreciation of property and equipment	**3,349**	3,349	**6,698**	6,698
Write-down of amount owing to shareholders		-	**62,141**	-
Stock based compensation *[note 9]*	**4,534**	48,862	**23,344**	103,593
Net changes in non-cash components of operating working capital *[note 12]*	**99,632**	371,604	**32,787**	619,449
	(266,966)	97,112	**(488,257)**	(142,127)
Cash flows from (used in) financing activities				
Proceeds from the issue of equity *[note 9]*	**-**	1,305,674	**-**	1,632,628
	-	1,305,674	-	1,632,628
Cash flows from (used in) investing activities				
Oil and gas participating interests and deferred exploration costs	**(7,992)**	(624,782)	**(84,806)**	(933,678)
	(7,992)	(624,782)	**(84,806)**	(933,678)
Net increase (decrease) in cash and cash equivalents of continuing operations	**(274,958)**	778,004	**(573,063)**	556,823
Cash and cash equivalents provided by discontinued operations	**-**	(6,256)	**-**	(13,660)
Cash and cash equivalents - beginning of Period	**333,644**	663,952	**631,749**	892,537
Cash and cash equivalents - end of Period	**58,686**	1,435,700	**58,686**	1,435,700
Represented by:				
Cash with financial institutions	**58,686**	1,435,700	**58,686**	1,435,700

See accompanying notes to the financial statements.

1. DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

(a) Description of operations

Forest Gate Energy Inc. (“Forest Gate” or the “Company”) is incorporated under the Canada Business Corporations Act and is publicly traded on the TSX Venture Exchange under the symbol “FGE”. Forest Gate is an international oil exploration and production company. At a special meeting held on June 23, 2009, shareholders approved changing the company’s name to Forest Gate Energy Inc. from Forest Gate Resources Inc.

The Company’s operations consist of the exploration and production of oil and gas reserve properties, either directly, through joint ventures or with working interest partners. Recovery of deferred exploration costs and reserve properties depend on the existence of economically recoverable reserves and the Company’s ability to obtain financing for its operations and future profitable commercial production.

The Company has put its diamond mining properties in Saskatchewan up for sale, as Forest Gate is no longer a mining exploration company, but an international oil and gas exploration and production company. The mining properties and deferred exploration costs are shown and presented as an asset of business held for sale. Management believes that the carried amount of these assets reflects fair market value of properties and can be realized by way of total disposal.

(b) Going Concern Disclosure

These financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The recoverability of capitalized costs in relation to its oil and gas developments is dependent on the ability of the company to successfully operate the wells.

The company’s ability to continue as a going concern is dependent upon its ability to fund its working capital, complete the development of its wells, and eventually to generate positive cash flows from oil and gas extraction operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

(c) Basis of presentation

These unaudited financial statements of the Company are prepared in accordance with Canadian generally accepted accounting procedures (“GAAP”) for presentation of interim financial information and in the opinion of management, all adjustments necessary to present fairly the results of operations have been included. All disclosures required for annual financial statements have not been included in these financial statements and therefore these interim statements should be read in conjunction with the Company’s 2008 annual audited financial statements. These financial statements use the same accounting policies and methods used in the preparation of the Company’s 2008 annual audited financial statements except for changes in accounting policies described in note 2. Interim results may not necessarily be indicative of results for the year.

(d) Comparative financial statements

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

2. CHANGES IN ACCOUNTING POLICIES

(a) Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174, “Mining Exploration Costs” which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long–lived assets in general. The adoption of this abstract had no impact on the Company’s presentation of its financial position or results of operations as at June 30, 2009.

(b) Goodwill and intangible assets

Section 3064, “Goodwill and Intangible Assets”, replaces “Goodwill and Other Intangible Assets”, section 3062, and “Research and Development Costs”, section 3450. This new section establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The objectives of Section 3064 are to:

- Remove material that may be interpreted as permitting recognition of assets that would not otherwise meet the definition of an asset or the recognition criteria;
- Include guidance to clarify the distinction between assets and expenses;
- Include guidance on the definition of an intangible asset and the recognition of internally generated intangible assets; and
- Withdraw Section 3450 “Research and Development Costs”, as assets developed as a result of research and development activities would now be included within the scope of Section 3064.

The adoption of this standard had no impact on the Company’s presentation of its financial position or the results of operations as at June 30, 2009.

3. NEW ACCOUNTING PRONOUNCEMENTS

(a) Business combinations, Consolidated financial statements and Non-controlling interests

In January 2009, the Accounting Standards Board issued 3 new accounting standards: Section 1582 “Business Combinations”; Section 1601 “Consolidated Financial Statements”; and Section 1602 “Non-Controlling Interests”. Section 1582 provides the Canadian equivalent to “International Financial Reporting Standard IFRS 3 Business Combinations” These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these new sections on its consolidated financial statements presentation. In the event that the Company would have a business combination prior to January 1, 2011, the Company would adopt Section 1582 in the year of acquisition, and also 1601 and 1602, prospectively as permitted by the new accounting standards.

(b) Convergence with International Financial Reporting Standards:

In 2006, Canada’s Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (“IFRS”) over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal year beginning on January 1, 2011.

As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date of these financial statements, it is premature to currently assess the impact of the Canadian initiative on the company.

4. OIL and GAS PARTICIPATING INTERESTS AND DEFERRED EXPLORATION COSTS

	Participating Interest	Deferred exploration costs	June 30, 2009 Net	December 31, 2008 Net (Audited)
	$	$	$	$
Canada	**773,971**	**-**	**773,971**	758,566

The major part of the increase in Oil and Gas participating interests and deferred exploration costs relates to $64,000 for the acquisition of the Bakken property. This increase was partially offset by depletion charge of $69,401 in the six months ended June 30, 2009. The Company will cover its participating interest share of all future commitments. The Company's accounts reflect only the proportionate interest in these activities.

5. ASSETS OF BUSINESS HELD FOR SALE

	Cost of Claims	Deferred exploration costs	Tax credits and government assistance	June 30, 2009 Net	December 31, 2008 Net (Audited)
	$	$	$	$	$
Saskatchewan					
EastSide	**69,792**	**592,417**	**(38,110)**	**624,099**	624,099
WestSide	**330,517**	**45,384**	**-**	**375,901**	375,901
	400,309	**637,801**	**(38,110)**	**1,000,000**	1,000,000

Forest Gate continues to own its Saskatchewan diamond properties, which includes the East Side and West Side properties at the Fort a la Corne kimberlite field. The mining properties and deferred exploration costs are shown and presented as an asset of business held for sale as at June 30, 2009.

6. PROPERTY AND EQUIPMENT

Period ended	Cost	Accumulated Depreciation	June 30, 2009 Net	December 31, 2008 Net (Audited)
	$	$	$	$
Furniture and office equipment	**33,314**	**19,882**	**13,432**	14,114
Computer equipment	**68,094**	**49,871**	**18,223**	24,239
Leasehold improvements	**7,020**	**7,020**	**-**	-
	108,428	**76,773**	**31,655**	38,353

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2009	December 31, 2008
	$	$
Accounts payable - trade	**427,751**	341,829
Accounts payable to shareholders	**-**	62,139
Accounts payable - related parties (net)	**291,809**	259,526
	719,560	663,494

8. ASSET RETIREMENT OBLIGATIONS

At the time completion of drilling and testing, the Company identified obligations related to oil and gas properties and records a liability equal to the present value of expected future assets retirement obligations. The total future ARO was estimated by management based on the Company's net ownership interest in the wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its ARO to be $321,079 as at June 30, 2009 based on the future liability and incorporated the Company's credit-adjusted risk-free interest rate. These payments are expected to be made over the next nine years. The following table reconciles the Company's asset retirement obligation:

Period ended	**June 30, 2009**	December 31, 2008
	$	$
Asset retirement obligation, beginning of period	**317,800**	-
Addition for continuing operations	**3,279**	17,800
Addition for discontinued operations	**-**	300,000
Asset retirement obligation, end of year	**321,079**	317,800

9. SHARE CAPITAL

On June 30, 2009, the shares of the Company were consolidated on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares held, passing from 142,322,333 to 14,232,233 common shares issued and outstanding. As a result, Basic and diluted net earnings (loss) per common shares have been retroactively adjusted to reflect the stock consolidation

Authorized:
The authorized share capital comprises an unlimited number of common shares with no par value.

	Share capital		Warrants		Broker Warrants and Options	Contributed Surplus	Total
	Number	$	Number	$	Number	$	$
Balance - December 31, 2008	**14 232 233**	**15 412 376**	**5 809 601**	**3 891 225**	**1 764 525**	**1 424 254**	**20 727 855**
Equity issued	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	(200 000)	-	-
Options issued	-	-	-	-	-	-	-
non-cash item	-	-	-	-	-	62 141	62 141
Stock-based compensation charged to operations	-	-	-	-	-	18 810	18 810
Future income taxes on flow-through expenses renounced	-	-	-	-	-	-	-
Balance - March 31, 2009	**14 232 233**	**15 412 376**	**5 809 601**	**3 891 225**	**1 564 525**	**1 505 205**	**20 808 806**
Equity issued	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	(417 500)	-	
Options issued	-	-	-	-	-	-	-
non-cash item	-	-	-	-	-	-	-
Stock-based compensation charged to operations	-	-	-	-	-	4,534	4,534
Future income taxes on flow-through expenses renounced	-	-	-	-	-	-	-
Balance - June 30, 2009	**14 232 233**	**15 412 376**	**5 809 601**	**3 891 225**	**1 147 025**	**1 509 739**	**20 813 340**

9. SHARE CAPITAL (continued)

(a) Issues during 2009

Six Months ended June 30, 2009

- The Company did not issue additional share capital during the first half of the year.

(b) Stock option plan

The Company has a stock option plan authorizing the Board of Directors to grant options to directors, officers, employees and consultants to acquire common shares of the Company at a price computed by reference to the closing market price of the shares of the Company on the business day before the Company notifies the stock exchanges of the grant of the option. The number of shares which may be granted to any one person shall not exceed 5% (2% for consultants) over a 12month period. The options will vest from the date of the grant to 18 months and expire within 5 years, as determined by the board, with exceptions to death, employment, etc. The Company is authorized to issue a maximum of 1,529,850 common shares.

The option activity, under the share option plan and information concerning outstanding and exercisable options, is as follows:

As At June 30,	**2009**		2008	
	Granted	**Weighted Average Exercise Price**	Granted	Weighted Average Exercise Price
Balance - December 31, 2008	**1,312,500**	**1.40**	856,510	1.80
Options granted (*)	**-**	**-**	**-**	**-**
Options forfeited	**(200,000)**	**1.00**	**-**	**-**
Balance - March 31, 2009	**1,112,500**	**1.40**	856,510	1.80
Options granted (*)	**-**	**-**	20,000	1.00
Options forfeited	**(417,500)**	**1.64**	(79,010)	1.50
Balance - June 30, 2009	**695,000**	**1.40**	797,500	1.80

(*) The following amounts were recorded as value of stock options granted to directors and consultants (stock-based compensation) and credited to contributed surplus for options vesting in the period:

9. SHARE CAPITAL (continued)

(b) Stock option plan (continued)

	Three months ended		Six months ended	
Period ended June 30,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Directors and management compensation	**4 534**	19 496	**17 327**	46 594
Consultants compensation	**-**	29 366	**6 017**	56 999
Charged to Income	**4 534**	48 862	**23 344**	103 593

As at June 30, 2009, the outstanding options, as issued under the stock option plan to directors, officers, employees and consultants for the purchase of one common share per option, are as follows:

Granted	Exercisable	Weighted Average Exercise Price $	Expiry date
20,000	**20,000**	**0.95**	**April 2010**
150,000	**150,000**	**2.50**	**July 2010**
30,000	**30,000**	**1.30**	**June 2012**
20,000	**20,000**	**1.50**	**August 2012**
50,000	**50,000**	**1.60**	**November 2012**
20,000	**10,000**	**1.00**	**August 2013**
405,000	**202,500**	**1.00**	**December 2013**
695,000	**482,500**	**1.40**	

(c) Broker warrants

During the period, the activity and information concerning outstanding and exercisable broker warrants is as follows:

	Number	Weighted Average Exercise Price $
Balance - December 31, 2008	**452,025**	**1.15**
Granted	**-**	**-**
Balance - March 31, 2009	**452,025**	**1.15**
Granted	**-**	**-**
Balance - June 30, 2009	**452,025**	**1.15**

9. SHARE CAPITAL (continued)

(c) Broker warrants (continued)

As at June 30, 2009 the Company had the following broker warrants outstanding:

	Granted	Exercisable	Weighted Average Exercise Price $	Expiry date
Warrants to buy units of 1 common share	**67,560**	**67,560**	**1.20**	**July 2009**
Warrants to buy units of 1 common share	**24,000**	**24,000**	**1.20**	**August 2009**
Warrants to buy units of 1 common share	**33,896**	**33,896**	**1.30**	**September 2009**
Warrants to buy units of 1 common share	**101,256**	**101,256**	**1.30**	**October 2009**
Warrants to buy units of 1 common share	**19,696**	**19,696**	**1.30**	**February 2010**
Warrants to buy units of 1 common share	**205,617**	**205,617**	**1.00**	**June 2010**
	452,025	**452,025**	**1.15**	

(d) Share purchase warrants

The Company has, as at June 30, 2009, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price $	Expiry date
1,024,500	**1.50**	**July 2009**
330,000	**1.50**	**August 2009**
469,200	**1.70**	**September 2009**
1,838,541	**1.70**	**October 2009**
271,200	**1.70**	**February 2010**
1,876,160	**1.00**	**June 2010**
5,809,601		

10. DISCONTINUED OPERATIONS

On September 4, 2008 Forest Gate announced that it forfeited its entire interest in the Celtic Sea project as it had not paid its share of the full amount of the outstanding balance to the Operator within the specified period of time. As of that date, participating interest amounted to $612,000 and total exploration costs amounted to $6,018,434 including the outstanding cash calls of $544,090. The Company's accounts reflected only the 7.5% proportionate interest in these activities.

The Company formally adopted a plan to divest of its mining operations and focus on oil and gas exploration and operation. As of December 31, 2007 the mining division was classified as a discontinued operation. The following table presents summarized financial information related to discontinued operations:

For the three months ended June 30, 2009	**Oil and gas Exploration** (Celtic Sea)	**Mining Exploration** (Saskatchewan)	**Total**
Write-down of assets held for sale (net of future income taxes)	-	(68)	(68)
Net loss from discontinued operations (net of future income taxes)	-	(68)	(68)
Cash and cash equivalents provided from discontinued operations	-	-	-

For the six months ended June 30, 2009	**Oil and gas Exploration** (Celtic Sea)	**Mining Exploration** (Saskatchewan)	**Total**
Write-down of assets held for sale (net of future income taxes)	-	(293)	(293)
Net loss from discontinued operations (net of future income taxes)	-	(293)	(293)
Cash and cash equivalents provided from discontinued operations	-	-	-

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Fair value

The Company's financial instruments consist of cash and cash equivalent, accounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents are presented at fair value.

Risk management of financial instruments

The Company is exposed to various risks arising from financial instruments. The following analysis provides a measurement of risks as at June 30, 2009.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

The Company's principal financial assets are cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with major financial institutions and the risk of default is considered remote. Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers and project operators. The maximum exposure to credit risk as at June 30, 2009 is represented by the carrying value of accounts receivable on the balance sheet.

Liquidity risk

The cash and cash equivalents on hand and expected cash generated from operations will allow the Company to meet its planned operating requirements. Financial liabilities all have maturity dates prior to December 31, 2009.

Additional funds will be required to meet the Company's planned capital expenditures.

Market risk

a) Commodity price risk

The value of the Company's mineral resource properties is related to the prices of oil, gas and diamonds and the outlook for these commodities. Commodity prices historically have fluctuated widely and are affected by numerous factors outside the Company's control, including, but not limited to, industrial and retail demand, levels of worldwide production, short term changes in supply and demand due to speculative hedging activities, and macro-economic variables.

The profitability of the Company's continuing operations is highly correlated to the market price of oil and gas. To the extent that prices increase over time, asset value increases and cash flows improve; conversely, declines in the prices directly impact value and cash flows negatively. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. The Company did not have any financial instruments in place to manage commodity prices during the period ended June 30, 2009.

b) Market sensitivity analysis

Due to the fact that the Company is at a very early stage of production, it is not possible to do a market sensitivity analysis on the earnings.

c) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. Although all of the Company's revenues are denominated in Canadian dollars, realized petroleum and, to a certain extent, natural gas prices are based upon reference prices denominated in US dollars and are therefore impacted by changes in the exchange rate between the Canadian and US dollar. A strengthening of the Canadian dollar in comparison to the US dollar will decrease revenues received by the Company from the sale of its production. Correspondingly, a decrease in the value of the Canadian dollar relative to the US dollar will increase the revenues received. The impact of such exchange rate fluctuations cannot be accurately quantified. The Company did not have any forward exchange rate contracts in place for the period ended June 30, 2009 to reduce its exposure to foreign currency fluctuations. As of year-end, no other financial instruments were denominated in foreign currency.

12. SUPPLEMENTAL DISCLOSURES OF EXPENSES AND CASH FLOW INFORMATION

a) Net change in non-cash components of operating working capital

	Three months		Six months	
Period ended June 30,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Accounts receivable	**6 991**	(55 755)	**(33 955)**	(143 687)
Prepaid expenses	**4 942**	5 211	**10 676**	10 423
Tax credits and government assistance receivable	**-**	-	**-**	-
Increase (decrease) in:				
Accounts payable and accrued liabilities	**87 699**	422 148	**56 066**	752,713
	99 632	371 604	**32 787**	619,449

b) Interest paid and received

Interest received during the three months ended June 30, 2009 amounts to $297 (June 30, 2008 - $4,613). During the six months ended June 30, 2009 interest received amounts to $1,882 (June 30, 2008 - $8,812).

13. LOSS PER SHARE

Due to an expected loss for the entire current period, no incremental shares are included in calculating the dilutive loss per share because the effect would be anti-dilutive.

14. COMMITMENTS

The Company has no long term lease contract for premises.

15. CONTINGENT LIABILITIES

Environmental
The Company's exploration activities are subject to various federal and provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing. Environmental consequences are difficult to identify in terms of results, timetable and impact. The Company conducts its operations so as to protect the public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

16. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

There are no externally imposed capital requirements. The Company manages the capital structure and makes adjustments depending on economic conditions.

The Company manages its capital structure and makes adjustments to it in response to changes in general industry conditions and its petroleum and natural gas assets. The Company may choose to issue equity or debt, revise its capital expenditure programme, and/or sell assets. Access to equity markets is currently very limited due to recent weakening of the global economy and low commodity prices.

The Company's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented.

17. SUBSEQUENT EVENTS

The previously announced letter of intent to acquire Atlantis Deepwater Production, Inc. of Houston, Texas has expired as have the company's efforts to acquire the related High Island 98-L (HI-98L) project located in the Gulf of Mexico off the coast of Texas.

On July 16, 2009, Forest Gate announced that it has completed a non-brokered private placement and has issued 1,016,500 Units at a price of $0.15 per Unit, for total gross proceeds of $152,475. Total Shares Outstanding following this private placement will be 15,248,733. Each Unit ("Unit") consists of one common share ("Share") and one common share purchase warrant ("Warrant") allowing the holder to subscribe for one Share at a price of $0.20 for a period of two years from the subscription date. The Units will be subject to a four-month hold period. Forest Gate paid $7,073 in commissions and finder's fees, and issued 47,150 Broker Warrants in connection with this private placement, in accordance with the rules and regulations of the TSXV.