



Forest Gate Resources Inc.  
("Forest Gate" or the "Corporation")

**RENEWAL ANNUAL INFORMATION FORM**

**Fiscal Year Ended December 31, 2007**

**April 29, 2008**

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## INTRODUCTORY NOTES

### Forward-looking information

Certain information in this Annual Information Form ("**AIF**") includes forward-looking statements and forward-looking information relating to Forest Gate and in particular, assumptions with respect to production, future capital expenditures and cash flow.

The use of words such as "may", "could", "can", "continue", "maintain", "seeking", "might", "estimate", "should", "believe", "expect", "plan", "target" and other similar words and expressions are intended to identify forward-looking statements and forward-looking information. These statements reflect current expectations, estimates, projections, assumptions and beliefs of management regarding future events and operating performance, and speak only as of the date of this report. These statements are not guarantees of future performance and 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. Many of these risk factors are discussed in this AIF under "Risk Factors" and in other documents the Corporation files from time to time with securities regulatory authorities, which are available through the internet on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com) or, upon request, without charge from the Corporation.

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. The Corporation believes the expectations reflected in the forward-looking statements and information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and forward-looking information should not be unduly relied upon. Forest Gate disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

### Documents incorporated by reference

The following documents are incorporated by reference in this AIF of the Corporation and are available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com):

- (1) Technical report prepared by N. Ralph Newson, M.Sc., P.Eng., P.Geol. dated April 20, 2002 and filed on August 30, 2002 and the technical report prepared by N. Ralph Newson, M.Sc. P.Eng. P.Geol. dated August 20, 2007 and filed August 30, 2007 (collectively, the "**Technical Reports**");
- (2) Interim Financial Statements for the quarter ended September 30, 2007;
- (3) Audited Financial Statements, together with the accompanying report of the auditors, for the fiscal year ended December 31, 2007, as compared to the fiscal year December 31, 2006;
- (4) Management's Discussion and Analysis dated November 13, 2007 for the quarter ended September 30, 2007, dated April 26, 2007 for the fiscal year ending December 31, 2006 and dated April 14, 2008 for the fiscal year ending December 31, 2007; and
- (5) Information Circulars dated April 3, 2008, May 11, 2007 and April 28, 2006.

## ABBREVIATIONS AND CONVERSION

In this AIF, the following abbreviations have the indicated meanings.

bbl and bbls .....	barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons
Bcf.....	one billion cubic feet
stb.....	stock tank barrels of oil
Mstb .....	thousand stock tank barrels
Mbbls .....	thousand barrels
BTU .....	British thermal unit
MMBTU .....	one million BTU
MMbbls.....	million barrels
bbls/d.....	barrels per day
mbbls/d.....	thousands of barrels per day
km and kms .....	kilometre and kilometres
Mcf.....	one thousand cubic feet
Mcf/d.....	one thousand cubic feet per day
MMcf .....	one million cubic feet
MMcf/d .....	one million cubic feet per day
boe.....	barrels of oil equivalent, with natural gas converted at 6 Mcf of natural gas per bbl of oil, unless otherwise stated; and NGLs are converted to oil on the basis of one bbl of NGLs to one bbl of oil.
boe/d.....	boe per day
NGLs.....	natural gas liquids
CBM.....	coalbed methane

**Note: Disclosure provided herein in respect of boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To convert from</u>	<u>To</u>	<u>Multiply by</u>
bbls	cubic metres	0.159
cubic metres	bbls	6.293
cubic feet	cubic metres	35.315
cubic metres	cubic feet	0.02832
miles	kms	1.609
kms	miles	0.621

In this AIF, unless indicated, all dollar amounts are in Canadian dollars and all references to "\$" are to Canadian dollars.

## PRESENTATION OF OIL, NGLS AND NATURAL GAS RESERVES, RESOURCES AND PRODUCTION INFORMATION AND DEFINITIONS

The oil and gas operational and reserves information contained in this AIF contains the information required to be included in the Statement of Reserves Data and Other Oil and Gas Information pursuant to

NI 51-101 *Standards of Disclosure For Oil and Gas Activities* ("**NI 51-101**") adopted by the Canadian securities regulatory authorities and has been prepared and prescribed in accordance with Form 51-101F1. The effective date for the Statement of Reserves Data and Other Oil and Gas Information contained in this AIF is December 31, 2007 and the information contained in the AIF has been prepared as of April 10, 2008. Readers should also refer to the Reserve Estimation and Economic Evaluation Report by AJM Petroleum Consultants ("**AJM**") attached hereto as Appendix "A", the Report of Management and Directors on Oil and Gas Disclosure attached hereto as Appendix "B" and the supplementary oil and gas operational and reserves information attached hereto as Appendix "C". The effective date for the supplementary oil and gas operational and reserves information contained in Appendix "C" is March 31, 2008.

The following definitions and guidelines are contained in Section 5.4 of Volume 1 of the Canadian Oil and Gas Evaluation Handbook (First Edition, June 30, 2002) (the "**COGE Handbook**") prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society) (the "**CIM (Petroleum Society)**") and have been prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society). Readers should consult the COGE Handbook for additional explanation and guidance. Certain other terms used in this AIF have the meanings assigned to them in National Instrument 51-101 and accompanying Companion Policy 51-101CP, adopted by the Canadian securities regulatory authorities.

### **Reserves Categories**

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (1) analysis of drilling, geological, geophysical and engineering data; (2) the use of established technology; and (3) specified economic conditions, which are generally accepted as being reasonable and shall be discussed.

***Proved reserves*** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

***Probable reserves*** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

***Possible reserves*** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

### **Development and Production Status**

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

***Developed reserves*** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

***Developed producing reserves*** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they

must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

***Developed non-producing reserves*** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

***Undeveloped reserves*** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved probable) to which they are assigned.

### **Levels of Certainty for Reported Reserves**

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

### **Interests in Reserves, Production, Wells and Properties**

In addition to the terms having defined meanings set forth in NI 51-101, the terms set forth below have the following meanings when used in this AIF:

"**gross**" means:

- (i) in relation to Forest Gate's interest in production or reserves, its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (ii) in relation to wells, the total number of wells in which Forest Gate has an interest; and
- (iii) in relation to properties, the total area of properties in which Forest Gate has an interest.

"**net**" means:

- (i) in relation to Forest Gate's interest in production or reserves, its working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in production or reserves;
- (ii) in relation to Forest Gate's interest in wells, the number of wells obtained by aggregating Forest Gate's working interest in each of its gross wells; and

- (iii) in relation to Forest Gate's interest in a property, the total area in which Forest Gate has an interest multiplied by the working interest owned by Forest Gate.

"**working interest**" means the percentage of undivided interest held by Forest Gate in the oil and or natural gas or mineral lease granted by the mineral owner, Crown or freehold, which interest gives Forest Gate the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

Forest Gate Resources Inc.'s head and registered offices are located at 1 Place Ville Marie, Suite 2125, Montreal, Quebec H3B 2C6.

Forest Gate was incorporated on June 25, 1999 under the *Canada Business Corporations Act* (the "**CBCA**"). On October 31, 2001, the Corporation's articles were amended to consolidate the issued and outstanding share capital on a two for one basis. On November 10, 2005, the Corporation filed articles of arrangement pursuant to a plan of arrangement (the "**Arrangement**") involving Blue Note Metals Inc. ("**Blue Note**"). Pursuant to the Arrangement, the Corporation transferred its New Brunswick mineral properties and \$1,000,000 of its working capital to Blue Note. Under the Arrangement, the pre-reorganization Corporation's shareholders, in exchange for their common shares, received one new common share of the Corporation ("**Common Share**") and 0.1168 of one Blue Note common share for every existing common share held. Details of the Arrangement were disclosed in the Corporation's Information Circular dated April 15, 2005.

### **Intercorporate Relationships**

Forest Gate does not have any subsidiaries.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

Since incorporation, Forest Gate has been engaged in mineral exploration. In early 2007, the Corporation was presented with a significant oil and gas opportunity and has, as a consequence, decided to focus strategically on oil and gas exploration.

#### *Activities for the Fiscal Year ended December 31, 2005*

In January, 2005, Forest Gate staked 42,000 hectares of land south of Prince Albert and Fort a La Corne in the Province of Saskatchewan.

In March, the Corporation completed a financing in the amount of \$6,500,000 with Northern Securities acting as underwriter. Forest Gate raised \$5,000,000 from the sale of units at \$0.25 per unit, with each unit consisting of a Common Share and a half warrant, with each full warrant being exercisable at \$0.35 per share for a period of two years. In addition, the Corporation raised \$1,500,000 from the sale of flow-through units at \$0.30 per flow-through unit, with each flow-through unit consisting of a flow-through Common Share and a half warrant, with each full warrant being exercisable at \$0.40 per Common Share for a period of two years. The proceeds from the financing were directed toward exploration of the Corporation's mineral properties.

In June, Forest Gate received a final order approving the Arrangement between it and its wholly-owned subsidiary, Blue Note. The order was granted by Quebec Superior Court on June 9, 2005.

In July, Forest Gate signed a binding memorandum of understanding with Majescor Resources Inc. ("**Majescor**") of Montreal, to earn up to a 55% working interest in Majescor's Portage property located north of Quebec's Otish Mountains.

In August, Forest Gate announced that Blue Note had entered into a \$2 million "bought deal" financing agreement with Northern Securities subject to certain conditions. This agreement amended the terms of a agreement between the two parties previously announced on February 25, 2005. Additionally, Forest Gate transferred \$1.0 million in cash and its interests in the Canoe Landing Lake property, the California Lake property and the Rio Road property to Blue Note.

In September, Forest Gate adopted a shareholder rights plan to protect the Corporation's shareholders from unfair, abusive or coercive take-over strategies, including the acquisition of control of the Corporation through a take-over bid that does not treat all shareholders equally or fairly.

Additionally, the Corporation completed a flow-through private placement in the amount of \$1,500,000 with Northern Securities acting as agent for the financing. The Corporation raised \$1,500,000 by issuing 3,947,368 flow-through shares at \$0.38 per share.

In October, Forest Gate acquired a 100% interest in a diamond property on the central-western border of the main cluster of kimberlite in the Fort a la Corne forest near Prince Albert, Saskatchewan. The property now known as the "West Side property" is along the western flank of the diamondiferous 122 kimberlite owned by the De Beers-Kensington joint venture. The property is approximately 768 hectares in size.

Pursuant to a Plan of Arrangement approved by the shareholders of Blue Note and the Corporation on May 25, 2005, Forest Gate was separated from Blue Note, its wholly-owned subsidiary, in view of a restructuring whereby its New Brunswick mineral properties were separated from its other mining properties. On November 10, 2005, each existing issued and outstanding common share of Forest Gate was exchanged for one new Common Share and 0.1168 of a Forest Gate reorganization share (a "**Reorganization Share**"). All of the Reorganization Shares were transferred by Forest Gate's shareholders to Blue Note (which was at the time a wholly-owned subsidiary of Forest Gate) in exchange for one common share of Blue Note for each Reorganization Share transferred. Forest Gate then redeemed all of the Reorganization Shares by transferring its New Brunswick properties and \$1,000,000 of working capital to Blue Note.

#### *Activities for the Fiscal Year ended December 31, 2006*

In 2006, the Corporation completed three non-brokered flow-through private placement financings. In June, the Corporation raised \$1,039,375 by issuing 3,407,786 flow-through shares at \$0.305 per share. In July, the Corporation raised \$593,600 by issuing 1,946,230 flow-through shares at \$0.305 per share. In August, the Corporation successfully completed the third non-brokered, flow-through private placement financing for gross proceeds of \$120,000, by issuing 387,096 flow-through shares at \$0.31 per share. The proceeds from each of the three financings were to be used primarily for exploration of the Corporation's mineral properties.

*Activities for the Fiscal Year ended December 31, 2007*

As part of the Corporation's shift in focus from the mineral resource sector to oil and gas exploration, in February 2007, Forest Gate announced that it had entered into an agreement to acquire a 15% working interest (the "**15% Working Interest**") in an offshore international oil and gas prospect in the Celtic Sea, located off the south coast of Ireland. The 15% Working Interest was acquired from a private Calgary-based international oil and gas company called Arriba Capital Corporation Inc. ("**Arriba**"). The project operator is Providence Resources p.l.c ("**Providence**") headquartered 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).

In March 2007, Forest Gate received final TSX Venture Exchange approval for its transaction with Arriba. Under the terms of the agreement and after regulatory approval, the Corporation issued 3,600,000 Common Shares at \$0.17 per share to Arriba principals, the Arriba principals entered into consulting agreements and they were granted one million options. As part of the agreement, the Corporation paid 586,104 euros (\$902,249) to Providence for outstanding cash calls on work already performed.

At the end of March 2007, the Irish Minister for Communications, Marine and Natural Resources 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.

During the summer of 2007, Forest Gate announced that an appraisal well would be drilled on the crest of the Hook Head Field in the Celtic Sea Basin. The Petrolia semi-submersible drilling rig was secured for a 50 day drilling slot and the SEL 2/07 license group, operated by Providence, was selected to drill an appraisal well on the crest of the Hook Head prospect.

In order to maintain the 15% Working Interest, Forest Gate is required to fulfill its financial obligations through cash calls. The cash call for the first quarter 2007 was for 640,650 euros (Cdn. \$997,427) and was paid to the project operator on April 4, 2007.

In May 2007, Forest Gate announced that it had terminated its joint venture with Majescor, thereby relinquishing its participation in exploring the Portage property in Quebec.

In July 2007, Forest Gate announced that it had finalized and signed a Joint Operating Agreement with its Celtic Sea consortium partners regarding its upcoming oil and gas drilling program off the coast of southern Ireland.

At the end of July 2007, Forest Gate announced that it would be undertaking a \$1,500,000 non-brokered private placement of units at a price of \$0.12 per unit. Each unit consisted of one Common Share of Forest Gate and one warrant entitling the holder to purchase an additional Common Share at a price of \$0.15 per share prior to the expiry of the warrants on July 20, 2029. On July 24, 2007, the Corporation closed the first tranche with total gross proceeds of \$904,599.96. On July 31, 2007, Forest Gate closed the second tranche for total gross proceeds of \$324,800 and on August 13, 2007, Forest Gate closed the third and final tranche for total gross proceeds of \$396,000. Forest Gate intends to utilize the proceeds from the private placement for general working capital purposes and to finance its commitment to its working interest in the Celtic Sea Oil and Gas Exploration License.

In late August 2007, Forest Gate announced that they had commenced drilling on its Hook Head appraisal well using the Petrolia semi-submersible rig.

In September 2007, Forest Gate announced that it had successfully logged a total of 75 feet of net hydrocarbon-bearing reservoir in a Hook Head appraisal well. The Corporation also reported that it had forfeited 7.5% of the 15% Working Interest, leaving Forest Gate with a remaining 7.5% working interest in the Celtic Sea prospect (the "**7.5% Working Interest**").

In September 2007, Forest Gate announced that it would be undertaking a \$3,000,000 non brokered private placement of units at \$0.13 per unit, with each unit consisting of one Common Share and one warrant. Each warrant entitles the holder to purchase a Common Share of the Corporation at a price of \$0.17 per Common Share prior to the warrant's expiry on September 28, 2009. On September 28, 2007, the Corporation closed the first tranche with total gross proceeds of \$609,960 and on October 18, 2007, it announced the closing of its second and final tranche for total gross proceeds of \$2,390,104. Forest Gate intends to utilize the proceeds from the private placement for general working capital purposes and to finance its commitment to its working interest in the Celtic Sea Oil and Gas Exploration License. The proceeds from this financing enabled Forest Gate to meet all financial obligations with respect to the 2007 Celtic Sea project.

In October 2007, Forest Gate and its Celtic Sea partners reported that the appraisal well 50/11-3 on its Hook Head field showed a significant oil accumulation and a high quality reservoir. The well has now been suspended for future re-entry and potential production. Success in the Hook Head field has broad economic upside potential for the consortium. A successful flow of oil from Hook Head would justify the economic development of five additional reservoirs jointly owned by the consortium in the Celtic Sea basin.

In November 2007, Forest Gate reported that it has entered into a joint venture agreement with Emerald Bay Energy Inc., Calgary ("**Emerald Bay**"), to acquire a working interest in an Alberta coalbed methane property. Leases were acquired by the consortium for the drilling of four coalbed methane ("**CBM**") test wells in the Nevis area, located in central Alberta. At the end of November 2007, Forest Gate announced that the four CBM wells in the Nevis area of Alberta had been successfully drilled, cased and cemented.

In December 2007, Forest Gate reported the drilling of a single well on a potential oil and gas target with partner Emerald Bay on the Ferrybank property. The Ferrybank property is located approximately 40 miles south of Edmonton, Alberta and potentially hosts hydrocarbons in the Glauconitic and Cardium formations. Forest Gate holds a 37.5% interest in the Ferrybank property before payout and an 18.75% interest after payout, subject to gross overriding royalties.

*Activities subsequent to December 31, 2007*

In mid-February the four Nevis coalbed methane wells began producing natural gas at a rate comparable to "the average offset well initial daily production rates of between 125 and 400 thousand cubic feet per day". The four wells drilled at Nevis Alberta, section 21-39-22 W4, are currently flowing natural gas at an initial rate of approximately 450 thousand cubic feet of gas per day. The Corporation expects this rate to potentially double over the coming months as facilities are optimized.

Also in February 2008, Forest Gate confirmed that it had secured a semi-submersible rig for a drilling campaign in the Celtic Sea during the summer of 2008. Under the terms of the deal, the operator Providence, on behalf of Forest Gate and its Celtic Sea partners, hired the Transocean semi-submersible rig, the GSF Arctic 2. The contract consists of two wells plus an option on a third well. The primary objective of the drilling campaign will be to further appraise the Hook Head oil accumulation. Depending on the outcome of this appraisal program, the partners may then elect to drill a further appraisal well on the adjacent Dunmore East 50/6-1 oil discovery, located some 20 kilometres north of the Hook Head accumulation.

Early in February, Forest Gate announced that it would be undertaking a \$1,000,000 non-brokered private placement. The Corporation intends to utilize the proceeds for general working capital purposes. On February 29, 2008, Forest Gate closed the first tranche of its non-brokered private placement which had been announced in a news release dated February 11, 2008. The Corporation issued 3,862,000 units at a price of \$0.13 per unit, for total gross proceeds of \$502,060. Each Unit is comprised of one common share and one common share purchase warrant of the Corporation, with a hold period expiring June 29, 2008. Each share purchase warrant will entitle the holder to purchase one additional common share of the Corporation at a price of \$0.17 per share with an expiry date of February 28, 2010. On April 11, 2008, Forest Gate reported that an adjustment had been made to the closing amount which was previously reported in a news release dated February 29, 2008. Forest Gate officially closed its private placement and issued 2,712,000 units at a price of \$0.13 per unit, for total gross proceeds of \$352,560. Conditional acceptance to this private placement was issued by the TSX Venture Exchange on Tuesday, February 26, 2008.

On March 12, 2008, Forest Gate reported that it had entered into a third joint venture agreement with Emerald Bay to acquire a 38% working interest in the Kelsey exploration well in Alberta. The Kelsey exploration well is located in Township 44, Range 18, west of the fourth meridian, approximately 65 miles southeast of Edmonton, Alberta. The joint venture currently plans to drill a single Wabamun well at 01-23-43-18W4M to a total depth of 460m true vertical depth. The primary objective is exploration for gas in the Belly River formations.

Forest Gate reported that its co-owned Ferrybank well went on production on Monday, March 24, 2008. The well produced approximately 135 barrels of oil in the first 36 hours, which appears to be 100% oil, as the original sample indicated no water. On April 22, 2008, Forest Gate announced that the production at Ferrybank had stabilized at around 35 barrels of oil per day. In addition, Forest Gate announced that it had increased its interest in Ferrybank from 37.5% to 47.5%. For further information regarding these reserves, please refer to Appendix C.

Also on March 24, 2008, Forest Gate announced a brokered private placement with Northern Securities Inc. whereby the Corporation intends to raise up to \$1,500,000 in Flow-Through Shares and up to \$1,500,000 in units. Each unit, priced at \$0.10 per unit, will consist of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a period of two years from closing at an exercise price of \$0.14 per share. The units will be issued pursuant to applicable prospectus and registration exemptions and will be subject to a four-month hold period.

## **DESCRIPTION OF THE BUSINESS**

### **Introduction**

Forest Gate holds interests in a number of mineral properties as described below. In addition the Corporation, has taken steps to reclassify itself as an international oil and gas exploration company. The Corporation is seeking to increase shareholder value through participation and development of oil and gas exploration and production projects in Ireland and Canada.

### **Seasonality**

The prices received for oil and gas are governed by a number of factors. For the most part, the major factors in determining the commodity prices are supply and demand. The demand for gas in North America is strongly influenced by the weather. During the colder winter months, the demand for gas for heating purposes is high compared to the remainder of the year. This resulting increase in demand is

often reflected in the prices received and has a seasonal effect on the prices for gas. In addition, many of the major oil exporting nations of the world are members of OPEC, one function of which is to establish oil production quotas for its members. By limiting or increasing oil production, OPEC influences the price of oil.

### **Economic Dependence and Changes to Contracts**

Forest Gate's Joint Operating Agreement with partners Providence, Challenger Minerals Ltd., Dyas BV, and Atlantic Petroleum Ltd. in respect to its Irish Celtic Sea Standard Exploration License 2/07 and 3/07, is a contract that could be subject to renegotiation or termination in 2008 depending on Forest Gate's ability to meet its financial obligations with regard to the 7.5% Interest. Although management currently believes that it can continue to raise the required funds, there can be no assurances as capital market conditions and other unforeseeable events may impact the Corporation's ability to finance and develop its projects.

### **Environmental Protection**

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial, state and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and gas industry operations, and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of regulatory authorities. Failure to comply with such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates.

### **Foreign Operations**

Presently, many of Forest Gate's oil and gas operations and assets are located in foreign jurisdictions. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment.

Forest Gate's existing joint ventures and its subsidiaries were formed pursuant to, and their operations are governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's foreign exploration, development and production activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

### **Employment**

As at December 31, 2007, the Corporation had five employees.

## OIL AND NATURAL GAS RESERVES

**In this Annual Information Form, all estimates of oil and natural gas reserves and production are on a gross basis before deduction of royalties, unless otherwise indicated. Forest Gate's actual oil and gas reserves and production may be greater than or less than the estimates provided herein.**

**The Corporation has adopted the standard of 6 Mcf:1 boe when converting natural gas to boe. Disclosure provided herein in respect of boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

AJM Petroleum Consultants ("AJM"), independent oil and gas reservoir engineers of Calgary, Alberta, have prepared an independent engineering evaluation dated April 10, 2008 of the Corporation's oil, NGLs and natural gas interests effective December 31, 2007 (the "AJM Report"). The AJM Report applies the standards set forth in NI 51-101. In preparation of the AJM Report, all of the Corporation's estimated proved plus probable remaining reserves valued on a pre-tax 10% net present value basis were evaluated in detail by AJM. The amounts in the tables below represent 100% of the reserves attributable to the Corporation's properties as of December 31, 2007.

In preparing the AJM Report, AJM obtained basic information from the Corporation, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the AJM Report is based, was obtained from public records, other operators and from AJM's non-confidential files. Information concerning the extent and character of ownership of the Corporation's interests and the accuracy of all factual data supplied to AJM by third parties was accepted by AJM as presented.

The following is a summary, as at December 31, 2007, of Forest Gate's oil, NGLs, natural gas and CBM reserves attributable to the Corporation's properties and the present worth value of the estimated future net cash flows ascribed to such reserves as evaluated in the AJM Report, based on forecast price and cost assumptions. The tables summarize the data contained in the evaluations and, as a result, may contain slightly different numbers than the evaluations due to rounding. All evaluations of the present worth of estimated future cash flows in the AJM Report are stated after provision for estimated future capital expenditures and prior to provision for future site restoration and reclamation costs, income taxes and indirect costs and do not necessarily represent the fair market value of the reserves. There is no assurance that the price and cost assumptions used in the AJM Report will be attained and variances could be material. Columns may not total due to rounding.

Subsequent to December 31, 2007, the Corporation announced that it had discovered oil at Ferrybank and thereafter announced that production had begun at this property. In light of this development, revised reserve disclosure in the form required by NI 51-101F1 with an effective date of March 31, 2008 has been prepared and is attached to this AIF as Appendix C.

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
As of December 31, 2007**

**FORECAST PRICES AND COSTS**

RESERVES CATEGORY	RESERVES							
	LIGHT AND MEDIUM OIL		NATURAL GAS		NGLs		CBM	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)
Proved Reserves								
Proved Developed Producing	0	0	0	0	0	0	0	0
Proved Developed Non-Producing	0	0	0	0	0	0	71.1	54.3
Proved Undeveloped Reserves	0	0	0	0	0	0	0	0
Total Proved Reserves	0	0	0	0	0	0	71.1	54.3
Probable Reserves	0	0	0	0	0	0	8.9	7.5
Total Proved Plus Probable Reserves	0	0	0	0	0	0	80.0	61.9

Note:

(1) Numbers in this chart are subject to round off error.

RESERVES CATEGORY  (in \$ thousands)	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES, DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES, DISCOUNTED AT (%/YEAR)				
	0	5	10	15	20	0	5	10	15	20
Proved Reserves										
Proved Developed Producing	0	0	0	0	0	0	0	0	0	0
Proved Developed Non-Producing	291.3	252.3	221.9	197.7	178.0	210.7	181.9	159.4	141.4	126.9
Proved Undeveloped Reserves	0	0	0	0	0	0	0	0	0	0
Total Proved Reserves	291.3	252.3	221.9	197.7	178.0	210.7	181.9	159.4	141.4	126.9
Probable Reserves	47.3	34.7	26.3	20.6	16.5	35.1	25.7	19.5	15.2	12.2
Total Proved Plus Probable Reserves	338.5	287.0	248.2	218.2	194.5	245.8	207.6	178.8	156.6	139.1

Note:

(1) Columns may not add due to rounding.

(2) Utilizes AJM's price forecast as of December 31, 2007 as detailed below.

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
As of December 31, 2007**

**FORECAST PRICES AND COSTS**

Reserves Category (in \$ thousands)	Revenue	Royalties	Operating Costs	Development Costs	Well Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
<b>Forecast Prices and Costs</b>								
Proved Reserves	554.6	134.2	113.4	8.0	7.7	291.3	50.7	210.7
Proved Plus Probable Reserves	635.8	148.6	132.5	8.0	8.1	338.5	58.0	245.8

**FUTURE NET REVENUE  
BY PRODUCTION GROUP  
As of December 31, 2007**

**FORECAST PRICES AND COSTS**

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/year)	Unit Value
		Forecast Prices and Costs (in \$ thousands)	(\$/Mcf)
Proved Reserves	Light, and Medium Crude Oil	0	0
	Associated Gas and Non-Associated Gas	0	0
	CBM	221.9	\$3.12
Proved Plus Probable Reserves	Light, Medium Crude Oil and NGLs	0	0
	Associated Gas and Non-Associated Gas	0	0
	CBM	248.2	\$3.10

**SUMMARY OF PRICING ASSUMPTIONS  
As of December 31, 2007**

**FORECAST PRICES AND COSTS**

The forecast prices as at December 31, 2007 are provided in the table below and reflect those forecast prices referred to in the AJM Report.

Year	WTI	Edmonton	Hardisty	Cromer	NATURAL	Pentanes	Butanes	Inflation Rates <sup>(2)</sup> (%/year)	Exchange Rates <sup>(1)</sup> (\$Cdn/\$US)
	Cushing Oklahoma (\$US/bbl)	Par Price 40° API (\$Cdn/bbl)	Heavy 12° API (\$Cdn/bbl)	Medium 29° API (\$Cdn/bbl)	GAS AECO Gas Price (\$Cdn/MMBTU)	Plus Edmonton (\$Cdn/bbl)	Price Edmonton (\$Cdn/bbl)		
2007	\$72.13	\$76.53	\$39.73	\$65.20	\$6.47	\$80.60	\$58.01	2.1	.921
2008	\$85.00	\$85.65	\$50.65	\$73.65	\$6.90	\$89.95	\$67.80	0	.980
2009	\$81.60	\$84.75	\$49.75	\$72.75	\$7.75	\$89.00	\$69.65	2.0	.950
2010	\$81.15	\$87.05	\$52.75	\$75.05	\$8.10	\$91.40	\$69.80	2.0	.920
2011	\$79.60	\$87.25	\$54.00	\$75.25	\$8.50	\$91.60	\$68.30	2.0	.900
2012	\$77.95	\$75.40	\$52.15	\$73.40	\$8.65	\$89.65	\$67.70	2.0	.900
2013	\$77.30	\$84.60	\$51.35	\$72.60	\$9.10	\$88.85	\$69.05	2.0	.900
Thereafter	+2%	+2%	+2.0%	+2.0%	+2.0%	+2%	+2%	2.0	.900

**Notes:**

- (1) Exchange rates used to generate the benchmark reference prices in this table.
- (2) Inflation rates for forecasting prices and costs

**RECONCILIATION OF  
CORPORATION GROSS RESERVES  
BY PRODUCT TYPE**

**FORECAST PRICES AND COSTS**

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS			CBM		
	Gross Proved (Mbbbls)	Gross Probable (Mbbbls)	Gross Proved Plus Probable (Mbbbls)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2006	0	0	0	0	0	0	0	0	0

Extensions & Improved									
Recovery	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	71.1	8.9	80.0
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
<b>December 31, 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71.1</b>	<b>8.9</b>	<b>80.0</b>

### Probable Undeveloped Reserves

Probable undeveloped reserves are, for the most part, attributed to are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. Forest Gate, in conjunction with its various partners, plans to develop its proved and probable undeveloped reserves within the next two years.

### Significant Factors or Uncertainties

Subsequent to December 31, 2007, reserves were attributed to and began production from the Corporation's Ferrybank property. Revised reserve disclosure in the form required by NI 51-101F1 with an effective date of March 31, 2008 has been prepared and is attached to this AIF as Appendix C.

Please refer to the risks discussed under "Risk Factors" in this AIF for a discussion of risks and uncertainties related to the Corporation's business.

### Future Development Costs

The following table summarizes the amount of development costs of the Corporation deducted in the estimation of future net revenue in the foregoing tables.

Year	Forecast Prices and Costs	
	Proved Reserves	Proved Plus Probable Reserves
	Undiscounted (\$ thousands)	Undiscounted (\$ thousands)
2008	8.0	8.0
2009	0	0
2010	0	0
2011	0	0
2012	0	0
thereafter	0	0
<b>Total</b>	<b>8.0</b>	<b>8.0</b>

The future development costs are capital expenditures required in the future for Forest Gate to convert its current proven undeveloped reserves and probable reserves to proved developed producing reserves. The undiscounted development costs are \$8,000 for proved reserves and for proved plus probable reserves (based on forecast prices and costs).

The Corporation anticipates that its future development costs and capital expenditure program will be financed through internally generated cash flow from operations, debt and new equity issues if available on favourable terms.

## OTHER OIL AND GAS INFORMATION

### Principal Oil and Gas Properties

The following is a description of the Corporation's principal oil and gas properties as at December 31, 2007.

#### *Nevis*

All of the reserves held by the Corporation as of December 31, 2007 were attributed to the Nevis property. The Nevis property is located in Township 29, Range 22, west of the fourth meridian, approximately 25 miles east of Red Deer, Alberta. Forest Gate holds a ten percent working interest before payout (five percent after payout) in four coalbed methane wells subject to a convertible 15 percent gross overriding royalty and 16 percent freehold royalty. As at December 31, 2007, the Nevis wells were not producing but have since been put into production. Please refer to Appendix "C" for more details.

### Oil and Gas Wells

The following table summarizes, as at December 31, 2007, the Corporation's interests in producing wells and in non-producing wells.

	Producing Wells						Non-Producing Wells					
	Oil		Natural Gas		CBM		Oil		Natural Gas		CBM	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	0	0	0	0	0	0	0	0	0	0	4	0.2
Ireland	0	0	0	0	0	0	1	0.1	0	0	0	0
Total	0	0	0	0	0	0	1	0.1	0	0	4	0.2

### Abandonment and Reclamation Costs

The Corporation estimates the costs associated with abandonment and reclamation for surface leases, wells and facilities based on a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The Corporation expects to incur abandonment and reclamation costs for approximately 0.2 net wells.

Based on total proved reserves, the following table summarizes the expected net present value of abandonment and reclamation costs to be incurred by the Corporation.

\$'000's	Forecast Pricing	
	Net Present Value (undiscounted)	Net Present Value (discounted at 10%)
Total abandonment and reclamation costs, net of estimated salvage value	\$8.0	\$2.2
Abandonment and reclamation costs not deducted in estimating future net revenue	-	-
Portion forecast to be paid during the next three years	0	0

## Tax Horizon

Depending on levels of production, commodity prices, acquisitions and capital expenditures, Forest Gate may begin paying current income taxes in 2008 or beyond.

## Costs Incurred

During 2007, the Corporation incurred the following costs before property dispositions (\$thousands):

	<u>Canada</u>	<u>Ireland</u>
Property acquisition costs - proved properties	\$7,024	\$0
Property acquisition costs – unproved properties	\$0	\$0
Exploration costs	\$392,993	\$5,474,346
Development costs	\$0	\$0
TOTAL	<u>\$400,017</u>	<u>\$5,474,346</u>

## Exploration and Development Activities

During 2007, the Corporation drilled 5 gross wells (0.3 net wells) with an 0.3 net well success rate. The following table summarizes the number and type of wells that the Corporation drilled for the year ended December 31, 2007.

	<u>Gross Wells</u>		<u>Net Wells</u>	
	<u>Canada</u>	<u>Ireland</u>	<u>Canada</u>	<u>Ireland</u>
<i>Exploratory Wells</i>				
Oil wells	0	1	0	0.1
Natural gas wells	0	0	0	0
CBM	0	0	0	0
Service	0	0	0	0
Dry	0	0	0	0
<i>Development Wells</i>				
Oil wells	0	0	0	0
Natural gas wells	0	0	0	0
CBM	4	0	0.2	0
Service	0	0	0	0
Dry	0	0	0	0
Total	<u>4</u>	<u>1</u>	<u>0.2</u>	<u>0.1</u>

The Corporation intends to focus its future exploration and development activities in developing its Canadian properties to bring them to production while continuing to explore higher impact international plays.

## Production Estimates

The following table sets out the volume of the proved plus probable gross production estimated for the year ending December 31, 2008 which is reflected in the estimate of future net revenue disclosed in the tables contained under "Disclosure of Reserves Data".

<b>Country</b>	<b>Coalbed Methane (MMcf)</b>	<b>NGLs (Mbbls)</b>	<b>Natural Gas (MMcf)</b>	<b>Light and Medium Crude Oil (Mbbls)</b>
Canada	14.6	0	0	0
Total	0	0	0	0

## Unproved Properties

### *Ferrybank*

The Ferrybank property is located approximately 40 miles south of Edmonton, Alberta. As at December 31, 2007, Forest Gate owned a 37.5 percent before payout, 18.75 percent after payout, working interest in one Glauconite oil well subject to a convertible 15 percent gross overriding royalty and 17 percent freehold royalty. As at December 31, 2007, Ferrybank was an unproven property with a gross area of 640 acres of which Forest Gate's net interest was 240 acres before payout and 120 acres after payout. In early 2008, this holding was increased to a 47.5 percent before payout, 23.75 percent after payout working interest; increasing Forest Gate's net acreage to 304 acres before payout and 152 acres after payout. Subsequent to December 31, 2007, the Corporation announced that it had discovered oil at Ferrybank and thereafter announced that production had begun at this property. In light of this development, revised reserve disclosure in the form required by NI 51-101F1 with an effective date of March 31, 2008 has been prepared and is attached to this AIF as Appendix C.

### *Celtic Sea*

The Corporation's Celtic Sea prospect is located in the North Celtic Sea Basin, off the south coast of Ireland. This prospect is an unproven property in that no reserves have been specifically attributed to it. The gross area of the Celtic Sea prospect is 166,400 gross acres, 12,480 acres of which can be attributed to the Corporation based on the 7.5% Working Interest.

Forest Gate holds a 7.5 percent working interest in two licences in the North Celtic Sea Basin. Standard Exploration Licence ("SEL") 2/07 is 92,160 gross acres; the acreage is non-contiguous and covers a number of accumulations in Quadrants 49 and 50. SEL 3/08 is 74,880 gross acres and encompasses two accumulations in Quadrants 48 and 49. An SEL gives the holder the exclusive rights to explore the license area for a period of six years, subject to an agreed upon programme of work; three years after an SEL is issued, 50 percent of the acreage must be relinquished.

Forest Gate also holds a 7.5 percent working interest in Licensing Option ("LO") 07/1 which covers an area of 93,440 gross acres in Quadrants 49 and 50. Seismic evaluation of these holdings is underway and no resources are assigned to this area at this time.

An evaluation of the prospective resources for the Corporation's Celtic Sea prospect as at March 31, 2008 and dated April 3, 2008 was completed by AJM. Resources are assigned based on seismic mapping, interpreted logs and other data provided by the Company. The resources currently assigned to this area are as follows:

### Prospective Resources<sup>(2)</sup>

<b>Area</b>	<b>Product Type</b>	<b>P90<sup>(1)</sup></b>	<b>P50<sup>(1)</sup></b>	<b>P10<sup>(3)</sup></b>	
<b>Hook Head<sup>(3)</sup></b>	oil	MMbbl	14.3	33.1	76.5

<b>Dunmore<sup>(4)</sup></b>	oil	MMbbl	1.7	4.5	11.5
<b>Helvick<sup>(5)</sup></b>	oil	MMbbl	0.3	0.6	1.1
<b>Ardmore<sup>(6)</sup></b>	gas	bcf	18.2	29.4	47.9
<b>Total</b>		<b>MMboe</b>	<b>32.8</b>	<b>43.4</b>	<b>57.2</b>

Note:

- (1) These numbers refer to low (P90), expected (P50) and high (P10) volumetric resource estimates with appropriate corrections being made.
- (2) Prospective Resources are those quantities of oil and gas estimated, as of a given date, to be potentially recoverable from undiscovered or untested accumulations by application of future development projects.
- (3) The Hook Head rights are located in Quadrant 50, approximately 40 miles off the south shore of Ireland and is covered by the SEL 2/07 licence.
- (4) The Dunmore property is located in Quadrant 50, approximately 25 miles off the south shore of Ireland and is covered by the SEL 2/07 licence.
- (5) The Helvick property is located in Quadrant 49, approximately 25 miles off the south shore of Ireland and 18 miles from Hook Head and is covered by the SEL 2/07 licence.
- (6) The Ardmore property is located in Quadrant 49, approximately 35 miles off the south shore of Ireland and 18 miles west of Hook Head and is covered with the SEL 2/07 licence.

Forest Gate and its partners plan to drill a series of delineation wells in the area over the next few years. Commercial development is anticipated to follow. **There is no certainty that it will be commercially viable to produce any portion of the resources.**

The Company has two additional properties to which no resources can be assigned: Blackrock and Rushane. The Blackrock property is located in Quadrant 48 and 49, approximately 50 miles off the south shore of Ireland and is covered by the SEL 3/07 licence. Resources cannot be assigned to this pool as the main pool has yet to be drilled. The one well drilled on the Blackrock prospect may indicate oil. The Rushane property is located in Quadrant 48, immediately adjacent to the Blackrock property and is included in the SEL 3/07 licence. Based on log results, the pool is believed to contain both oil and gas. Resources cannot be assigned to the pool as logs and other data are not currently available for evaluation.

**There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.**

In order to maintain the 7.5% Working Interest, Forest Gate is required to fulfill its financial obligations through cash calls. Currently, the Corporation believes that it can continue to raise the required funds, however, there can be no assurances of future funds as capital market conditions and other unforeseeable events may impact the Corporation's ability to finance and develop its projects.

### MINERAL PROPERTIES

As of December 31, 2007 Forest Gate owned diamond properties in Saskatchewan. Total mining properties and deferred exploration costs were \$3,083,220, compared to \$3,042,149 last year.

The Corporation invested \$176,913 in total before tax credits and government assistance and disposals during the fiscal year 2007 in its total exploration programs, including \$6,405 in the last quarter terminating December 31, 2007. Tax credits for the year is \$678,226 compared to \$878,226 last year.

The following technical disclosure is summarized from the Technical Reports.

**A. Saskatchewan Properties**

The Corporation 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.

The total investment thus far in Saskatchewan is \$4,079,559 of which \$1,884,455 has been invested on the East Side property, \$1,157,694 on the West Side property, and \$1,037,410 on the South Side property. A complete write-down for the South Side Property investment was recorded in the last quarter of fiscal year 2006. This is considered to be appropriate given the strategic orientation to direct current resources to oil and gas exploration. Details on the East Side and West Side properties are as follows:

**A-1. East Side Property and West Side Property**

*(1) Project Description and Location*

The East Side Property covers 1792 hectares. Location of the original East Side property is described in a technical report filed on SEDAR on August 30, 2002. The new claims (sometimes referred to as the West Side property) are 12 km west of the original group.

Both properties are in the Fort a la Corne Forest east of the city of Prince Albert, in NTS area 73 H 7. The East Side property is about 80 km by road from Prince Albert, near the intersection of 53° 17' north latitude, and 104° 45' west longitude. The West Side property is about 67 km by road from Prince Albert, near the intersection of 53° 18' north latitude, and 104° 54' west longitude (Figs. 1, 2).

The claims are listed below in Tables 1 and 2. All of the claims are in surveyed land, and their locations are described by their Land Survey Descriptions. The claims are registered with Saskatchewan Industry and Resources in the name of Forest Gate Resources Inc. as to 100%.

In Saskatchewan, assessment work to the value of \$12 per hectare per year must be done from the second to the tenth anniversary date to keep mineral claims in good standing. Alternatively, a non-refundable cash payment or a deficiency cash deposit can be paid to Saskatchewan Industry and Resources in the amount of the assessment work not done. The deficiency cash deposit is refundable if, in the year immediately following the year for which the deposit was made, the owner carries out two years worth of work. From the eleventh year onward, assessment work to the value of \$25 per hectare must be done. In Saskatchewan, when excess work is done and submitted on a claim, the term of the claim is extended until the excess credits run out, without any further action on the part of the owner, and with no further cash payments.

Table 1. East Side Claim Status

Claim number	Land description	area (ha)	In good standing to:
S-132502	All of Section 6, Township 50, Range 19, West of the Second Meridian.	256	June 1, 2018
S-134137	The North Half of Section 32, Township 49, Range 19, West of the Second Meridian.	128	Jan. 31, 2020
S-134138	The North Half of Section 33, Township 49, Range 19, West	128	Jan. 31, 2020

	of the Second Meridian.		
S-134139	All of Section 4, Township 50, Range 19, West of the Second Meridian.	256	Jan. 31, 2020
S-134140	All of Section 5, Township 50, Range 19, West of the Second Meridian.	256	Jan. 31, 2020
<b>Total Area</b>		<b>1024</b>	

Table 2. West Side Claim Status

Claim number	Land description	area (ha)	In good standing to:
S-134434	All of Sections 7 And 18, Township 50, Range 20, West of the Second Meridian.	512	October 31, 2013
S-134435	The East Half of Section 12 and the East Half of Section 13, Township 50, Range 21, West of the Second Meridian.	256	October 31, 2013
<b>Total Area</b>		<b>768</b>	

The work done in 2006 has not been approved for assessment credit yet, but it will be sufficient to keep the property in good standing for many more years.

A mineral claim in Saskatchewan does not confer any ownership of surface rights. However, on Crown land, use of surface rights for exploration and production can be had under the terms of various acts and regulations. Because this land is Crown land, it will not be necessary to deal with private landowners.

To the knowledge of the Corporation, there is no environmental liability to Forest Gate from work previously completed.

Work permits required for the work done to date have been obtained as required. Saskatchewan Environment issues a Surface Exploration Permit (\$25), and a Forest Products Permit (\$50). The latter is a permit to cut trees, and must be obtained even if there are no trees to cut. A closure report is required to be sent to Saskatchewan Environment at the end of each permit period, and these have been sent.

Fisheries and Oceans Canada must issue a Letter of Advice if one wishes to use water from a body of water that might have fish in it, and Forest Gate has obtained such a document when it has been required. The water itself must be purchased from the Saskatchewan Watershed Authority and a Temporary Water Rights Licence must also be obtained. The Rural Municipality of Torch River charges a fee of \$160 per hole for drilling within its boundaries.

Since no work is planned in the immediate future, no permit is presently in force.

There are no known environmental liabilities associated with the current status of the project. Recent work by Forest Gate has confirmed the presence of diamondiferous kimberlite at four places on the property. One is the Dizzy kimberlite, in the central part of the eastern claim group, the second is the Duke kimberlite, which is partly on the East Side property, and partly on the property of Shore Gold Inc. to the south, the third is in that part of the 121 kimberlite body that extends eastwards across the western claim line from the Shore/Newmont joint venture property, and the fourth is that part of the 122 kimberlite that extends westward from the western boundary of the Shore/Newmont joint venture property. None of these constitutes a mineral reserve or resource.

There are no tailings ponds or waste deposits on the property. Access trails and drill pads have been rehabilitated in accordance with instructions from Saskatchewan Environment.

No work is planned in the near future. As such, no permits have been requested.

(2) *Accessibility, Climate, Local Resources, Infrastructure and Physiography*

Please see the Technical Reports.

(3) *History*

Please see the Technical Reports.

(4) *Geological Setting*

Please see the Technical Reports.

(5) *Exploration*

Forest Gate has carried out several exploration programs on its property, including a ground magnetic survey of S-132502, a ground magnetic survey of most of S-134140, and part of S-134137. The first phase of the 2003 drilling program resulted in the discovery of the Dizzy kimberlite, before two holes were lost when the rods broke in the overburden. A combined ground magnetic and gravity survey over the Dizzy kimberlite and another target south and east of the Dizzy was carried out between the first and second drilling phases, as was an aeromagnetic survey using more modern technology than was available to previous operators.. A combined time-domain/magnetic survey flown in 2005 provided more information on the property, and generated two drill targets.

The 2002 ground magnetic survey of S-132502 showed the edge of the anomaly caused by kimberlite #121 on the neighbouring property to the west, but did not show any other target on the claim surveyed.

The first ground magnetic survey of 2003 showed a clearly defined, low-amplitude magnetic anomaly in the total field data over the target defined by the old airborne work. The ground magnetic surveys of 2002 and 2003 were contracted out to Newson Management & Consulting Ltd.

The 2002 survey measured the vertical magnetic gradient, as well as the total field. To do this, the strength of the resultant magnetic field was measured at two points at each station, one at a height of approximately 2 metres above the ground, and a second at 0.5 metres above the first. The measured gradient was not found to give any more useful information than the calculated gradient, so it was not used in subsequent work.

Stations were at regularly spaced points on a line grid established on the property. The grid used here had a spacing between lines of 100 metres, with readings taken at 20 metre intervals. Lines were run in an east-west direction because available aeromagnetic maps indicated that there was a strong north-south anomaly in the eastern part of the property.

The lines were tied to cadastral survey markers. Lines were established by cutting and picketing, where permitted. They were not permitted to be cut in plantations nor was it

permitted to cut commercial timber. In plantations and commercial timber, survey lines were located by compass and "topofil", and corrected for location by reference to tie lines. A base line was established along the western boundary of the property, and tie lines at the claim boundaries 1 and 2 miles east of the base line. The stations on the tie lines, and many intermediate stations, were later surveyed with a GPS instrument to correct any errors, and to provide an absolute UTM reference for plotting in GIS programs.

The magnetometers used in this survey, both base station and field units, are proton magnetometers. The base station magnetometer was a Scintrex IGS-2/MP-4 unit and the field instrument was a Scintrex MP-3 unit. The base station was set to make measurements every 3 seconds. Diurnal variations were removed from the field measurements by connecting the field and base station units together, and running the built-in correction program.

The ground magnetic survey work of 2003 was interpreted by means of a Euler 3D deconvolution operation on the data, carried out by Abitibi Geophysics, of Val d'Or, Québec. It confirmed the anomaly which later turned out to be caused by the Dizzy kimberlite.

In 2003, Forest Gate had some of the old airborne magnetic data re-examined, which resulted in a new target south and east of the Dizzy kimberlite, on the southern property boundary. Forest Gate also carried out some gravity surveying over the Dizzy kimberlite, and extended the work to cover the new southern anomaly. Although the Dizzy kimberlite had been covered by the earlier ground magnetic survey, it was determined that a magnetic survey should be done along with the gravity survey, so that magnetic readings could be taken at exactly the same stations as the gravity readings, to aid in interpretation. Additional lines of magnetic surveying were also done over the southern anomaly. All of the work discussed in this paragraph was contracted out to Robertshaw Geophysics, of Saskatoon. The field portion of the gravity survey was subcontracted to MWH Geo-Surveys Ltd., and the magnetic survey was done by the Newson Management & Consulting Ltd.

A definite gravity response had been noted during the survey, but in his interpretation, Robertshaw concluded that the gravity response was due to a thick indurated till that had been intersected in the drilling. That interpretation was later confirmed by the second phase of drilling. A gravity anomaly was also observed coincident with the southern magnetic anomaly, but displaced to the north and west, and Robertshaw's interpretation was that it could be caused by a kimberlite. Subsequent drilling proved that it was caused by a kimberlite, named the Duke kimberlite.

During the gravity survey, 153 stations were occupied along 6 profile lines. Station interval was 50 metres, except over targets, where the interval was 25 metres. Station location in three dimensions was by means of a real-time-kinematic (RTK) GPS system. Accuracy of the horizontal control was 1 cm, and of the vertical, 2 cm.

The gravity metre was a LaCoste & Romberg Aliod 100X model, reading directly in milliGals. It has a resolution of 0.001 milliGal, and a typical repeatability of 0.01 to 0.02 milliGals. Survey loops were closed by re-occupying a previously measured station to check for instrument drift. In all, 8 sites were re-occupied, and the standard deviation of the readings was 0.011 milliGals. The survey was tied to National Gravity base station

9120-1957, in Prince Albert. Corrections applied were free air, latitude, earth tides, instrument drift, and Bouger. Terrain correction was only required for 7 stations, because elsewhere the terrain was flat.

The GPS units were Ashtec 2-Xtreme models, one roving unit and one base station unit. They were linked by radio, to provide corrections in real time. The base station locations were looped in to the Canadian Base Network point 88V054 east of Saskatoon.

The specifications for the magnetic survey carried out with the gravity survey are the same as given above for the earlier surveys, except that readings were taken at 25 metre intervals, and the readings were taken exactly at the same stations as the gravity readings. For the additional magnetic lines near the southern anomaly, carried out just after the gravity survey, the survey was controlled by hand-held GPS units, rather than the differential units.

Also in 2003, Forest Gate had a new aeromagnetic survey done by Goldak Exploration Technology Ltd., of Saskatoon. The system is a tri-axial system, measuring the total magnetic field, and both horizontal and vertical gradient. The aircraft was a Piper Navajo, on which are mounted four Geometrics G-822A optically pumped cesium vapour magnetometers. Line spacing was 100 metres, and flight lines were oriented east-west. Control lines were flown north-south at a spacing of 1000 meters. Flight height above ground was 60 metres.

The Goldak survey gave better data than the old work, and had the advantage of the measured horizontal and vertical gradients to aid interpretation. It confirmed the interpretation of the old airborne work but did not show any new targets.

In 2005, Forest Gate contracted Fugro Airborne Surveys to fly their GEOTEM®/magnetic system over the Eastside property, and over some of the neighbouring kimberlites. The purpose was to see if there might be any resistive anomalies on the property that could be non-magnetic kimberlites.

The GEOTEM system is an airborne time-domain electromagnetic (TEM) system. It consists of a vertical-axis transmitter loop into which is fed a series of discontinuous sinusoidal current pulses. During the "on time" the current in the transmitter loop produces an electromagnetic field, which induces a current to flow in any conductive material near the transmitter. This secondary current in turn produces a secondary electromagnetic field. During the time when the primary current is off, the receiver measures the strength of the secondary magnetic field in a number of time windows. The way the secondary magnetic field decays with time gives information about the conductivity of geologic material over which the aircraft is passing.

In the GEOTEM system as used for this survey, the transmitter coil consists of 6 turns of wire mounted outside the aircraft, from nose to wing tips to tail. The receiver consists of a 3-axis induction coil mounted in a bird towed behind and below the aircraft. The base frequency of the primary pulse was 30 Hz, and 20 time windows, or channels, were measured during each off-time period. The mean terrain clearance of the transmitter loop was 120 metres, with the receiver about 50 m below, and 125 m behind the aircraft. Model studies indicate that the depth of penetration of the system should be adequate for the expected depth of the targets here, which would be in the range of 100 to 250 metres.

Line spacing between lines was 75 metres, and the lines were oriented east-west. The lines were spaced 4000 m apart, and were oriented north-south.

Although kimberlite is fairly conductive when compared with the entire range of geologic materials, orientation studies show that kimberlites here are usually, but not always, less conductive than the enclosing rocks. The enclosing rocks are the Colorado Group shales/mudstones and siltstones. Above this group are relatively resistive Pleistocene glacial deposits, and below it is the Mannville Formation, also more resistive than the Colorado Group. To interpret the EM data one selects a depth slice of the data that shows the conductive Colorado Gp sandwiched between two resistive layers. Any gap in the conductive layer may be due to a kimberlite poking up through the layer. However, it may be due to other causes, the main one being pre-glacial depressions in the bedrock surface. A plan view may be useful in interpreting such results. It is also known that a single kimberlite edifice may show phases that differ markedly in their conductivity from each other, making interpretation difficult.

Forest Gate engaged Condor Consulting, of Lakewood, Colorado to carry out a more detailed interpretation of the GEOTEM results than provided by Fugro (Witherly, 2005a). Witherly concluded that neither the Dizzy nor the Duke show up as a conductive anomaly. He suggested a target in the northwestern part of the property, which was tested by two holes, FG05-23 and FG05-24, neither of which intersected kimberlite. The TEM results are presented a Fig. 13.

Witherly's modelling of the magnetic data indicate that a body with a magnetic susceptibility of  $3.1 \times 10^{-3}$  SI with its top 86 m below surface, and an area of 1.7 ha best fits the observed magnetic data. In fact, the Dizzy is deeper than that, but the area is close. In the writer's experience, this is not bad for a geophysical modelling exercise. This gives us confidence that modelling of other anomalies is likely to be worthwhile. The model of the Duke kimberlite indicates that it is narrower than the Dizzy (119 m versus 172 m), is more deeply buried at 140 m depth, and has a higher magnetic susceptibility of  $5.22 \times 10^{-3}$  SI. The two holes drilled to date show that the depth is greater to the top of the Duke than it is to the Dizzy.

(6) *Mineralization*

Forest Gate has confirmed the presence of diamondiferous kimberlite at four places on the property. One is the Dizzy kimberlite, the second is the Duke kimberlite, the third is in that part of the 121 kimberlite body that extends across the claim line from the Shore/Newmont joint venture property and the fourth is in that part of the 122 kimberlite that extends westward across the western boundary of the Shore/ Newmont joint venture property.

Following the 2005 drilling it is apparent that the dimensions of the body with greater than 20 metres thickness of kimberlite are about 250 m x 175 m. The area within the 20 m contour 2.8 ha. Given that the northeastern corner is not totally closed off, the minimum area of the Dizzy kimberlite thicker than 20 metres might be about 3 ha. The body is approximately cone-shaped, with the apex pointing downwards, and a maximum thickness of 120 m intersected.

Microdiamond analyses of approximately 1706 kg of kimberlite from the Dizzy kimberlite have yielded 73 diamonds.

The Duke kimberlite has been tested by only two holes, so its size and shape are not known precisely. Microdiamond analyses of samples totalling 545.95 kg have yielded 31 diamonds.

The portion of kimberlite 121 that underlies Forest Gate claims has been investigated by three holes. Microdiamond analyses of 297.8 kg of kimberlite have yielded 169 diamonds. However, 159.0 kg of sample containing 64 of these diamonds came from a fine-grained reworked unit that has no chance of containing larger diamonds. The remaining unit is about 10 to 12 m thick on average, and is covered by about 140 m of overburden and bedrock.

That part of the 122 kimberlite that underlies Forest Gate claims has been investigated by two holes. One hole intersected 11.6 m of kimberlite. A split sample of that interval weighing 64.0 kg yielded 27 diamonds. The second hole intersected 1.8 m of kimberlite, and was not sampled.

A number of samples were taken by Forest Gate from the Dizzy kimberlite and submitted for petrographic study to Mineral Services Canada Inc., of North Vancouver. With the proviso that they did not log the core, or select the samples, Mineral Services produced a detailed report on the petrography of the samples as collected and submitted by Forest Gate. They describe most of the samples as fine- to medium-grained macrocrystic volcanoclastic kimberlites, with variable proportions of single olivine macrocrysts and juvenile lapilli, and minor amounts of xenoliths. They are similar to published descriptions of other kimberlites in the Fort à la Corne swarm. They have apparently been formed by primary pyroclastic activity, with little evidence of re-working. There is evidence of multiple eruptions, and changes in eruption style.

Because the diamonds were recovered by complete dissolution of the kimberlite, no mineral other than the diamonds was recovered, and there is therefore no detailed information on the chemistry of the indicator mineral assemblage. Trace amounts of garnet, ilmenite, and chrome diopside have been noted in visually logging the core, and in re-logging the remaining half of the core, but no chemical analyses have been done on indicator minerals.

The kimberlite bodies have intruded Cretaceous mudstones. The surrounding rocks have no significance with respect to the mineralization.

Blue-green kimberlitic breccia and tuff beds containing diamonds were reported to have been found on the property by Rhonda Mining Corp. ("**Rhonda**"), in drill holes put down in 1993. The tuff has repetitive graded bedding, and appears to represent ash explosively discharged from a pipe. Volcanoclastic units and a sand horizon are also present. In a progress report dated Feb. 1994, Rhonda announced the recovery of a total of 6 diamonds, or fragments of larger diamonds, from a hole in the southwestern corner of what is now the Forest Gate property. Two diamonds reportedly had at least one dimension greater than 0.5 mm, and were of "clear, colourless gem quality". The largest fragment had a maximum dimension of 2.3 mm, and the combined weight was 0.013 ct.

(7) *Drilling*

In 2003, Forest Gate attempted seven holes to test the main magnetic anomaly. The first hole (FG03-01) drilled in the first phase intersected approximately 23 metres of

kimberlite before the rods broke in the overburden. A second hole (FG03-02) was attempted, using HQ equipment instead of the NQ equipment used for the first hole, but that hole was lost before intersecting bedrock, and the project was shut down temporarily. The second phase of drilling in 2003 was more successful than the first, in that 5 vertical NQ holes were completed through what was named the Dizzy kimberlite (holes FG03-03 to FG03-07 inclusive).

In 2005, nine more holes were drilled into the Dizzy kimberlite (FG05-12 to FG05-18, FG05-20 and FG05-21), two into the Southern geophysical anomaly (FG05-08, FG05-11), which resulted in the discovery of the Duke kimberlite, and one was completed into the part of Shore/Newmont kimberlite 121 that extends onto the Forest Gate claims (FG05-29). Two more holes, FG05-23 and FG05-24, were drilled to test purely conductive TEM anomalies but did not intersect kimberlite in the stratigraphic interval where kimberlites here are usually found.

All of the drilling up to the end of the 2005 program was done with conventional diamond coring rigs. In some cases diamond-impregnated bits were used, and in one case carbide-tipped bits were used. However, even in the latter case the reaming shells used diamonds. All of the diamonds used in drilling were coloured to distinguish them from natural diamonds. All holes were drilled vertically.

The purpose of the 2006 drilling program was to re-test the 121 kimberlite near the hole completed in 2005, and to test the western claim group to find out if the 122 kimberlite extends onto Forest Gate claims. The conventional diamond drill rig used in 2005 had had difficulty in the 121 area, and several holes were lost. It was decided to use the Encore rig, which Forest Gate had used successfully on an earlier program on the South Side property. The contractor was Encore Coring and Drilling Ltd., out of their base in Calgary. The drill was a modified water-well rig, with ancillary equipment. All holes were drilled vertically. Core recovered was 3 inches in diameter, between HQ and PQ. Carbide bits were used so there is no possibility of contamination.

The results of the drilling are interpreted to indicate that the kimberlites present on the Forest Gate property are too small and probably too low grade to be worth further work at this time.

(8) *Sampling and Analysis*

In hole FG03-1, three samples of 8 kg each were taken by splitting three non-contiguous sections of core, retaining the other half of the split sections and all of the rest of the core for further examination. The samples were from the top, middle and bottom of the kimberlite interval.

In holes FG03-03 to FG03-07 inclusive, all of the main kimberlite unit was sampled. Since no mineralization could be seen, the samples were selected so that each was geologically homogeneous to the extent that could be seen with a hand lens. The upper altered zone of each hole was taken as a separate sample. Below that, samples were homogeneous with respect to grain size, support (clast or matrix), structures, and texture.

A somewhat different sampling protocol was followed for the 2005 drilling. Dr. Hermann Grutter, then with Mineral Services Canada Inc., recommended that the smallest sample weight that would give a statistically significant analytical result is 40

kg. He also suggested criteria for macroscopically logging the Dizzy core which resulted in the 2005 core being divided into shorter units than had been the case in 2003. Thus, despite the recovery of HQ core, splitting all of the core would have resulted in many samples being less than 40 kg in mass. It was concluded that it would be small consolation to have split samples of all core if the analytical results were meaningless. And, if the original results were meaningless, then check assays of the split core would be no more meaningful. Accordingly, a sampling procedure was used whereby 2 out of three rows of core from each box were taken for a sample without being split, and the third was left, also without being split. Sometimes a bit extra was taken, or some extra left, so that the sample would be just under 40 kg, or just under a multiple of 8 kg if it were greater than 40 kg.

Besides retaining every third row, "library" samples were taken from the sections that were sampled in their entirety. Every rock type that was macroscopically distinguished has a sample. The samples are 20 to 30 cm long, and are the entire core.

All of the core sampled in 2006 core was split, and a continuous record was retained. Samples were otherwise handled as in 2005. Because the intersections of individual geologic units of the kimberlite were short, this resulted in many samples being less than the ideal minimum weight of 40 kg.

An important conclusion by Mineral Services is that the diamond carrying ("**DCC**") capacity of the samples from both the Dizzy and Duke kimberlites is low to moderate, based on petrographic criteria. No rocks characterized by high DCC were encountered within the samples examined. They find this consistent with the low diamond counts reported in the microdiamond analyses. They state that the low DCC, along with the low diamond counts and the apparent small size of the bodies indicates that the economic potential of both pipes is low. A similar study on the core from kimberlite 121 reveals that only one unit of the three units intersected has a DCC that may allow for the possibility of finding larger diamonds. However, they state that the sample size is too small for this to be any more than a preliminary opinion.

Recovery of core was good, but not perfect. A few sections were completely lost, and some were badly broken, and may have sustained loss. Over all, the losses are estimated to be less than 7%, and there are no other biases in the drilling or sampling. However, small samples like these are not representative in any quantitative sense of the diamond content of the body.

(9) *Security of Samples*

The 2003 core was logged by the issuer's independent QP in a secure building. Although other people examined and logged the core too, the independent QP carried out all of the sampling unaided, and only he touched or had access to the samples until they were either delivered to the lab, or to a shipper.

The samples from hole FG03-1 were kept in a locked plastic box, which would have clearly showed evidence of any tampering, until hand-delivered by the independent QP to the Saskatchewan Research Council in Saskatoon, from whom a chain-of -custody document was received. No employee, officer, director, associate or shareholder of Forest Gate took any part in any aspect of the sampling.

In holes FG03-3 to FG03-7 inclusive, the entire main kimberlite intersections were sampled by the independent QP, one half of the core was placed in plastic bags and plastic pails, and locked in the back of the independent QP's truck until taken to a shipping company. The other half of the split core was put back into the core box and is available for examination. A wheel-type core splitter owned by the independent QP was used to split most of the core from both phases of drilling. Rubble from the splitting process was carefully retained and put into the sample container with the rest of the sample.

The 2005 core was logged in a different secure building rented by Forest Gate, and used exclusively by them. Some of the core was logged by an officer of the company, some by the independent QP, and some by another consultant. The independent QP sampled unaided the upper two samples of hole FG05-11, and all of holes FG05-13, -17, -20, and -29. Although an officer of the company was present while the writer sampled these holes, the officer did not touch the core or samples at any time during the sampling process. The independent QP put the sampled material in plastic bags, sealed each bag with a nylon tie, put the bags in plastic pails, and sealed each pail with two security tags. The pails were put on pallets and wrapped with plastic, then shipped to SGS Lakefield, who reported the security tags to have been in place. The independent QP was not present when any other samples were taken. The holes not sampled by the independent QP are the remainder of hole FG05-11, and all of holes FG05-08, -14, and -16.

The 2006 core was logged, split and sampled entirely by the independent QP. No employee, officer, director, associate or shareholder of Forest Gate was present during the drilling, logging or sampling. Otherwise, the samples were handled as in 2005.

(10) *Mineral Resources and Mineral Reserve Estimates*

No reserve estimates were available as at December 31, 2007.

(11) *Mining Operations*

There were no mining operations on the property as at December 31, 2007.

(12) *Exploration and Development*

No exploration or development is planned for the near future.

**A-2. *Southside Properties***

(1) *Project Description and Location*

All of the South Side claims are in surveyed land. All are registered with Saskatchewan Industry and Resources in the name of Forest Gate Resources Inc. as to 100%. They are in NTS areas 73 A 9, 73 A 15, 73 A 16, 73 H 1, and 73 H 2.

A single claim, S-127197 is some distance away from the main group, about half way between the East Side and South Side groups, in NTS area 73 H 2. It underlies Legal Survey Divisions 12 and 13 of Section 31, township 48 of Range 18 west of the Second Meridian (usually abbreviated to LSDs 12, 13-31-48-18W2), and LSDs 6, 9-36-48-19W2. It has an area of 64 hectares. Because it has passed its tenth year, work to a value

of \$25 per ha, for a total of \$1600, must be done each year to keep it in good standing for a further year. Assessment credits are sufficient to keep this claim until 2022.

The main South Side property consists of 3 groups of claims. Grouping certificates are pending for each of the three groups. Claims within a group must be contiguous, and the maximum size of a group is 10,000 ha. Assessment work done anywhere on a group is applied to the entire group equally per hectare.

Assessment work has been filed and is awaiting approval. The group listed immediately below will be in good standing until December 22, 2008, with \$7327.50 in excess credits.

Claim number	Land description	area (ha)
S-137802	the southwest quarter of Section 23, Township 45, Range 17, west of the second meridian;	640
S-137808	all of Sections 1, 2, 11 and 12, Township 44, Range 17, west of the second meridian;	1024
S-137812	all of Sections 14 and 23, Township 44, Range 17, west of the second meridian;	512
S-137813	all of Sections 15, 16, 21 and 22, Township 44, Range 17, west of the second meridian;	1024
S-137817	all of Section 27, the east half of Section 28, the east half of Section 33 and all of Section 34, Township 44, Range 17, west of the second meridian;	768
S-137822	the north half of Section 3 and all of Sections 4, 9 and 10, Township 45, Range 17, west of the second meridian;	896
<b>Total Area</b>		<b>4864</b>

The group listed immediately below will be in good standing until December 22, 2009 (September 18, 2010 for S-138568 and S-138569), with \$56,483.50 in excess credits.

Claim number	Land description	area (ha)
S-137829	the east half of Section 19 and all of Section 20, Township 45, Range 17, west of the second meridian;	384
S-137830	the south half of Section 21, Township 45, Range 17, west of the second meridian;	128
S-137831	all of Section 22, Township 45, Range 17, west of the second meridian;	256
S-137832	the southwest quarter of Section 23, Township 45, Range 17, west of the second meridian;	64
S-137833	all of Sections 28, 29 and 30, Township 45, Range 17, west of the second meridian;	768
S-137860	all of Sections 24, 25 and 36, Township 45, Range 18, west of the second meridian;	768
S-137867	the southeast quarter of Section 1, Township 46, Range 18, west of the second meridian;	64
S-137868	the north half of Section 1, the north half of Section 2, and all of Sections 11, 12, 13 and 14, Township 46, Range 18, west of the second meridian;	1280
S-137884	all of Section 24 and the south half of Section 25, Township 46, Range 18, west of the second meridian;	384
S-137886	all of Sections 26 and 35, Township 46, Range 18, west of the second meridian;	512
S-137889	all of Section 34, Township 46, Range 18, west of the second meridian;	256
S-138568	the northwest quarter of Section 23, Township 45, Range 17, west of the second meridian;	64

S-138569	the east half of Section 23 and all of Section 24, Township 45, Range 17, west of the second meridian;	384
<b>Total Area</b>		<b>5312</b>

The third group will be in good standing to December 22, 2010 (September 18 2011 for S-138587) with \$9537.50 in excess credits.

Claim number	Land description	area (ha)
S-137851	all of Section 1 and the east half of Section 2, Township 45, Range 18, west of the second meridian;	384
S-137854	the east half of Section 10 and all of Sections 11 and 12, Township 45, Range 18, west of the second meridian;	640
S-137855	all of Sections 13, 14 and 15, Township 45, Range 18, west of the second meridian;	768
S-137858	the east half of Section 21, all of Section 22 and the west half of Section 23, Township 45, Range 18, west of the second meridian;	512
S-137862	all of Sections 27 and 28, and the east half of Section 29, Township 45, Range 18, west of the second meridian;	640
S-137865	the east half of Section 31 and all of Sections 32 and 33, Township 45, Range 18, west of the second meridian;	640
S-137872	the north half of Section 5, Township 46, Range 18, west of the second meridian;	128
S-137873	all of Sections 6, 7 and 18, Township 46, Range 18, west of the second meridian;	768
S-137877	the southwest quarter of Section 19, Township 46, Range 18, west of the second meridian;	64
S-137878	the north half of Section 19 and all of Section 30, Township 46, Range 18, west of the second meridian;	384
S-137879	all of Sections 20, 29 and 32, Township 46, Range 18, west of the second meridian;	768
S-137891	all of Sections 1, 2 and 3, and the east half of Section 4, Township 47, Range 18, west of the second meridian;	896
S-138587	all of Sections 25 and 36, Township 44, Range 18, west of the second meridian;	512
<b>Total Area</b>		<b>7104</b>

S-138551 to S-138567, S-138570 to S-138586, and S-138588 to S-138591 all inclusive, are in good standing until September 18, 2007, and will be allowed to lapse.

All claims have been staked by Forest Gate except one that has been acquired from Rhonda. All claims are 100% owned by Forest Gate.

There are no environmental liabilities to which the project is subject. There is no known mineralized zone, mineral resource, mineral reserve, mine working, existing tailings pond, waste deposit on the property. The property underlies agricultural land and improvements include roads, water pipelines, natural gas delivery pipelines and electrical lines. No work is planned and no permit has been applied for further work on the property.

(2) *Accessibility, Climate, Local Resources, Infrastructure, Physiography*

The property is quite accessible. Even claim S-127197, in forested country, has a bush road passing through it. The other claims are in farm land, and there is no section of land that does not have a road on at least one side of it, and many have roads on three sides.

These roads vary from good-quality gravelled grid roads to poorer-quality grid roads to "prairie trails", with minimal gravel covering. Paved provincial highway #6 passes in a generally north-south direction through the northern part of the main group, and paved provincial highway 3 passes east-west approximately through the centre of the property. Rail lines also cross the property, and at least one of them is in frequent use, judging by the shiny rails seen on a visit to the property.

The town of Melfort is a few km west of the centre of the property. Saskatoon is about 200 km southwest of the property. The climate is a typical mid-continental type, dry (averaging 405 mm rainfall), with extreme seasonal temperature variations, commonly from -35°C to +35°C. Work can be carried out all year round, but half-load restrictions are applied to the grid roads in spring. The poorest quality roads can be virtually impassable for a day or two after a rain. Load limits for heavy trucks are reduced on gravelled roads during spring break-up, making it impossible to drill during that period.

There is plenty of room to set up a mining and processing operation, but the surface rights are all privately owned, and it would be necessary to negotiate with the owners. There is no clause in the Act or Regulations under which the mineral rights are held that provides for expropriation or arbitration in the event that a surface rights owner is unwilling to sell.

Water for drilling is not everywhere available on the property, and will have to be trucked from a source. Water for production would likely have to come from the Saskatchewan River, a distance of about 35 km from the centre of the property.

A 230 Kv power line passes through the extreme northern part of the property, and a 138 Kv line passes east-west through the centre of the property.

(3) *History of Ownership And Previous Work, Southside Property*

Claim S-127197 has been owned successively by Shannon Oil Ltd. ("**Shannon**"), Rhonda, and Cartier Mining, before being acquired by Forest Gate. All the rest of the claims were staked recently by Forest Gate.

In 1992, Rhonda and partners flew airborne magnetic surveys over a large area which included claims S-127197 and the northern part of the main group, to about the southern boundaries of S-137821, S-137822, and S-136823. The writer carried out small ground-based magnetic surveys on S-127197 for Shannon and for Rhonda.

In 1993, Rhonda and partners (Surf Oil Ltd, and Aaron Oil Ltd.) drilled hole OFS93-05 on S-127197, to test a positive magnetic feature seen in both the airborne and ground-based magnetic surveys. It was drilled to a depth of 197.97 metres, just into the top of the Mannville Group sandstone, and failed to intersect a body of kimberlite. It was concluded that the magnetic feature was caused by basement rocks.

(4) *Geological Setting*

Regional Geology

The Precambrian basement in the Fort à la Corne diamond area consists of Proterozoic rocks of the Trans-Hudson orogen. Recent work has demonstrated that this component

sits on an Archean basement, which has been deformed and thickened by the collision of the crustal blocks. This means that the region satisfies Clifford's Rule, which states that economic kimberlites only occur in cratonic nuclei of Archean age. This is a statement of empirical fact based on African experience, and appears to be true of the Siberian diamond fields and others.

Overlying the Precambrian basement are the Phanerozoic rocks of the interior sedimentary basin. The Phanerozoic section in Saskatchewan is up to 3200 m thick in the southern part of the province, but thins northward to the exposed edge of the Shield. Paleozoic rocks from Cambrian to Mississippian age occur, but the section is not everywhere complete. From Late Mississippian to Early Jurassic the region experienced a period of uplift, and no sedimentation occurred.

Stratigraphy of the Phanerozoic section is a useful tool in exploration for kimberlites. Up to now, evidence indicated that all of the known kimberlites are about 95 to 100 million years old, so the most likely rock units are those of that age.

The country rocks which are the same age as the kimberlites are Cretaceous mudstones, which are not fully consolidated. They are underlain by Mannville sands which are full of water. The rocks which underly the Mannville are carbonates.

Structures in the basement and in the Phanerozoic rocks are believed to have been important in providing conduits to surface for the kimberlitic magmas. Published data describe a number of sub-Phanerozoic basement structures, interpreted from regional gravity and magnetic data produced by the Geological Survey of Canada. These include boundaries between crustal blocks, axes of gravity highs and lows, and faults with measurable horizontal separation. Any of these structures could provide access to diatreme intrusions.

Major structures have been mapped in the Phanerozoic basin using extensive data accumulated by Saskatchewan Energy and Mines, including gravity, seismic and well log data. All but one of the known structures are thought to be reflections of structures in the Precambrian basement.

A number of intrusions are known in the Phanerozoic basin, and all but one are diatremes. Of the diatremes, some are kimberlitic, as at Fort à la Corne.

Published sources indicate that the kimberlites of the main Fort à la Corne swarm are crater facies, and are composed of mixed olivine and lapilli pyroclastics, with 2 generations of olivine. The groundmass consists of monticellite, perovskite, spinel, serpentine and carbonate. Xenocrysts include olivine, garnet, ilmenite and spinel. Xenolithic fragments include eclogite, peridotite, basement rocks, Paleozoic carbonates, and Cretaceous clastic rocks.

In the Fort à la Corne kimberlites, the tops of the kimberlitic volcanic edifices are completely preserved, and they are shaped more or less like a soup bowl, with two larger horizontal dimensions, and one smaller vertical dimension. There are thus large volumes of kimberlite within a few hundred metres of the surface.

The bedrock in the region is covered with about 100 to 130 metres of unconsolidated Pleistocene glacial deposits.

### Geology of The Property

The subcrop under most of the property is shown in the Saskatchewan Geological Atlas as Cretaceous Lea Park or Milk River formations of the Cretaceous Upper Colorado Group rocks. This was confirmed by recent drilling by Forest Gate. The extreme southern end is shown as Cretaceous Riding Mountain Formation.

The log of a previous core hole drilled just north of the northern end of the main group of claims indicates that the subcrop there is Cretaceous mudstone, at 96.66 m below collar. The top of the White Speckled Shale is picked at -109.76 m, and beds containing fish fragments are noted down to about 113 m. The tops of the Upper, Middle, and Lower Ashville formations are picked at -126.72 m, -156.81 m, and -176.71 m respectively. The top of the Spinney Hill Formation is picked at -202.43 m, and the top of the Lower Cretaceous Mannville Group is picked at -214.91m.

Two oil wells drilled in the main part of the claims show the top of the Mannville Formation at 209 and 227 metres respectively, which is not too different from its depth near the East Side property. Most kimberlite in the Fort à la Corne occurs above the top of the Mannville, and that is the stratigraphic interval targeted by drilling by Forest Gate.

A gravity map produced by the government of Saskatchewan shows a discontinuity which underlies the Forest Gate South Side property and which lines up with the linear trend of the known kimberlites in the main Fort à la Corne group. The magnetic map confirms the same feature, albeit less distinctly. This feature may be due to a structure, and might thus be a zone of weakness that could permit the intrusion of kimberlites. The candidates for such a structure include a crustal boundary, a significant fault, or splay from a major crustal fault.

The depth of overburden on the property is about 125 metres. The depth to Precambrian basement is likely to be about 800 metres at the northern end of the claims, and about a kilometre at the southern end.

#### (5) *Exploration*

In June, 2005, Forest Gate engaged Fugro Airborne Surveys to conduct an airborne GeoTEM® and magnetic survey of the main group of the Southside claims. The geophysical and flight parameters were the same as for the survey flown over the Eastside property discussed elsewhere in this document, except that the spacing between flight lines was 300 metres. As for the Eastside survey, the results were interpreted by Condor Consulting. There was no magnetic response that looked to have been caused by a kimberlite. The magnetic signatures were either typical of the Precambrian basement, or of cultural features on surface.

A large amount of EM data is generated by a survey of this type. The most significant parameter for our purposes is the conductivity at the 125 metre depth slice. This represents the level of the conductive Lower Colorado Group as seen by the geophysical method, but the reader should not take this value too literally. The 125 m depth indicated on the geophysical maps is only a very rough estimate, which depends, among other things, on the processing routine used. The geophysical technique does not (and cannot) measure the depth directly. Witherly notes that the slice labelled 130 m depth by Fugro

corresponds most closely to the 100 m slice as calculated by Condor using a different program. The admittedly rather sparse drill hole evidence indicates that the Lower Colorado is deeper than that here, probably in the range of 150 to 200 metres below surface.

Also part of the analysis is the "AdTau" plot. AdTau is a program that calculates time constant of the time domain decay data. It detects conductive anomalies without regard to depth, and is used to check conductivity data which are depth-dependent.

Both of the above parameters are plan plots. A useful profile plot is the CDI (Conductivity Depth Image) plot, which is a vertical section generated by a program called EM Flow, which fits a layered earth model to the data. The Lower Colorado appears as a thin layer of higher conductivity in a field of lower conductivity. Most of the Fort à la Corne kimberlites appear as a break in the thin conductive layer, and some just show a thinning of the layer.

In this geologic environment we expect to see a very conductive Lower Colorado Group sandwiched between two layers of lower conductivity, penetrated by kimberlites of lower conductivity. As before, there are complicating factors which make the interpretation of these data difficult. One of the factors is variability in the conductivity of the Lower Colorado, and the possible variability in conductivity of any kimberlites that may be present. Another factor is the presence of old drainage channels in the bedrock filled with relatively resistive Pleistocene deposits. Witherly notes that the conductivity of the Lower Colorado decreases from north to south in this survey. This means that resistive kimberlites would not be expected to show up as clearly in the southern part of the area.

Thirteen targets were picked by Condor, of which 10 are on Forest Gate ground. The claims staked in September 2005 were to protect targets which were near the edge of the claims staked in December 2004. These targets did not leap out of the data, but had to be coaxed out, and there is no magnetic correlation to increase the level of confidence in them. Nevertheless, they were thought to be legitimate targets, and were the best tests of the theory that there may be completely non-magnetic kimberlites in this area. Accordingly, Forest Gate carried out the drill program discussed below.

(6) *Mineralization*

No kimberlite mineralization is known on the property. No mineralization of any other type is known.

(7) *Drilling*

The purpose of the drilling program was to test some of the targets suggested by Condor Consulting Ltd., of Lakewood, Colorado. The contractor was Encore Coring and Drilling, out of their branch in Calgary. The drill was a modified truck-mounted water-well rig with ancillary equipment including separate trailers for mud mixing, for a generator and fuel storage, for parts and safety equipment storage, and for accommodation of the foreman. A second truck carried the drill pipe and had a water tank for on-site storage. Carbide-tipped bits were used. Water had to be hauled by truck from a nearby creek. Drill cuttings were disposed of in pits on privately owned land.

In addition to the equipment supplied by the drill company, Forest Gate was required to provide a water truck, vacuum truck and rubber-tired loader. No bulldozer was required since all of the sites were in cultivated fields which were flat enough that no site preparation was needed.

Six holes were drilled vertically. None intersected a solid kimberlite, and, to the extent that could be determined macroscopically, none intersected any tuffaceous kimberlitic material that might have indicated a near miss. Indeed, the targets were big enough that there should be no danger of missing them.

The responses selected as the most likely to be caused by kimberlites are not as clear as for some of the kimberlites in the main Fort à la Corne swarm, but they are as clear as the response over the Star kimberlite. As noted, they lack any magnetic correlation, even the weak magnetic correlation seen over the Star kimberlite. There was no cause for the resistive anomalies visible macroscopically in the core. It is concluded that either that there are no kimberlites in this area, or the techniques used to select targets were not appropriate.

- (8) *Sampling and Analysis – Not applicable*
- (9) *Security of Samples – Not applicable*
- (10) *Mineral Resource and Mineral Reserve Estimates – Not applicable*
- (11) *Mining Operations – Not applicable*
- (12) *Exploration and Development – Not applicable*

**B. *Quebec Property (the "Portage Property")***

As at December 31, 2006, the Corporation had an agreement with 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 Corporation announced that it had terminated its joint venture with Majescor thereby relinquishing its participation in exploring the Portage property.

**RISK FACTORS**

The Corporation is engaged in the exploration, development, production and acquisition of oil and natural gas. Forest Gate's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered or economically produced. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates and currency exchange rates. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

The Corporation is exposed to commodity price and market risk for its principal products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors, most of which are beyond the control of Forest Gate.

The following is a summary only of certain risk factors relating to the activities of the Corporation and should be read in conjunction with the detailed information appearing elsewhere in this AIF.

## **Industry Risks**

There are many risks inherent in the oil and gas industry which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The Corporation's success will depend on its ability to select and acquire suitable producing properties or undeveloped exploration prospects. The marketability of any oil and natural gas acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, the world price of crude oil, the continental price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas and environmental protection. The effect of these factors cannot be accurately predicted.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling and operating wells. While the Corporation will have the benefit of insurance maintained by it, the Corporation may become liable for damages arising from pollution, blowouts or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Oil and natural gas production operations are also subject to all of the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into formations, which may hinder economic production.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material drop in prices could result in a reduction of any future net production revenue of the Corporation. The economics of producing from wells acquired or drilled by the Corporation may change as a result of lower commodity prices, which could result in a reduction in the volumes of economic reserves of the Corporation. The Corporation might also elect not to produce from certain wells at lower prices. Crude oil and natural gas prices may be volatile in the short term. These factors could result in a material decrease in any future net production revenue of the Corporation, causing a reduction in the Corporation's oil and natural gas acquisition and development activities.

## **Regulation of Industry**

The Corporation's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. While management believes that the Corporation's business will be operated in accordance with applicable laws, the Corporation will remain subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to the Corporation that may have a negative effect on the Corporation's business and the results of operations. It is not expected that any of such laws and regulations will affect the operations of the Corporation in a manner materially different than they will affect other oil and gas companies of similar size. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Corporation expects that it will be able to comply fully with all regulatory requirements in this regard.

## **Possible Income Tax Changes**

There can be no assurance that the income tax laws applicable to the Corporation or to the oil and natural gas industry generally will not be changed in a manner that adversely affects the Corporation or the holders of Common Shares.

### **Additional Financing Requirements**

Additional funding may be required to complete the funding of the proposed or future exploration and operational programs on Forest Gate's interests and to conduct other exploration programs. If Forest Gate's proposed exploration programs are successful, additional funds will be required for the development of an economic well and to place it in commercial production. There is no assurance that any such funds will be available for operations. Failure to obtain additional financing, if required, on a timely basis could cause Forest Gate to reduce, delay, scale back or even relinquish certain projects. If additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares from the Corporation's treasury, control of the Corporation may change and existing shareholders may suffer further dilution to their investment. The issuance of debt may result in, among other things, the encumbrance of certain of the Corporation's assets, a hindrance of the Corporation's ability to obtain additional bank financing, a decrease in the Corporation's liquidity and/or an adverse effect on the Corporation's ability to declare and pay dividends to its shareholders.

### **Property Title**

Although the Corporation has no current knowledge of any issue relating to the title it holds to its properties, there is no assurance that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation or its joint venture partners, which could result in a reduction of the revenues received by the Corporation.

### **Joint Interest Holders**

In the majority of its licenses, Forest Gate is a joint interest holder with other parties over whom it has no control. An authorization may be revoked by the relevant regulatory authority if another joint interest holder is no longer deemed to be financially credible. There can be no assurance that any of the obligations required to maintain any current or future authorization will be met.

### **Dependence on Third Parties**

Oil and natural gas exploration and development activities are dependent on the availability of drilling-related equipment and services in the particular areas where such activities will be conducted. Demand for such limited equipment and services may affect Forest Gate's ability to conduct operations and complete projects in a timely and cost-effective manner. Forest Gate is not the operator of its oil and natural gas properties and will be largely unable to direct or control the activities of the third-party operators.

### **Conflicting Interests with Partners**

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties may have objectives and interests that do not coincide, or that may conflict with, those of Forest Gate. Unless the third parties are able to compromise any such conflicting objectives and interests in a mutually acceptable manner, agreements, arrangements and operations with these third-parties may not be practicable to carry out.

### **Recovery, Reserve and Resource Estimates**

The recovery and reserve estimates of the Corporation's oil and natural gas reserves provided for herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom

are based upon a number of variable factors and assumptions, all of which may vary considerably from actual results. The Corporation's actual production, revenues, taxes and development and operating expenses and results will vary from estimates contained in the evaluations, and such variations could be material. Actual reserves may be greater or less than the estimates. The Corporation has used escalated price and cost assumptions in calculating reserve quantities as required by securities disclosure legislation and policies in Canada. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption of oil and natural gas, changes in government regulation or taxation and the impact of inflation on costs, among others.

Estimates of reserves and resources are by necessity projections, and thus are inherently uncertain. The process of estimating reserves or resources requires interpretations and judgements on the part of petroleum engineers, resulting in imprecise determinations, particularly with respect to new discoveries. Different engineers may make different estimates of reserve or resource quantities and revenues attributable thereto based on the same data. Ultimately, actual reserves and resources attributable to the Corporation's properties will vary and be revised from current estimates, and those variations and revisions may be material. The reserve and resource information contained in this AIF is only an estimate. A number of factors are considered and a number of assumptions are made when estimating reserves and resources. These factors and assumptions include, among others:

- historical production in the area compared with production rates from similar producing areas;
- future commodity prices, production and development costs, royalties and capital expenditures;
- initial production rates;
- production decline rates;
- ultimate recovery of reserves and resources;
- success of future exploitation activities;
- marketability of production;
- effects of government regulations; and
- other government levies that may be imposed over the producing life of reserves and resources.

Reserve and resource estimates are based on the relevant factors, assumptions and prices on the date the evaluations were prepared. Many of these factors are subject to change and are beyond the Corporation's control. If these factors, assumptions and prices prove to be inaccurate, the Corporation's actual reserves and resources could vary materially from its estimates. Additionally, all such estimates are, to some degree, uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable quantities of oil and natural gas, the classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially.

Estimates with respect to reserves and resources that may be developed and produced in the future are often based upon volumetric or probabilistic calculations and upon analogy to similar types of reserves or resources, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves or resources based upon production history may result in variations or revisions in the estimated reserves or resources, and any such variations or revisions could be material.

Reserve and resource estimates may require revision based on actual production experience. Such figures have been determined based upon assumed oil, natural gas and NGLs prices and operating costs. Market price fluctuations of commodity prices may render uneconomic the recovery of certain categories of petroleum or natural gas.

In addition, references to "contingent resources" or "resources" in this AIF do not constitute, and should be distinguished from, references to "reserves". "Reserves" are those remaining quantities of oil and gas anticipated to be economically recoverable from these known accumulations from a given date forward. "Resources" are oil and gas volumes that are estimated to have originally existed in the earth's crust as natural accumulations but are not capable of being classified as "reserves", and "contingent resources" are a sub-category of resources that means those quantities of oil and gas estimated to be potentially recoverable from known accumulations but which cannot be classified as "reserves" for a variety of reasons, including that they may not be currently economic.

### **Competition**

Companies involved in the petroleum industry must manage many risks which are beyond their direct control. Among these are risks related to exploration, environment, commodity prices, foreign exchange and interest rates. The oil and natural gas industry is extremely competitive and Forest Gate competes with a significant number of other companies, many of whom have greater financial resources. Many such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a world-wide basis. There exists also the competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. While Forest Gate strives to be competitive by maintaining a strong financial position and by using its network of international contacts and relationships to source and secure suitable investment opportunities, there is no assurance that Forest Gate will be able to successfully compete against its competitors.

### **Reliance on Management**

Holders of securities of the Corporation must rely upon the experience and expertise of management. The Corporation's continued success is dependent upon its ability to attract and retain experienced management.

### **Environmental Regulation**

The oil and natural gas industry is subject to environmental regulation pursuant to a variety of laws, regulations and international conventions. Environmental legislation provides for restrictions and prohibitions on releases or emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and gas industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. As well, applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons,

which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders.

Future changes to environmental legislation may impose further requirements on the Corporation's business. No assurance can be given that future environmental approvals, laws or regulations will not adversely impact the Corporation or its business.

### **Offshore Exploration**

Forest Gate faces additional risks when conducting offshore exploration and production activities. In particular, drilling conditions, drilling hazards or environmental damage or liabilities could greatly increase the cost of operations. Further, various field operation conditions may adversely affect production from successful offshore wells.

### **Possible Volatility of Stock Price**

The share price of Common Shares may be subject to wide market fluctuations in response to factors such as actual or anticipated variations in Forest Gate's results of operations, financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may adversely affect the share price of Forest Gate's common shares.

### **Risk Factors Related to Coalbed Methane Operations**

CBM exploration and development is subject to the same risks as in conventional oil and gas activity, including fires, explosions, blow-outs and surface cratering, uncontrollable flows of underground natural gas, formation water, natural disasters, pipe or cement failures, casing collapses, embedded drilling and service tools, abnormally pressured formations and environmental hazards, such as natural gas leaks, pipeline ruptures and discharges of toxic gases.

In addition, CBM development in Canada is at an early stage and as a result, may have its own unique set of risks and challenges from operational, economic, regulatory and other standpoints. Capital costs may be higher due to the complexity of multiple coal seams. In some cases, more wells may be required to effectively exploit the reserves in place. Lower wellhead pressures in CBM wells may require additional compression and larger flow lines.

CBM production often comes with water. In a sandstone or limestone reservoir, the gas molecules are between the rock particles. In coalbed, the gas molecules are stuck to the coal or adsorbed, and the spaces between the coals referred to as the "cleats", must be drained of water before gas will come out of the coal. The length of the dewatering process is different in each circumstance and can take over a year before CBM production begins. This means that any producer may have to put up with long lead times before seeing any cash flow from a project. The potentially large volumes of water can add operational complexity and concern such as freezing, scale formation and backpressure such pumping operations be inefficient. Disposal of water associated with any hydrocarbon production is generally very expensive and is subject to stringent government regulation in all areas of the Company's operation.

Additionally, because CBM is relatively new in Canada, there is additional regulatory complexity. This includes uncertainty or limitations to development from outstanding CBM ownership questions regarding

freehold lands. Since CBM development is new, companies drilling for or producing CBM are subject to higher levels of public scrutiny. Any problems experienced or thought to have been experienced by one company may adversely impact other companies developing CBM assets, through additional regulations, greater difficulty in acquiring leases, permits or regulatory approvals, or otherwise.

Further, many factors affecting the economics and success of CBM operations may be unknown or not fully known at this time or in the future.

## DIVIDENDS

To date, the Corporation has not paid dividends and it intends to reinvest future earnings in order to finance the growth of its business. Any future decision to pay dividends is at the discretion of the Corporation's board of directors and will depend upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the board of directors may deem relevant.

## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares of which 121,760,570 are issued and outstanding as at April 29, 2008.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of common shares. All issued common shares are fully paid and non-assessable.

## MARKET FOR SECURITIES

### Trading Price and Volume

The common shares of the Corporation are quoted for trading on the TSX Venture Exchange under the trading symbol "FGT".

The following table sets forth the high and low trading prices and volume of trading in the Corporation's common shares for the twelve months prior to the Corporation's fiscal year ended December 31, 2007.

Year/Month	Price Per Common Share (\$)		Volume
	High	Low	
2007 December	.145	.115	6,416,305
2007 November	.18	.13	6,428,916
2007 October	.30	.095	55,372,015
2007 September	.18	.12	11,397,336
2007 August	.14	.11	7,535,228
2007 July	.14	.11	6,233,513
2007 June	.135	.115	2,517,945
2007 May	.155	.12	4,960,441
2007 April	.18	.14	3,652,842
2007 March	.18	.14	5,867,846
2007 February	.21	.145	9,397,242
2007 January	.205	.165	2,308,472

## ESCROWED SECURITIES

The Corporation does not have any escrowed shares outstanding.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

The following table sets forth the names and municipalities of residence, the position held with the Corporation and the principal occupation of each of the directors and officers of the Corporation. Each such director and officer has held the position next annual meeting of shareholders or until their successors are duly elected or approved.

<b>Name of Nominee, Municipality of Residence and Present Position with the Corporation</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Period as Director</b>	<b>No. of Common Shares Beneficially Owned</b>
Michael C. Judson Westmount, Quebec President, CEO and Director	President of the Corporation since 1999. President and CEO of Forest Gate since 2005. President of Judson Woods Inc., an investment relations firm from 1997 to 2004.	June 1999 - present	1,629,878
Peter D. Watson <sup>(1)(2)</sup> Edmonton, Alberta Chairman & Director	Corporate Director and Business Advisor since 1998. Currently the Chairman of the Shumka Group of Companies, the Chairman of Blue Note and Member of the Endowment Policy Committee (Advisory Board of the Alberta Heritage Trust Fund, Alberta Heritage Fund for Medical Research and Alberta Science and Engineering Endowment Fund). President of Willis Corroon Melling Ltd., International Insurance Broker and Risk Management Consultant 1977-1997; Director Corporate Planning, Air Canada 1974-1977.	May 2007 - present	Nil
Gordon Ulrich <sup>(1)(2)</sup> Edmonton, Alberta Director	Professional Engineer and Corporate Director. President of Glacier Developments Inc., a private investment company, since 2001. President and Chief Executive Officer of Luscar Ltd., a major coal producer, from 1990-2001. Chief Financial Officer of Luscar Ltd. from 1981-1990.	June 2007 - present	150,000
Sir Nicholas Bonsor <sup>(1)(2)</sup> Leighton Buzzard, England Director	Practicing Barrister, a Member of the Chartered Institute of Arbitrators and a qualified Mediator. Member of the British Parliament from 1979-1997 and a Minister of State in the Foreign and Commonwealth Office from 1995-1997. Member of the Council of Lloyd's from 1987-1991 and served on the finance, general purposes and disciplinary committees.	June 2007 - present	Nil
Jacques Arsenault Montreal, Quebec Chief Financial Officer	Currently Chief Financial Officer for Forest Gate. Consultant since 2003, providing advice to clients including mergers and acquisitions, cash management and turn-around situations.	N/A	Nil
Steve Silvano Montreal, Quebec Vice President, Commercial	Currently Vice President, Commercial for Forest Gate. Vice President and co-founder of IT International Telecom, a privately held corporation.	N/A	671,350
Robert Kramberger Greenfield Park, Quebec Vice President, Investors Relations	Vice President, Investors Relations for Forest Gate since 2006. Formerly Shareholder Relations Manger for the company from 2003-2006. Market and Public Relations Consultant since 1991.	N/A	60,000

**Notes:**

- (1) Current Members of the Audit Committee are: Peter D. Watson, Gordon Ulrich and Sir Nicholas Bonsor.
- (2) Current Members of the Governance Committee are: Peter D. Watson, Gordon Ulrich and Sir Nicholas Bonsor.

As at December 31, 2007, 119,048,570 common shares were issued and outstanding. The directors and executive officers of the Corporation beneficially owned, directly or indirectly, as a group 2,511,228 common shares representing approximately 2% of all outstanding voting securities of the Corporation.

### **Corporate Cease Trade Orders or Bankruptcies**

During the ten years preceding the date of this AIF, no current director or executive officer of Forest Gate has been a director, chief executive officer or chief financial officer of any company that was the subject of an order (as defined in 51-101F2) while such individual was acting in that capacity or that was issued after the director ceased to act as director, chief executive officer or chief financial officer and that resulted from an event that occurred while such individual was acting in such capacity.

No director or executive officer of the Corporation or a securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, to the knowledge of the Corporation:

- (a) been a director or executive officer of any company that became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such person while that person was acting in that capacity or within a year of that person ceasing to act in that capacity; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Penalties or Sanctions**

No director, officer or shareholder holding a sufficient number of securities to materially affect control of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain directors and officers of Forest Gate are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts or interest from time to time. The directors of Forest Gate are required by law to act honestly and in good faith, with a view to the best interests of Forest Gate and to disclose any interest which they may have in any project or opportunity of Forest Gate. If a conflict of interest or potential conflict of interest arises at a meeting of the board of directors, any director with such a conflict will disclose his interest and must abstain from voting on such matter.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its respective properties are subject, nor are there any such proceedings known to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the 2007 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Corporation in 2007 that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the 2007 financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

To the knowledge of the Corporation, no person who has been a director or executive officer of the Corporation at any time since the beginning of the last fiscal year, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter or transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation except for the granting from time to time of incentive stock options in accordance with the policies of the TSX Venture Exchange.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Lippman Leebosh April, Chartered Accountants, located at 1 Westmount Square, Suite 1001, Montréal, Canada H3Z 2P9.

The Corporation's Transfer Agent and Registrar is CIBC Mellon Trust Company, located at 2001 University Street, Suite 1600, Montreal, Quebec H3A 2A6.

## **MATERIAL CONTRACTS**

Except for contracts entered into by the Corporation in the ordinary course of business or otherwise disclosed herein, the Corporation has no contracts which can reasonably be regarded as material during the fiscal year ending December 31, 2007.

Other than the following contracts, there are no contracts that are material to the Corporation that were entered into since January 1, 2007 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Corporation:

- (a) Joint Operating Agreement dated June 29, 2007 between the Corporation, Providence Resources PLC, Challenger Minerals (Celtic Sea) Limited, Dyas B.V. Exploration & Production and Atlantic Petroleum (Ireland) Limited;
- (b) Participation Agreement dated October 25, 2007 between the Corporation and Emerald Bay to which intervened Just Freehold Energy Corporation with respect to the Nevis area in Alberta.
- (c) Participation Agreement dated October 24, 2007 between the Corporation and Emerald Bay to which intervened Just Freehold Energy Corporation with respect to the Ferrybank area in Alberta.
- (d) Joint Venture Agreement dated December 12, 2000 and amended May 16, 2002 between the Corporation and Leader Mining International Inc. with respect to the East Side Property;

- (e) Management Agreement dated May 16, 2002 between the Corporation and its President, Michael C. Judson;
- (f) Transfer Agent Agreement dated September 1, 2006 between CIBC Mellon Trust Company and the Corporation; and
- (g) Shareholder Protection Rights Plan Agreement between Forest Gate and CIBC Mellon Trust Corporation dated September 1, 2006.

### **INTERESTS OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than AJM, the independent reserve evaluator, N. Ralph Newson, who prepared the Technical Reports and Lippman, Leebosh, April s.e.n.c., the Corporation's auditors.

To the knowledge of the Corporation, none of the principals of AJM or N. Ralph Newson has a registered or beneficial interest in any of the Corporation's securities. Lippman, Leebosh, April s.e.n.c. is independent in accordance with the auditors' rules of professional conduct in Canada.

### **ADDITIONAL INFORMATION**

Additional disclosure relating to the Corporation is contained in the Corporation's disclosure documents found on SEDAR at [www.sedar.com](http://www.sedar.com), information regarding directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities is contained in the Corporation's Information Circular dated May 11, 2007.

Additional financial information is provided in the Corporation's consolidated audited financial statements for the year ended December 31, 2007 and in the associated Management's Discussion and Analysis, available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

**APPENDIX A**

**FORM 51-101F2**

**REPORT ON RESERVES DATA**

**BY**

**INDEPENDENT QUALIFIED RESERVES**

**EVALUATOR OR AUDITOR**

To the board of directors of Forest Gate Resources Inc. (the "**Corporation**"):

1. We have evaluated the Corporation's reserves data as at December 31, 2007. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2007, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserve data of the Corporation evaluated by us for the year ended December 31, 2007, and identifies the respective portions thereof that we have evaluated and reviewed and reported on to the Corporation's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Review Report	Location of Reserves (Country or Foreign Geographic Area)	New Present Value of future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
AJM Petroleum Consultants	April 10, 2008	Canada		\$248.2		\$248.2

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

"Robin G. Bertram"  
Robin G. Bertram, P. Eng.  
Vice-President

AJM Petroleum Consultants  
1400, 734 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3P8

Execution date: April 10, 2008

## APPENDIX B

### REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

*Terms to which a meaning is ascribed in NI 51-101 have the same meaning in herein.*

Management of Forest Gate Resources Inc. (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2007, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

*"Michael C. Judson"*

Michael C. Judson  
Chief Executive Officer

*"Jacques Arsenault"*

Jacques Arsenault  
Chief Financial Officer

*"Peter D. Watson"*

Peter D. Watson  
Director

*"Gordon Ulrich"*

Gordon Ulrich  
Director

Dated April 29, 2008

## APPENDIX C

### OIL AND NATURAL GAS RESERVES

**In this Appendix "C", all estimates of oil and natural gas reserves and production are on a gross basis before deduction of royalties, unless otherwise indicated. Forest Gate's actual oil and gas reserves and production may be greater than or less than the estimates provided herein.**

**The Corporation has adopted the standard of 6 Mcf:1 boe when converting natural gas to boe. Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

AJM Petroleum Consultants ("AJM"), independent oil and gas reservoir engineers of Calgary, Alberta, have prepared an independent engineering evaluation dated April 3, 2008 of the Corporation's oil, NGLs and natural gas interests effective March 31, 2008 (the "**March AJM Report**"). The March AJM Report applies the standards set forth in NI 51-101. In preparation of the March AJM Report, all of the Corporation's estimated proved plus probable remaining reserves valued on a pre-tax 10% net present value basis were evaluated in detail by AJM. The amounts in the tables below represent 100% of the reserves attributable to the Corporation's properties as of March 31, 2008.

In preparing the March AJM Report, AJM obtained basic information from the Corporation, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the March AJM Report is based, was obtained from public records, other operators and from AJM's non-confidential files. Information concerning the extent and character of ownership of the Corporation's interests and the accuracy of all factual data supplied to AJM by third parties was accepted by AJM as presented.

The following is a summary, as at March 31, 2008, of Forest Gate's oil, NGLs, natural gas and CBM reserves attributable to the Corporation's properties and the present worth value of the estimated future net cash flows ascribed to such reserves as evaluated in the March AJM Report, based on forecast price and cost assumptions. The tables summarize the data contained in the evaluations and, as a result, may contain slightly different numbers than the evaluations due to rounding. All evaluations of the present worth of estimated future cash flows in the March AJM Report are stated after provision for estimated future capital expenditures and prior to provision for future site restoration and reclamation costs, income taxes and indirect costs and do not necessarily represent the fair market value of the reserves. There is no assurance that the price and cost assumptions used in the March AJM Report will be attained and variances could be material. Columns may not total due to rounding.

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
As of March 31, 2008**

**FORECAST PRICES AND COSTS**

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS				CBM		NGLs	
	Gross (Mbbls)	Net (Mbbls)	Solution		Associated and Non-Associated		Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)
			Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)				
Proved Reserves										
Proved Developed Producing	4.5	3.0	1.2	0.8	0	0	67.9	52.3	0.1	0
Proved Developed Non-Producing	0	0	0	0	0	0	0	0	0	0
Proved Undeveloped Reserves	0	0	0	0	0	0	0	0	0	0
Total Proved Reserves	4.5	3.0	1.2	0.8	0	0	67.9	52.3	0.1	0
Probable Reserves	4.6	3.1	1.2	0.8	0	0	9.1	7.7	0.1	0
Total Proved Plus Probable Reserves	9.1	6.2	2.5	1.7	0	0	77.0	60.0	0.1	0.1

Note:

(1) Numbers in this chart are subject to round off error.

**NET PRESENT VALUES OF FUTURE NET REVENUE**

RESERVES CATEGORY  (in \$ thousands)	BEFORE INCOME TAXES, DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES, DISCOUNTED AT (%/YEAR)				
	0	5	10	15	20	0	5	10	15	20
	Proved Reserves									
Proved Developed Producing	434.6	401.3	373.6	350.5	331.1	310.2	286.6	266.8	250.4	236.5
Proved Developed Non-Producing	0	0	0	0	0	0	0	0	0	0
Proved Undeveloped Reserves	0	0	0	0	0	0	0	0	0	0
Total Proved Reserves	434.6	401.3	373.6	350.5	331.1	310.2	286.6	266.8	250.4	236.5
Probable Reserves	195.2	172.5	155.0	141.1	129.8	140.9	124.3	111.6	101.5	93.3
Total Proved Plus Probable Reserves	629.8	573.8	528.6	491.7	460.9	451.1	410.9	378.4	351.9	329.8

Notes:

(1) Columns may not add due to rounding.

(2) Utilizes AJM's price forecast as of December 31, 2007 as detailed below.

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
As of March 31, 2008**

**FORECAST PRICES AND COSTS**

Reserves Category (in \$ thousands)	Revenue	Royalties	Operating Costs	Development Costs	Well Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
<b>Forecast Prices and Costs</b>								
Proved Reserves	879.6	245.1	171.3	0	28.6	434.6	78.0	310.2
Proved Plus Probable Reserves	1,295.9	372.7	263.9	0	29.3	629.8	112.8	451.1

**FUTURE NET REVENUE  
BY PRODUCTION GROUP  
As of March 31, 2008**

**FORECAST PRICES AND COSTS**

Reserves Category (in \$ thousands)	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/year)	Unit Value (\$/Mcf) (\$/bbl)
		Forecast Prices and Costs (in \$ thousands)	
Proved Reserves	Light, and Medium Crude Oil	127.2	\$28.26/bbl
	Associated Gas and Non-Associated Gas	0	0
	CBM	246.4	\$3.62/Mcf
Proved Plus Probable Reserves	Light, Medium Crude Oil and NGLs	254.2	\$27.93/bbl
	Associated Gas and Non-Associated Gas	0	0
	CBM	274.5	\$3.56/Mcf

**SUMMARY OF PRICING ASSUMPTIONS  
As of March 31, 2008**

**FORECAST PRICES AND COSTS**

The forecast prices as at March 31, 2008 are provided in the table below and reflect those forecast prices referred to in the AJM Report.

Year	WTI	Edmonton	Hardisty	Cromer	NATURAL	Pentanes	Butanes	Inflation Rates <sup>(2)</sup> (%/year)	Exchange Rates <sup>(1)</sup> (\$Cdn/\$US)
	Cushing Oklahoma (\$US/bbl)	Par Price 40° API (\$Cdn/bbl)	Heavy 12° API (\$Cdn/bbl)	Medium 29° API (\$Cdn/bbl)	GAS AECO Gas Price (\$Cdn/MMBTU)	Plus Edmonton (\$Cdn/bbl)	Price Edmonton (\$Cdn/bbl)		
2007	\$72.38	\$76.65	\$39.75	\$65.18	\$6.44	\$81.67	\$59.40	2.1	.921
2008	\$96.00	\$96.10	\$54.10	\$81.60	\$8.10	\$100.90	\$76.90	0	.980
2009	\$94.85	\$97.90	\$55.90	\$83.40	\$8.50	\$102.80	\$78.30	2.0	.950
2010	\$95.70	\$98.80	\$56.80	\$84.30	\$8.60	\$103.75	\$79.05	2.0	.950
2011	\$97.65	\$100.75	\$56.75	\$85.75	\$8.60	\$105.80	\$80.60	2.0	.950
2012	\$99.60	\$102.80	\$58.80	\$87.80	\$8.75	\$107.95	\$82.25	2.0	.950
2013	\$101.60	\$104.85	\$60.85	\$89.85	\$9.10	\$110.10	\$83.90	2.0	.950
Thereafter	+2%	+2%	+2.0%	+2.0%	+2.0%	+2%	+2%	2.0	.950

Notes:

- (1) Exchange rates used to generate the benchmark reference prices in this table.
- (2) Inflation rates for forecasting prices and costs

**RECONCILIATION OF  
CORPORATION GROSS RESERVES  
BY PRODUCT TYPE**

**FORECAST PRICES AND COSTS**

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS			CBM			NGLs		
	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)
<b>Dec. 31, 2007</b>	0	0	0	0	0	0	71.1	8.9	80.0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	0	0	0	0	0	0	0	0	0
Discoveries	4.5	4.6	9.1	1.2	1.2	2.5	0	0	0	0.1	0.1	0.1
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	(0.7)	0.2	(0.5)	0	0	0
Production	0	0	0	0	0	0	(2.5)	0	(2.5)	0	0	0
<b>Mar. 31, 2008</b>	4.5	4.6	9.1	1.2	1.2	2.5	67.9	9.1	77.0	0.1	0.1	0.1

Note:

(1) Numbers in the table may not add due to rounding.

**Probable Undeveloped Reserves**

Probable undeveloped reserves are, for the most part, attributed to are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. Forest Gate, in conjunction with its various partners, plans to develop its proved and probable undeveloped reserves within the next two years.

**Significant Factors or Uncertainties**

Please refer to the risks discussed under "Risk Factors" in this AIF for a discussion of risks and uncertainties related to the Corporation's business.

**Future Development Costs**

The following table summarizes the amount of development costs of the Corporation deducted in the estimation of future net revenue in the foregoing tables.

Year	Forecast Prices and Costs	
	Proved Reserves	Proved Plus Probable Reserves
	Undiscounted	Undiscounted
2008	0	0
2009	0	0
2010	0	0
2011	0	0
2012	0	0
thereafter	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## OTHER OIL AND GAS INFORMATION

### Principal Oil and Gas Properties

The following is a description of the Corporation's principal oil and gas properties as at March 31, 2008.

#### *Nevis*

The Nevis property is located in Township 29, Range 22, west of the fourth meridian, approximately 25 miles east of Red Deer, Alberta. Forest Gate holds a ten percent working interest before payout (five percent after payout) in four coalbed methane wells subject to a convertible 15 percent gross overriding royalty and 16 percent freehold royalty.

#### *Ferrybank*

The Ferrybank property is located approximately 40 miles south of Edmonton, Alberta. As at December 31, 2007, Forest Gate owned a 37.5 percent before payout, 18.75 percent after payout, working interest in one Glauconite oil well subject to a convertible 15 percent gross overriding royalty and 17 percent freehold royalty. In early 2008, this holding was increased to a 47.5 percent before payout, 23.75 percent after payout working interest and the Corporation announced that it had discovered oil at Ferrybank. Thereafter Forest Gate announced that production had begun at this property.

### Oil and Gas Wells

The following table summarizes, as at March 31, 2008, the Corporation's interests in producing wells and in non-producing wells.

	Producing Wells						Non-Producing Wells					
	Oil		Natural Gas		CBM		Oil		Natural Gas		CBM	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	1.0	0.4	0	0	4.0	0.2	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	1.0	0.1	0	0	0	0
Total	1.0	0.4	0	0	4.0	0.2	1.0	0.1	0	0	0	0

### Abandonment and Reclamation Costs

The Corporation estimates the costs associated with abandonment and reclamation for surface leases, wells and facilities based on a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The Corporation expects to incur abandonment and reclamation costs for approximately 0.6 net wells.

Based on total proved reserves, the following table summarizes the expected net present value of abandonment and reclamation costs to be incurred by the Corporation.

\$'000's	Forecast Pricing	
	Net Present Value (undiscounted)	Net Present Value (discounted at 10%)
Total abandonment and reclamation costs, net of estimated salvage value	29.3	\$14.0
Abandonment and reclamation costs not deducted in estimating future net revenue	-	-
Portion forecast to be paid during the next three years	0	0

### Tax Horizon

Depending on levels of production, commodity prices, acquisitions and capital expenditures, Forest Gate may begin paying current income taxes in 2008 or beyond.

### Costs Incurred

During the first quarter of 2008, the Corporation incurred the following costs before property dispositions (\$thousands):

	<u>Canada</u>	<u>Ireland</u>
Property acquisition costs - proved properties	\$0	\$0
Property acquisition costs – unproved properties	\$0	\$0
Exploration costs	\$0	\$127,564
Development costs	\$0	\$0
<b>TOTAL</b>	<b>\$0</b>	<b>\$127,564</b>

### Exploration and Development Activities

The following table summarizes the number and type of wells that the Corporation drilled for the year ended March 31, 2008.

	Gross Wells		Net Wells	
	Canada	Ireland	Canada	Ireland
<i>Exploratory Wells</i>				
Oil wells	1.0	1.0	0.4	0.1
Natural gas wells	0	0	0	0
CBM	0	0	0	0
Service	0	0	0	0
Dry	0	0	0	0
<i>Development Wells</i>				
Oil wells	0	0	0	0
Natural gas wells	0	0	0	0
CBM	4	0	0.2	0
Service	0	0	0	0
Dry	0	0	0	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>0.6</b>	<b>0.1</b>

The Corporation intends to focus its future exploration and development activities in developing its Canadian properties to bring them to production while continuing to explore higher impact international plays.

### Production Estimates

The following table sets out the volume of the proved plus probable gross production estimated for the nine month period ending December 31, 2008 which is reflected in the estimate of future net revenue disclosed in the tables contained under "Disclosure of Reserves Data".

Country	CBM (MMcf)	NGLs (Mbbls)	Natural Gas (MMcf)	Light and Medium Crude Oil (Mbbls)
Canada	14.5	0	0.98	3.6
Ireland	0	0	0	0
Total	14.5	0	0.98	3.6

### Unproved Properties

#### *Celtic Sea*

The Corporation's Celtic Sea prospect is located in the North Celtic Sea Basin, off the south coast of Ireland. This prospect is an unproven property in that no reserves have been specifically attributed to it. The gross area of the Celtic Sea prospect is 166,400 gross acres, 12,480 acres of which can be attributed to the Corporation based on the 7.5% Working Interest.

Forest Gate holds a 7.5 percent working interest in two licences in the North Celtic Sea Basin. Standard Exploration Licence ("SEL") 2/07 is 92,160 gross acres; the acreage is non-contiguous and covers a number of accumulations in Quadrants 49 and 50. SEL 3/08 is 74,880 gross acres and encompasses two accumulations in Quadrants 48 and 49. An SEL gives the holder the exclusive rights to explore the license area for a period of six years, subject to an agreed upon programme of work; three years after an SEL is issued, 50 percent of the acreage must be relinquished.

Forest Gate also holds a 7.5 percent working interest in Licensing Option ("LO") 07/1 which covers an area of 93,440 gross acres in Quadrants 49 and 50. Seismic evaluation of these holdings is underway and no resources are assigned to this area at this time.

An evaluation of the prospective resources for the Corporation's Celtic Sea prospect as at March 31, 2008 and dated April 3, 2008 was completed by AJM. Resources are assigned based on seismic mapping, interpreted logs and other data provided by the Company. The resources currently assigned to this area are as follows:

### Prospective Resources<sup>(2)</sup>

Area	Product Type		P90 <sup>(1)</sup>	P50 <sup>(1)</sup>	P10 <sup>(3)</sup>
Hook Head <sup>(3)</sup>	oil	MMbbl	14.3	33.1	76.5

<b>Dunmore<sup>(4)</sup></b>	oil	MMbbl	1.7	4.5	11.5
<b>Helvick<sup>(5)</sup></b>	oil	MMbbl	0.3	0.6	1.1
<b>Ardmore<sup>(6)</sup></b>	gas	bcf	18.2	29.4	47.9
<b>Total</b>		<b>MMboe</b>	<b>32.8</b>	<b>43.4</b>	<b>57.2</b>

Note:

- (1) These numbers refer to low (P90), expected (P50) and high (P10) volumetric resource estimates with appropriate corrections being made.
- (2) Prospective Resources are those quantities of oil and gas estimated, as of a given date, to be potentially recoverable from undiscovered or untested accumulations by application of future development projects.
- (3) The Hook Head rights are located in Quadrant 50, approximately 40 miles off the south shore of Ireland and is covered by the SEL 2/07 licence.
- (4) The Dunmore property is located in Quadrant 50, approximately 25 miles off the south shore of Ireland and is covered by the SEL 2/07 licence.
- (5) The Helvick property is located in Quadrant 49, approximately 25 miles off the south shore of Ireland and 18 miles from Hook Head and is covered by the SEL 2/07 licence.
- (6) The Ardmore property is located in Quadrant 49, approximately 35 miles off the south shore of Ireland and 18 miles west of Hook Head and is covered with the SEL 2/07 licence.

Forest Gate and its partners plan to drill a series of delineation wells in the area of the next few years. Commercial development is anticipated to follow. **There is no certainty that it will be commercially viable to produce any portion of the resources.**

The Company has two additional properties to which no resources can be assigned: Blackrock and Rushane. The Blackrock property is located in Quadrant 48 and 49, approximately 50 miles off the south shore of Ireland and is covered by the SEL 3/07 licence. Resources cannot be assigned to this pool as the main pool has yet to be drilled. The one well drilled on the Blackrock prospect indicates oil. The Rushane property is located in Quadrant 48, immediately adjacent to the Blackrock property and is included in the SEL 3/07 licence. Based on log results, the pool is believed to contain both oil and gas. Resources cannot be assigned to the pool as logs and other data are not currently available for evaluation.

**There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.**

In order to maintain the 7.5% Working Interest, Forest Gate is required to fulfill its financial obligations through cash calls. Currently, the Corporation believes that it can continue to raise the required funds, however, there can be no assurances of future funds as capital market conditions and other unforeseeable events may impact the Corporation's ability to finance and develop its projects.

**FORM 51-101F2  
REPORT ON RESERVES DATA  
BY  
INDEPENDENT QUALIFIED RESERVES  
EVALUATOR OR AUDITOR**

To the board of directors of Forest Gate Resources Inc. (the "**Corporation**"):

1. We have evaluated the Corporation's reserves data as at March 31, 2008. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2008, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserve data of the Corporation evaluated by us for the year ended March 31, 2008, and identifies the respective portions thereof that we have evaluated and reviewed and reported on to the Corporation's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Review Report	Location of Reserves (Country or Foreign Geographic Area)	New Present Value of future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
AJM Petroleum Consultants	April 3, 2008	Canada		\$528.6		\$528.6

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

"Robin G. Bertram"  
Robin G. Bertram, P. Eng.  
Vice-President

AJM Petroleum Consultants  
1400, 734 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3P8

Execution date: April 10, 2008

**REPORT OF MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

*Terms to which a meaning is ascribed in NI 51-101 have the same meaning in herein.*

Management of Forest Gate Resources Inc. (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2008, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

"Michael C. Judson"  
Michael C. Judson  
Chief Executive Officer

"Jacques Arsenault"  
Jacques Arsenault  
Chief Financial Officer

"Peter D. Watson"  
Peter D. Watson  
Director

"Gordon Ulrich"  
Gordon Ulrich  
Director

Dated April 29, 2008