

**EVALUATION OF
PROSPECTIVE RESOURCES**

**SACRAMENTO VALLEY
MOJAVE COUNTY, ARIZONA**

Prepared for

FOREST GATE ENERGY INC.

September 1, 2009
(August 31, 2009)

Chapman *Petroleum Engineering Ltd.*

445, 708 - 11th Avenue S.W., Calgary, Alberta T2R 0E4 • Phone: (403) 266-4141 • Fax: (403) 266-425 • www.chapeng.ab.ca

September 14, 2009

Forest Gate Energy Inc.
1511, 1 Place Ville Marie
Montreal, Quebec
H3B 2B5

Attention: Mr. Jean Mayer

Dear Sir:

Re: Evaluation of Prospective Resources – September 1, 2009
Sacramento Valley, Mojave County, Arizona

In accordance with your authorization, we have performed an evaluation of the prospective resources on the Sacramento Valley Prospect, in Mojave County, Arizona, for Forest Gate Energy Inc. (the "Company"), in order to determine the feasibility of the Company participating in the exploration and development of this prospect under the terms proposed and the value of the prospect after consideration of risk. This evaluation has been conducted in accordance with NI 51-101, Sec 5.9, pertaining to disclosure of resources, utilizing forecast prices and costs.

Our analysis has included a review of the available technical data including the geological and geophysical interpretation presented by the Company, the proposed ownership terms, information from relevant nearby wells or analogous reservoirs and the proposed program for this prospect. We have reviewed this material with respect to the estimated resources and productivity that would be expected of a successful program, the anticipated capital costs (including drilling, completion and equipment), the average operating costs in the area and expected product prices. We have also considered the availability of product markets, and transmission facilities within economic reach of the area.

In forming our opinion of this prospect we have relied to some extent on the information presented by the Company, which, together with our independent analysis and judgment, was sufficient for us to confidently establish the nature of the prospects and risks involved.

An economic analysis has been performed for the Company's proposed interest position. This analysis has been utilized predominantly for formulating and supporting our recommendation on the project and the values established do not necessarily infer the "fair market value" of these prospective resources.

ALL MONETARY VALUES PRESENTED IN THIS REPORT ARE EXPRESSED IN TERMS OF UNITED STATES DOLLARS.

Based on our analysis, after consideration of risk, we have concluded that the potential of this prospect is of sufficient merit to justify the work program being proposed, and we therefore recommend and support the Company's participation.

All data gathered and calculations created in support of this report are stored permanently in our files and can be made available or presented on request. We reserve the right to make revisions to this report in light of additional information made available or which becomes known subsequent to the preparation of this report. Due to the risks involved in exploring for oil and gas reserves, our assessment of the project cannot be considered a guarantee that any wells drilled will be successful.

Prior to public disclosure of any information contained in this report, or our name as author, our written consent must be obtained, as to the information being disclosed and the manner in which it is presented. This report may not be reproduced, distributed or made available for use by any other party without our written consent and may not be reproduced for distribution at any time without the complete context of the report, unless otherwise reviewed and approved by us.

We consent to the submission of this report, in its entirety, to securities regulatory agencies and stock exchanges, by the Company.

It has been a pleasure to perform this evaluation and the opportunity to have been of service is appreciated.

Yours very truly,

Chapman Petroleum Engineering Ltd.

[Original Signed By:]

C. W. Chapman
C. W. Chapman, P. Eng.
President

[Original Signed By:]

Harold J. Ryan
Harold J. Ryan, P. Geol.
Geological Coordinator

hjr/rjh/4957
attachments

CERTIFICATE OF QUALIFICATION

I, C. W. CHAPMAN, P. Eng., Professional Engineer of the City of Calgary, Alberta, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta and a member of the Australasian Institute of Mining and Metallurgy.
2. THAT I graduated from the University of Alberta with a Bachelor of Science degree in Mechanical Engineering in 1971.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 25 years in the conduct of evaluation and engineering studies relating to oil & gas fields in Canada and around the world.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Forest Gate Energy Inc., dated September 14, 2009 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Forest Gate Energy Inc., its participants or any affiliate thereof.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

C. W. Chapman

C. W. Chapman, P.Eng.
President

CERTIFICATE OF QUALIFICATION

I, HAROLD J. RYAN, P. Geol., Professional Geologist of the City of Calgary, Alberta, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Geologist in the Province of Alberta and a Fellow of the Geological Association of Canada.
2. THAT I graduated from the University of Calgary with a Bachelor of Science degree in Geology in 1983.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in petroleum geology, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 15 years of experience in the conduct of evaluation and geological studies relating to oil and gas fields in Canada and internationally.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Forest Gate Energy Inc., dated September 14, 2009 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Forest Gate Energy Inc., its participants or any affiliate thereof.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Harold J. Ryan

Harold J. Ryan, P. Geol.
Geological Coordinator

CERTIFICATE OF QUALIFICATION

I, REBECCA J. HOWE, of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a candidate member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.
2. THAT I graduated from Brandon University, Manitoba with a Bachelor of Science degree in Geology in 2007.
3. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Forest Gate Energy Inc., dated September 14, 2009 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
4. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Forest Gate Energy Inc., its participants or any affiliate thereof.
5. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
6. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Rebecca J. Howe

Rebecca J. Howe, B. Sc.
Geologist

**EVALUATION OF
PROSPECTIVE RESOURCES**

**SACRAMENTO VALLEY
MOJAVE COUNTY, ARIZONA**

Prepared for
FOREST GATE ENERGY INC.

September 1, 2009
(August 31, 2009)

TABLE OF CONTENTS

Scope of Report

- Authorization
- Purpose
- Definitions
- Barrels of Oil Equivalent
- Abandonment and Restoration

Attachment 1 – Product Price Forecast

Orientation Map

Prospect Synopsis

Discussion

- ARIZONA**
 - Sacramento Valley

Glossary

SCOPE OF REPORT

Authorization

This report has been authorized by Mr. Jean Mayer on behalf of Forest Gate Energy Inc. The technical analysis of this property has been performed during the month of September 2009.

Purpose

The purpose of this report was to independently determine the feasibility of the Company undertaking the exploration and development of the prospective resources in the Sacramento Valley, Mojave County, Arizona, and determine the magnitude of the prospective resources and the economic value before and after the consideration of risk.

Definitions

The following definitions, extracted from Section 5.2 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM, and the Calgary chapter of the Society of Petroleum Evaluation Engineers (SPEE), as specified by Canadian Securities Regulations NI 51-101. These definitions relate to the subdivisions in the resources classification framework of Figure 1 which follows and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to "discovered resources") is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

a) Production

Production is the cumulative quantity of petroleum that has been recovered at a given date.

b) Reserves

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 the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

c) Contingent Resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

d) Unrecoverable

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Undiscovered Petroleum Initially In Place (equivalent to "undiscovered resources") is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be

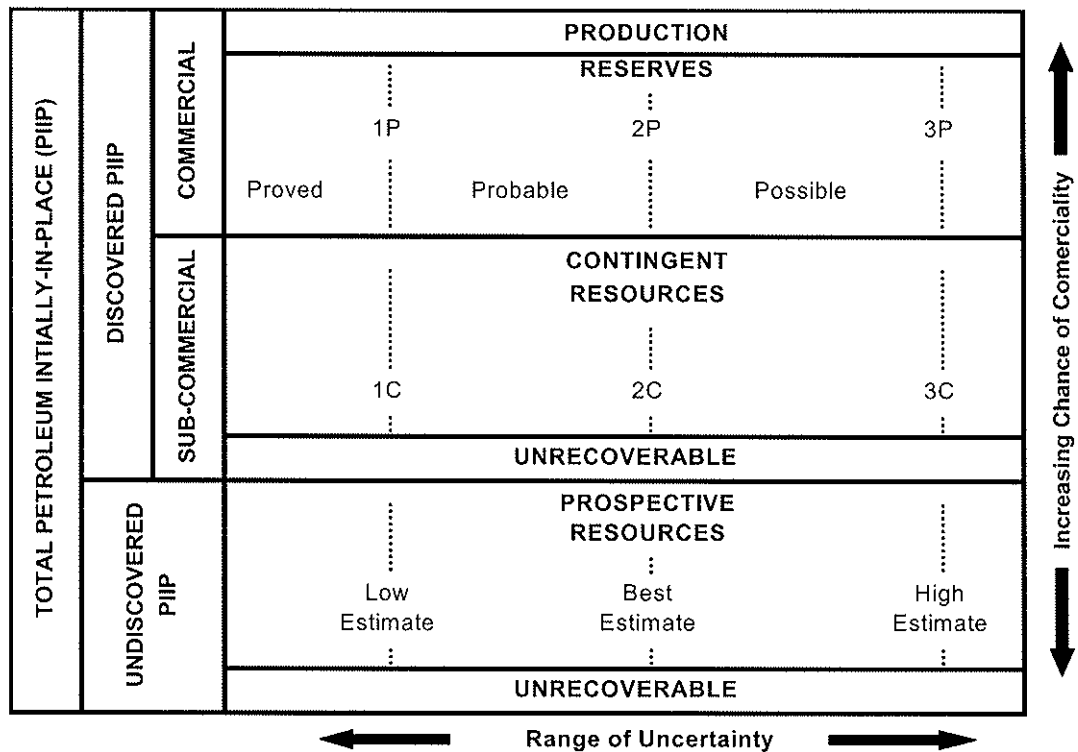
discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources", the remainder as "unrecoverable".

a) *Prospective Resources*

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

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.

Figure 1 – Resources classification framework (SPE-PRMS, Figure 1.1).



Not to scale

Barrels of Oil Equivalent

If at any time in this report reference is made to "Barrels of Oil Equivalent" (BOE), the conversion used is 6 Mscf : 1 STB (6 Mcf : 1 bbl).

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 value equivalency at the well head.

Abandonment and Restoration

Abandonment and restoration costs, net of salvage, have been included in the cash flows for the final event of any particular well. The abandonment cost does not impact the economic limit and is included in the final year of production automatically by ERGO.

CHAPMAN PETROLEUM ENGINEERING LTD.
CRUDE OIL
HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES

September 1, 2009

Date	WTI [1] \$US/STB	Alberta Par Price [2] \$CDN/STB	Alberta Heavy [3] \$CDN/STB	Sask. Light [4] \$CDN/STB	Sask. Heavy [5] \$CDN/STB	B.C. Light [6] \$CDN/STB
HISTORICAL PRICES						
1994	17.16	22.27	18.19	20.76	19.16	21.12
1995	18.41	25.11	19.76	22.77	20.57	23.85
1996	21.98	29.39	25.09	28.41	26.07	27.99
1997	20.59	27.90	21.15	26.52	23.73	26.32
1998	14.46	20.39	14.68	19.31	17.01	19.38
1999	19.21	27.88	23.71	27.23	25.65	27.42
2000	30.39	44.90	34.51	43.37	40.12	n/a
2001	25.98	39.66	25.41	35.57	31.84	n/a
2002	26.09	40.63	32.20	37.67	34.57	n/a
2003	30.84	43.57	32.65	40.13	37.64	n/a
2004	41.48	52.89	37.52	48.96	45.74	n/a
2005	56.62	69.16	43.25	62.04	56.53	n/a
2006	65.91	72.88	50.40	66.77	61.23	n/a
2007	70.61	75.57	53.17	71.42	64.55	n/a
2008	99.70	102.98	83.88	98.02	92.45	n/a
2009(8mos)	55.27	64.43	54.22	64.79	60.63	n/a
CONSTANT PRICES						
August 31, 2009 [7]	69.96	76.34	65.21	70.43	69.00	74.43
CURRENT YEAR FORECAST						
2009(4 mos)	68.00	77.50	56.58	72.46	67.75	75.56
FUTURE FORECAST						
2010	70.00	77.05	56.24	72.04	67.36	75.12
2011	75.00	80.83	59.01	75.58	70.67	78.81
2012	80.00	81.71	59.65	76.40	71.43	79.67
2013	90.00	92.24	67.33	86.24	80.64	89.93
2014	95.00	97.50	71.18	91.16	85.24	95.06
2015	98.00	100.66	73.48	94.12	88.00	98.14
2016	100.00	102.76	75.02	96.08	89.84	100.19
2017	102.00	104.87	76.55	98.05	91.68	102.25
2018	104.00	106.97	78.09	100.02	93.52	104.30
2019	106.00	109.08	79.63	101.99	95.36	106.35
2020	108.00	111.18	81.16	103.96	97.20	108.40
2021	110.00	113.29	82.70	105.93	99.04	110.46
2022	112.00	115.39	84.24	107.89	100.88	112.51
2023	114.00	117.50	85.78	109.86	102.72	114.56
2024	116.00	119.61	87.31	111.83	104.56	116.62

Constant thereafter

Notes:

- [1] West Texas Intermediate quality (D2/S2) crude landed in Cushing, Oklahoma.
- [2] Equivalent price for Light Sweet Crude (D2/S2) landed in Edmonton, Alberta after exchange of 0.85US\$/C\$ in 2009, 0.88, 0.90US\$/C\$ in 2010,2011, and thereafter 0.95US\$/C\$ and transportation differential of \$2.50 CDN/STB.
- [3] Bow River at Hardisty, Alberta (905 kg/m3, 2.1% sulphur).
- [4] Light Sour Blend at Cromer, Saskatchewan (850 kg/m3, 1.2% sulphur).
- [5] Midale at Cromer, Saskatchewan (880 kg/m3, 2.0% sulphur).
- [6] B.C. Light at Taylor, British Columbia (825 kg/m3, 0.5% sulphur).
- [7] August 31, 2009 is the last trading day of August 2009.



FOREST GATE ENERGY INC.

ORIENTATION MAP

SEP. 2009

JOB No. 4957

**SACRAMENTO VALLEY
MOJAVE COUNTY, ARIZONA
PROSPECT SYNOPSIS**

This Prospect Synopsis contains the information required to be disclosed under NI 51-101, Sec. 5.9. More details regarding the prospect are presented in the Report Discussion which follows.

- (a) The Company intends to acquire varying working interests in 34,734 acres in this area,
- (b) The subject exploration lands are located in the Basin and Range geologic province of Arizona,
- (c) The expected product from successful wells is light crude oil,
- (d) The predominate risk associated with recovery of any resources from this project is the possibility of exploratory wells failing to encounter a structural and/or stratigraphic trap,
- (e) The economic and risk analysis, justifying the participation in this project is presented in the Discussion of the report and a summary of the "after risk" values is presented below:

Company Net Value, Thousands of Dollars	
	Single Prospect
Undiscounted	28,004
Discounted @ 5%/year	15,326
Discounted @ 10%/year	9,355
Discounted @ 15%/year	6,048
Discounted @ 20%/year	4,004

This report was prepared by a "Qualified Reserves Evaluator and Auditor", who is independent of the Company.

**SACRAMENTO VALLEY
MOJAVE COUNTY, ARIZONA
INDEX**

Discussion

Ownership
Exploration History
Geology
Prospective Resources
Productivity Estimates
Product Prices
Operating Environment
Capital Expenditures
Operating Costs
Economics and Risk

Attachments

Figure 1: Land Map

Table 1: Schedule of Lands, Interests and Royalty Burdens

Figure 2: Geological Maps and Figures
a) Basin Location Map
b) Stratigraphic Column
c) Early Mississippian Paleogeography
d) Middle Jurassic Paleogeography
e) Neogene Basins
f) Surface Topography
g) Residual Bouguer Gravity
h) North-South Seismic Section – Sacramento Valley
i) East-West Seismic Section – Railroad Valley
j) East-West Geologic Section – Railroad Valley

Table 2: Summary of Gross Prospective Resources

Table 3: Summary of Anticipated Capital Expenditures

Table 4: Summary of Company Prospective Resources and Economics

Economic Model

- a) Best Estimate
- b) Low Estimate
- c) High Estimate

Figure 3: Risk Analysis

Appendix A

Lognormal Distribution – Neogene Basins Production, Nevada

**SACRAMENTO VALLEY
MOJAVE CO., ARIZONA
DISCUSSION**

Ownership

The Company intends to acquire 70% of the interest in the land leased or under negotiation by Vanterra Energy Inc. amounting to 34,734 gross acres in this area as shown on the map, Figure 1. Production is subject to royalties of 25%.

A detailed description of the lands, interests and terms for the area is presented in Table 1.

Exploration History

Numerous oil seeps in the Basin and Range Geologic Province encouraged the drilling of over 90 exploratory wells commencing in the early 1900s until the first commercial discovery in 1954 at the Eagle Springs Field in Railroad Valley, Nevada. Due to the structural and stratigraphic complexity of these Neogene rift basins in combination with low oil prices, it was twenty-two years before the second field was discovered in 1976 in the same rift valley at the Trap Springs Field. In the early to mid 1980s, three additional oil fields were discovered in Railroad Valley including the Grant Canyon Field which contained a number of extremely prolific wells producing from fractured Devonian carbonates. Also in the early 1980s, a discovery was made at the Blackburn Field in a second Neogene rift basin at Pine Valley, Nevada.

No exploratory drilling has yet been attempted in Sacramento Valley, Arizona. There are six water wells recorded to have been drilled in the early 1960s. The deepest was to a depth of 1518 feet. There was also a stratigraphic test drilled in 1968 to a depth of 1357 feet. All these wells only penetrated Tertiary valley fill sediments. In 1981, Phillips Petroleum acquired a vibroseis seismic program in Sacramento Valley consisting of five east-west lines and two longer north-south tie lines. Due to the acquisition parameters used by Phillips, data quality was very poor and no follow up exploratory drilling was done in this area.

Geology

The extent of the Basin and Range Geologic Province is illustrated on the Basin Location Map (Figure 2a) and covers an area of approximately 300,000 square miles in the southwestern United States. The Basin and Range Geologic Province is the result of Neogene extensional deformation that

resulted in the formation of numerous north-south trending rift valleys among which is Sacramento Valley in Arizona. Also illustrated in Figure 2a is the eastern limit of the Sevier Thrust Belt, a compressional thrust belt of primarily Cretaceous age formed as a result of Cordilleran mountain building. The Stratigraphic Column shown in Figure 2b illustrates the major depositional sequences of the Basin and Range Geologic Province as well as all significant units of the basinal petroleum system, both oil reservoir and source rock formations. There is an almost complete Paleozoic carbonate sequence from the Cambrian to the Permian periods which was deposited on the shallow shelf of the passive continental margin of western North America. This sequence is over 8,000 ft. in thickness in the deepest well drilled in the basin in the Virgin River Valley of Nevada. The Early Mississippian paleogeography of the southwestern United States is illustrated in Figure 2c and shows the position of the Sacramento Valley area within the shallow marine shelf during the deposition of the Joana Limestone and Monte Cristo Dolomite which are major reservoir units in the basin.

The Triassic to Jurassic depositional sequence illustrated in Figure 2b shows the transition to a predominately non-marine clastic facies as a result of Cordilleran mountain building. The Middle Jurassic paleogeography of the southwestern United States is illustrated in Figure 2d and shows the area of Sacramento Valley situated within the widespread aeolian deposits of the Navajo Sandstone, another significant productive formation within the basin. The Triassic to Jurassic sequence is over 4,300 ft in thickness in the Virgin River Valley well.

The latest tectonic event of the Basin and Range Geologic Province is the Neogene extensional episode that resulted in the formation of the numerous north-south trending rift valleys illustrated in Figure 2e. This tectonic event is characterized by normal faulting resulting in the formation of rift valleys and fault block tilting of older formations as well as synorogenic valley fill deposits. These Neogene deposits are over 6,700 ft. in thickness in the Virgin River Valley well. Also illustrated on Figure 2e is the location of Sacramento Valley in relationship to the two productive valleys within the basin, Railroad Valley and Pine Valley, both located in Nevada.

The chief physiographic characteristic of the basin is the basin and range (or horst and graben) topography formed as the result of this extensional episode. A detailed map of the surface topography of Mojave County, Arizona (Figure 2f) illustrates the Sacramento Valley Sub-basin within this tectonic setting. Also shown is the seismic program acquired by Phillips Petroleum in 1981.

An indication that Sacramento Valley contains a thick sedimentary sequence is illustrated in Figure 2g. This map is extracted from the state-wide Bouger gravity map published by the Arizona Geological Survey and shows a marked negative gravity anomaly in Sacramento Valley as a result of the large thickness of less dense sedimentary deposits within the valley.

A proposed location, Vanterra Kingman #1, has been selected on the leased acreage and is illustrated on the interpreted seismic section shown in Figure 2h. This location is anticipated to be drilled to a total depth of 11,000 feet to test the sedimentary section down to and including the Devonian carbonates. The location has been chosen base on recently completed surface geochemical and geophysical studies as well as the re-interpreted seismic lines.

The geologic setting of the oil fields within the productive valleys of Nevada is illustrated in an east-west seismic section of Railroad Valley (Figure 2i). The section shows the Eagle Springs Field on the eastern side of the valley with oil trapped in tilted fault blocks at the base of the sealing valley fill deposits. A similar situation is shown in Figure 2j, a geologic cross section illustrating the prolific Bacon Flat and Grant Canyon fields. These fields lie within two adjacent Paleozoic fault block traps. The reservoir consists of fractured and karsted dolomites of the Devonian Simonson and Guilmette formations subcropping beneath a thick cover of sealing synorogenic valley fill deposits. Due to the reservoir characteristics of these formations, wells in these fields have flowed essentially water free at a maximum rate of 1,980 STB/d at Bacon Flat to 4,700 STB/d at Grant Canyon.

Prospective Resources

Prospective resources for a new field discovery by a successful exploratory well were estimated by analogy to the cumulative production of long-life fields in similar valleys in the Nevada portion of the Basin and Range geologic province and illustrated on the probability graph (Appendix A). The graph illustrates the expected log-normal distribution and the P50 value of the graph provided a best estimate of prospective resources of 5,160 MSTB. The low estimate of prospective resources was taken as the P20 value of 1,700 MSTB and the high estimate of prospective resources was estimated to be the P80 value of 16,500 MSTB. These estimates of prospective resources for a single new field discovery are summarized in Table 2. It is quite conceivable that Sacramento Valley could contain as many as five undiscovered fields by comparison to the five significant producing fields in the Railroad Valley also located within the Basin and Range geologic province of Nevada. These fields have a total cumulative production of approximately 42,000 MSTB.

Productivity Estimates

It has been anticipated that in the best estimate case, initial single well production would be 185 STB/d which would then commence a gradual decline to an eventual economic limit. This rate is based on the initial production of the similar sized Blackburn Field in Nevada. Five wells with a maximum field production rate of 925 STB/d would produce the best estimate recoverable oil resources of 5,160 MSTB. For the low estimate case, five wells at a maximum field production rate of

500 STB/d (100 STB/d per well) would produce the low estimate recoverable oil resources of 1,700 MSTB. For the high estimate case, seventeen wells at a maximum field production rate of 3,655 STB/d (215 STB/d per well) would produce the high estimate recoverable oil resources of 16,500 MSTB.

Production is anticipated to commence from this area in early 2011.

Product Prices

An oil price of \$65.00/STB has been used when production is anticipated to commence in 2011. This price includes a \$5.00/STB discount from the benchmark WTI price as a trucking charge to transport the oil to market and a \$5.00/STB discount as a quality adjustment.

Operating Environment

The Sacramento Valley is located in a desert environment within the Basin and Range geologic province and would present no special operational difficulties. Service and support facilities are readily available in the neighbouring states of California and Utah. Any developed fields would be operated under normal oil field conditions.

Capital Expenditures

The Company will pay 100% of the cost to drill, case and complete the initial exploratory well on these lands, which is estimated to cost \$2,500,000. Facilities and tie-in costs of this well and all subsequent development costs on the lands would be paid 70% by the Company.

Development wells are estimated to cost \$1,800,000 per well for a total cost to drill, complete and equip four additional wells of \$7,200,000. The estimated cost for field battery and facilities is \$600,000 so that the total costs would be \$10,300,000 (\$7,960,000 net to the Company) to develop a best estimate oil prospect with 5,160 MSTB of prospective resources. Capital expenditures for the low and high estimate case were adjusted accordingly.

The capital expenditures for this project are summarized on Table 3.

Operating Costs

Operating costs for the property have been estimated to be \$10,000 per well per month with a variable operating cost of \$4.00/STB. In addition, it was assumed there would be a transportation charge of \$5.00/STB.

Economics and Risk

The results of the economic analysis are summarized in Table 4, and the before risk cash flows are presented in Tables 4a, 4b and 4c, for the best, low and high estimates, respectively. The economic analysis was performed on a 100% case. The before risk analysis represents the results of an assumed successful exploration and development model having parameters which are considered to be reasonable based on the information available. This is the 100% probability of success (POS) case.

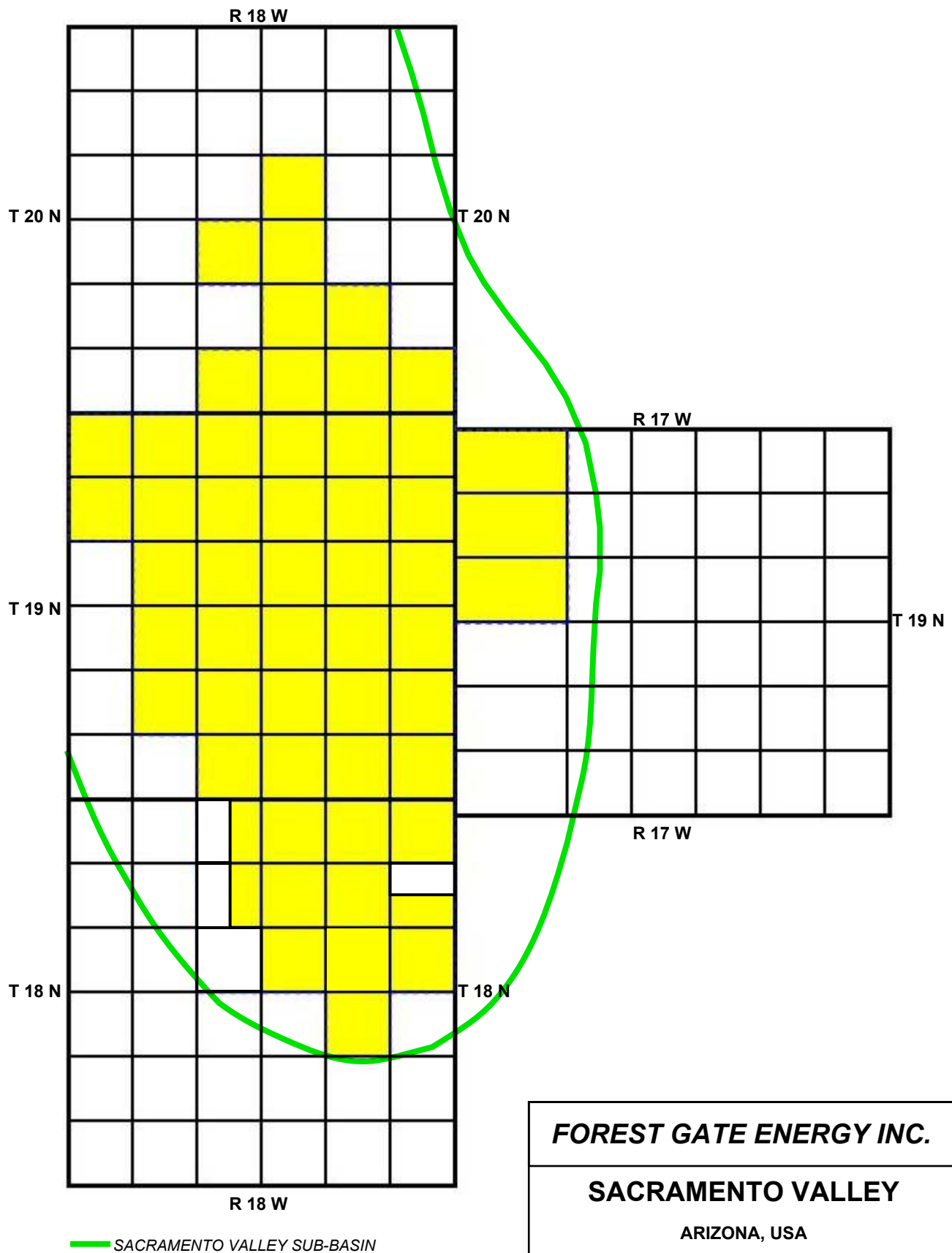
A risk analysis has been performed to determine the feasibility of the Company participating in this project and to determine the after risk value utilizing the "Expected Value" technique applied to the arithmetic average of the best, low and high estimate results, a presentation of which is shown in Figure 3.

The net capital exposure (POS-0%) of this project is \$2,500,000, representing the cost of the drilling of one exploratory dry hole.

The results of the risk analysis indicate that in order to achieve a 10 percent rate of return a minimum POS of 2 percent would be required for the average estimate. Since we have estimated a POS of 10 percent, the Company's development of this prospect is considered feasible.

In establishing our probability of success, consideration has been given to both geological and commerciality factors. The geological factors include the four main geological components of a petroleum system needed for commercial production; source rocks available to generate hydrocarbons, reservoir rocks to accumulate hydrocarbons, a stratigraphic or structural trapping mechanism with a seal to hold hydrocarbons and a mechanism and proper geological timing allowing for hydrocarbons to migrate into the trap.

The commerciality factor, which has been applied, accounts for the possibility that the well may not find sufficient hydrocarbons to justify completion, or if completed, may not establish commercial rates or, if placed on production may not generate enough net revenue over the project life to recover all of the costs associated with developing the property.



FOREST GATE ENERGY INC.

SACRAMENTO VALLEY

ARIZONA, USA

LAND MAP

SEP. 2009

JOB No. 4957 FIGURE No. 1

Table 1

Schedule of Lands, Interests and Royalty Burdens
September 1, 2009

Forest Gate Energy Inc.

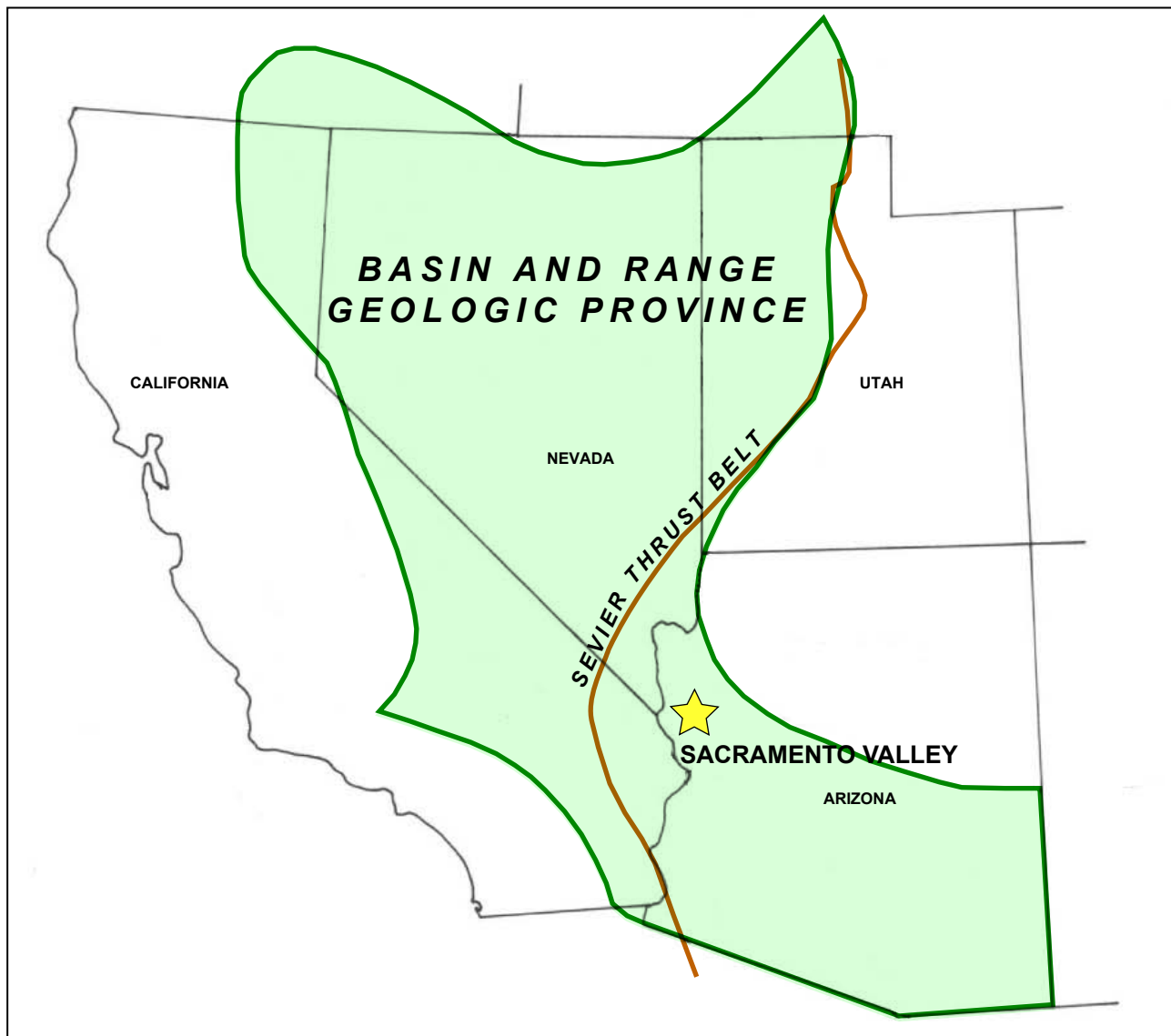
Sacramento Valley, Mojave County, Arizona

Description	Rights Owned	Gross Acres	Appraised Interest		Royalty Burdens	
			Working %	Royalty %	Basic %	Overriding %
<u>Twp 18N Rge 18W</u>						
Sec 2, 3, E2 4, E2 9, 10, 11, S2 12, 13, 15, 23	[A] [C]	5,440	70.0000	-	25.0000	-
Sec 1	[A]	625	63.0000	-	25.0000	-
Sec 14	[A] [B]	640	63.0000	-	25.0000	-
<u>Twp 19N Rge 17W</u>						
Partial Sec 6 , 18	[A]	1,243	70.0000	-	25.0000	-
Partial Sec 6 (516.24 acres), 18 (334.64 acres)	[A] [B]	851	70.0000	-	25.0000	-
Sec 7	[A] [B]	1,123	63.0000	-	25.0000	-
<u>Twp 19N Rge 18W</u>						
Sec 2, 8, 12, 16, 17, 20, 29, 36	[A]	4,000	70.0000	-	25.0000	-
Sec 1, 3, 5, 7, 9, 11, 13, 15, 21, 23, 25, 27, 33, 35	[A]	8,959	63.0000	-	25.0000	-
Sec 4, 10, 14, 22, 24, 26, 28, 34	[A] [B]	5,610	63.0000	-	25.0000	-
Partial Sec 6 (484.07 acres)	[A] [B]	484	63.0000	-	25.0000	-
<u>Twp 20N Rge 18W</u>						
Sec 36	[A]	640	70.0000	-	25.0000	-
Sec 15, 21, 27, 33, 35	[A]	3,200	63.0000	-	25.0000	-
Sec 22, 26, 34	[A] [B]	1,920	63.0000	-	25.0000	-
Total		34,734				

Rights Owned : [A] All P&NG

[B] Under negotiation

[C] The Company will pay 100% of the capital costs of the initial exploratory well
to be drilled on section 11.



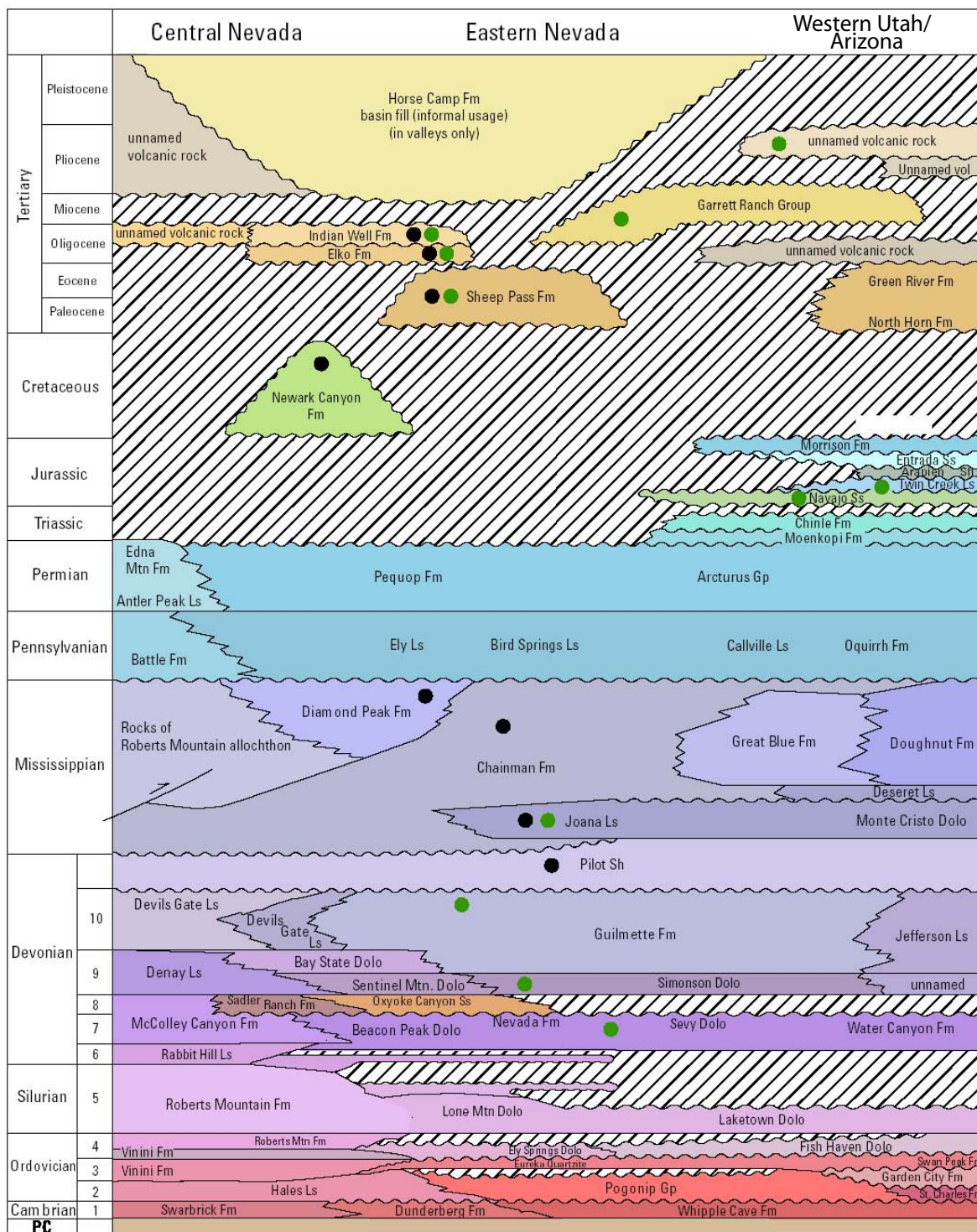
SOURCE: R.M.A.G.

FOREST GATE ENERGY INC.

**SOUTHWESTERN U.S.A.
BASIN LOCATION MAP**

SEP. 2009

JOB No. 4957 FIGURE No. 2a



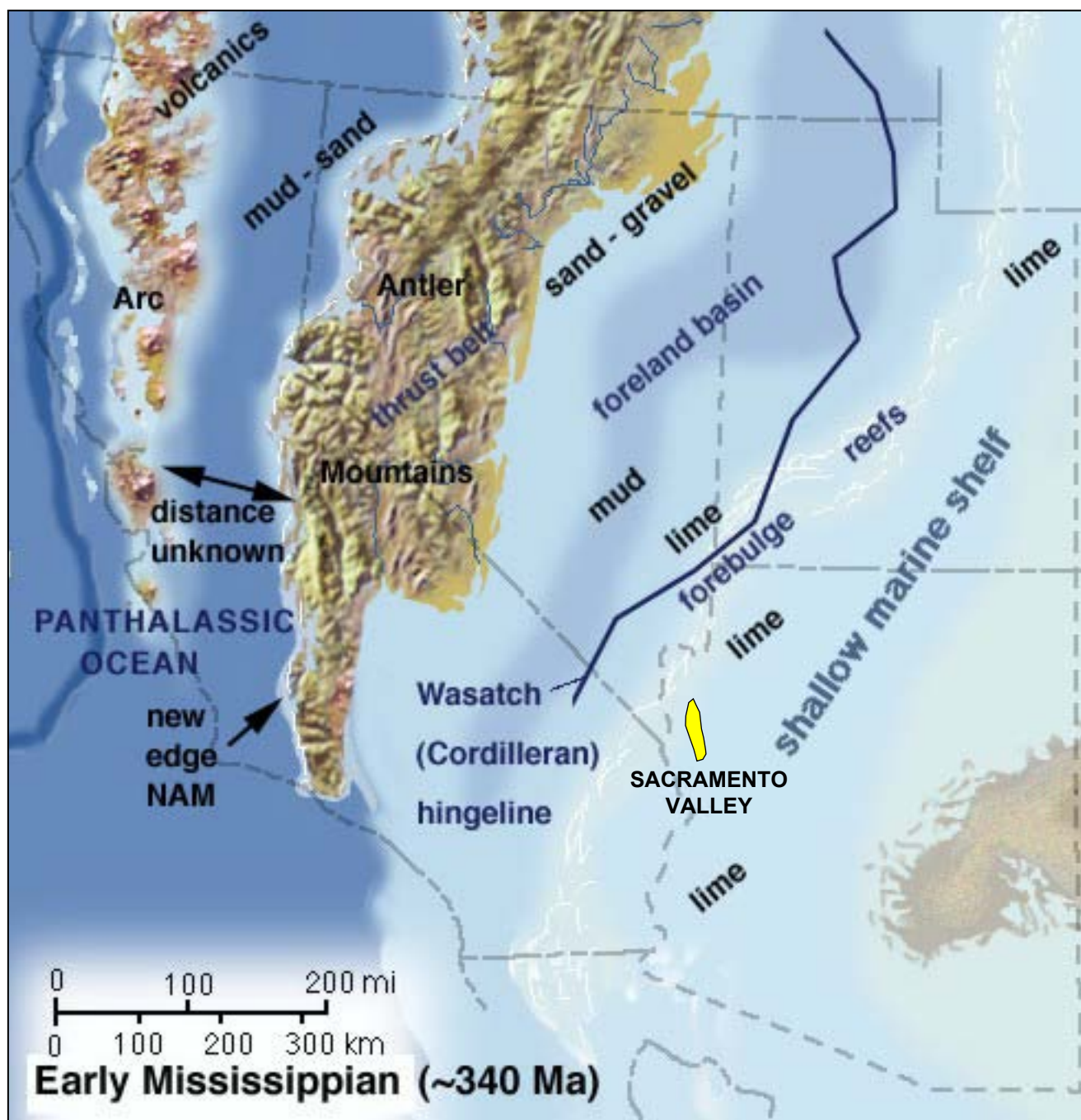
SOURCE: U.S.G.S.

FOREST GATE ENERGY INC.

**BASIN AND RANGE
GEOLOGIC PROVINCE
STRATIGRAPHIC COLUMN**

SEP. 2009

JOB No. 4957 FIGURE No. 2b



SOURCE: SHASTA COLLEGE DEPT. OF GEOSCIENCE

FOREST GATE ENERGY INC.

SOUTHWESTERN U.S.A.

**EARLY MISSISSIPPIAN
PALEOGEOGRAPHY**

SEP. 2009

JOB No. 4957 FIGURE No. 2c



SOURCE: SHASTA COLLEGE DEPT. OF GEOSCIENCE

FOREST GATE ENERGY INC.

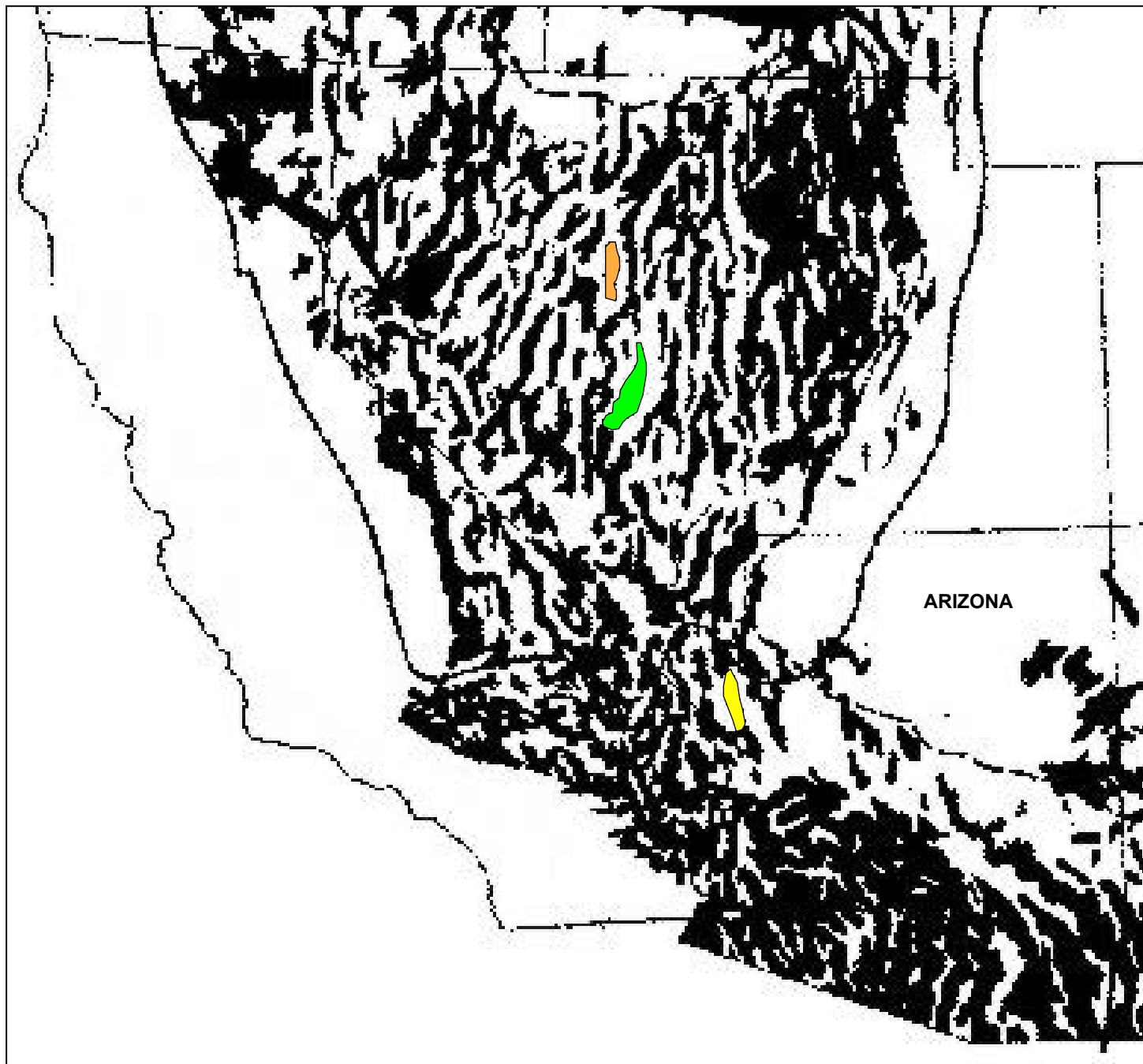
SOUTHWESTERN U.S.A.

**MIDDLE JURASSIC
PALEOGEOGRAPHY**

SEP. 2009

JOB No. 4957

FIGURE No. 2d



SOURCE: R.M.A.G.

-  SACRAMENTO VALLEY
-  RAILROAD VALLEY
-  PINE VALLEY

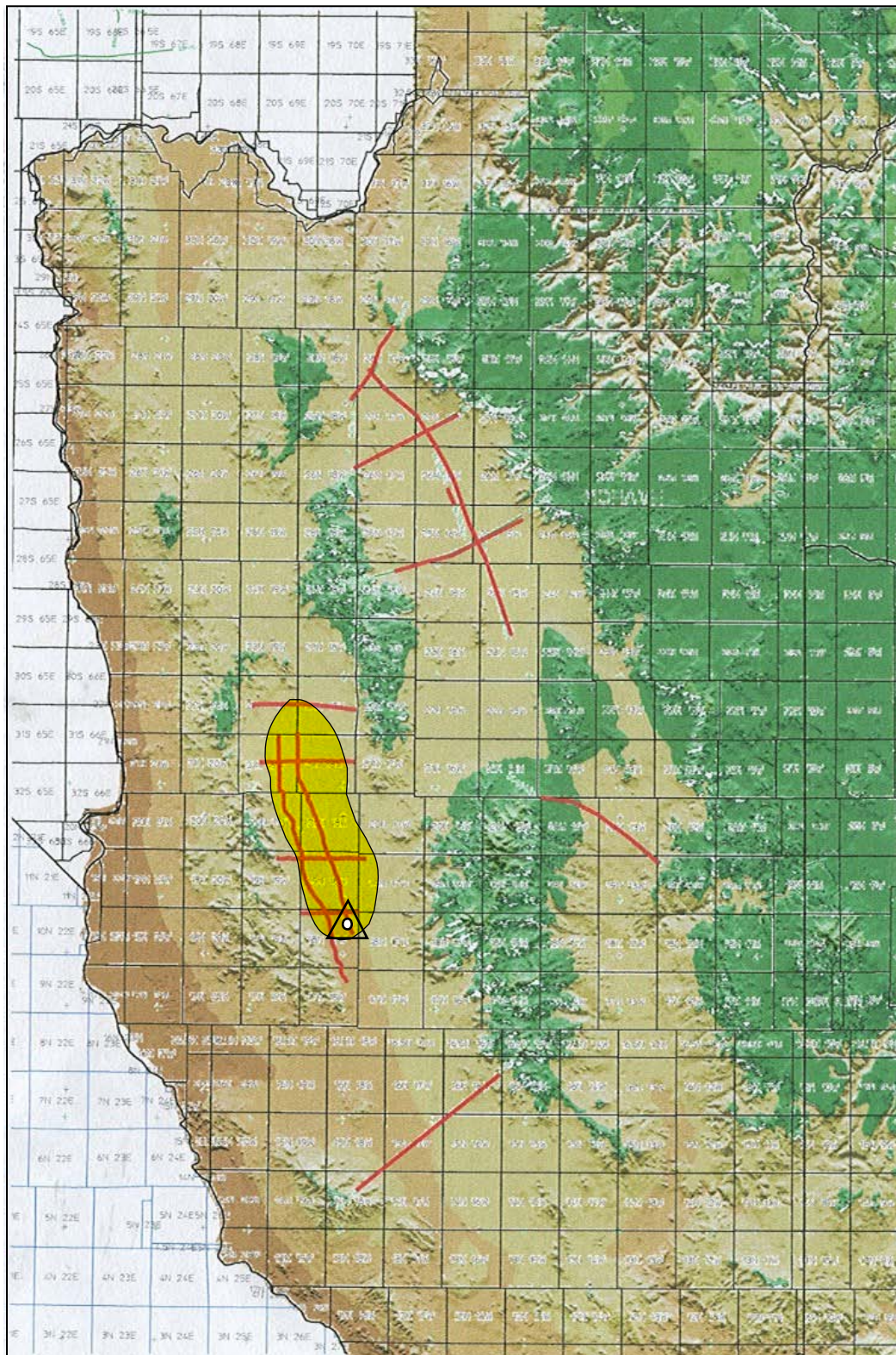
FOREST GATE ENERGY INC.

SOUTHWESTERN U.S.A.

NEOGENE BASINS

SEP. 2009

JOB No. 4957 FIGURE No. 2e



SOURCE: RANDALL & DEWEY

- SEISMIC LINES
- SACRAMENTO VALLEY SUB-BASIN
- PROPOSED LOCATION

FOREST GATE ENERGY INC.

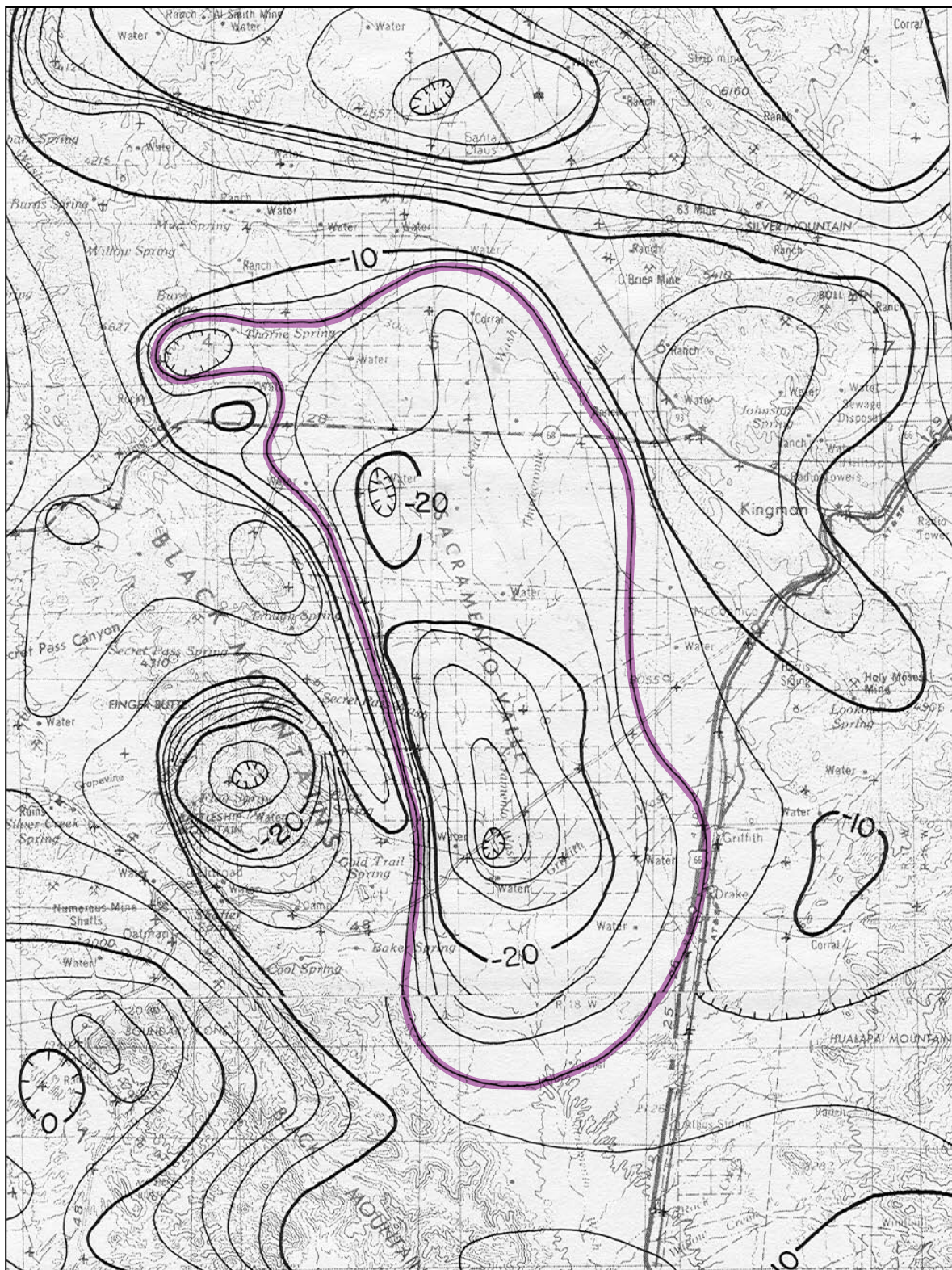
MOJAVE COUNTY

ARIZONA, U.S.A.

SURFACE TOPOGRAPHY

SEP. 2009

JOB No. 4957 FIGURE No. 2f



SOURCE: A.G.S.

— SACRAMENTO VALLEY ANOMALY

FOREST GATE ENERGY INC.

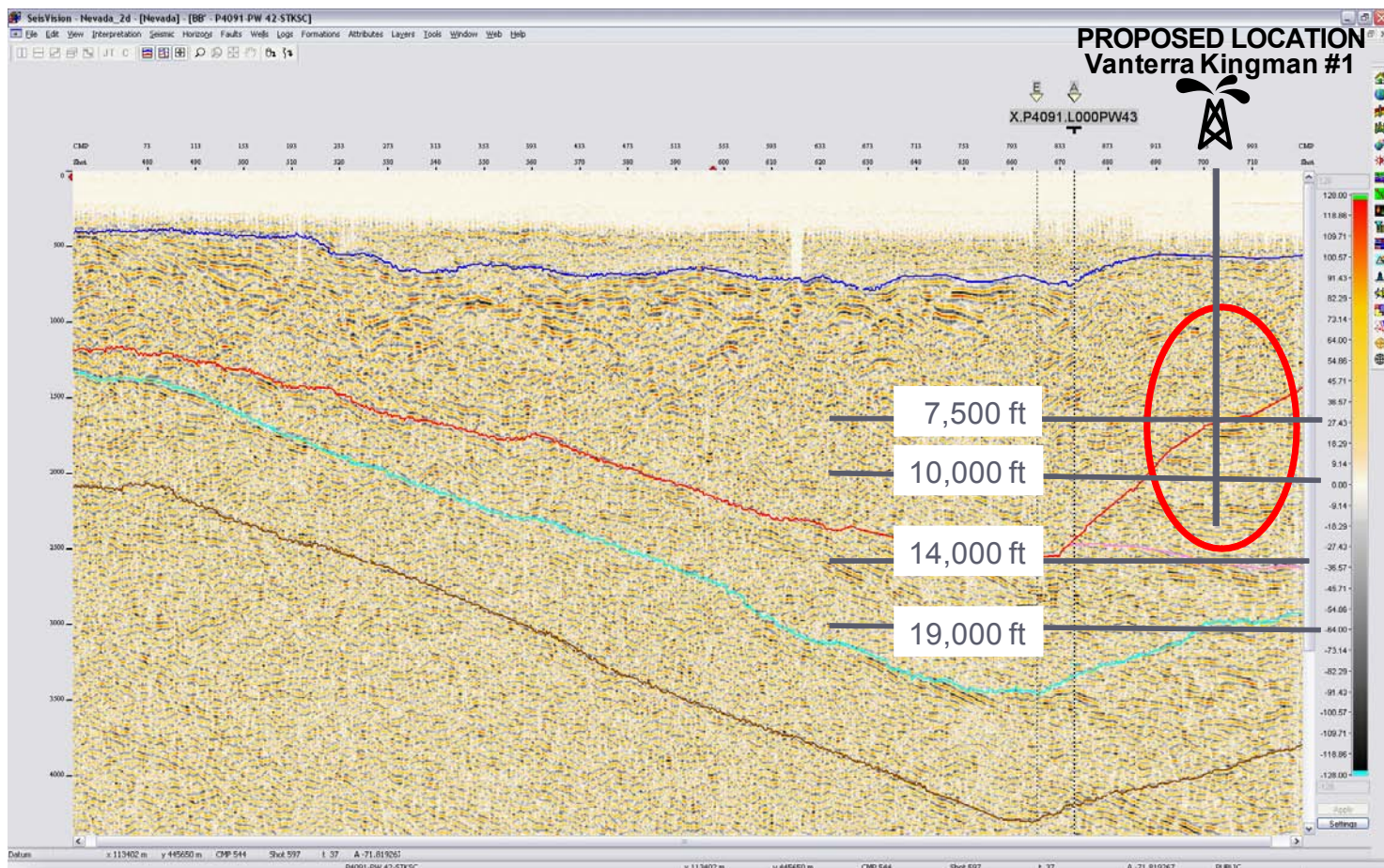
SACRAMENTO VALLEY

ARIZONA, U.S.A.

**RESIDUAL BOUGUER
GRAVITY**

SEP. 2009

JOB No. 4957 FIGURE No. 2g



FOREST GATE ENERGY INC.

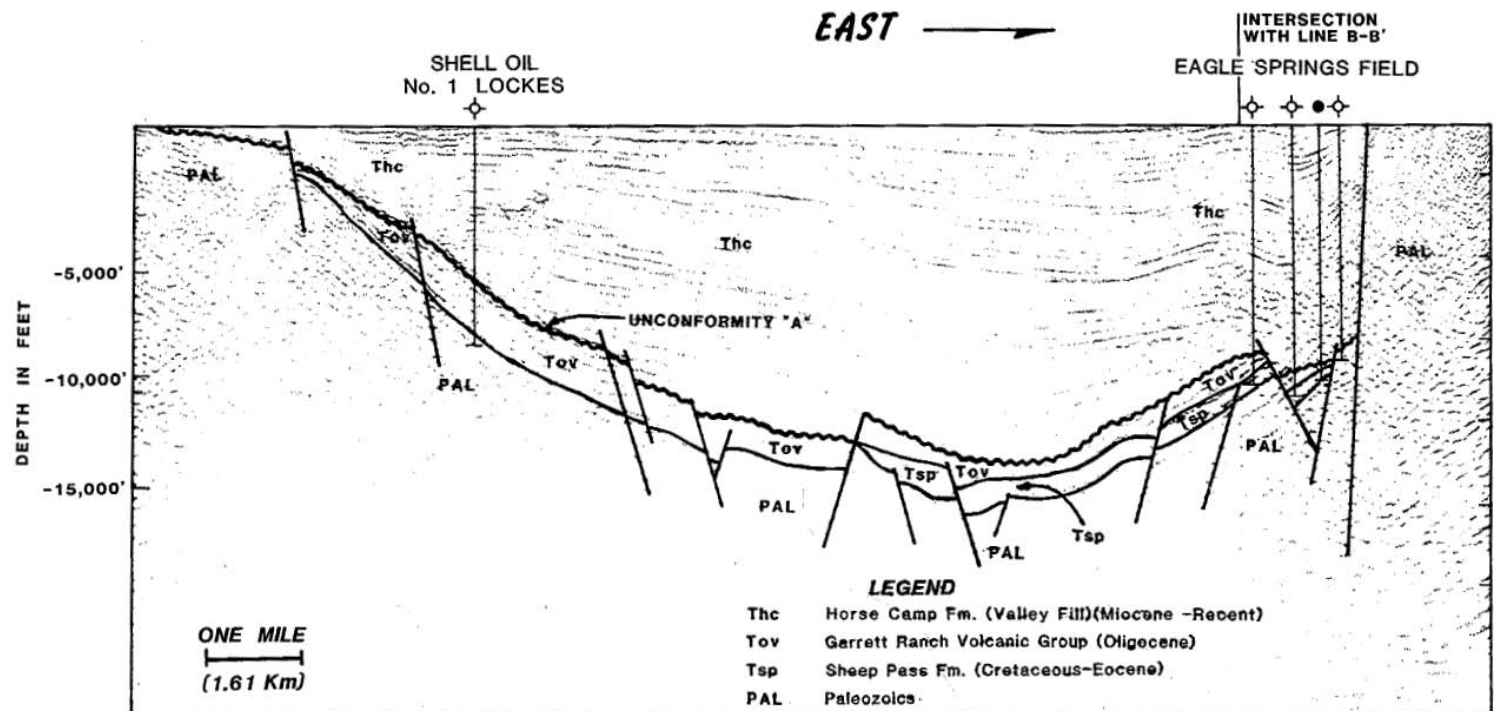
SACRAMENTO VALLEY

ARIZONA, U.S.A.

**NORTH-SOUTH
SEISMIC SECTION**

SEP. 2009

JOB No. 4957 FIGURE No. 2h



SOURCE: N.P.S.

FOREST GATE ENERGY INC.

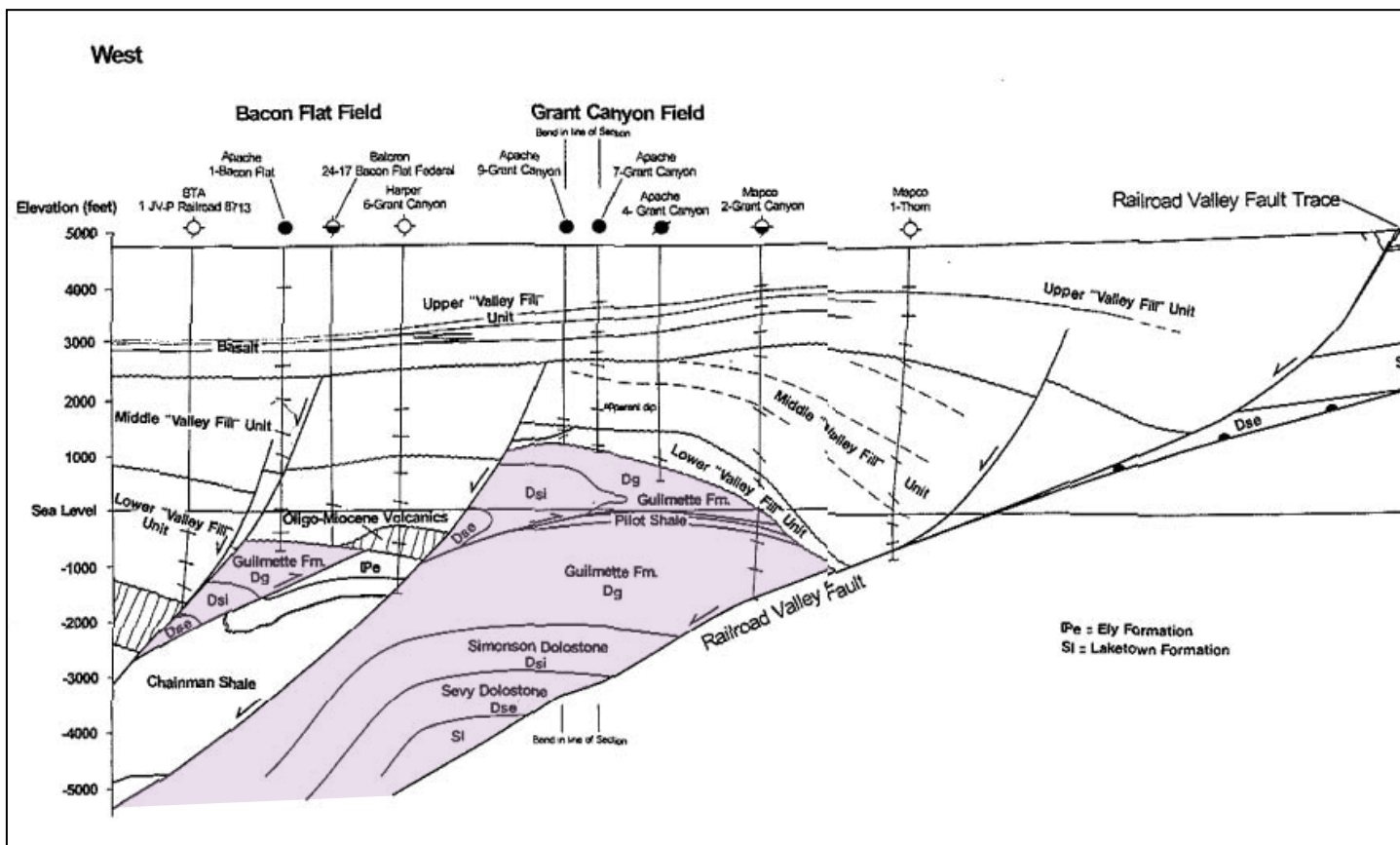
RAILROAD VALLEY

NEVADA, U.S.A.

**EAST-WEST
SEISMIC SECTION**

SEP. 2009

JOB No. 4957 FIGURE No. 21



SOURCE: N.P.S.

PALEOZOIC CARBONATES

FOREST GATE ENERGY INC.

RAILROAD VALLEY

NEVADA, U.S.A.

**EAST-WEST
GEOLOGIC SECTION**

SEP. 2009

JOB No. 4957 FIGURE No. 2j

Table 2

Summary of Gross Prospective Resources
September 1, 2009

Sacramento Valley , Mojave County, Arizona
Single Prospect

Description	Initial Rate STB/d	Ultimate ROIP (MSTB)	Cumulative Production (MSTB)	Remaining ROIP (MSTB)	Reference
<u>LIGHT - MEDIUM OIL</u>					
<u>Single Prospect "Best Estimate"</u>					
5 well development	925	5,160	0	5,160	Appendix A
<u>Single Prospect "Low Estimate"</u>					
5 well development	500	1,700	0	1,700	Appendix A
<u>Single Prospect "High Estimate"</u>					
17 well development	3,655	16,500	0	16,500	Appendix A

Table 3

**Summary of Anticipated Capital Expenditures
Exploration and Development**

September 1, 2009

Forest Gate Energy Inc.

Sacramento Valley, Mojave County, Arizona

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
Prospective Resources					
<u>Dry and Abandoned</u>					
Exploration	2010	Drill exploratory well	100.0000	2,500	2,500
		Total Abandonment		2,500	2,500
<u>Best Estimate</u>					
Exploration	2010	Drill exploratory well	100.0000	2,500	2,500
Development	2011	Drill four development Wells	70.0000	7,200	5,040
Facilities	2011	Install field facilities	70.0000	600	420
		Total Best Estimate		10,300	7,960
<u>Low Estimate</u>					
Exploration	2010	Drill exploratory well	100.0000	2,500	2,500
Development	2011	Drill four development Wells	70.0000	7,200	5,040
Facilities	2011	Install field facilities	70.0000	600	420
		Total Low Estimate		10,300	7,960
<u>High Estimate</u>					
Exploration	2010	Drill exploratory well	100.0000	2,500	2,500
Development	2011	Drill sixteen development Wells	70.0000	28,800	20,160
Facilities	2011	Install field facilities	70.0000	2,400	1,680
		Total High Estimate		33,700	24,340

Note: The above capital values are expressed in terms of current dollar values without escalation.
M\$ means thousands of dollars

Table 4
Summary of Company Prospective Resources and Economics
Before Income Tax
September 1, 2009
(as of August 31, 2009)

Forecast Prices & Costs

Forest Gate Energy Inc.

Sacramento Valley, Mojave Co. Arizona, USA

Description	Net To Appraised Interest										
	Resources						Cumulative Cash Flow (BIT) - M\$				
	Oil		Sales Gas		NGL		Discounted at:				
	MSTB		MMscf		Mbbbls		Undisc.	5%/year	10%/year	15%/year	20%/year
	Gross	Net	Gross	Net	Gross	Net					
BEFORE RISK											
Best Estimate											
Single Prospect (Devonian Carbonate)	3,612	2,709	0	0	0	0	205,086	110,533	69,991	48,736	36,045
Low Estimate											
Single Prospect (Devonian Carbonate)	1,190	893	0	0	0	0	53,664	34,523	23,608	16,883	12,476
High Estimate											
Single Prospect (Devonian Carbonate)	11,550	8,662	0	0	0	0	648,866	382,209	254,550	183,306	139,100
Arithmetic Average											
Single Prospect (Devonian Carbonate)	5,451	4,088	0	0	0	0	302,539	175,755	116,050	82,975	62,540
AFTER RISK											
Arithmetic Average After Risk											
Single Prospect (Devonian Carbonate)	545	409	0	0	0	0	28,004	15,326	9,355	6,048	4,004

M\$ means thousands of dollars

Gross resources are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net resources are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a

EVALUATION OF: SACRAMENTO VALLEY, MOJAVE CO. ARIZONA - Prospect Best Estimate

ERGO v7.29 PETRO-SOFT SYSTEMS LTD. PAGE 1
 GLOBAL : 11-SEP-2009 4957
 EFF:01-SEP-2009 DISC:01-SEP-2009 PROD:01-JAN-2011
 RUN DATE: 16-SEP-2009 TIME: 9:45
 FILE: OlatPM01.DAX

WELL/LOCATION - TYPICAL PROSPECT (DEVONIAN CARBONATE)
 EVALUATED BY -
 COMPANY EVALUATED - Forest Gate Energy Inc.
 APPRAISAL FOR -
 PROJECT - FORECAST PRICES & COSTS

UNIT FACTOR - 100.0000 %
 TOTAL RESERVES - 5160 MSTB
 PRODUCTION TO DATE - N/A
 DECLINE INDICATOR - EXPONENTIAL
 TOTAL CAPITAL COSTS - 10665 -M\$-
 TOTAL ABANDONMENT - 74 -M\$- (2056)

INTEREST

AVG WI 70.0000%

ROYALTIES/TAXES

AVG FH 25.00%

Year	# of Wells	Price \$/STB	Oil MSTB			
			Pool		Company Share	
			STB/D	Vol	Gross	Net
2009	0	58.00	.0	0	0	0
2010	0	60.00	.0	0	0	0
2011	5	65.00	925.0	338	236	177
2012	5	70.00	895.0	327	229	172
2013	5	80.00	837.7	306	214	161
2014	5	85.00	784.0	286	200	150
2015	5	88.00	733.8	268	187	141
2016	5	90.00	686.7	251	175	132
2017	5	92.00	642.7	235	164	123
2018	5	94.00	601.5	220	154	115
2019	5	96.00	563.0	205	144	108
2020	5	98.00	526.9	192	135	101
2021	5	100.00	493.1	180	126	94
2022	5	102.00	461.5	168	118	88
2023	5	104.00	432.0	158	110	83
SUB				3133	2193	1645
REM				2027	1419	1064
TOT				5160	3612	2709

COMPANY SHARE FUTURE NET REVENUE

Year	Company Share Future Revenue (FR)				Royalties		Wellhead Taxes		Oper Costs		Proc & Other Income		Capital Costs	Aband Costs	Future Net Revenue			
	Oil	SaleGas	Products	Total	State	Other	Sev	Ad-val	Fixed	Variable	FR After Roy&Oper	Other			Undiscounted		10.0%	
	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	Annual	Cum	Annual	Cum
2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0	0	0	2550	0	-2550	-2550	-2355	-2355
2011	15362	0	0	15362	0	3840	0	0	437	984	10101	0	5681	0	4420	1870	3711	1356
2012	16008	0	0	16008	0	4002	0	0	446	971	10589	0	0	0	10589	12460	8083	9439
2013	17122	0	0	17122	0	4281	0	0	455	927	11460	0	0	0	11460	23920	7952	17391
2014	17026	0	0	17026	0	4257	0	0	464	885	11422	0	0	0	11422	35342	7205	24596
2015	16498	0	0	16498	0	4124	0	0	473	845	11056	0	0	0	11056	46397	6340	30936
2016	15792	0	0	15792	0	3948	0	0	482	806	10555	0	0	0	10555	56952	5503	36439
2017	15108	0	0	15108	0	3777	0	0	492	770	10069	0	0	0	10069	67022	4772	41211
2018	14447	0	0	14447	0	3612	0	0	502	735	9599	0	0	0	9599	76620	4136	45346
2019	13809	0	0	13809	0	3452	0	0	512	701	9143	0	0	0	9143	85764	3581	48928
2020	13193	0	0	13193	0	3298	0	0	522	670	8703	0	0	0	8703	94467	3099	52027
2021	12600	0	0	12600	0	3150	0	0	533	639	8278	0	0	0	8278	102745	2680	54706
2022	12028	0	0	12028	0	3007	0	0	543	610	7868	0	0	0	7868	110613	2315	57022
2023	11478	0	0	11478	0	2870	0	0	554	583	7472	0	0	0	7472	118085	1999	59021
SUB	190472	0	0	190472	0	47618	0	0	6415	10123	126316	0	8231	0	118085		59021	
REM	150417	0	0	150417	0	37604	0	0	18120	7639	87053	0	0	52	87001		10970	
TOT	340889	0	0	340889	0	85222	0	0	24535	17763	213369	0	8231	52	205086		69991	

NET PRESENT VALUE (-M\$-)

Discount Rate	.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper.	213369	118181	77116	55402	42301	33667	27613
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	8231	7642	7125	6665	6256	5889	5559
Abandonment Costs	52	5	1	0	0	0	0
Future Net Revenue	205086	110533	69991	48736	36045	27778	22053
COMPANY SHARE							
1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev	
% Interest	70.0	70.0					
% of Future Revenue			25.0	12.4	62.6	2.4	60.2

PROFITABILITY

COMPANY SHARE BASIS		Before Tax
Rate of Return (%)		246.0
Profit Index (undisc.)		24.8
(disc. @ 10.0%)		9.8
(disc. @ 5.0%)		14.5
First Payout (years)		1.9
Total Payout (years)		2.2
Cost of Finding (\$/BOE)		2.29
NPV @ 10.0% (\$/STB)		19.38
NPV @ 5.0% (\$/STB)		30.60

Table 4b

EVALUATION OF: SACRAMENTO VALLEY, MOJAVE CO. ARIZONA - Prospect Low Estimate

 ERGO v7.29 PETRO-SOFT SYSTEMS LTD. PAGE 1
 GLOBAL : 11-SEP-2009 4957
 EFF:01-SEP-2009 DISC:01-SEP-2009 PROD:01-JAN-2011
 RUN DATE: 16-SEP-2009 TIME: 9:46
 FILE: 02arPL01.DAX

 WELL/LOCATION - TYPICAL PROSPECT (DEVONIAN CARBONATE)
 EVALUATED BY -
 COMPANY EVALUATED - Forest Gate Energy Inc.
 APPRAISAL FOR -
 PROJECT - FORECAST PRICES & COSTS

 UNIT FACTOR - 100.0000 %
 TOTAL RESERVES - 1700 MSTB
 PRODUCTION TO DATE - N/A
 DECLINE INDICATOR - EXPONENTIAL
 TOTAL CAPITAL COSTS - 10665 -M\$-
 TOTAL ABANDONMENT - 74 -M\$- (2033)

INTEREST

AVG WI 70.0000%

ROYALTIES/TAXES

AVG FH 25.00%

Year	# of Wells	Price \$/STB	Oil		Company Share	
			MSTB			
			Pool	Vol	Gross	Net
			STB/D			
2009	0	58.00	.0	0	0	0
2010	0	60.00	.0	0	0	0
2011	5	65.00	500.0	183	128	96
2012	5	70.00	473.9	173	121	91
2013	5	80.00	425.3	155	109	81
2014	5	85.00	381.6	139	98	73
2015	5	88.00	342.5	125	88	66
2016	5	90.00	307.4	112	79	59
2017	5	92.00	275.8	101	70	53
2018	5	94.00	247.5	90	63	47
2019	5	96.00	222.1	81	57	43
2020	5	98.00	199.4	73	51	38
2021	5	100.00	178.9	65	46	34
2022	5	102.00	160.5	59	41	31
2023	5	104.00	144.1	53	37	28
SUB				1409	986	739
REM				291	204	153
TOT				1700	1190	893

COMPANY SHARE FUTURE NET REVENUE

Year	Company Share Future Revenue (FR)				Royalties		Wellhead Taxes		Oper Costs		FR After Roy & Oper	Proct Income	Capital Costs	Aband Costs	Future Net Revenue			
	Oil	SaleGas	Products	Total	State	Other	Sev	Ad-val	Fixed	Variabl					Undiscounted		10.0%	
	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	Annual	Cum	Annual	Cum
2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0	0	0	2550	0	-2550	-2550	-2355	-2355
2011	8304	0	0	8304	0	2076	0	0	437	532	5259	0	5681	0	-421	-2971	-354	-2709
2012	8476	0	0	8476	0	2119	0	0	446	514	5397	0	0	0	5397	2426	4119	1411
2013	8693	0	0	8693	0	2173	0	0	455	470	5594	0	0	0	5594	8020	3882	5292
2014	8288	0	0	8288	0	2072	0	0	464	431	5322	0	0	0	5322	13342	3357	8650
2015	7701	0	0	7701	0	1925	0	0	473	394	4908	0	0	0	4908	18250	2815	11464
2016	7068	0	0	7068	0	1767	0	0	482	361	4458	0	0	0	4458	22708	2324	13788
2017	6484	0	0	6484	0	1621	0	0	492	330	4040	0	0	0	4040	26748	1915	15703
2018	5945	0	0	5945	0	1486	0	0	502	302	3655	0	0	0	3655	30403	1575	17278
2019	5449	0	0	5449	0	1362	0	0	512	277	3298	0	0	0	3298	33701	1292	18569
2020	4992	0	0	4992	0	1248	0	0	522	253	2968	0	0	0	2968	36669	1057	19626
2021	4571	0	0	4571	0	1143	0	0	533	232	2664	0	0	0	2664	39333	862	20488
2022	4184	0	0	4184	0	1046	0	0	543	212	2382	0	0	0	2382	41715	701	21190
2023	3828	0	0	3828	0	957	0	0	554	194	2123	0	0	0	2123	43838	568	21758
SUB	83982	0	0	83982	0	20995	0	0	6415	4503	52068	0	8231	0	43838		21758	
REM	21625	0	0	21625	0	5406	0	0	5242	1098	9878	0	0	52	9826		1851	
TOT	105606	0	0	105606	0	26402	0	0	11657	5601	61947	0	8231	52	53664		23608	

NET PRESENT VALUE (-M\$-)

Discount Rate	.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper.	61947	42181	30738	23551	18732	15332	12831
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	8231	7643	7125	6665	6256	5889	5559
Abandonment Costs	52	16	5	2	1	0	0
Future Net Revenue	53664	34523	23608	16883	12476	9442	7272
COMPANY SHARE							
1st Year	Average	Royalties	Oper Costs	FR After Roy & Oper	Capital Costs	Future Net Rev	
% Interest	70.0	70.0					
% of Future Revenue			25.0	16.3	58.7	7.8	50.8

PROFITABILITY

COMPANY SHARE BASIS		Before Tax
Rate of Return (%)		97.5
Profit Index (undisc.)		6.5
(disc. @ 10.0%)		3.3
(disc. @ 5.0%)		4.5
First Payout (years)		2.9
Total Payout (years)		2.9
Cost of Finding (\$/BOE)		6.96
NPV @ 10.0% (\$/STB)		19.84
NPV @ 5.0% (\$/STB)		29.01

Table 4c

EVALUATION OF: SACRAMENTO VALLEY, MOJAVE CO. ARIZONA - Prospect High Estimate

ERGO v7.29 PETRO-SOFT SYSTEMS LTD. PAGE 1
 GLOBAL : 11-SEP-2009 4957
 EFF:01-SEP-2009 DISC:01-SEP-2009 PROD:01-JAN-2011
 RUN DATE: 16-SEP-2009 TIME: 9:48
 FILE: O3arPH01.DAX

WELL/LOCATION - TYPICAL PROSPECT (DEVONIAN CARBONATE)
 EVALUATED BY -
 COMPANY EVALUATED - Forest Gate Energy Inc.
 APPRAISAL FOR -
 PROJECT - FORECAST PRICES & COSTS

UNIT FACTOR - 100.0000 %
 TOTAL RESERVES - 16500 MSTB
 PRODUCTION TO DATE - N/A
 DECLINE INDICATOR - EXPONENTIAL
 TOTAL CAPITAL COSTS - 35010 -M\$-
 TOTAL ABANDONMENT - 74 -M\$- (2048)

INTEREST

AVG WI 70.0000%

ROYALTIES/TAXES

AVG FH 25.00%

			Oil			
			MSTB			
			Pool		Company	Share
Year	# of Wells	Price \$/STB	STB/D	Vol	Gross	Net
2009	0	58.00	.0	0	0	0
2010	0	60.00	.0	0	0	0
2011	17	65.00	3655.0	1334	934	700
2012	17	70.00	3505.9	1280	896	672
2013	17	80.00	3223.9	1177	824	618
2014	17	85.00	2964.5	1082	757	568
2015	17	88.00	2726.0	995	696	522
2016	17	90.00	2506.7	915	640	480
2017	17	92.00	2305.0	841	589	442
2018	17	94.00	2119.6	774	542	406
2019	17	96.00	1949.0	711	498	373
2020	17	98.00	1792.2	654	458	343
2021	17	100.00	1648.0	602	421	316
2022	17	102.00	1515.5	553	387	290
2023	17	104.00	1393.5	509	356	267
SUB				11426	7998	5999
REM				5074	3552	2664
TOT				16500	11550	8662

COMPANY SHARE FUTURE NET REVENUE

Year	Company Share Future Revenue (FR)														Future Net Revenue			
	Oil -M\$-	SaleGas -M\$-	Products -M\$-	Total -M\$-	Royalties		Wellhead Taxes		Oper Costs		FR After Roy&Oper -M\$-	Proc& Other Income -M\$-	Capital Costs -M\$-	Aband Costs -M\$-	Undiscounted		10.0%	
					State -M\$-	Other -M\$-	Sev -M\$-	Ad-val -M\$-	Fixed -M\$-	Variabl -M\$-					Annual -M\$-	Cum -M\$-	Annual -M\$-	Cum -M\$-
2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0	0	0	2550	0	-2550	-2550	-2355	-2355
2011	60700	0	0	60700	0	15175	0	0	1486	3886	40153	0	22722	0	17431	14881	14635	12280
2012	62703	0	0	62703	0	15676	0	0	1515	3802	41710	0	0	0	41710	56591	31836	44116
2013	65896	0	0	65896	0	16474	0	0	1546	3566	44310	0	0	0	44310	100900	30746	74862
2014	64381	0	0	64381	0	16095	0	0	1577	3345	43364	0	0	0	43364	144265	27355	102217
2015	61291	0	0	61291	0	15323	0	0	1608	3137	41223	0	0	0	41223	185487	23640	125856
2016	57641	0	0	57641	0	14410	0	0	1640	2943	38648	0	0	0	38648	224135	20148	146005
2017	54181	0	0	54181	0	13545	0	0	1673	2760	36203	0	0	0	36203	260338	17158	163162
2018	50905	0	0	50905	0	12726	0	0	1707	2589	33884	0	0	0	33884	294222	14599	177761
2019	47806	0	0	47806	0	11951	0	0	1741	2428	31686	0	0	0	31686	325907	12411	190172
2020	44876	0	0	44876	0	11219	0	0	1776	2277	29604	0	0	0	29604	355511	10541	200713
2021	42107	0	0	42107	0	10527	0	0	1811	2136	27633	0	0	0	27633	383144	8945	209658
2022	39494	0	0	39494	0	9874	0	0	1847	2004	25770	0	0	0	25770	408914	7583	217242
2023	37029	0	0	37029	0	9257	0	0	1884	1879	24008	0	0	0	24008	432922	6423	223664
SUB	689012	0	0	689012	0	172253	0	0	21810	36754	458195	0	25272	0	432922		223664	
REM	376473	0	0	376473	0	94118	0	0	47239	19120	215995	0	0	52	215943		30886	
TOT	1065484	0	0	1065484	0	266371	0	0	69050	55874	674190	0	25272	52	648866		254550	

NET PRESENT VALUE (-M\$-)

Discount Rate	.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper.	674190	405442	275984	203160	157554	126756	104784
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	25272	23225	21433	19853	18454	17207	16091
Abandonment Costs	52	8	1	0	0	0	0
Future Net Revenue	648866	382209	254550	183306	139100	109549	88692
COMPANY SHARE							
1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev	
% Interest	70.0	70.0					
% of Future Revenue			25.0	11.7	63.3	2.4	60.9

PROFITABILITY

COMPANY SHARE BASIS		Before Tax
Rate of Return (%)		808.8
Profit Index (undisc.)		25.6
(disc. @ 10.0%)		11.9
(disc. @ 5.0%)		16.5
First Payout (years)		1.5
Total Payout (years)		2.0
Cost of Finding (\$/BOE)		2.19
NPV @ 10.0% (\$/STB)		22.04
NPV @ 5.0% (\$/STB)		33.09

Figure 3

Forest Gate Energy Inc.
Sacramento Valley, Mojave Co. Arizona, USA
Prospect Analysis (Arithmetic Average)

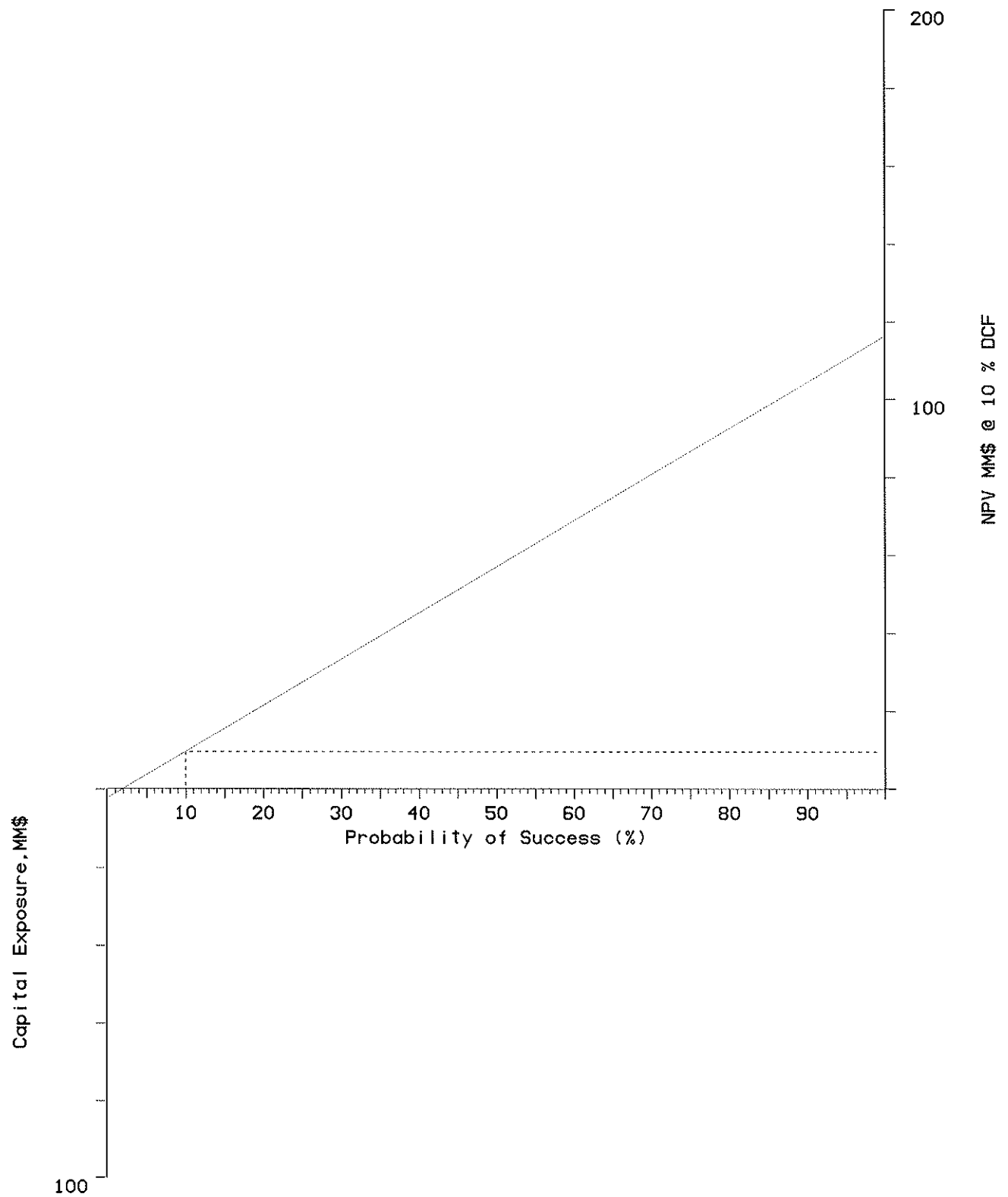


Figure 3
(cont'd)

Forest Gate Energy Inc.
Sacramento Valley, Mojave Co. Arizona, USA
Prospect Analysis (Arithmetic Average)

ECONOMIC PARAMETERS

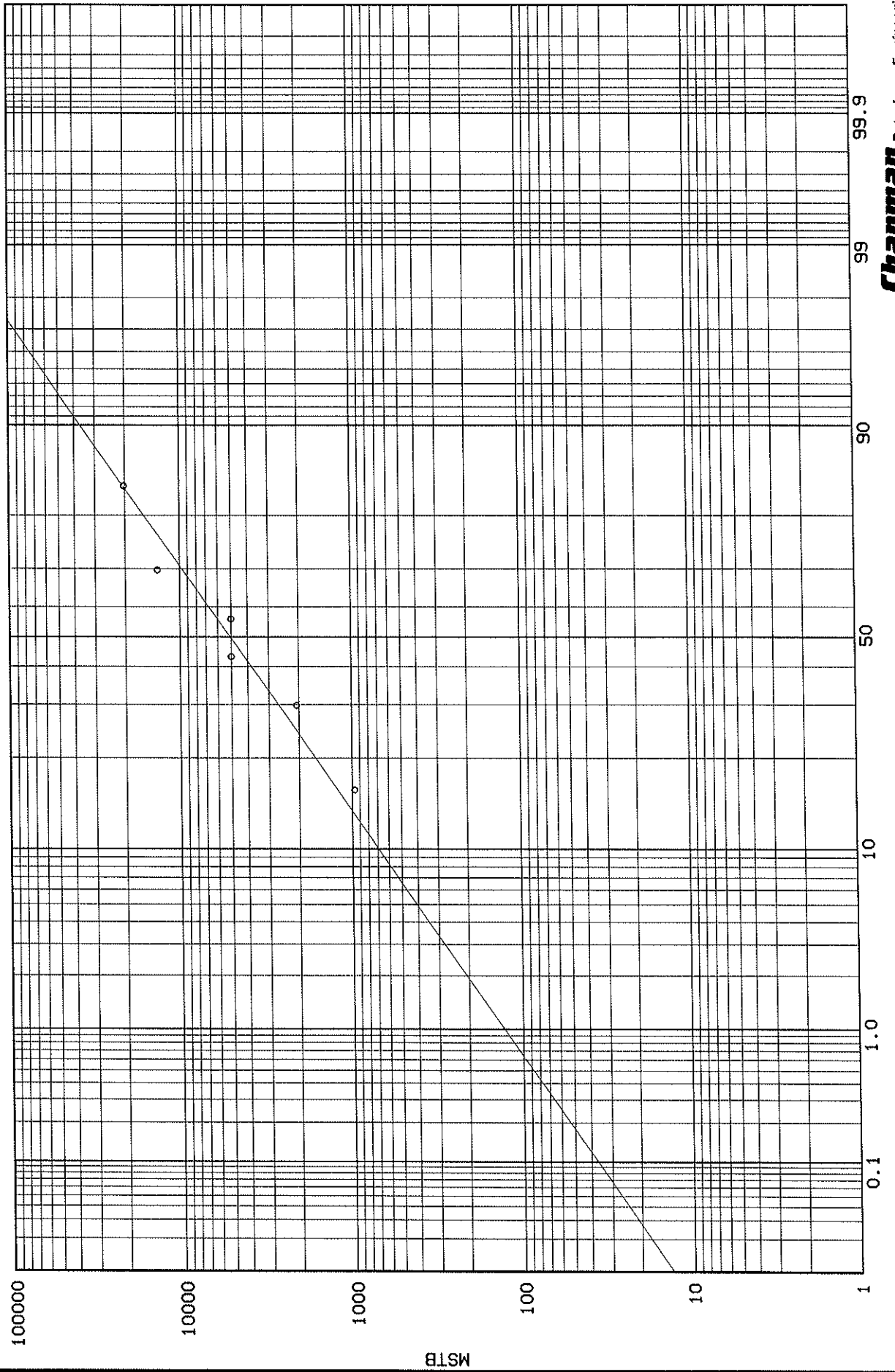
Net Capital Exposure, M\$	2500.0
Probability of success, %	10

TOTAL VALUES

Discount Rate, %	undisc.	5	10	15	20
Unrisked Value, M\$	302539.0	175755.0	116050.0	82975.0	62540.0
Risked Value, M\$	28003.9	15325.5	9355.0	6047.5	4004.0
Minimum Prob. of Success Req'd, %	0.8	1.4	2.1	2.9	3.8

LOGNORMAL DISTRIBUTION

Cumulative Production
Nevada
Neogene Basins



Appendix (cont'd)

LOGNORMAL DISTRIBUTION

Cumulative Production

Nevada
Neogene Basins

RESULTS:

Swansons Mean Value=	14195.8 MSTB
Average Mean Value=	7841.7 MSTB

Average Value @10%=	631.0 MSTB
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Average Value @50%=	5158.2 MSTB
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Average Value @90%=	39810.7 MSTB
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STATISTICAL DATA:

950.0 MSTB	BACON FLAT
2100.0 MSTB	KATE SPRING
5000.0 MSTB	BLACKBURN
5000.0 MSTB	EAGLE SPRINGS
13300.0 MSTB	TRAP SPRING
20700.0 MSTB	GRANT CANYON

GLOSSARY OF TERMS (Abbreviations & Definitions)

General

BIT	- Before Income Tax
AIT	- After Income Tax
M\$	- Thousands of Dollars
Effective Date	- The date for which the Present Value of the future cash flows and reserve categories are established
\$US	- United States Dollars
WTI	- West Texas Intermediate – the common reference for crude oil used for oil price comparisons
ARTC	- Alberta Royalty Tax Credit
GRP	- Gas Reference Price

Interests and Royalties

BPO	- Before Payout
APO	- After Payout
APPO	- After Project Payout
Payout	- The point at which a participant's original capital investment is recovered from its net revenue
GORR	- Gross Overriding Royalty – percentage of revenue on gross revenue earned (can be an interest or a burden)
NC	- New Crown – crown royalty on petroleum and natural gas discovered after April 30, 1974
SS 1/150 (5%-15%) Oil	- Sliding Scale Royalty – a varying gross overriding royalty based on monthly production. Percentage is calculated as 1-150 th of monthly production with a minimum percentage of 5% and a maximum of 15%
FH	- Freehold Royalty

Technical Data

psia	- pounds per square inch absolute
MSTB	- Thousands of Stock Tank Barrels of oil (oil volume at 60 F and 14.65 psia)
MMscf	- millions of standard cubic feet of gas (gas volume at 60 F and 14.65 psia)
Bbls	- barrels
Mbbls	- thousands of barrels
NGL	- Natural Gas Liquids – hydrocarbon fluids processed from natural gas
MMBTU	- Millions of British Thermal Units – heating value of natural gas
STB/d	- Stock Tank Barrels of oil per day – oil production rate
Mscf/d	- thousands of standard cubic feet of gas per day – gas production rate
GOR (scf/STB)	- Gas-Oil Ratio (standard cubic feet of solution gas per stock tank barrel of oil)
mKB	- Metres Kelly Bushing – depth of well in relation to the Kelly Bushing which is located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations.
EOR	- Enhanced Oil Recovery
GJ	- Gigajoules