

Forent Energy Ltd.

(Formerly known as Forent Energy Inc.)

Management's Discussion and Analysis

Year Ended December 31, 2008 and Eleven Months ended December 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 29, 2009 and reviewed and approved by the Board of Directors of Forent Energy Ltd. ("Forent" or the "Company"). The MD&A reviews the operational results of the Company with disclosure of oil and gas activities in accordance with Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and a review of financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the year ended December 31, 2008 and the eleven months ended December 31, 2007 and should be read in conjunction with the audited financial statements and accompanying notes.

All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Information

Certain statements contained in this report, including statements that may contain words such as "anticipates," "can," "may," "expect," "believe or believes" and "will" and similar expressions are forward-looking statements. These statements may include, but are not limited to, future capital expenditures, future financial resources, future oil and gas well activity, outcome of specific events, and trends in the oil and gas industry. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These statements or predictions are subject to a number of known and unknown risks and uncertainties, which are discussed previously in this report that could cause actual results to differ materially from the Company's expectations. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

For the purpose of calculating unit costs, natural gas volumes have been converted to a barrel equivalent ("boe") using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with national instrument NI51-101. Boe's may be misleading, particularly if used in isolation.

The terms funds from operations, funds from operations per share and operating netback are terms that do not have a standardized measuring prescribed by Canadian generally accepted accounting principles ("GAAP"). Management believes that funds from operations, funds from operations per share and operating netback are useful supplemental measures as they demonstrate the Company's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to cash flow determined in accordance with GAAP as an indication of the Company's performance. Forent's method of calculating these measures may differ from other companies, and accordingly, may not be comparable to measures used by other companies. For these purposes, the Company defines funds from operations as cash provided by operations before changes in non-cash operating working capital and defines operating netback as revenue less royalties and operating expenses. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

General Description of Business

Forent Energy Ltd. is a crude oil and natural gas exploration and development company with its headquarters located in Calgary, Alberta. The Company's strategy is to grow through focused exploration and drilling activities on two onshore blocks in Nova Scotia, along with strategic development of its central Alberta resource plays. The Common shares of Forent are listed for trading on the TSX Venture Exchange under the symbol FEN.

Additional information regarding Forent is available under the Company's profile on SEDAR at www.sedar.com. Information is also accessible on the Company's website www.forentenergy.com.

Reverse Take-over of Seriatim Ventures Inc.

On December 18, 2008 Forent completed the acquisition of Seriatim Ventures Inc. ("Seriatim"), a capital pool company listed on the TSX Venture exchange, by means of a reverse takeover ("RTO"). The purpose of the acquisition was to acquire Seriatim's public listing to improve access to capital markets. The Acquisition constituted a Qualifying Transaction for Seriatim as defined in the policies of the TSX Venture Exchange. The acquisition of the shares of Seriatim has been accounted for as a RTO transaction in accordance with EIC-10 of the CICA handbook. Under EIC-10 a RTO involving a non-operating public enterprise that does not meet the definition of a business, results in the RTO not constituting a business combination for accounting purposes. Therefore, the RTO of Seriatim has been recorded as a capital transaction in substance following the general principles described in CICA 1581.

Financial Results – Annual Information

Production

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Daily Production						
Natural gas (<i>mcf/d</i>)	287.72	260.74	10	249.97	216.05	16
Crude oil and NGLs (<i>bbls/d</i>)	0.88	4.20	(79)	2.04	1.97	4
Boe/d	48.84	47.66	2	43.70	37.88	15
				(%)	(%)	(%)
Production Mix						
Natural gas	98	91	8	95	95	-
Crude oil and NGLs	2	9	(78)	5	5	-
	100	100		100	100	-

Production volumes for the year ended December 31, 2008 averaged 43.70 boe/d, a 15% increase over the 37.88 boe/d recorded during the eleven months ended December 31, 2007. Natural gas production rose 16% to 249.97 mcf/d from 216.05 mcf/d a year ago, while crude oil and natural gas liquids ("NGLs") production increased modestly by 4% to 2.04 bbls/d from 1.97 bbls/d as compared to the eleven months ended December 31, 2007. The production increases were primary the result of recompletions of a number of wells and the realization of production from wells that were tied-in late 2007.

In the fourth quarter of 2008 production volumes averaged 48.84 boe/d, a 2% increase over the 47.66 boe/d recorded during the same quarter in 2007. The modest increase was a result of improved field operations during the fourth quarter of 2008.

Natural Gas Prices

United States natural gas prices are commonly referenced off the New York Mercantile Exchange at the Henry Hub, Louisiana ("NYMEX") index price, while Canadian natural gas prices are typically referenced to the AECO Hub in Alberta ("AECO"). Natural gas prices are influenced primarily by North American supply and demand rather than global fundamentals. In 2008, the AECO natural gas price averaged \$8.15/mcf compared to \$6.65/mcf in 2007. Extended cold weather in the first half of 2008 resulted in increased natural gas consumption during this time period resulting in decreased inventory levels of natural gas going into the summer and causing natural gas prices to be higher in the summer of 2008, as compared to 2007.

Pricing

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Selling Prices						
Natural gas (\$/mcf)	7.44	5.58	33	8.68	6.19	40
Crude oil and NGLs (\$/bbl)	67.17	85.67	(22)	82.70	72.87	13
Total combined (\$/boe)	45.06	38.08	18	53.48	39.00	37

Average natural gas prices received by Forent increased 40% in 2008 to \$8.68/mcf from \$6.19/mcf during the eleven months ended December 31, 2007. Crude oil and NGLs prices also rose 13% to \$82.70/bbl compared to \$72.87/bbl recorded during the eleven months ended December 31, 2007.

In the fourth quarter of 2008 natural gas prices increased 33% to \$7.44/mcf from \$5.58/mcf during the fourth quarter of 2007. Crude oil and NGLs prices decreased 22% to \$67.17/bbl compared to \$85.67/bbl recorded in the fourth quarter of 2007.

Oil and Gas Revenue

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Natural gas	197,022	133,872	47	793,697	488,182	63
Crude oil and NGLs	5,441	33,069	(84)	61,608	52,464	17
Total petroleum and natural gas sales	202,463	166,941	21	855,305	540,646	58

The Company's gross revenue for the year ended December 31, 2008 totaled \$855,305, an increase of 58% over the eleven months ended December 31, 2007 when gross revenue totaled \$540,646. Moderate increases in natural gas production volumes, along with a significant increase in natural gas and crude oil and NGLs prices, accounted for the 58% increase in revenue. Natural gas revenue represented 95% of the Company's total sales in 2008 and 2007.

In the fourth quarter of 2008 revenues totaled \$202,463, an increase of 21% over the same quarter of 2007 when gross revenue totaled \$166,941. The increase was attributable to a modest increase in natural gas production volumes, along with a significant increase in natural gas prices.

Royalty Expense

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
			(%)			(%)
Royalties						
Total royalties (\$)	13,543	34,024	(60)	113,777	80,959	41
As a % of oil and gas sales	6.7%	20.4%	(67)	13.3%	15.0%	(11)
\$/boe	3.01	7.76	(61)	7.11	5.84	22

For the year ended December 31, 2008, royalty expense increased 41% to \$113,777 due to the higher overall revenues related to the 15% increase in the Company's production volumes and the 37% increase in selling prices received on that production. Royalties as a percentage of production revenue declined 11% from the previous year as a result of lower individual well production rates.

In the fourth quarter of 2008, royalty expense decreased 60% to \$13,543 from \$34,024 recorded in the fourth quarter of 2007 as a result of royalty recoveries received from crown adjustments of prior periods.

Operating Expenses

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Operating expenses						
Operating expenses	75,714	68,614	10	338,711	214,365	58
Operating expenses (\$/boe)	16.85	15.65	8	21.18	15.46	37

Operating expenses increased 58% to \$338,711 in 2008 compared to \$214,365 in the eleven months ended December 31, 2007. However, on an annualized (12 month) basis the operating expenses of wells and facilities increased 45% attributed to higher production rates during the year along with a number of workovers of wells conducted during the period. On a per boe basis, operating expenses increased 37% in the year ended December 31, 2008. These costs are expected to continue to decrease on a per boe basis due to the increased production achieved from the wells that were worked over and optimization of existing Company wells and facilities.

During the fourth quarter operating expenses increased 10% to \$75,714 in 2008 compared to \$68,614 in the three months ended December 31, 2007, related to the workovers and maintenance of wells in 2008.

General and Administrative ("G&A") Expenses

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change (%)
Gross expenses	427,685	215,606	98	1,070,767	544,115	97
Overhead recoveries	(28,798)	(20,937)	38	(88,972)	(84,759)	5
G&A expenses	398,887	194,669	105	981,795	459,356	114
\$/boe	88.78	44.4	100	61.39	33.14	85

During the year ended December 31, 2008, general and administrative expenses increased 114% to \$981,795 from \$459,356 in the eleven months ended of December 31, 2007. On an annualized (12 month) basis general and administrative expenses increased 96% as a result of increased professional fees and office expenses commensurate with the increased exploration activities in Nova Scotia. In addition, Forent became a publicly listed company in late 2008 which increased its corporate overhead costs related to the listing and reporting requirements of a public company.

In the fourth quarter of 2008, general and administrative expenses increased 105% to \$398,887 from \$194,669 in the same period of 2007. The increase was primarily a result of Forent becoming a publicly listed company in the fourth quarter of 2008.

The overhead recoveries from partners, related to Forent operated projects, remained relatively stable at \$88,972 in the 12 months ended December 31, 2008 decreasing slightly from the \$84,759 incurred in the eleven months ended December 31, 2007. Overhead recoveries from partners are earned primarily on the Huxley wells and gas plant that the Company operates and on operated capital projects.

Stock Based Compensation

Stock-based compensation expense increased 144% to \$441,196 in 2008 from \$180,698 in 2007 due to 3,004,630 new stock options being granted in late 2008 as a replacement for the performance warrants issued in 2007. The total amount of options outstanding at December 31, 2008 is 7,070,554 with a weighted average exercise price of \$0.49 and life of 3.93 years.

Interest Income and Expense

Interest and other income during 2008 totaled \$46,923 compared to \$34,697 earned in the eleven months ended December 31, 2007. The increase was attributed to higher term deposits in the twelve month period ended December 31, 2008 as compared to the eleven month period ended December 31, 2007, as a result of private placements in mid 2007 and 2008.

Interest expense and financing fees for the year ended December 31, 2008 totaled \$65,057 versus \$44,253 million in the eleven months ended December 31, 2007. The increase was primarily related to interest accrued as a result of the Part XII.6 tax which is calculated based on the outstanding balance of cumulative exploration expenditures ("CEE") related to the Company's 2007 flow-through share issuance. The CEE related to the 2007 flow-through share issue was fully expended as at December 31, 2008.

Funds from Operations and Operating Netbacks

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Sales price	45.06	38.08	18	53.48	39.00	37
Royalties	(3.01)	(7.76)	(61)	(7.11)	(5.84)	22
Operating	(16.85)	(15.65)	8	(21.18)	(15.46)	37
Operating netback	25.20	14.67	72	25.19	17.70	42
G&A (net of non-cash items)	(88.78)	(44.40)	100	(61.39)	(33.14)	85
Interest and other (net of non-cash items)	1.18	7.91	(85)	2.93	2.50	17
Corporate netback	(62.40)	(21.82)	186	(33.27)	(12.94)	157
Funds from operations	(284,232)	(108,271)	163	(597,112)	(223,590)	167

During the year ended December 31, 2008, funds from operations declined 167% to a deficit of \$597,112 from a deficit of \$223,590 in the eleven months ended December 31, 2007 primarily due to increased general and administrative costs and increased production costs. On a corporate netback basis, funds flow declined 157% to negative \$33.27/boe in the year ended December 31, 2008 from negative \$12.94/boe in the eleven months ended December 31, 2007 as a result of an 85% increase in administration costs and a 37% increase in operating costs, all on a per boe basis.

In the fourth quarter of 2008 the funds from operations decreased 163% to a deficit of \$284,232 compared to a deficit of \$108,271 recorded in the fourth quarter of 2007. On a corporate net back basis the funds flow per boe decreased 186% to a deficit of \$62.40/boe in 2008 from \$21.82/boe in the same period of 2007. The decrease was a result of the significantly higher general and administrative costs resulting from the costs associated with becoming a public company in late 2008.

Depletion, Depreciation and Accretion ("DD&A")

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Depreciation, Depletion and Amortization						
DD&A provision (\$000s)	155,659	70,719	120	296,105	152,290	94
DD&A provision (\$/boe)	34.64	16.13	115	18.51	10.99	68

During 2008, the DD&A provision increased 94% to \$296,105 from \$152,290 in the eleven months ended December 31, 2007 due to increased production along with a reduction in proved reserves at December 31, 2008, as a result of technical revisions calculated by the Company's reserve evaluators. On a per boe basis, the DD&A provision increased 68% to \$18.51/boe from \$10.99/boe in the eleven months ended December 31, 2007 as a result of the decreased proven resource base used to calculate the depletion rate of proved reserve as previously mentioned.

The Company recorded \$155,659 in the DD&A provision in the fourth quarter of 2008, an increase of 120% over the \$70,719 in the same period of 2007. The increase was a result of the reduction in proved reserves in 2008 as compared to 2007.

The Corporation performed an impairment (ceiling) test review at December 31, 2008 to assess the recoverable value of the petroleum and natural gas properties and determine that it does not exceed its fair value. A write down was not required for the year ended December 31, 2008. The expected future prices of petroleum and natural gas are based on December 31, 2008 commodity price forecasts of the Corporation's independent reserve evaluators.

Income Taxes

Future income tax expense for the year ended December 31, 2008 was \$132,207 compared to a reduction of \$28,092 recorded in the eleven months ended December 31, 2007. The changes in this non-cash item are due to anticipated future tax effect of the periods' activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period. The increased expense was primarily due to the renouncing of exploration and development costs to subscribers in the 2007 flow-through share issue.

As at December 31, 2007, the Company had approximately \$5.2 million in tax pools available to shelter taxable income in future years. Of the \$5.2 million in tax pools available the Company is planning to deduct \$2.2 million in the first quarter of 2009 related to the 2008 flow-through share issuance.

Funds from Operations and Net Loss

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds from operations ⁽¹⁾	(284,232)	(108,271)	163	(597,112)	(223,590)	167
Per share – basic	(0.01)	-	-	(0.01)	(0.01)	-
– diluted	(0.01)	-	-	(0.01)	(0.01)	-
Net loss	(589,510)	(331,866)	78	(1,466,620)	(528,756)	177
Per share – basic	(0.01)	(0.01)	-	(0.03)	(0.01)	200
– diluted	(0.01)	(0.01)	-	(0.03)	(0.01)	200

During 2008, the Company recorded a net loss of \$1,466,620 (\$0.03 per basic and diluted share) compared to a net loss of \$528,756 (\$0.01 per basic and diluted share) in the eleven months ended December 31, 2007. The increase in the loss was primarily attributed to the increased general and administrative costs of the Company's operations associated with the exploration of the Alton and Beech Hill Blocks in Nova Scotia and additional expenses of becoming a public entity, along with significantly larger stock based compensation expenses.

In the fourth quarter of 2008 a net loss of \$589,510 (\$0.01 per basic and diluted share) was recorded compared to a net loss of \$331,866 (\$0.01 per basic and diluted share) in same period of 2007. The increase in the loss in the fourth quarter was primarily related to the significantly larger stock based compensation expense as a result new stock options being issued.

Capital Expenditures

Capital expenditures made during the years ended December 31, 2007 and 2006 are summarized in the following table and do not include non-cash transactions:

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Land	30,569	5,088	501	38,155	114,601	(67)
Geological and geophysical	366,958	48,305	660	1,213,318	48,281	2,413
Drilling and completions	795,257	(77,048)	(1,132)	1,590,521	3,101,732	(49)
Facilities and equipment	94,311	47,384	99	204,277	132,181	55
Other	485	16,536	(97)	46,896	21,536	118
Total capital expenditures	1,287,580	40,265	3,098	3,093,167	3,418,331	(10)

During 2008, the Company spent \$3.1 million in exploration and development activities and other items compared to \$3.4 million in 2007. Land purchases were \$38,155 in 2008 primarily consisting of capitalized lease rentals on the Nova Scotia exploration blocks. The Company's geological and geophysical expenditures primarily included seismic acquisitions and purchases, along with analyzing and interpreting the seismic data on the Alton and Beech Hill Blocks of Nova Scotia in 2008 totaling \$1,213,318.

During the year, the Company drilled 6 gross (1.5 net) wells, spending a total of \$1,590,521 million on drilling and completions, the majority of which was on the Camden well on the Alton Block in Nova Scotia. Equipment and facilities expenditures totaled \$204,277 to tie-in a number of wells and re-equip some wells to optimize production.

Liquidity and Capital Resources

	3 months ended December 31, 2008	3 months ended December 31, 2007	Change	12 months ended December 31, 2008	11 months ended December 31, 2007	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Working capital (deficiency), beginning of year	3,109,184	2,065,483	51	1,916,947	(422,795)	553
Funds from operations	(284,232)	(108,271)	163	(597,112)	(223,590)	167
Issue of capital stock (net)	684,038	-	-	3,994,742	5,481,663	(27)
Long-term debt	(500,000)	-	-	(500,000)	500,000	(200)
Capital expenditures (net)	(1,287,580)	(40,265)	3,098	(3,093,167)	(3,418,331)	(10)
Working capital (deficiency), end	1,721,410	1,916,947	(10)	1,721,410	1,916,947	(10)

Forent opened 2008 with a working capital surplus of \$1.9 million. The increase in the year resulted from a \$4.0 million (net) equity raised under the \$3.5 million August private placement and December reverse take-over. Decreases in 2008 working capital consisted of net capital expenditures totaling \$3.1 million, negative funds from operations of \$0.6 million and \$0.5 million related to the repayment of long-term debt, thereby leaving the Company with a working capital surplus of \$1.7 million at December 31, 2008.

The Company has budgeted, based on commitments given to the government of Nova Scotia, approximately \$4.4 million in the years 2009 to 2011 for exploration and development on the Alton and Beech Hill Blocks in the province. As of April 22, 2009 approximately \$400,000 of this commitment will have been fulfilled. Additional capital expenditures may be made in Alberta if funds are available to develop low risk, cash generating projects in central Alberta. The Company intends to raise new capital or utilize other alternative means to meet the stated commitments; however, there is no certainty that the financing activities will be successful. At present that Company is pursuing capital on several fronts, including securing joint venture or farm-in partners for Nova Scotia, considering merger opportunities, and seeking funds from both private equity partners and public markets.

Pursuant to flow-through common share issuances completed on August 19, 2008, the Company committed to renounce a total of \$3.5 million of exploration expenditures. As at December 31, 2008, Forent had incurred \$2.2 million of the exploration expenditures eligible for renouncement with \$1.3 million remaining to be spent in 2009. The company intends to satisfy the remaining flow-through share obligations in 2009 with the combination of its positive working capital and raising additional funds through capital markets or by establishing joint venture arrangements with other parties.

Share Capital

On December 18, 2008 the Company completed an acquisition in the form of a reverse takeover ("RTO") of Seriatim Ventures Inc. ("Seriatim"). Pursuant to the RTO the shareholders of Forent received 5.5 common shares of Seriatim for each issued and outstanding Forent share owned and then immediately following the RTO all outstanding securities were consolidated on a 2.7 for 1 basis. The effective share transactions resulted in 23,337,400 common shares being cancelled and replaced with 47,539,146 Forent common shares issued to existing Forent shareholders and 2,333,330 common shares issued to Seriatim shareholders. The purchase allocation of Seriatim consisted of \$782,022 of fair valued assets and liabilities, being primarily cash. Net share issue costs of \$142,425 were incurred on the transaction.

In connection with the RTO the Company cancelled 459,550 broker warrants and 413,270 share purchase warrants and issued replacement share purchase warrants based on the same exchange ratio (5.5 for 1) as applied to the Company's common shares and the exercise or conversion prices of all such convertible securities were amended accordingly. All other terms (i.e. vesting provisions, expiry dates, etc.) remain identical to the terms originally granted by Forent. Immediately after completion of the Acquisition, the Corporation consolidated all of its outstanding securities on a 2.7 for 1 basis.

On August 19, 2008, the Company completed a private placement whereby the Company issued 3,048,700 flow-through units at a price of \$1.15 per unit for total gross proceeds of \$3,506,005. In connection with the offering agents received a 5% cash commission and broker warrants equaling 5% of the transaction value for a total of 175,300 warrants. These warrants are exercisable at \$1.00 to purchase Forent common shares for a period of 12 months from the date of the listing of the Company on a recognized Canadian stock exchange.

The following table is a summary of the Company's share information as at the periods indicated:

12 months ended December 31, 2008 and 11 months ended December 31, 2007	2008	2007
	(#)	(#)
Common Shares		
Balance – beginning of year	20,288,700	100
Stock split	-	14,999,900
Private placements	3,048,700	5,288,700
Cancelled pursuant to reverse takeover	(23,337,400)	-
Re-issued pursuant to reverse takeover	47,539,146	-
Issued pursuant to reverse takeover, to Seriatim	2,333,330	-
Balance – end of year	49,872,476	20,288,700
Weighted Average Common Shares Outstanding⁽¹⁾		
Basic	43,628,055	35,387,876
Diluted	43,628,055	35,387,876
Stock Options		
Balance – beginning of year	1,880,000	-
Granted	-	1,880,000
Expired	(10,000)	-
Cancelled	(1,870,000)	-
Reissued pursuant to re-pricing	3,809,260	-
Granted pursuant to warrants conversion to stock options	3,004,630	-
Granted pursuant to RTO	256,664	-
Balance – end of year	7,070,554	1,880,000
Share Purchase Warrants		
Balance – beginning of year	4,122,650	-
Issue of warrants	304,870	108,400
Issue of broker warrants	175,300	284,250
Issue of performance warrants	-	3,730,000
Cancellation of performance warrants	(3,730,000)	-
Cancellation of warrants pursuant to RTO	(872,820)	-
Issuance of replacement warrants pursuant to RTO	1,777,956	-
Balance – end of year	1,777,956	4,122,650

(1) Share amounts have been adjusted for stock splits and consolidations.

Quarterly and Annual Data

	Three months ended Mar. 31, 2008	Three months ended Jun. 30, 2008	Three months ended Sep. 30, 2008	Three months ended Dec. 31, 2008	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	195,306	304,749	152,787	202,463	855,305
Funds from (used in) operations ⁽¹⁾	(33,315)	(131,652)	(147,913)	(284,232)	(597,112)
Per share – basic and diluted ⁽²⁾	-	(0.01)	(0.01)	(0.01)	(0.03)
Net loss	(40,355)	(151,899)	(684,856)	(589,510)	(1,466,620)
Per share – basic and diluted ⁽²⁾	-	-	-	(0.01)	(0.01)
Capital expenditures	122,644	379,091	1,303,852	1,287,580	3,093,167
Bank debt and working capital (deficiency)	1,760,994	1,251,144	3,109,184	1,721,410	1,721,410
Shareholders' equity	4,947,111	4,823,888	7,536,021	8,043,758	8,043,758
Average daily production					
Natural gas (mcf/d)	228.69	313.59	170.31	287.72	249.97
Crude oil and NGLs (bbls/d)	3.12	2.47	1.70	0.88	2.04
Total (boe/d)	41.24	54.74	30.09	48.84	43.70

	Three months ended Mar. 31, 2007	Three months ended Jun. 30, 2007	Three months ended Sep. 30, 2007	Three months ended Dec. 31, 2007	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	69,459	168,581	135,665	166,941	540,646
Funds from (used in) operations ⁽¹⁾	26,966	(43,066)	(99,219)	(108,271)	(223,590)
Per share – basic and diluted ⁽²⁾	-	-	-	-	(0.01)
Net loss	14,637	(68,484)	(143,043)	(331,866)	(528,756)
Per share – basic and diluted ⁽²⁾	-	-	-	(0.01)	(0.01)
Capital expenditures	2,290	334,106	3,041,670	40,265	3,418,331
Bank debt and working capital (deficiency)	101,882	724,709	2,065,483	1,916,947	1,916,947
Shareholders' equity	343,780	1,275,296	5,613,916	5,463,018	5,463,018
Average daily production					
Natural gas (mcf/d)	114.27	229.95	256.07	260.74	215.77
Crude oil and NGLs (bbls/d)	1.13	1.78	0.95	4.20	2.02
Total (boe/d)	20.18	40.10	43.62	47.65	37.98

(1) Funds from operations is defined as cash provided by operations before changes in non-cash operating working capital.

(2) Per share amounts have been adjusted for stock splits and consolidations.

Related Party Transactions

The Company enters into various transactions with related parties. These transactions are entered into in the normal course of business and are measured at the exchange amount established and agreed to by the parties. During the year ended December 31, 2008, the Company had the following related party transactions.

During the year ended December 31, 2008, the Company incurred \$120,000 (2007 - \$165,000) of administrative costs from a company controlled by the majority shareholder. As at December 31, 2008, there was an outstanding balance of \$10,000 (2007 - \$10,000) to the related company.

During the year ended December 31, 2008, the Company incurred \$444,225 (2007 - \$406,654) of gross operating costs relating to pipeline and facility rental fees from a company controlled by the majority shareholder. As at December 31, 2008, there was a gross outstanding balance of \$93,970 (2007 - 106,530) owed to the related company. The pipeline and facility rental fees and outstanding balance have been incurred on facilities that the Company operates with an average 20.1% working interest. As such, 79.9% of the gross operating costs and outstanding balances are directly attributed to the Company's joint venture partners, consisting primarily of large and well funded petroleum producers.

A company controlled by the majority shareholder has a working interest in some of the wells that the Company operates. As at December 31, 2008, there was an outstanding balance of \$18,546 (2007 - \$6,108 receivable) due the related company.

During the year ended December 31, 2008 the Company incurred \$127,364 for legal services from a law firm of which a board member is a partner. As at December 31, 2008, there was an outstanding balance of \$99,333 due the related party.

During the year ended December 31, 2008 a total of \$56,595 was paid to a company an officer and director is a shareholder of, for the provision of administrative services. As at December 31, 2008, there was an outstanding balance of \$10,000 due the related party.

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions as at the year ended December 31, 2008.

Contractual Obligations

The commitment made by Forent on the Beech Hill Block was to expend a minimum of \$2,070,000 over a three year period, beginning May 1, 2008, in a Work Program consisting of initiation and interpretation of geological, geophysical, geomagnetic and geochemical data and culminating in an exploration and well testing program within the boundaries of the Block.

Subsequent to December 31, 2008 the Company committed to expend a minimum of \$2,350,000 over a three year period, beginning February 3, 2009, in a Work Program consisting of initiation and interpretation of geological, geophysical, geomagnetic and geochemical data and culminating in an exploration and well testing program within the boundaries of the Block.

In connection with the September 17, 2007 private placement of flow-through shares the Company is obligated to incur \$3,511,755 in exploration expenditures by December 31, 2008. As at December 31, 2008 Forent has incurred the full amount of qualifying expenditures of \$3,511,755.

On August 19, 2008, the Company issued flow-through shares requiring that \$3,506,005 in qualifying exploration expenditures be expending by December 31, 2009. As at December 31, 2008 the Company has incurred approximately \$2.2 million of qualifying expenditures, with approximately \$1.3 million remaining to be spent by December 31, 2009.

The Company is committed to operating leases for office space in accordance with the following schedule.

	(\$)
2009	200,374
2010	206,583
2011	122,273
	529,230

The Company does did not enter into or have any outstanding risk management policies in place during the year ended December 31, 2008.

Critical Accounting Estimates

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in this MD&A to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. The Company's management reviews its estimates regularly.

The following significant accounting policies outline the major policies involving critical estimates.

Proved Oil and Gas Reserves

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. The estimated quantities of proved crude oil, natural gas liquids and natural gas are derived from geological and engineering data that demonstrate with reasonable certainty the amounts that can be recovered in future years from known reservoirs under existing economic and operating conditions. Reserves are considered proved if they can be produced economically as demonstrated by either actual production or conclusive formation tests. The oil and gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's plans.

Depletion of Oil and Gas Properties

The Company uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and developments are capitalized whether successful or not. The aggregate of net capitalized costs and estimated future development costs less estimated salvage values is amortized using the unit-of-production method based upon proved oil and gas reserves. An increase in estimated proved oil and gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

Withheld Costs

Certain costs related to unproved properties may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly and any impairment is transferred to the costs being depleted.

Impairment of Long Lived Assets

The Company is required to review the carrying value of all property, plant and equipment, including the carrying value of oil and gas assets, for potential impairment.

The carrying value of the Company's petroleum and natural gas properties must not exceed their fair value. The fair value is equal to the estimated future cash flows from proved and probable reserves using future price forecasts and costs discounted at a risk-free rate. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long lived asset is charged to income.

Legal, Environmental and Other Contingent Matters

The Company is required to determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can reasonably be estimated. When the loss is determined, it is charged to earnings.

The Company's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

Income Tax Accounting

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management. In addition, the Company calculates future taxes based on rates substantively enacted at each reporting period and expected to apply when temporary differences reverse. Any changes in the anticipated reversals may impact future tax rates and the increase or decrease will be recorded through earnings.

Asset Retirement Obligations

Asset retirement obligations are initially measured at fair value when they are incurred, which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

Stock Based Compensation

The Company uses the fair value method for valuing stock option grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. A zero dividend yield is used as the Company does not issue dividends; the volatility is a calculation based on past trading history and the risk-free rate is from the Bank of Canada. An increase in dividends would decrease the option expense and an increase in the volatility or the risk-free rate would increase the calculated expense.

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas. These risks and uncertainties include but are not limited to, the following:

- risk of finding and producing reserves economically;
- uncertainty associated with obtaining drilling licenses and other consents and approvals;
- production risk associated with sour hydrocarbons;
- marketing reserves at acceptable prices;
- cost of capital risk associated with securing the needed capital to carry out the Company's operations;
- risk of fluctuating foreign currency exchange rates;
- risk of governmental policies, social instability or other political, economic or diplomatic developments in its operations;
- market risks associated with investing the Company's cash reserves in interest bearing depository instruments; and
- environmental risks related to its oil and gas properties.

Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. The company does not currently utilize derivative instruments to hedge its commodity price, foreign currency exchange or interest rate risks.

Forent strives to minimize and manage these risks in a number of ways including:

- Employing qualified professional technical staff;
- Communicating openly with members of the public regarding its activities;
- Concentrating in a limited number of areas;
- Utilizing the latest technology for finding and developing reserves;
- Constructing high-quality, environmentally sensitive, safe production facilities; and
- Maximizing operational control of drilling and producing operations;

Change in Accounting Policies

The Canadian Institute of Chartered Accountants ("CICA") issued four new accounting standards: "Capital Disclosures," "Financial Instruments – Disclosure" and "Financial Instruments – Presentation", "Going Concern"; "Inventories". These standards became effective for the Company in the first quarter of 2008.

The capital disclosures standard establishes guidelines for the disclosure of information concerning the Company's capital and how it is managed. The standard requires disclosure of an entity's objectives, policies and processes for managing capital, including a description of what the Company considers capital and to indicate if the Company has complied with all capital requirements and the ramifications of non-compliance if applicable (see note 10).

"Financial Instruments – Disclosure" and "Financial Instruments – Presentation" replace "Financial Instruments – Disclosure and Presentation," revising and enhancing its disclosure requirements to provide additional information regarding the risks associated with both recognized and unrecognized financial instruments the Company is exposed to and how the entity manages those risks.

The Company adopted the "Going Concern" standard which requires management to make an assessment of an entity's ability to continue as a going concern. The Company has evaluated the impact of this new standard on its consolidated financial statements and determined that no additional disclosures are required at this time.

The new "Inventories" standard replaces the previous standard and requires the consistent grouping of like assets and the application of the first-in-first-out or weighted average cost formula

methodology. Spare parts inventory are tangible assets with a useful life that extends beyond one year and are held for re-deployment rather than re-sale. As such, they have been included in property and equipment and are depreciated on a per unit of production basis.

Adoption of these standards has had no impact on the Company's net earnings or cash flow.

Recent Accounting Pronouncements

On January 1, 2009 the Company will be required to adopt the Canadian CICA Handbook Section 3064, "Intangible Assets". The new section establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets and replaces the existing Handbook Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Intangible assets associated with the exploration and development of oil and gas assets are specifically excluded under the new standard. The Company is evaluating the implications but expects no material impact on the consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. The Company will be required to report its results for interim and annual financial statements in accordance with IFRS beginning in fiscal year 2011. The Company is currently in the process of developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS.

Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there may be significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company is assessing the potential impact of this changeover and developing its plan accordingly. The Company will update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board.

The International Accounting Standard Board issued an exposure draft on September 25, 2008, relating to certain amendments and exemptions to IFRS 1. One such exemption relating to full cost oil and gas accounting is expected to reduce the administrative burden in the transition from current Canadian Accounting Guideline 16 to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment may permit the Company to utilize current reserves in order to allocate the Company's full cost pool to the appropriate assets, with the requirement that a ceiling test, under IFRS, be conducted at the transition date.

Disclosure Controls and Procedures

Forent has disclosure controls and procedures to ensure that information required to be disclosed by the Company is assembled and communicated to management. The Company's CEO and CFO have concluded based on their evaluation as of December 31, 2008, that disclosure controls and procedures are effective to provide reasonable assurance that material information related to Forent is made known to them by others within the entity, except as noted below. Despite the CEO and CFO certifying that the Company's disclosure controls and procedures are effective to provide a reasonable level of assurance, they are not able to conclude that the disclosure controls and procedures are capable of preventing all frauds and errors. Regardless of how well conceived or managed, a control system is incapable of providing absolute assurance to prevent all errors and fraud, as only reasonable assurance that the objectives of a control system can be obtained.

Internal Controls Over Financial Reporting

The CEO and CFO of Forent are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has assessed the design of the Company's internal control over financial reporting as of December 31, 2008 and has certified that the controls over financial reporting are effective, except for the identified material weaknesses outlined below.

- Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties.
- Due to the limited number of staff, the Company does not have a sufficient amount of technical specialists within finance to address all potential complex and non-routine accounting transactions that may transpire.

The weaknesses in the Company's internal controls over financial reporting allow for a greater than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of material misstatement in financial reporting; however, it is not possible to provide absolute assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. Management does not intend to remediate the noted weaknesses at this time due to an adequate control environment existing in the Company.

CORPORATE INFORMATION

DIRECTORS

Dennis Forgeron
David Campbell*
Thomas E. Lester*
Scott Reeves
Jonathan Schroeder*
Ian Shook

**Member Audit Committee*

OFFICERS

Dennis Forgeron, President & CEO
Thomas E. Lester, Chief Financial Officer
Ian Shook, Vice President Exploration
Scott Reeves, Corporate Secretary

EXECUTIVE OFFICE

Forent Energy Ltd.
Suite 400, 333 – 11th Ave SW
Calgary, Alberta, Canada T2R 1L9

Telephone: (403) 262-9444
Facsimile: (403) 262-4651

LEGAL COUNSEL

TingleMerrett LLP

BANKERS

National Bank of Canada

AUDITORS

PricewaterhouseCoopers LLP

EVALUATION ENGINEERS

Sroule Associates Limited
Calgary, Alberta

www.forentenergy.com

Abbreviations

bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
GJ	gigajoules
mabbbls	thousand barrels
mboes	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mcfe	thousand cubic feet equivalent
mmbbls	million barrels
mmbtu	million British thermal units
mmcf	million cubic feet
mmcf/d	million cubic feet per day
2-D	two dimensional
3-D	three dimensional

Conversion of Units

1.0 acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 bbl	=	0.159 cubic metres
6.29 bbls	=	1.0 cubic metre
1.0 foot	=	0.3048 metres
3.281 feet	=	1.0 metre
1.0 mcf	=	28.2 cubic metres
0.035 mcf	=	1.0 cubic metre
1.0 mile	=	1.61 kilometres
0.62 miles	=	1.0 kilometre

Natural gas is equated to oil on the basis of 6 mcf : 1 bbl