

Forent Energy Ltd.



**Management's Discussion and Analysis
Years ended December 31, 2009 and 2008**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 22, 2010 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 years ended December 31, 2009 and 2008 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.

Introduction and Overview of Forent Energy Ltd.

Forent Energy Ltd. is a crude oil and natural gas exploration and development company headquartered in Calgary, Alberta. The Company's operations include established oil and gas production in Alberta and Saskatchewan and the exploration for both oil and gas on two onshore blocks in Nova Scotia.

Forent Energy Ltd. was incorporated under the Business Corporations Act of Alberta as a private company on April 6, 1999. Forent became a public company as a result of the reverse takeover of Seriatim Ventures Inc. a capital pool company listed on the TSX Venture exchange, which was completed on December 18, 2008.

The Company's operational focus over the next one to two years will be to increase production in western Canada from a number of different oil properties in order to generate stable production and cash flows thereby enabling the Company to pursue its medium and long term strategy of growing through focused exploration and drilling activities on two onshore blocks in Nova Scotia. Forent's Nova Scotia properties offer a number of different high potential exploration and development opportunities including shale gas, reef oil and shale oil ("Nova Scotia resource projects"). The Company is the largest onshore oil and gas land owner in Nova Scotia and while there are considerable risks associated with the Nova Scotia opportunities there is the potential to deliver significant shareholder value. Forent has assembled a team of individuals with many years experience in both western Canada and frontier opportunities, such as Nova Scotia, in order to take advantage of these opportunities. The growth of the Company's western Canadian production, which is primarily focused on oil opportunities, is expected to be internally funded through cash flow generated from Forent's established crude oil and natural gas production base. The Nova Scotia opportunities are expected to be funded from new equity capital and/or as a result of establishing joint ventures with other oil and gas companies.

Overview of 2009

The past year was highlighted by a number of significant factors that had a major influence on our activities and financial results. The most significant factor was the global financial crisis and recession that not only resulted in lower commodity prices but also significantly curtailed the Company's ability to raise funds for the development of its Nova Scotia resource projects and western Canadian projects. However, in October 2009 with some improvement in economic conditions Forent was able to raise \$3.2 million in new equity that was allocated to short-term western Canadian exploration and development opportunities.

Specific financial and operating highlights of 2009 are as follows.

- Annual average oil and gas production increased by 53 percent compared to 2008;
- Average commodity selling prices fell by 52 percent vs. 2008;
- Overall oil and gas revenues declined by 27 percent from \$855,305 to \$622,257;
- Operating expenses increased by 5 percent to \$22.19 per boe;
- General and administrative expenses decreased 1 percent overall and fell on a boe basis by 35 percent to \$39.63; and
- Corporate netback fell by 22 percent to \$40.71 per boe.

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.

Subsequent Events

Completion of Private Placement

On April 15, 2010 the Company completed a non-brokered private placement for gross proceeds of \$4,420,000. The private placement consisted of the issuance of 15,175,000 units (the "Units") of the Company at a price of \$0.20 per Unit, each Unit consisting of one common share and one half of a common share purchase warrant with each whole warrant being exercisable for one common share of the Company at a price of \$0.26 per share until April 15, 2012; and 6,295,455 flow through common shares at a price of \$0.22 per share. Fees associated with the private placement consisted of approximately \$35,000 in legal and regulatory expenses.

Purchase of Edelex Holding Ltd.

Effective January 1, 2010 Forent acquired Edelex Holdings Ltd. ("Edelex"), a private Canadian controlled private corporation, pursuant to the issuance of 327,771 Forent common shares to the Edelex shareholders in exchange for all of the common shares of Edelex. The purchase allocation of Edelex consisted of \$81,969 of fair valued assets and liabilities, comprised of \$49,036 in oil and gas interests and \$32,933 in net working capital. Share issue costs of \$5,000 were estimated to be incurred on the transaction and on January 1, 2010, immediately following the acquisition, Edelex amalgamated with Forent.

Financial Results – Annual Information

Production

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
			(%)			(%)
Daily Production						
Natural gas (<i>mcf/d</i>)	434.18	287.72	51	384.44	249.97	54
Crude oil and NGLs (<i>bbls/d</i>)	5.05	0.88	474	2.82	2.04	38
Boe/d	77.42	48.84	59	66.89	43.70	53
			(%)			(%)
Production Mix %						
Natural gas	93	98	(5)	96	95	1
Crude oil and NGLs	7	2	250	4	5	(20)
	100	100		100	100	

Production volumes for the year ended December 31, 2009 averaged 66.89 boe/d, a 53% increase over the 43.70 boe/d recorded during 2008. Natural gas production rose 54% to 384.44 mcf/d from 249.97 mcf/d a year ago and crude oil and natural gas liquids ("NGLs") production increased by 38% to 2.82 bbls/d from 2.04 bbls/d as compared to same period of 2008. The large production increases were primarily the result of recompletions of a number of wells and the realization of production from wells that were tied-in late 2008, with the majority of the increase for both natural gas and crude oil and NGLs coming from a recompleted well located in the Company's Ferrybank area.

In the fourth quarter of 2009 production volumes averaged 77.42 boe/d, a 59% increase over the 48.84 boe/d recorded during the same quarter in 2008. The significant increase was a result additional wells being brought online in 2009, along with the recompletion of the Ferrybank well mentioned above.

Natural gas revenue represented 96% and 95% of the Company's total sales in 2009 and 2008, respectively.

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 primarily influenced by North American supply and demand rather than global fundamentals. In 2009, the AECO natural gas price averaged \$4.21/mcf compared to \$8.70/mcf in 2008. The lower natural gas prices in 2009 compared to 2008 were a result of decreased demand, as a consequence of the North American economic slow-downs and increased supply resulting from increased North American production largely attributable to various new shale gas projects, which led to an abundant supply of natural gas throughout 2009.

Pricing

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Selling Prices						
Natural gas (\$/mcf)	4.75	7.44	(36)	4.07	8.68	(53)
Crude oil and NGLs (\$/bbl) ⁽¹⁾	45.64	67.17	(32)	49.71	82.70	(40)
Total combined (\$/boe)	29.61	45.06	(34)	25.49	53.48	(52)

(1) Combined crude oil and NGLs pricing may result in prices that are significantly different than those received for crude oil in isolation, due to NGLs being priced on a different basis than crude oil.

Average natural gas prices received by Forent decreased 53% in 2009 to \$4.07/mcf from \$8.68/mcf during 2008. Crude oil and NGLs selling prices decreased 40% to \$49.71/bbl during the year ended December 31, 2009, compared to \$82.70/bbl recorded during 2008. The significant decreases in selling prices between 2008 and 2009 for natural gas, crude oil and natural gas liquids were primarily the result of the global economic turn down in late 2008 and the resultant reduction in demand, without a corresponding decrease in supply.

In the fourth quarter of 2009 the Company's average selling price of natural gas decreased 36% to \$4.75/mcf from \$7.44/mcf during the fourth quarter of 2008. Crude oil and NGLs selling prices decreased 32% to \$45.64/bbl compared to \$67.17/bbl recorded in the fourth quarter of 2008.

Oil and Gas Revenue

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Natural gas	189,686	197,022	(4)	571,159	793,697	(28)
Crude oil and NGLs	21,223	5,441	290	51,098	61,608	(17)
Total petroleum and natural gas sales	210,909	202,463	4	622,257	855,305	(27)

The Company's gross revenue for the year ended December 31, 2009 totaled \$622,257, a decrease of 27% from the same period of 2008, when gross revenue totaled \$855,305. The 52% decrease in selling prices was partly offset by the large increases in natural gas, crude oil and NGL production volumes.

In the fourth quarter of 2009 revenues totaled \$210,909, an increase of 4% over the same quarter of 2008 when gross revenues totaled \$202,463. The modest increase was attributable to the 59% increase in combined company production which more than offset the decrease in the selling prices between the fourth quarters of 2009 and 2008.

Royalty Expense

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Royalties						
Total royalties (\$)	30,651	13,543	126	88,315	113,777	(22)
As a % of oil and gas sales	14.5%	6.7%	117	14.2%	13.3%	7
\$/boe	4.30	3.01	43	3.62	7.11	(49)

For the year ended December 31, 2009, royalty expense decreased 22% to \$88,315 from \$113,777 incurred in 2008, due to the lower overall natural gas, crude oil and NGL revenues, as compared to 2008. Royalties as a percentage of production revenue increase 7% from the previous year primarily as a result of prior year crown royalty adjustments being recorded in 2008, as the overall royalty rates between 2009 and 2008 were relatively consistent for the Company.

In the fourth quarter of 2009, royalty expense increased 126% to \$30,651 from \$13,543 recorded in the same period of 2008. The sharp increase was a result of the royalty recoveries received in 2008 related to crown adjustments of prior periods all being recorded in the fourth quarter of 2008. Upon adjusting for the impact of prior year crown royalty adjustments in the fourth quarter of 2008, the actual royalties are consistent between the periods.

Operating Expenses

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Operating expenses						
Operating expenses	128,968	75,714	70	541,868	338,711	60
Operating expenses (\$/boe)	18.11	16.85	7	22.19	21.18	5

Operating expenses increased 60% to \$541,868 in 2009 compared to \$338,711 during the year ended December 31, 2008. The increases in operating expenses were primarily attributable to the 53% increase in Company production, along with a number of workovers of wells conducted during the year. On a per boe basis, operating expenses in 2009 increased 5% over the year ended December 31, 2008. Future operating costs are expected to decrease on a per boe basis due to the increased production achieved from the wells that were worked over.

During the fourth quarter operating expenses increased 70% to \$128,968 in 2009 compared to \$75,714 in the same period of 2008. The increased operating expense was predominantly due to the Company's highest producing well in the Ferrybank area not being in production during the fourth quarter of 2008 and on stream in the fourth quarter 2009, thereby adding additional production costs between the periods.

General and Administrative ("G&A") Expenses

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Gross expenses	302,644	427,685	(29)	1,120,289	1,070,767	5
Overhead recoveries	(61,172)	(28,798)	112	(152,756)	(88,972)	72
G&A expenses	241,472	398,887	(39)	967,533	981,795	(1)
\$/boe	33.90	88.78	(62)	39.63	61.39	(35)

During the year ended December 31, 2009, general and administrative expenses decreased 1% to \$967,533 from \$981,795 in the same period of 2008. The general and administrative expenses remained relatively stable between the periods of 2009 and 2008, as the Company continued its efforts of exploration in Nova Scotia and development in Alberta.

In the fourth quarter of 2009, general and administrative expenses decreased 39% to \$241,472 from \$398,887 in the same period of 2008. The decrease was primarily a result of Forent becoming a publicly listed company in the fourth quarter of 2008 that resulted in significant initial public company costs associated with the reverse take-over of a public company.

The overhead recoveries from partners, related to Forent operated projects, increased considerably to \$152,756 in the 12 months ended December 31, 2009, compared to \$88,972 in the same period of 2008. The increase was a result of additional Huxley operator charges being realized on operations. Overhead recoveries from partners are earned primarily on the Huxley area wells and gas plant and gas gathering system that the Company operates, along with operated capital projects.

Stock Based Compensation

Stock-based compensation expense decreased 15% to \$376,936 in 2009 from \$441,196 in 2008 due to a lower amortization base due to a number of option cancellations and option tranches being fully vested in the fourth quarter of 2009. The total amount of options outstanding at December 31, 2009 is 4,841,110 with a weighted average exercise price of \$0.47 and life of 3.43 years.

Interest Income and Expense

Interest and other income during the year ended December 31, 2009 totaled \$11,612 compared to \$46,923 earned in 2008. The decrease was a result of the lower interest rate environment in 2009 relative to 2008, in conjunction with the lower average term deposit balance in 2009 as compared to 2008.

Interest expense and financing fees for the year ended December 31, 2009 was \$23,720 versus \$65,057 recorded in the same period of 2008. The decrease was a result of an over estimation of Part XII.6 tax recorded in 2008 relative to the actual tax incurred along with a reduction in the average interest rate between the periods. The Part XII.6 tax was calculated based on the outstanding balance of cumulative exploration expenditures ("CEE") related to the Company's 2008 flow-through share issuance during 2009. The CEE related to the 2008 flow-through share issuance was fully expended as at the year ended December 31, 2009.

Operating Netbacks per boe

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Sales price	29.61	45.06	(34)	25.49	53.48	(52)
Royalties	(4.30)	(3.01)	43	(3.62)	(7.11)	(49)
Operating	(18.11)	(16.85)	7	(22.19)	(21.18)	5
Operating netback	7.20	25.20	(71)	(0.32)	25.19	(101)
G&A (net of non-cash items)	(33.90)	(88.78)	(62)	(39.63)	(61.39)	(35)
Interest and other (net of non-cash items)	(1.89)	1.18	(260)	(0.76)	2.93	(126)
Corporate netback	(28.59)	(62.40)	(54)	(40.71)	(33.27)	22

During the year ended December 31, 2009 the Company's operating netback declined 101% to negative \$0.32/boe from \$25.19/boe recorded in 2008. During the three months ended December 31, 2009 the operating netback declined 71% to \$7.20/boe from \$25.20/boe recorded in same period of 2008. The decrease in operating netbacks in both periods of comparison was primarily attributed to the substantial reduction in the commodity selling prices per boe of natural gas, crude oil and NGLs between the 2009 and 2008 periods.

On a corporate netback basis, the deficit in netback funds flow increased 22% to negative \$40.71/boe during the year ended December 31, 2009, from a negative netback of \$33.27/boe in the same period of 2008. The increased corporate netback deficit was a consequence of the lower operating netback during 2009 that was partially offset by a reduction of general and administrative expense on a per boe basis. During the fourth quarter of 2009 the Company's corporate netback deficit decreased 54% to a deficit of \$28.59/boe from a deficit of \$62.40/boe in the fourth quarter of 2008. The improvement of the corporate netback deficit in the three month period was a result of decreased general and administrative costs per boe that were partially offset by lower petroleum selling prices.

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

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Depreciation, Depletion and Amortization						
DD&A provision	336,410	155,659	116	941,096	296,105	218
DD&A provision (\$/boe)	47.23	34.64	36	38.55	18.51	108

The DD&A provision in 2009 increased 218% to \$941,096 from \$296,105 during the year ended December 31, 2008, due to the 53% increase in production combined with an impairment write-down of oil and gas assets recorded in 2009. On a per boe basis, the DD&A provision increased 108% during the year ended December 31, 2009, to \$38.55/boe from \$18.51/boe in the same period of 2008, as a result of the increased 2009 production and the impairment write-down of oil and gas assets indicated above.

In the fourth quarter of 2009 the Company recorded a \$336,410 DD&A provision that was an increase of 116% over the \$155,659 DD&A provision in the same period of 2008. The increase was primarily attributable to the 59% increase in production volumes in the fourth quarter of 2009 over the fourth quarter of 2008 coupled with the impairment valuation write-down recorded in the fourth quarter of 2009.

The Company incurred a ceiling test write-down of \$106,621 million related to oil and gas assets subject to the impairment test that has been included in the DD&A provision.

Income Taxes

For the year ended December 31, 2009 there was a future income tax recovery of \$682,629 recorded in the period, compared to an expense of \$132,207 recorded in the same period of 2008. The changes in this non-cash item are due to the anticipated future tax effect of the period's activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period. The future income tax recovery in 2009, compared to an expense in 2008 was primarily a result of the increased DD&A recorded in 2009 along with a projected increase in the future income tax rate as the company continues its exploration and development in the marginally higher corporate tax rate region of Nova Scotia.

As at December 31, 2009, the Company had approximately \$5.8 million in tax pools available to shelter taxable income in future years. Of the \$5.8 million in tax pools available the Company is planning to deduct \$1.7 million in the first quarter of 2010 related to the 2009 flow-through share issuance.

Funds from Operations

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Cash flow (used in) from operating activities (per GAAP)	140,292	43,425	223	(850,039)	422,335	(301)
Change in non-cash working capital	(298,149)	(327,657)	(9)	(132,278)	(1,019,447)	(87)
Funds used in operations	(157,857)	(284,232)	(44)	(982,317)	(597,112)	65

The Company determines funds from operations as cash provided from operations before changes in non-cash operating working capital.

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds used in operations	(157,857)	(284,232)	(44)	(982,317)	(597,112)	65
Per share basic & diluted	-	(0.01)	(100)	(0.02)	(0.01)	100

Funds used in operations was \$982,317 (\$0.02 per basic and diluted share) for the year ended December 31, 2009 versus funds used in operations of \$597,112 (\$0.01 per basic and diluted share) in 2008. The year to year increase in the funds used in operations was primarily a result of the significantly lower contribution from commodity revenues realized in 2009 due to decreased selling prices of natural gas.

In the three months ended December 31, 2009, the funds used in operations decreased to \$157,857 (\$nil per basic and diluted share) from \$284,232 (\$0.01 per basic and diluted share) used in the same period of 2008. The fourth quarter decrease was related to the significant general and administration costs recorded in the 2008 period related to the additional costs of becoming a public entity.

Net loss

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Net loss	(349,768)	(589,510)	(41)	(1,617,720)	(1,466,620)	10
Per share basic & diluted	(0.01)	(0.01)	-	(0.03)	(0.03)	-

During 2009, the Company recorded a net loss of \$1,617,720 (\$0.03 per basic and diluted share) compared to a net loss of \$1,466,620 (\$0.03 per basic and diluted share) in the same period of 2008. The increase in the loss was primarily attributed to the increase in the non-cash item of depletion, along with lower commodity prices received in 2009 in comparison to 2008.

In the fourth quarter of 2009 a net loss of \$349,768 (\$0.01 per basic and diluted share) was recorded compared to a net loss of \$589,510 (\$0.01 per basic and diluted share) in same period of 2008. The decrease in the loss in the fourth quarter was primarily related to the increased future income tax recovery and decrease in the stock based compensation expense that was partly offset by the increased depletion expense.

Capital Expenditures

Capital expenditures made during the years ended December 31, 2009 and 2008 are summarized in the following table and do not include non-cash transactions:

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Land	223,593	30,569	631	306,205	38,155	703
Geological and geophysical	98,979	366,958	(73)	334,045	1,213,318	(72)
Drilling and completions	1,126,516	795,257	42	1,404,949	1,590,521	(12)
Facilities and equipment	(18,194)	94,311	(119)	41,356	204,277	(80)
Property acquisitions	275,935	-	-	276,935	-	-
Property dispositions	(612)	-	-	(20,092)	-	-
Other	-	485	(100)	605	46,896	(99)
Total capital expenditures	1,706,217	1,287,580	33	2,344,003	3,093,167	(24)

During 2009, the Company spent \$2,344,003 on exploration and development activities and other items compared to \$3,093,167 in 2008. Land purchases were \$306,205 in 2009, which primarily included the purchase of the Company's Saskatchewan property as well as capitalized lease rentals on the Nova Scotia exploration blocks. The Company's 2009 geological and geophysical expenditures of \$334,045 mainly included capitalized consulting fees to further assess the exploration and development potential of the Alton and Beech Hill Blocks in Nova Scotia.

During the year, the Company drilled 4 gross (2.1 net) wells (2008 - 6 gross (1.5 net)), spending a total of \$1,404,949 on drilling and completions within the Alberta project areas of Provost, Roxanna and Richdale. Equipment and facilities expenditures totaled \$41,356 to tie-in a number of wells and re-equip some wells to optimize production.

In addition, the Company acquired all of the joint petroleum assets of a joint venture partner along with other minor interests for \$276,935. This acquisition gave Forent a 100% interest in its Ferrybank 8-32 well. During the year ended December 31, 2009 the Company disposed of \$20,092 of oil and gas properties.

Liquidity and Capital Resources

	3 months ended December 31, 2009	3 months ended December 31, 2008	Change	12 months ended December 31, 2009	12 months ended December 31, 2008	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Working capital, beginning of year	259,164	3,109,184	(92)	1,721,410	1,916,947	(10)
Funds from operations	(157,857)	(284,232)	(44)	(982,317)	(597,112)	65
Issue of capital stock (net)	2,787,835	684,038	308	2,787,835	3,994,742	(30)
Long-term debt	-	(500,000)	(100)	-	(500,000)	(100)
Capital expenditures (net)	(1,706,217)	(1,287,580)	33	(2,344,003)	(3,093,167)	(24)
Working capital, end of year	1,182,925	1,721,410	(31)	1,182,925	1,721,410	(31)

Forent opened 2009 with a working capital surplus of \$1.7 million. The change in the Company's net working capital resulted from negative funds from operations of \$1.0 million, net equity of \$2.8 million raised in the October 2009 brokered private placement, net capital expenditures totaling \$2.3 million, thereby leaving the Company with a working capital surplus of \$1.2 million at December 31, 2009.

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 December 31, 2009 approximately \$0.7 million of this commitment has been fulfilled. Additional capital expenditures may be made if funds are available to develop various oil focused, low risk projects in western Canada. The Company intends to raise new capital or utilize other alternative means such as joint venturing to meet the stated Nova Scotia 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 October 28, 2009, the Company committed to renounce a total of \$1.7 million of eligible exploration expenditures. As at December 31, 2009, Forent had incurred \$0.6 million of the exploration expenditures eligible for renouncement with \$1.1 million remaining to be spent in 2010. The company intends to satisfy the remaining flow-through share obligations in 2010 with the combination of its positive working capital, cash flow from operations and possibly raising additional funds through capital markets.

Share Capital

On October 28, 2009 the Company completed a brokered private placement for gross proceeds of \$3,206,610. The private placement consisted of 10,223,799 units of the Company at a price of \$0.15 per unit, consisting of one common share in and one half a common share purchase warrant with each whole warrant being exercisable for one common share of the Company at a price of \$0.17 per share until April 28, 2011; and 9,841,411 flow through common shares at a price of \$0.17 per share. Gross fees associated with the private placement were \$568,470, consisting of \$98,114 in legal and regulatory expenses, in conjunction with underwriter fees of \$320,661 in cash and the issuance of 2,006,521 broker warrants that were fair valued at \$149,695 and exercisable for one common share at a price of \$0.17 per share expiring on April 28, 2011. The future income tax benefit associated with the share issue costs was \$163,037, resulting in net share issuance costs of \$405,433.

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, 2009 and 2008	2009	2008
	(#)	(#)
Common Shares		
Balance – beginning of year	49,872,476	20,288,700
Stock split	-	-
Private placements	20,065,210	3,048,700
Cancelled pursuant to reverse takeover	-	(23,337,400)
Re-issued pursuant to reverse takeover	-	47,539,146
Issued pursuant to reverse takeover, to Seriatim Ventures Inc.	-	2,333,330
Balance – end of year	69,937,686	49,872,476
Weighted Average Common Shares Outstanding⁽¹⁾		
Basic	53,390,759	43,628,055
Diluted	53,390,759	43,628,055
Share Purchase Warrants		
Balance – beginning of year	1,777,956	4,122,650
Issue of warrants	5,111,900	304,870
Issue of broker warrants	2,006,521	175,300
Expiry of warrants	(978,122)	-
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	7,918,255	1,777,956
Stock Options		
Balance – beginning of year	7,070,554	1,880,000
Expired	(183,332)	(10,000)
Cancelled	(2,811,112)	(1,870,000)
Granted	765,000	-
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	4,841,110	7,070,554

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

Quarterly and Annual Data

	Three months ended Mar. 31, 2009	Three months ended Jun. 30, 2009	Three months ended Sep. 30, 2009	Three months ended Dec. 31, 2009	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	173,164	140,004	98,180	210,909	622,257
Funds from (used in) operations ⁽¹⁾	(259,801)	(235,494)	(329,165)	(157,857)	(982,317)
Per share – basic and diluted ⁽²⁾	(0.01)	-	(0.01)	-	(0.02)
Net loss	(394,703)	(412,331)	(460,918)	(349,768)	(1,617,720)
Per share – basic and diluted ⁽²⁾	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Capital expenditures	259,889	109,780	268,117	1,706,217	2,344,003
Bank debt and working capital	1,201,720	856,446	259,164	1,182,925	1,182,925
Shareholders' equity	6,681,797	6,374,022	6,002,434	8,690,124	8,690,124
Average daily production					
Natural gas (mcf/d)	360.12	374.55	368.25	434.18	384.44
Crude oil and NGLs (bbls/d)	1.00	2.67	2.50	5.05	2.82
Total (boe/d)	61.02	65.10	63.88	77.42	66.89

	Three months ended Mar. 31, 2009	Three months ended Jun. 30, 2009	Three months ended Sep. 30, 2009	Three months ended Dec. 31, 2009	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	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

(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, 2009, the Company had the following related party transactions.

The Company incurred \$120,000 (2008 - \$120,000) of management and administrative costs from a company controlled by the majority shareholder during the year ended December 31, 2009. As at December 31, 2009, there was an outstanding balance of \$10,500 (2008 - \$10,500) to the related company.

During the year ended December 31, 2009, the Company incurred \$153,432 (2008 – \$98,009) of net operating costs relating to pipeline and facility rental fees from a company controlled by the majority shareholder. As at December 31, 2009, there was an outstanding balance of \$18,723 (2008 - \$20,733) 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% working interest. As such, 80% 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 that the majority shareholder had an interest in has a working interest in some of the wells that the Company operates. As at December 31, 2009, there was an outstanding balance due the related party of \$22,079 (2008 – \$18,546). Subsequent to December 31, 2009 the Company acquired the related party for shares of Forent, see subsequent event note.

During the year ended December 31, 2009 the Company incurred \$63,226 (2008 - \$127,364), for legal services with a law firm of which a board member is a partner. As at December 31, 2009, there was an outstanding balance due the related party of \$7,737 (2008 – \$99,333).

During the year ended December 31, 2009 a company that an officer and director has an interest in, was paid a total of \$120,000 (2008 – \$56,595), for the provision of administrative services. As at December 31, 2009, there was an outstanding balance of \$10,500 (2008 – \$10,500) 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, 2009.

Contractual Obligations

The commitment made by Forent on the Beech Hill Block is 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.

The Company is 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 Alton Block.

On October 30, 2009, the Company issued flow-through shares requiring that \$1,673,040 in qualifying exploration expenditures be expended by December 31, 2010. As at December 31, 2009 the Company has incurred approximately \$0.6 million of qualifying expenditures, with approximately \$1.1 million remaining to be spent by December 31, 2010.

In connection with the private placement on August 19, 2008, the Company issued flow-through shares requiring that \$3,506,005 in qualifying exploration expenditures be expended by December 31, 2009. As at December 31, 2009 the Company had incurred the full amount of the qualifying expenditures.

The Company does not have any outstanding risk management policies as at the year ended December 31, 2009.

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. As at December 31, 2009 the Company had no derivative instruments to hedge its commodity price, foreign currency exchange or interest rate risks in place. The Company may enter into such risk management contracts from time to time as appropriate.

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

Effective January 1, 2009 the Company adopted the CICA Handbook Section 3064, *“Goodwill and 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 adoption of this revised standard had no material impact on Forent’s financial statements.

Effective January 20, 2009 the Company adopted the CICA Emerging Issues Committee (“EIC”) - 173, *“Credit risk and the fair value of financial assets and financial liabilities”*. The new pronouncement considers whether an entity’s own credit risk and the credit risk of the counter-party should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of this revised standard resulted in additional disclosures within Forent’s financial statements.

On July 1, 2009, CICA Handbook Section 3855, *“Financial Instruments”* was amended as follows: i) change the categories into which a debt instrument is required or permitted to be classified; ii) change the impairment model for held-to-maturity financial assets to the incurred credit loss model of CICA 3025; and (iii) require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The adoption of this amended standard had no material impact on Forent’s financial statements.

Effective December 31, 2009 the Company adopted the amended CICA Handbook Section 3862, *“Financial Instruments - Disclosures”*. The amended section incorporates additional disclosure requirements about the fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The adoption of this revised standard resulted in additional disclosures within Forent’s financial statements.

Recent Accounting Pronouncements

In February 2008 the CICA Accounting Standards Board (“AcSB”) confirmed 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, with comparative information for the previous fiscal year. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Company’s financial statements is not reasonably determinable at this time.

The CICA issued Handbook Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of the revised standard is expected to impact the Company’s financial statements only to the extent that business combinations are entered into after the effective date.

"Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. It is not anticipated that the adoption of this standard will have a material impact on the Company’s financial statements.

"Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. It is not anticipated that the adoption of this standard will have a material impact on the Company’s Consolidated Financial Statements.

International Financial Reporting Standards

In 2011, IFRS will replace Canadian GAAP for profit oriented Canadian publicly accountable enterprises. Forent will be required to report its results in accordance with IFRS beginning with the three month period ending March 31, 2011.

Forent's Transition Plan

The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information for 2010. The key elements of the Company's changeover plan include the following:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements; and
- educate and train internal and external stakeholders.

IFRS accounting Policies

The Company has completed its analysis of accounting policy alternatives and determined the areas that will be most significantly affected by the adoption of IFRS. The areas identified as being significant have the greatest potential impact on Forent's financial statements or the greatest risk in terms of complexity to implement. The most significant areas include the following:

- Upstream Property, Plant and Equipment ("PP&E"), including:
 - i. transition on date of adoption to IFRS,
 - ii. pre-exploration costs,
 - iii. DD&A, and
 - iv. Gains and losses on divestitures;
- Impairment testing;
- Asset retirement obligations;
- Stock based compensation; and
- Income taxes.

Design and Evaluation of Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

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 evaluated the Company's internal control over financial reporting as of December 31, 2009 and has certified that the controls over financial reporting are effective.

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, 2009, 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.

Despite the CEO and CFO certifying that the Company's internal controls over financial reporting and disclosure controls and procedures are effective to provide a reasonable level of assurance, they are not able to conclude that the 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.

CORPORATE INFORMATION

DIRECTORS

Dennis Forgeron
Thomas E. Lester*
Douglas Porter*
Scott Reeves
Wayne Rousch*
Ian Shook
W. Brett Wilson
**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