

**Forent Energy Ltd  
Restated Financial Statements  
For the Nine Months Ended  
September 30, 2008**

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**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial Statements for the period ended September 30, 2008**

**FORENT ENERGY LTD.**  
**Restated Interim Balance Sheets**  
**(unaudited)**

	September 30, 2008 (\$)	December 31, 2007 (\$)
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	3,498,031	1,480,716
Accounts receivable	833,463	1,995,024
Prepays and other assets	199,784	64,508
	<u>4,531,278</u>	<u>3,540,248</u>
Property, plant and equipment (note 5)	5,999,001	4,276,422
	<u>10,530,279</u>	<u>7,816,670</u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	1,422,094	1,593,650
Shareholder loan	-	29,651
	<u>1,422,094</u>	<u>1,623,301</u>
Long-term debt (note 6)	500,000	500,000
Asset retirement obligation (note 7)	287,789	230,351
Future tax liability	784,375	-
	<u>2,994,258</u>	<u>2,353,652</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8b)	8,053,583	5,320,641
Warrants (note 8c)	326,446	182,716
Contributed surplus	233,715	160,274
Retained earnings (deficit)	(1,077,723)	(200,613)
	<u>7,536,021</u>	<u>5,463,018</u>
	<u>10,530,279</u>	<u>7,816,670</u>
Commitments (note 12)		
Subsequent event (note 13)		

(signed) "Dennis Forgeron" Director

(signed) "Thomas Lester" Director

*See accompanying notes to financial statements*

**FORENT ENERGY LTD.**  
**Restated Statement of Loss, Comprehensive Loss and Deficit**  
**(unaudited)**

	Three months ended September 30, 2008 (\$)	Three months ended September 30, 2007 (\$)	Nine months ended September 30, 2008 (\$)	Eight months ended September 30, 2007 (\$)
<b>REVENUE</b>				
Oil and natural gas income	152,787	135,665	652,842	373,705
Royalties	(26,449)	(29,066)	(100,234)	(46,935)
Interest income	14,299	-	41,636	-
	<b>140,637</b>	106,599	<b>594,244</b>	326,770
<b>EXPENSES</b>				
Operating and production	84,210	73,029	262,997	145,751
General and administrative	190,336	120,179	582,908	264,687
Interest expense	14,004	12,610	61,219	31,651
Stock based compensation (note 8d)	28,676	-	73,441	-
Depletion, depreciation and accretion	43,030	43,824	140,446	81,571
	<b>360,256</b>	249,642	<b>1,121,011</b>	523,660
<b>LOSS BEFORE INCOME TAXES</b>	<b>(219,619)</b>	(143,043)	<b>(526,767)</b>	(196,890)
Future income tax expense	(465,237)	0	(350,343)	-
<b>NET LOSS and COMPREHENSIVE LOSS</b>	<b>(684,856)</b>	(143,043)	<b>(877,110)</b>	(196,890)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(392,867)</b>	274,296	<b>(200,613)</b>	328,143
<b>DEFICIT, END OF PERIOD</b>	<b>(1,077,723)</b>	131,253	<b>(1,077,723)</b>	131,253
NET LOSS PER SHARE (note 8) – basic and diluted	(\$0.03)	(\$0.01)	(\$0.04)	(\$0.01)

See accompanying notes to financial statements

**FORENT ENERGY LTD.**  
**Restated Statement of Cash Flows**  
**(unaudited)**

	<b>Three months ended September 30, 2008 (\$)</b>	<b>Three months ended September 30, 2007 (\$)</b>	<b>Nine months ended September 30, 2008 (\$)</b>	<b>Eight months ended September 30, 2007 (\$)</b>
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING</b>				
Net loss	(684,856)	(143,043)	(877,110)	(196,890)
Add items not affecting cash				
Stock based compensation	28,676	-	73,441	-
Depletion, depreciation and accretion	43,030	43,824	140,446	81,571
Future income tax expense	465,237	-	350,343	-
	(147,913)	(99,219)	(312,880)	(115,319)
Change in non-cash working capital	299,694	495,188	691,790	(584,825)
	151,781	395,969	378,910	(700,144)
<b>FINANCING</b>				
Issue of common shares and warrants	3,562,105	4,908,777	3,562,105	5,908,777
Share issue costs	(251,401)	(427,114)	(251,401)	(427,114)
Long-term debt	-	-	-	500,000
Shareholder loan	(29,651)	-	(29,651)	-
	3,281,053	4,481,663	3,281,053	5,981,663
<b>INVESTING</b>				
Acquisition of property, plant and equipment	(1,303,852)	(3,041,670)	(1,805,587)	(3,378,066)
Change in non-cash working capital	(523,762)	1,166,303	162,939	1,220,932
	(1,827,614)	(1,875,367)	(1,642,648)	(2,157,134)
<b>CASH INFLOW</b>	1,605,220	3,002,265	2,017,315	3,124,385
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,892,811	122,120	1,480,716	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	3,498,031	3,124,385	3,498,031	3,124,385
CASH INTEREST PAID	11,348	12,610	38,563	31,651

See accompanying notes to financial statements

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

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**1. NATURE OF OPERATIONS**

Forent Energy Ltd. (the "Company" or "Forent") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on April 6, 1999 and is engaged in the exploration, development and production of petroleum and natural gas reserves in Nova Scotia and Western Canada.

**2. BASIS OF PRESENTATION**

The interim financial statements for the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), using the same accounting policies as the financial statements for the eleven month period ended December 31, 2007, except as disclosed below. The disclosures provided herein are incremental to, and should be read in conjunction with those eleven month period ended December 31, 2007, financial statements and notes.

**3. RESTATEMENTS**

The Company has re-filed its interim financial statements for the third quarter of 2008 in order to correct a transposition error in the amounts indicated for depletion, depreciation and amortization ("DD&A") and stock based compensation ("SBC") in the three and nine month periods ended September 30, 2008 on the Statement of Loss, Comprehensive Loss and Deficit. In addition and, amendments were made to correctly reflect the period allocations for DD&A and SBC in the three and eight month periods ended September 30, 2007 ~~on both the~~ the Statement of Loss, Comprehensive Loss and Deficit and, as well as the Statement of Cash Flows. The original third quarter 2008 Statement of Loss, Comprehensive Loss and Deficit had the DD&A and SBC figures inversed for the three and nine month periods ended September 30, 2008 with no net effect on net income. The quarterly information for 2007 was revised to reflect results of the annual audit conducted for the year ended December 31, 2008. In the three months ended September 30, 2007 DD&A decreased \$69,017 from \$112,842 to \$43,824. In the eight months ended September 30, 2007 DD&A decreased \$37,314 from \$118,885 to \$81,571 and stock based compensation decreased from \$20,694 to \$nil in the same period.

**4. SIGNIFICANT ACCOUNTING POLICIES**

As disclosed in the December 31, 2007 annual audited financial statements, the Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards: "Capital Disclosures," "Financial Instruments – Disclosure" and "Financial Instruments – Presentation". These standards have been adopted for the Company's interim and annual reporting periods commencing January 1, 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 8).

"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 (see note 9).

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

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent Accounting Pronouncements**

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. 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 Company is assessing the potential impact of this changeover and developing its plan accordingly.

**5. PROPERTY, PLANT & EQUIPMENT**

	Cost	Accumulated Depletion and Depreciation	Net Book Value
	\$	\$	\$
<b>September 30, 2008</b>			
Petroleum and natural gas properties and equipment	6,357,457	417,253	5,940,204
Other	80,591	21,794	58,797
	<b>6,438,048</b>	<b>439,047</b>	<b>5,999,001</b>
<b>December 31, 2007</b>			
Petroleum and natural gas properties and equipment	4,547,275	292,965	4,254,310
Other	35,487	13,375	22,112
	<b>4,582,762</b>	<b>306,340</b>	<b>4,276,422</b>

As of September 30, 2008, the cost of petroleum and natural gas properties includes \$1.4 million (December 31, 2007 - \$0.1) relating to costs of unproved properties which have been excluded from costs subject to depletion and depreciation. Future development costs on proved undeveloped reserves of \$3.1 million (December 31, 2007 - \$3.3 million) are included in the depletion calculation.

**6. LONG-TERM DEBT**

Long-term debt consists of a promissory note in the amount of \$500,000 established on February 12, 2007 and maturing on January 22, 2010. The note bears interest at 10% per annum with the interest payable monthly. In addition, the Company was obligated to and has provided a gross overriding royalty equal to 7.5% on the sales proceeds relating to a reactivated well and a 5% gross overriding royalty on a well drilled in 2007. Under the terms of the note, the Company is required to meet certain financial and other reporting requirements, which have been discharged. The note is secured by a general security agreement constituting a first ranking security interest in all personal property and real property of the Company as well as a debenture in the amount of \$1,000,000. In addition a personal guarantee from an officer who is also a director of the Company in the amount of \$500,000 was given.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

Subsequent to September 30, 2008, the Company repaid the promissory note of \$500,000 thereby extinguishing the debt and removing the related gross overriding royalty obligations.

**7. ASSET RETIREMENT OBLIGATION**

The future asset retirement obligations result from net ownership interests in petroleum and natural gas assets, including wellsites, gathering systems and processing facilities. As at September 30, 2008, the Company has estimated the total undiscounted asset retirement obligation as \$476,063 (December 31, 2007 - \$429,063) to be incurred over the next 51 years. The Company used a credit adjusted risk free rate of 7.5% (December 31, 2007 – 7.5%) and an estimated inflation rate of 2.5% (December 31, 2007 – 2.5%) to calculate the present value of the asset retirement obligation.

The changes to the asset retirement obligation for the period are as follows:

	September 30, 2008	December 31, 2007
	(\$)	(\$)
Asset retirement obligation, beginning of period	230,351	123,919
Liabilities incurred	51,006	116,618
Revision in cost estimate	-	(18,496)
Accretion	6,432	8,310
Asset retirement obligation, end of period	287,789	230,351

**8 SHARE CAPITAL**

- (a) Authorized  
 Unlimited number of voting Class A common shares  
 Unlimited number of preferred shares, of which none have been issued.

- (b) Issued and Outstanding

As at	September 30, 2008		December 31, 2007	
	Shares	Amount	Shares	Amount
	(#)	(\$)	(#)	(\$)
<b>Common shares</b>				
Balance, beginning of period	20,288,700	5,320,641	100	1,000
Stock split	-	-	14,999,900	-
Issued pursuant to private placement	-	-	2,235,000	2,235,000
Issued pursuant to flow-through share offering	3,048,700	3,418,375	3,053,700	3,511,755
Tax effect of flow-through share renunciation	-	(491,641)	-	-
Share issue costs	-	(251,400)	-	(427,114)
Tax benefit of share issue costs	-	57,608	-	-
Balance, end of period	23,337,400	8,053,583	20,288,700	5,320,641

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

**8. SHARE CAPITAL (continued)**

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. Each unit consisted of one common share to be issued on a flow-through basis, one-tenth of a common share purchase warrant and one liquidity warrant that will convert into one tenth of a common share should the company not become a public company by year end. Each whole common share purchase warrant may be exercised to acquire one common share of the Company at a price of \$1.10 for a period of 12 months from the date of the listing of the Company on a recognized Canadian stock exchange. The common shares issued on August 19, 2008, included a price protection provision that requires the Company to equalize the number of shares issued upon the Company issuing new shares on or prior to December 31, 2008, if the new share issuance price is below \$1.10 for each regular common share and \$1.15 per flow-through share. In addition, the purchasers of the common shares were granted a right of first refusal to purchase their pro rata share (based on its percentage of outstanding common shares of the Company, calculated on a post-investment, as-converted and voting basis) of any equity securities offered by the Company on the same price and terms and conditions as the Company offers such securities to others at any time prior to December 31, 2009.

In connection with the offering on August 19, 2008, the 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.

On September 17, 2007, the Company completed a private placement totaling 2,235,000 common shares at a price of \$1.00 per common share for gross proceeds of \$2,235,000 and 3,053,700 flow-through common shares at a price of \$1.15 for gross proceeds of \$3,511,755.

On May 31, 2007, Forent Energy Ltd. conducted a 150,000 to 1 stock split whereas the shareholders of record on May 31, 2007 received 150,000 new shares for every common share held.

On April 6, 1999, 100 common shares were issued at \$10 per common share to the sole shareholder of the Company.

(c) Share Purchase Warrants

As at	September 30, 2008			December 31, 2007		
	Shares	Amount	Weighted Average Exercise Price	Shares	Amount	Weighted Average Exercise Price
	(#)	(\$)	(\$)	(#)	(\$)	(\$)
<b>Warrants</b>						
Balance – beginning of period	4,122,250	182,716	1.68	-	-	-
Issue of warrants	304,870	87,630	1.1	108,000	20,694	1.00
Broker warrants	175,300	56,100	1.1	284,250	162,022	1.00
Performance warrants	-	-	-	3,730,000	-	1.75
Balance – end of period	4,602,420	326,446	1.61	4,122,250	182,716	1.68

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.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

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**8. SHARE CAPITAL (continued)**

Each unit consisted of one common share to be issued on a flow-through basis, one-tenth of a common share purchase warrant and one liquidity warrant that may be converted into one tenth of a common share should the company not become a public company by year end. Each whole common share purchase warrant may be exercised to acquire one common share of the Company at a price of \$1.10 for a period of 12 months from the date of listing the Company on a recognized Canadian stock exchange.

The liquidity warrants have not been recognized in the financial statements as the issuance of the warrants are contingent upon the Company not becoming publicly traded by December 31, 2008. These warrants will be issued and recognized in the financial statements if the terms of the agreement are not met by year end.

In connection with the offering, the 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.

On October 17, 2007 the Company issued 108,000 common share purchase warrants to early close investors whereby each whole warrant may be exercised to acquire one common share of the Company at a price of \$1.00 until August 31, 2012. The fair value for warrants granted was determined to be \$20,694 as estimated by the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 85%; risk-free interest rate 4.35%; and an expected life of 4.87 years.

In conjunction with the private placement on September 17, 2007, the agents were issued broker warrants to purchase 284,250 common shares of the Company at a price of \$1.00 per common share until August 10, 2010. The fair value assigned to these warrants was calculated using the Black-Scholes option pricing model with the following assumptions: dividends 0%, expected volatility 85%, risk-free interest rate 4.35% and an expected maturity date of 3 years. The fair value was determined to be \$162,022 and this was charged to cost of issue.

On October 17, 2007 the Company issued 3,730,000 performance warrants to employees and directors, whereby each warrant may be exercised to acquire one common share of the Company at a price of \$1.25 per share (if exercised prior to May 31, 2008), \$1.75 per share (if exercised after May 31, 2008 and prior to November 30, 2008) or \$2.25 per share (if exercised after November 30, 2008 and prior to the Expiry Date). These warrants expire on November 30, 2012. The performance warrants vesting provisions are as follows:

- (1) 20% of Performance Warrants vest on drilling the first earning well to agreed depth on or before agreed date and earning some of the land position in the Nova Scotia lands as defined by the "Farmout and Option Agreement" with EOG and another industry partner;
- (2) 10% of Performance Warrants vest on successfully evaluating target formations within the Stewiacke Salt and within the Gays River (as defined in Article 4 of the Farmout and Option Agreement mentioned above);
- (3) 20% of Performance Warrants vest on execution of seismic and or on drilling the option well off of the existing 3D seismic program to agreed depth and earning of additional Nova Scotia lands (as defined in Article 5 of the Farmout and Option Agreement mentioned above);
- (4) 15% of Performance Warrants vest on Forent production reaching 500 boed (6:1 gas/oil ratio) exit volume in any quarter; and

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

**8. SHARE CAPITAL (continued)**

- (5) the remainder vest on Forent production reaching 1000 boed (6:1 gas/oil ratio) exit volume in any quarter, (collectively, the "Performance Warrant Vesting Schedule").

During the year ended December 31, 2007, the Company achieved the performance criteria (1) and (2) as noted above. No warrants were exercised during the period.

These performance warrants have an estimated value of \$nil. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 0%; risk-free interest rate 4.35%; and an expected life of 5 years.

Subsequent to the nine-months ended September 30, 2008, the Company cancelled the performance warrant plan. The performance warrant plan was replaced with the issuance of Company stock options, see Note 7(d).

(d) Stock options

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such a purpose, may from time to time grant to employees, officers, directors or, consultants of the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committees.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

Options granted under the plan generally have a 5 year term and vest as determined by the Board of Directors. The exercise price of each option equals the market value of the Company's common shares at the date of grant.

	<b>September 30, 2008</b>		December 31, 2007	
	<b>Number of</b>	<b>Weighted</b>		<b>Weighted</b>
	<b>Options</b>	<b>Average</b>	<b>Number of</b>	<b>Average</b>
		<b>Exercise</b>	<b>Options</b>	<b>Exercise</b>
	<b>(#)</b>	<b>Price</b>	<b>(#)</b>	<b>Price</b>
	<b>(#)</b>	<b>(\$)</b>	<b>(#)</b>	<b>(\$)</b>
Outstanding, beginning of period	<b>1,880,000</b>	<b>1.00</b>	-	-
Granted	-	-	1,880,000	1.00
Outstanding, end of period	<b>1,880,000</b>	<b>1.00</b>	1,880,000	1.00

As at September 30, 2008, the weighted average remaining life of the options outstanding was 4.05 years (December 31, 2007 – 4.90 years).

As at September 30, 2008, 1,880,000 options were exercisable at \$1.00 per share with a weighted average exercise price of \$1.00 per share (December 31, 2007 – \$1.00 per share).

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
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**8. SHARE CAPITAL (continued)**

Exercise Price	Number Outstanding (#)	Weighted Average Remaining Life (years)	Number of Options Exercisable (#)
As at September 30, 2008			
\$1.00	<b>1,880,000</b>	<b>4.05</b>	<b>626,667</b>

The Company accounts for its stock-based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for stock options and share purchase warrants granted to employees, officers, directors and other service providers. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather the Company accounts for actual forfeitures as they occur.

The fair value of stock options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

Fair value of options per unit	\$0.196
Risk free interest rate (%)	4.35%
Expected life (years)	5 years
Expected volatility (%)	1%
Dividend per share	\$0.00

Subsequent to the nine months ended September 30, 2008, the Company issued 1,600,000 stock options to certain employees, directors and consultants, as a result of the cancellation of the performance warrants. The stock options have a life of 5 years and one third shall vest on the date of grant and one third of the total options shall vest on each of the first and second anniversary dates from the date of grant.

In connection with the stock options issued subsequent to the nine months ended September 30, 2008, the Company calculates the fair value of the stock options granted using the Black-Scholes option pricing model at the date of grant. The weighted average fair market value of the stock options and the assumptions used in their determination for options issued are as follows: weighted average fair value per stock option: \$0.53; risk-free interest rate: 2.73%; volatility: 80%; and expected life: 3.0 years.

(e) Per share amounts

Basic per share amounts have been calculated using the weighted average number of common shares outstanding during the year. The treasury stock method has been used for the calculation of diluted loss per share. Under this method, it is assumed that proceeds on the exercise of stock options and warrants are used by the Company to repurchase Company shares at the average market price. During the period, the average price of the Company shares was \$1.00.

In calculating the net loss per fully diluted share, options and warrants totaling 6,482,420 were excluded from the dilution calculation, as they were anti-dilutive.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
**Three and nine months ended September 30, 2008**

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**9. CAPITAL MANAGEMENT**

The primary capital management objective of the Company is to ensure adequate working capital is available to sufficiently fund both the board-approved business development plans (i.e. oil and gas exploration and development), and the working capital requirements of each annual operating cycle, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes of funding oil and natural gas exploration and development and funding corporate overhead costs, subject to the availability of financing on acceptable terms. The Company determines the amount of capital to be raised and retained based on the scope of its planned exploration and development activities and management's assessment of the expected availability of acceptably priced capital in future periods. In 2008, Forent increased its capital through an equity offering, in order to ensure sufficient capital to continue the development of the Alton Block and initiate development of the Beech Hill Block, both of which are in Nova Scotia. Raising capital through subsequent equity offerings is not a certainty, as it is dependent on the availability of funds in the capital markets.

The Company defines capital as shareholders' equity, plus debt less working capital. The Company's current capital structure is more than 90% shareholder equity, with no more than 10% debt outstanding. Management believes that such a capital structure is suitable in light of our capital management objectives and is commensurate with our development stage operations in Nova Scotia.

As the Company's major assets, development stage Nova Scotia oil and gas properties without production, require significant additional expenditures to be adequately funded and as the Company is not yet achieving sufficient net cash inflows from its Alberta oil and gas operations to fund such expenditures, management of externally financed working capital is, by necessity, a major function of our capital management program. The primary source of working capital is equity financing obtained through the sale of common and flow-through shares and share purchase warrants and the exercise of warrants and options. The Company from time to time receives loan payables from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider significant debt to be a sustainable source of capital. The Company has borrowed in the past in order to fund development infrastructure for its Alberta properties and while it might do so in the future, it is unlikely to significantly increase debt until such time as its cash flow from operations can support such an increase.

The Company's capital management plan seeks to ensure adequate resources are available to fund its activities through the next twelve months, on a rolling basis. A significant measure used in assessing capital adequacy is thus the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the following twelve months exploration program and fund a portion of corporate overhead expenses. In cases where it appears that there will be insufficient capital to fund future development, additional funds are raised or the capital program adjusted. As of September 30, 2008, Forent had adequate capital to complete its minimum business development plans for the following twelve month period. Management was able to secure additional financing in August 2008 (see Note 9). Additional capital raised will primarily be invested in oil and gas exploration and development activities.

Financing, and thus capital spending on exploration, will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of our shares.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
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**10. FINANCIAL INSTRUMENTS**

(a) Fair values

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term maturity of these financial instruments.

The fair value of the long-term debt approximates its carrying value. The fair value estimation of the shareholder loan and the marketable securities is not possible.

(b) Credit risk

Virtually all of the Company's accounts receivable are with companies in the petroleum and natural gas industry in Canada and are subject to normal industry credit risks. The Company generally extends unsecured credit to these companies and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Company's maximum credit risk exposure is limited to the carrying value of its accounts receivable.

(c) Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems necessary. There were no commodity price risk contracts outstanding during the nine month ended September 30, 2008 or 11 month ended December 31, 2007.

(d) Interest Rate Risk

The Company manages its exposure to interest rate risk by entering into fixed rate loan agreements.

**11. RELATED PARTY TRANSACTIONS**

During the three months and nine months ended September 30, 2008, the Company incurred \$30,000 and \$90,000, respectively, of administrative costs from a company controlled by the majority shareholder. As at September 30, 2008, there was an outstanding balance of \$20,000 to the related company.

During the three months and nine months ended September 30, 2008, the Company incurred \$91,978 and \$229,491, respectively, of operating costs relating to pipeline and facility rental fees. As at September 30, 2008, there was an outstanding balance of \$141,172 owed to the related company. The Company approximates that 80% of the pipeline and facility rental fees and outstanding balance are directly attributable to its joint venture partners, consisting of primarily 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 September 30, 2008, there was an outstanding balance of \$15,526 due the related company.

In prior years, a loan was advanced to a company controlled by the majority shareholder. The balance in accounts receivable is \$3,000.

These transactions are in the normal course of operations and are measured at the exchange amount that approximates the fair market value of the services.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
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**12. COMMITMENTS**

(a) Flow-through share obligations

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 September 30, 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 September 30, 2008 the Company has incurred \$312,050 of qualifying expenditures, with \$3,193,955 remaining to be spent by December 31, 2009.

(b) Exploration agreement

During the nine months ended September 30, 2008, the Company entered into an exploration agreement with the government of Nova Scotia committing to spend \$2,070,000 of exploration expenditures by April 30, 2010 in accordance to the following schedule.

	(\$)
2009	420,000
2010	550,000
2011	1,100,000
	<u>2,070,000</u>

(c) Operating Leases

The Company is committed to operating leases for office space in the amount of approximately \$205,000 annually until July 31, 2011.

**13. SUBSEQUENT EVENTS**

(a) Reverse take-over to become a Public Entity

As at the date of this report the Company has continued to proceed with the reverse take-over arrangement between Forent and Seriatim Ventures Inc. ("Seriatim") that was entered into on August 13, 2008 whereby Forent will affect a reverse takeover ("RTO") of Seriatim. Under the contemplated arrangement as described in the signed binding agreement, an amalgamation will occur in early December 2008 after which Forent's existing shareholders will own approximately 95% of Seriatim resulting in the shareholders of Forent acquiring control of Seriatim. The acquisition of Forent by Seriatim is expected to constitute the Qualifying Transaction of Seriatim as defined in the policies of the TSX Venture Exchange Inc. ("TSXV").

(b) Long-term debt extinguished

Subsequent to September 30, 2008, the Company repaid the promissory note of \$500,000 thereby extinguishing the debt and removing the related gross overriding royalty obligations.

**FORENT ENERGY LTD.**  
**Notes to Restated Financial Statements**  
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**13. SUBSEQUENT EVENTS (continued)**

(c) Replacement of warrant compensation plan with employee stock options

On October 7, 2008, the Company cancelled 3,730,000 performance warrants at an exercise price of \$1.75 (to November 30, 2008, after which the exercise price was to increase to \$2.25) under the performance warrant compensation plan and replaced the plan with the issuance of Company stock options.

The Company issued 1,600,000 stock options to certain employees, directors and consultants, as a result of the cancellation of the performance warrants. The stock options have a life of 5 years and one third shall vest on the date of grant and one third of the total options shall vest on each of the first and second anniversary dates from the date of grant.

In connection with the stock options issued subsequent to the nine months ended September 30, 2008, the Company calculates the fair value of the stock options granted using the Black-Scholes option pricing model at the date of grant. The weighted average fair market value of the stock options and the assumptions used in their determination for options issued are as follows: weighted average fair value per stock option: \$0.53; risk-free interest rate: 2.73%; volatility: 80%; and expected life: 3.0 years.

## CORPORATE INFORMATION

### **DIRECTORS**

Dennis Forgeron  
David Campbell\*  
Thomas E. Lester\*  
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

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### **BANKERS**

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### **AUDITORS**

PriceWaterhouseCoopers LLP

### **EVALUATION ENGINEERS**

CG Engineering Ltd.  
Calgary, Alberta

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