

Forent Energy Ltd.



Financial Statements

Three months ended March 31, 2010 and 2009

In accordance with National Instrument 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*, the Company discloses that its auditors have not reviewed the unaudited financial Statements for the period ended March 31, 2010 and 2009.

FORENT ENERGY LTD.
Balance Sheets
As at March 31, 2010 and December 31, 2009
(unaudited)

	March 31, 2010 (\$)	December 31, 2009 (\$)
ASSETS		
Current assets		
Cash and cash equivalents	474,744	1,701,523
Accounts receivable	734,202	667,541
Prepays and other assets	285,177	164,315
	1,494,123	2,533,379
Property, plant and equipment (note 4)	8,794,693	8,654,743
	10,288,816	11,188,122
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	845,885	1,350,454
Asset retirement obligation (note 5)	416,367	408,703
Future tax liability	995,079	738,841
	2,257,331	2,497,998
SHAREHOLDERS' EQUITY		
Share capital (note 6b)	9,754,389	10,094,720
Warrants (note 6d)	713,781	713,781
Contributed surplus (note 6c)	1,202,883	1,166,576
Deficit	(3,639,568)	(3,284,953)
	8,031,485	8,690,124
	10,288,816	11,188,122
Commitments (note 11)		
Subsequent event (note 12)		

See accompanying notes to financial statements

FORENT ENERGY LTD.**Statements of Operations and Comprehensive Loss and Deficit****For the three months ended March 31, 2010 and 2009****(unaudited)**

	Three months ended March 31, 2010 (\$)	Three months ended March 31, 2009 (\$)
REVENUE		
Oil and natural gas income	399,705	173,164
Royalties	(80,556)	(17,587)
Realized gain on risk management activities	-	-
Interest income	1,286	1,802
	320,435	157,379
EXPENSES		
Operating and production	217,597	124,573
General and administrative	259,976	285,866
Interest expense	2,576	6,741
Stock based compensation (note 6e)	36,307	96,464
Depletion, depreciation and accretion	322,496	187,629
	838,952	701,273
LOSS BEFORE INCOME TAXES	(518,517)	(543,894)
Future income tax recovery	163,902	149,191
NET LOSS and COMPREHENSIVE LOSS	(354,615)	(394,703)
DEFICIT, BEGINNING OF PERIOD	(3,284,953)	(1,667,233)
DEFICIT, END OF PERIOD	(3,639,568)	(2,061,936)
NET LOSS PER SHARE (note 7f) – basic and diluted	(0.01)	(0.01)

See accompanying notes to financial statements

FORENT ENERGY LTD.
Statements of Cash Flows
For the three months ended March 31, 2010 and 2009
(unaudited)

	Three months ended March 31, 2010 (\$)	Three months ended March 31, 2009 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING		
Net loss for the period	(354,615)	(394,703)
Add items not affecting cash:		
Stock based compensation	36,307	96,464
Depletion, depreciation and accretion	322,496	187,629
Future income tax recovery	(163,902)	(149,191)
	<u>(159,714)</u>	<u>(259,801)</u>
Change in non-cash working capital	(568,460)	(345,215)
	<u>(728,174)</u>	<u>(605,016)</u>
FINANCING		
Issue of common shares and warrants	81,969	-
Share issue costs	(2,160)	-
Change in non-cash working capital	-	-
	<u>79,809</u>	<u>-</u>
INVESTING		
Acquisition of property, plant and equipment	(405,746)	(258,889)
Purchase of assets	(49,036)	(1,000)
Change in non-cash working capital	(123,632)	(7,100)
	<u>(578,414)</u>	<u>(266,989)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,226,779)	(872,005)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,701,523	1,983,525
CASH AND CASH EQUIVALENTS, END OF PERIOD	474,744	1,111,520
CASH INTEREST PAID	28,516	222

See accompanying notes to financial statements

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

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. The Company is engaged in the exploration, development and production of petroleum and natural gas reserves in Nova Scotia and western Canada.

2. FINANCIAL PRESENTATION AND POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2009, except as described below. The disclosures included below are incremental to those included with the annual consolidated financial statements. These financial statements do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the financial statements for the year ended December 31, 2009.

Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

3. CHANGE IN ACCOUNTING POLICIES

On January 1, 2010 the Company adopted the following Canadian Institutes of Chartered Accountants ("CICA") Handbook sections:

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 this standard will impact the accounting treatment of future business combinations entered into after January 1, 2010.

"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. The adoption of this standard had no 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. The adoption of this standard had no material impact on the Company's financial statements.

Future Accounting Policy Changes

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.

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	Net Book Value
	\$	\$	\$
March 31, 2010			
Petroleum and natural gas properties and equipment	10,536,089	1,770,449	8,765,640
Other	82,988	53,935	29,053
	10,619,077	1,824,384	8,794,693
December 31, 2009			
Petroleum and natural gas properties and equipment	10,081,307	1,458,106	8,623,201
Other	82,988	51,446	31,542
	10,164,295	1,509,552	8,654,743

As of March 31, 2010, the cost of petroleum and natural gas properties includes \$1.4 million (2009 - \$1.3) 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 \$2.1 million (2009 - \$2.1 million) are included in the depletion calculation.

The Company capitalized \$27,000 (2009 - \$0.1 million) of direct general & administrative costs associated with petroleum and natural gas assets.

5. ASSET RETIREMENT OBLIGATION

The future asset retirement obligation results from net ownership interests in petroleum and natural gas assets, including well sites, gathering systems and processing facilities. As at March 31, 2010, the Company has estimated the total undiscounted asset retirement obligation as \$751,819 (2009 - \$751,819) to be incurred over the next 30 years. The Company used a credit adjusted risk free rate of 7.5% (2009 - 7.5%) and an estimated inflation rate of 2.5% (2009 - 2.5%) to calculate the present value of the asset retirement obligations, which are reflected in the financial statements and the following table.

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Notes to Financial Statements (unaudited)
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5. ASSET RETIREMENT OBLIGATION (continued)

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

	March 31, 2010	December 31, 2009
	(\$)	(\$)
Asset retirement obligation, beginning of period	408,703	332,089
Increase in obligations during the period	-	71,378
Decrease in obligations from disposals during the period	-	(16,573)
Liabilities incurred	-	(5,063)
Revision in cost estimate	-	1,973
Accretion expense	7,664	24,899
Asset retirement obligation, end of period	416,367	408,703

6. 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	March 31, 2010		December 31, 2009	
	Shares	Amount	Shares	Amount
	(#)	(\$)	(#)	(\$)
Common shares				
Balance, beginning of period	69,937,686	10,094,720	49,872,476	8,738,635
Issued pursuant to acquisition of Edelex	327,877	81,969	-	-
Issued pursuant to private placements	-	-	20,065,210	2,825,240
Share issue costs	-	(1,537)	-	(405,433)
Tax effect of flow-through shares renounced	-	(420,763)	-	(1,063,722)
Common shares, end of period	70,265,563	9,754,389	69,937,686	10,094,720

Effective January 1, 2010 Forent acquired Edelex Holdings Ltd. ("Edelex"), a private Canadian controlled private corporation, pursuant to the issuance of 327,877 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. Gross fees associated with the acquisition consisted of \$2,160 in legal and regulatory expenses. The future income tax benefit associated with the share issue costs was \$623, resulting in net share issuance costs of \$1,537. Immediately following the acquisition, Edelex amalgamated with Forent.

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

6. SHARE CAPITAL (continued)

(c) *Contributed Surplus*

	March 31, 2010	December 31, 2009
	(\$)	(\$)
Contributed surplus, beginning of period	1,166,576	645,910
Stock-based compensation expense	36,307	376,936
Expiry of warrants	-	143,730
Contributed surplus, end of period	1,202,883	1,166,576

(d) *Share Purchase Warrants*

	March 31, 2010			December 31, 2009		
	Warrants	Amount	Weighted Average Exercise Price	Warrants	Amount	Weighted Average Exercise Price
	(#)	(\$)	(\$)	(#)	(\$)	(\$)
Warrants						
Warrants, beginning of period	7,918,255	713,781	0.20	1,777,956	326,446	0.51
Issue of warrants	-	-	-	5,111,900	381,370	0.17
Broker warrants	-	-	-	2,006,521	149,695	0.17
Expiry of warrants, transferred to contributed surplus	-	-	-	(978,122)	(143,730)	0.52
Warrants, end of period	7,918,255	713,781	0.20	7,918,255	713,781	0.20

(e) *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 and 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 a committee of the board.

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 is equal to 9,974,495 common shares. 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.

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
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6. SHARE CAPITAL (continued)

As at March 31, 2010 and December 31, 2009, the following stock options were outstanding.

	March 31, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	(#)	(\$)	(#)	(\$)
Beginning of period	4,841,110	0.47	7,070,554	0.49
Expired	-	-	(183,332)	0.54
Cancelled	-	-	(2,811,112)	0.49
Granted	-	-	765,000	0.25
End of period	4,841,110	0.47	4,841,110	0.47

As at March 31, 2010, the weighted average remaining life of the options outstanding was 3.18 years (2009 – 3.43 years).

As at March 31, 2010, 3,709,814 options were vested and exercisable between \$0.25 and \$0.54 per share with a weighted average exercise price of \$0.47 per share (2009 – \$0.47 per share).

Option Exercise Price	Number Outstanding	Weighted Average Remaining Life	Number of Options Exercisable
	(#)	(years)	(#)
As at March 31, 2010			
\$0.25	765,000	4.08	255,000
\$0.49	4,002,778	3.00	3,381,482
\$0.54	73,332	3.34	73,332
	4,841,110	3.18	3,709,814

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.

(f) *Per share amounts*

Basic per share amounts have been calculated using the weighted average number of common shares outstanding during the period. The treasury stock method has been used for the calculation of diluted loss per share. In calculating the net loss per diluted share, options and warrants totalling 5,554,891 (2009 – 8,848,521) were excluded from the dilution calculation, as they were anti-dilutive.

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
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7. 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 related to oil and natural gas exploration and development and the ongoing operational working capital requirements, while seeking to minimize the risk-adjusted cost of capital. The Company defines capital as shareholders' equity plus short and long-term debt. The Company's current optimal capital structure is approximately 90% shareholder equity, with no more than 10% debt outstanding. Management believes that such a capital structure is suitable in light of its capital management objectives and is commensurate with its western Canadian oil and gas endeavours and the development stage of its operations in Nova Scotia.

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 a portion of corporate overhead expenses. In cases where it appears that there will be insufficient capital to fund future development and overhead expenses, additional funds are raised or the capital program and/or overhead expenses adjusted. As of March 31, 2010, Forent had adequate capital to complete its minimum business development plans for the following twelve month period. Additional capital raised will primarily be invested in oil and gas exploration and development activities.

Capital spending on exploration and development of oil and natural gas projects will generally be limited to the extent that debt and equity financing is available on acceptable terms. The acceptability of debt and equity financing terms is generally determined by reference to the prevailing market interest rates and market price of the Company's shares, respectively. As at March 31, 2010 the Company had no short or long-term debt allowing for some debt capacity under its capital structure. The Company will continue to assess its ongoing capital requirements with reference to its capital structure policy.

8. FINANCIAL RISK MANAGEMENT

(a) *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.

The majority of the Company's natural gas and oil revenues are marketed through two major oil and companies, both of which have investment grade creditworthiness.

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

8. FINANCIAL RISK MANAGEMENT (continued)

As at March 31, 2010, accounts receivable and their respective aging were comprised of the following.

Aging of receivables	0 to 30 days	31 to 90 days	91 + days	Total
	(\$)	(\$)	(\$)	(\$)
Sales and accrued revenues	194,420	-	-	194,420
Joint interest billings with partners	117,540	83,251	118,625	319,416
Goods and service tax credit	24,989	-	194,747	219,736
Other receivables	-	-	630	630
Accounts receivable	336,949	83,251	314,002	734,202

As at December 31, 2009, accounts receivable and their respective aging were comprised of the following.

Aging of receivables	0 to 30 days	31 to 90 days	91 + days	Total
	(\$)	(\$)	(\$)	(\$)
Sales and accrued revenues	126,505	-	-	126,505
Joint interest billings with partners	82,099	140,064	119,400	341,563
Goods and service tax credit	42,251	18,430	138,162	198,843
Other receivables	-	-	630	630
Accounts receivable	250,855	158,494	258,192	667,541

(b) *Liquidity risk*

Liquidity risk would occur if the Company is not able to meet its financial obligations as they come due. The Company's main source of liquidity to fund operations is from the issuance of capital and cash flow from operations. The Company attempts to limit liquidity risk by maintaining fiscal restraint in its spending on capital expenditures and from time to time may use forward commodity contracts to predetermine the selling prices of Company production to reduce the variability of cash flows.

As at March 31, 2010 the timing of cash outflows relating to financial liabilities are outlined in the table below:

	Less than 1 Year	1 to 3 Years	4 to 5 Years	There-after	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Accounts payable and accrued liabilities	845,885	-	-	-	845,885

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

8. FINANCIAL RISK MANAGEMENT (continued)

As at December 31, 2009 the timing of cash outflows relating to financial liabilities are outlined in the table below.

	Less than 1 Year	1 to 3 Years	4 to 5 Years	There-after	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Accounts payable and accrued liabilities	1,350,454	-	-	-	1,350,454

(c) *Commodity price risk*

The nature of the Company's operations results in exposure to fluctuations in commodity prices. To manage that risk the Company may enter into derivative contracts to predetermine the selling price of a portion of its natural gas and/or oil production as part of its risk management program

As at the three months ended March 31, 2010 the Company did not have any commodity risk management contracts in place. Management continuously monitors commodity prices and may initiate instruments to manage exposure to these risks when it deems necessary.

(d) *Interest Rate Risk*

Interest rate risk arises from changes in market interest rates that may affect the future cash flows from the Company's financial assets or liabilities. The Company may manage its interest rate risk through the use of risk management contracts. There were no interest rate risk management contracts outstanding at March 31, 2010.

9. FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial assets and liabilities that are reflected in the financial statements are presented below.

	March 31, 2010	December 31, 2009
	(\$)	(\$)
Financial assets		
<i>Held-for-trading</i>		
Deposits	244,901	122,400
<i>Receivables</i>		
Accounts receivable	734,202	667,541
Financial liabilities		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	845,885	1,350,454

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

9. FINANCIAL INSTRUMENTS (continued)

The deposits and accounts receivable and accounts payable and accrued liabilities are carried at cost which approximates their fair value due to the short-term nature of the accounts.

As at each reporting period the Company will assess whether a financial asset is impaired, other than those financial assets classified as held-for-trading. Any impairment loss will be included in earnings for the period.

There were no derivative contracts or other risk management contracts outstanding at the three months ended period of March 31, 2010.

10. RELATED PARTY TRANSACTIONS

The Company enters into various transactions with related parties from time to time. These transactions are entered into under the normal course of operations and are measured at the exchange amount. During the three months ended March 31, 2010 and 2009, the Company had the following related party transactions:

During the three months ended March 31, 2010, the Company incurred \$26,747 (2009 – \$29,664) of net operating costs relating to pipeline and facility rental fees from a company controlled by the majority shareholder. As at March 31, 2010, there was an outstanding balance of \$18,723 (2009 - \$18,723) 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.

During the three months ended March 31, 2010 the Company incurred \$6,227 (2009 - \$nil), for legal services with a law firm of which a board member is a partner. As at March 31, 2010, there was an outstanding balance due the related party of \$nil (2009 – \$7,737).

11. COMMITMENTS

(a) *Flow-through share obligations*

On October 28, 2009, the Company issued flow-through shares requiring that \$1,673,040 in qualifying exploration expenditures be expended by December 31, 2010. As at March 31, 2010 the Company has incurred approximately \$0.6 million of qualifying expenditures, with approximately \$1.1 million remaining to be spent by December 31, 2010.

(b) *Beech Hill Block commitment*

During 2008, the Company entered into an exploration agreement with the government of Nova Scotia for the Beech Hill Block, committing to \$2,070,000 of exploration expenditures by April 30, 2011 in accordance to the following schedule.

	(\$)
2009	420,000
2010	550,000
2011	1,100,000
	2,070,000

FORENT ENERGY LTD.
Notes to Financial Statements (unaudited)
For the three months ended March 31, 2010 and 2009

11. COMMITMENTS (continued)

(c) *Alton Block commitment*

On February 12, 2009 Forent received approval from the province of Nova Scotia, for the renewal and extension of the Company's exploration agreement of the Alton Block, to February 3, 2012. As part of this three year renewal the Company has made the following spending commitments.

	(\$)
2010	350,000
2011	750,000
2012	1,250,000
	2,350,000

(d) *Office Lease*

Effective April 1, 2010 the Company entered into a monthly office lease. The following schedule summarizes the yearly commitment.

	(\$)
2010	85,264
2011	66,316
	151,580

12. 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.

Aerial Gravity Gradiometry Survey of Alton Block

On April 21, 2010 the Company signed a definitive agreement with ARKeX Ltd. for a \$US1.4 million (estimated CDN\$1.5 million) gravity gradiometry survey of its Alton Block in Nova Scotia. The aerial survey is expected to commence at the end of May and be completed in the summer of 2010, with the interpretation of the data being completed in the fall of 2010. The Company is committed to pay instalments of 50% upon the aircraft arriving in Nova Scotia, 40% upon completion of the aerial survey and 10% at the time of delivery of the final processed data.

The Alton Block in Nova Scotia has two prominent hydrocarbon plays – reef oil and shale gas. The gravity gradiometry survey will provide the Company with its first significant evidence as to the location of the potentially oil bearing reefs. ARKeX use a formerly classified U.S. Defense Department full tensor gradiometer. It is a high bandwidth, high resolution 3D imagery system that will identify structural highs where reef structures tended to grow. After the structural highs have been identified, the Company intends to shoot a 2D seismic program early next year and to initiate an exploration well drilling program in the summer of 2011.

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12. SUBSEQUENT EVENTS (continued)

Issuance of Stock Options

On May 12, 2010, the Company granted stock options to acquire up to an aggregate of 845,000 common shares of Forent to certain directors, officers, employees and consultants of the Company and 100,000 options to certain charitable organizations. Each of the options is exercisable for a five year term expiring on May 12, 2015 and exercisable until that time at a price of \$0.30 per common share. One-fourth of the options vest immediately upon the date of grant with an additional one-fourth to vest on each of the six month, twelve month and eighteen month anniversaries of the grant date. The options are subject to a four month hold period expiring September 12, 2010.

The Company determined a fair value of \$219,707 for the stock options granted, using the Black-Scholes option pricing model as 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 on May 12, 2010 were as follows: dividend rate: 0%; expected volatility: 114%; risk-free interest rate: 2.53%; and expected life: 5.0 years.

CORPORATE INFORMATION

DIRECTORS

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Douglas Porter*

Scott Reeves

Wayne Rousch*

Ian Shook

W. Brett Wilson

**Member Audit Committee*

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OFFICERS

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Thomas E. Lester, Chief Financial Officer

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