



Management's Discussion and Analysis
For the Three months ended March 31, 2011 and 2010

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 periods ended March 31, 2011 and 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of June 29, 2011 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 International Financial Reporting Standards ("IFRS"), which are the new accounting principles generally accepted in Canada ("GAAP"). Its focus is primarily a comparison of the operational and financial performance for the three months ended March 31, 2011 and 2010 and should be read in conjunction with the December 31, 2010 audited financial statements that were prepared under the previous Canadian generally accepted accounting principles ("previous GAAP") and the 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 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 is to continue its strategy of growth through heavy oil development drilling and focused exploration on its two core exploration areas consisting of i) the onshore Alton Block ("Alton") in Nova Scotia and ii) on its 27 section Montgomery, Alberta property ("Montgomery"). Forent has assembled a team of individuals with many years experience in both western Canada and frontier exploration, such as Nova Scotia, in order to take advantage of these opportunities.

EXECUTIVE SUMMARY & OUTLOOK

Overview of the First Quarter 2011

The first quarter saw the Company complete more of the geological and geophysical ground work necessary for the successful development of its Alton and Montgomery exploration opportunities. Staff completed the interpretation of the gravity gradiometry data for the Alton Block in Nova Scotia, while at Montgomery, the geophysical interpretation of the 3D seismic data was initiated. In addition, human and capital resources were allocated to Nova Scotia in order to further exploration of the Alton Block.

Mervin, Saskatchewan

During the first quarter of 2011, the Company completed the conversion of one of the oil wells that was re-entered in 2010 into a salt water disposal well. This allowed the Company to effect considerable operating cost savings as a result of eliminating the need to haul water to a third party disposal well. In February, however, Forent experienced a significant increase in the amount of water produced with the oil and production was shut down for most of the month, as a result of a number of pump replacements and other work-over efforts. The Company's cash flow was negatively affected not only in February but also subsequently as it has incurred increased trucking costs as a result of the additional water production. At present oil production has largely been restored to previous levels, although operating costs remain high due to the large volume of water production.

Montgomery, Alberta

The Company completed a portion of the interpretation of the 23 section 3D seismic information that was acquired in December 2010. The seismic data appears very promising, identifying a number of drilling locations, each with significant exploration and development potential. These locations include multi-zone, three-way structural closures of significant areal extent, as well as a number of Second White Specs prospects. Most importantly, the Company was able to template the 6-6-12-28 W4 well, the most prolific Second White Specs well in Alberta, which is located adjacent to Forent's 27 contiguous sections of land.

Alton Block, Nova Scotia

Forent was able to complete its interpretation of the aerial gravity gradiometry survey that was completed in December 2010. This has allowed the Company to design a significantly smaller 2D seismic program in order to drill the initial wells on Alton and has allowed us to accelerate our Nova Scotia exploration program.

As a result of the Company's considerable exploration efforts for 2011 on the Alton Block, late in the first quarter, it hired an Executive Vice President, Mr. Scott McDonald to be based in Halifax.

Financial and operating – First Quarter of 2011

- Annual average oil and gas production increased by 104% percent compared to 2010;
- average commodity selling prices for oil, NGL's and natural gas increased by 32 percent vs. 2010;
- overall oil and gas revenues increased by 169 percent to \$921 thousand from \$342 thousand in 2010;
- operating expenses per boe increased 31 percent to \$29.81 per boe from \$22.67 in 2010;
- corporate operating netbacks for the quarter improved appreciably from a net cost of \$17.69 per boe in 2010 to a net cost of \$2.46 per boe in 2011;
- general and administrative expenses increased 9 percent overall, but fell on a per boe basis by 47 percent to \$13.08 per boe; and
- the Company had a cash burn of \$11,044 in the first quarter of 2011, compared to a cash burn of \$159,712 in 2010.

Outlook for the balance of 2011

The Company has significant plans for the current year that should not only result in increased cash flow over the near term but also position Forent for meaningful future growth, should its exploration efforts in Montgomery and/or Nova Scotia prove successful.

In Mervin, Saskatchewan the Company should complete the tie-in of the six producing wells into the salt water disposal well by the end of July. Forecasts indicate that this should save the Company close to \$75,000 per month in operating costs. In addition, the Company should be able to more effectively accommodate third party salt water, thereby allowing it to establish additional revenues from a source that is independent of corporate oil and gas production levels.

The Company is continuing to seek a partner for its Montgomery, Alberta exploration opportunity, with the intention of completing a multiple well farm-out in the third quarter of the year. Forent expects the first well to be spud in Montgomery late in the third quarter or early in the fourth quarter of the year.

In Nova Scotia, the Company plans to spend upwards of \$5 million on the Alton Block in an effort to produce oil from the reef like structures identified by the 2010 gravity gradiometry survey. The Company has initiated a program to acquire 65 km of 2D seismic and anticipates data collection to commence in early July and interpretation to be completed by the end of July. This will allow Forent to initiate the drilling of three exploration wells early in October, 2011.

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.

Changes in Accounting Policy

As of January 1, 2011, Forent prepared its financial statements in accordance with International Financial reporting Standards (“IFRS”), including IFRS 1 – First time adoption of IFRS and International Accounting Standard 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board. Previously, the Company’s financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS. The adoption of IFRS has not had an impact on the Company’s funds flow. The most significant areas that were impacted by the adoption of IFRS were property, plant and equipment, decommissioning liabilities, share capital treatment of flow-through shares and the deferred tax adjustments related to all of the above.

Subsequent Events

On April 8, 2011 the Company received approval from the province of Nova Scotia, for a new revised exploration agreement for the Alton Block. The approval gives for the Company the right to explore on the Alton Block to April 8, 2020, with the first three year exploration period ending on April 8, 2014.

On June 1, 2011 Forent completed a best efforts private placement of 9,379,167 Common Shares that were issued on a flow through basis at a price of \$0.24 per flow through share, for total gross proceeds of \$2,251,000.

In June the Company acquired an additional 3 Crown sections of land, adjacent to the 24 freehold sections acquired last year at Montgomery, in southern Alberta.

Financial Results

Production

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change (%)
Daily Production			
Natural gas (<i>mcf/d</i>)	559	572	(2)
Crude oil and NGLs (<i>bbls/d</i>)	148	23	543
Boe/d	241	118	104
	(%)	(%)	
Production Mix %			
Natural gas	39	81	(52)
Crude oil and NGLs	61	19	221
	100	100	

Total combined Company production volumes for the three months ended March 31, 2011 averaged 241 boe/d, a 104% increase over the 118 boe/d recorded during the same quarter of 2010. Natural gas production remained relatively steady in the first quarter of 2011 at 559 mcf/d, down slightly from 572 mcf/d in the first quarter of 2010. Crude oil and natural gas liquids ("NGLs") production increased by 543% to 148 bbls/d from 23 bbls/d between the first quarter of 2010 and 2011. The significant increase in crude oil and NGL production was primarily the result of the Mervin, Saskatchewan heavy oil wells being brought on stream mid-2010 and having that new incremental crude oil production in the first quarter of 2011. It should be noted, however, that much of the Mervin field was shut in during February 2011, due to a number of well work-overs, resulting in lower overall oil production and liquids as a percentage of total Boe/d produced in the first quarter as compared to the fourth quarter of 2010.

Natural gas revenue represented 39% and 61% of the Company's total sales in the three months ended March 31, 2011 and 2010, respectively. Crude oil and NGLs grew significantly to round out the Company's production base representing 61% of production in the first quarter of 2011, up from 19% in the same period of 2010. The Company's decrease in natural gas weighting to focusing on crude oil and NGL production was a strategic shift in an attempt to provide higher ongoing cash flows from the higher profit margin commodity of crude oil and NGLs relative to natural gas.

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 the first quarter of 2011, the AECO natural gas price averaged \$3.79/mcf compared to \$5.39/mcf in the first quarter of 2010. The lower natural gas prices in 2011 compared to 2010 were a result of decreased demand, as a consequence of the North American economic slow-down 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 2010 and into 2011.

Crude Oil Prices

Alberta crude oil prices are commonly referenced to Edmonton par pricing with adjustments being taken to reflect the quality of the actual produced crude oil. The average Edmonton par pricing was \$88.51/bbl

in 2011 and \$80.31/bbl in 2010. The majority of Forent's crude oil production consists of heavy oil that has historically sold at a discount relative to the Edmonton par pricing. Oil prices strengthened in 2011 largely as a result of increased global demand attributable to the global economic recovery. In addition, political uncertainty positively affected prices by adding a risk premium to international prices.

Pricing

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Selling Prices			
Natural gas (\$/mcf)	4.25	4.92	(14)
Crude oil and NGLs (\$/bbl) ⁽¹⁾	59.89	72.05	(17)
Total combined (\$/boe)	44.75	33.83	32

(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 14% in the first quarter of 2011 to \$4.25/mcf from \$4.92/mcf during the same period of 2010. The decrease in natural gas prices was reduced from that witnessed at AECO, a result of the Company being able to sell a portion of its January production on a peak demand day and realize a noticeably higher price on that production.

The Company's average selling prices received for crude oil and NGLs decreased 17% to \$59.89/bbl during the three months ended March 31, 2011, compared to \$72.05/bbl recorded during the same period of 2010. The significant decrease in selling price between the first quarters of 2011 and 2010 was the result of adding a considerable volume of heavy oil to its production portfolio in mid-2010 and the lower average price received on heavy oil as compared to the light oil and NGLs produced in the first quarter of 2010.

Oil and Gas Revenue

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Revenue			
Natural gas sales	213,529	253,093	(16)
Crude oil and NGLs sales	799,629	146,612	445
Total petroleum sales	1,013,158	399,705	153
Less: Crown and freehold royalties	(128,168)	(80,556)	59
Net oil and gas sales	884,990	319,149	177
Other oil and natural gas operating revenues	36,034	22,942	57
Total oil and gas revenues	921,024	342,091	169

The Company's total oil and gas revenue for the three months ended March 31, 2011, totalled \$921,024, an increase of 169% from the same period of 2010, when revenue totalled \$342,091. Gross natural gas revenues decreased 16%, to \$213,529 in the first quarter of 2011 from \$253,093 in 2010, as a result of

the modest decrease in production and lower natural gas prices. Crude oil and NGL revenues increased significantly between the first quarters of 2011 and 2010, to \$799,629 from \$146,612, respectively, primarily as a result of production from the 6 heavy oil well reactivations at the Company's Mervin property.

Royalty Expense

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change (%)
Royalties			
Total royalties (\$)	128,168	80,556	59
As a % of oil and gas sales	13%	20%	(35)
\$/boe	5.90	7.59	(22)

During the three months ended March 31, 2011, royalty expenses increased 59% to \$128,168 from \$80,556 incurred in the same period of 2010, due to greater revenues from crude oil and NGL's, as compared to 2010. However, royalties as a percentage of production revenue decreased 13% in the first quarter of 2011 from the first quarter of 2010, due to the increased percentage of the Company's total Boe/d production being derived from heavy oil which has a lower royalty rate than light sweet crude oil and natural gas.

Operating Expenses

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change (%)
Operating expenses			
Operating expenses	647,771	240,537	169
Operating expenses (\$/boe)	29.81	22.67	31

Operating expenses increased 169% to \$647,771 in the first quarter of 2011 compared to \$240,537 recorded in the same period of 2010. The increase in operating expenses resulted from the 104% increase in the Company's production volume, as a result of new wells added in the Mervin area. On a per boe basis, operating expenses during the three months ended March 31, 2011 increased 31% from the same period in 2010, as a result of the significant water hauling costs incurred at the Company's Mervin heavy oil property. In July 2011 the Company expects to complete the tie-in of the Mervin heavy oil wells to its water disposal well in that field that should allow for cost savings of \$75,000 a month and result in considerably lower operating cost per boe.

General and Administrative ("G&A") Expenses

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
General and administrative expenses			
Gross expenses	310,239	293,030	6
Overhead recoveries	(26,045)	(33,400)	(22)
G&A expenses	284,194	259,630	9
\$/boe	13.08	24.47	(47)

During the three months ended March 31, 2011, general and administrative expenses increased 9% to \$284,194 from \$259,630 in the same period of 2010. General and administrative expenses while relatively consistent between the first quarters of 2011 and 2010 were slightly higher as a result of additional year end expenses associated with the introduction of IFRS.

The overhead recoveries from partners, related to Forent operated projects, decreased 22% to \$26,045 in the three months ended March 31, 2011, compared to \$33,400 in the same period of 2010. The decrease was due to a reduction in Forent operated capital projects in 2011 that had joint venture partners. 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 increased 353% to \$118,122 in the first quarter of 2011 from \$26,048 in the same period of 2010 due to 2,760,000 stock options being granted on February 4, 2011 and the repricing of 1,863,889 stock options. The total number of options outstanding as at March 31, 2011 is 6,367,687 with a weighted average exercise price of \$0.26 and life of 4.51 years.

Financing Income and Expense

Financing income consisted of interest earned during the three months ended March 31, 2011 totalling \$477 compared to \$1,286 earned in the same period of 2010, reflecting lower working capital in 2011. Finance costs consistent of interest expense and financing fees for the three months ended March 31, 2011, of \$6,833 versus \$8,000 recorded in the same period of 2010. The decrease was a result of no Part XII.6 tax being recorded in 2011 as a result of Forent fully meeting its cumulative exploration expenditures ("CEE") requirements from the 2010 flow-through issuances prior to February 2011.

Operating Netbacks per boe

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Sales price	46.62	37.67	24
Royalties	(5.90)	(7.59)	(22)
Operating	(29.81)	(22.67)	31
Operating netback	10.91	7.41	47
G&A (net of non-cash items)	(13.08)	(24.47)	(47)
Interest and other (net of non-cash items)	(0.29)	(0.63)	(54)
Corporate netback	(2.46)	(17.69)	(86)

During the three months ended March 31, 2011 the Company's operating netback increased 47% to \$10.91/boe from \$7.41/boe recorded in the same period of 2010. The increase in the operating netback was primarily attributed to the large increase in crude oil and NGLs and natural gas production at its Mervin property, along with the increase in selling prices of crude oil and NGLs between the first quarters of 2011 and 2010, which was somewhat offset by higher operating costs associated with the Company's heavy oil production.

On a corporate netback basis, the deficit in netback funds flow improved 86% to negative \$2.46/boe during the three months ended March 31, 2011, from a negative netback of \$17.69/boe in the same period of 2010. The improvement in the corporate netback deficit was predominantly a result of the 47% decrease in general and administrative costs on a per boe basis along with the improvement in the operating netback.

Depletion and Depreciation

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Depletion and Depreciation			
DD&A provision	392,079	292,388	34
DD&A provision (\$/boe)	18.08	27.56	(35)

The DD&A provision in the first quarter of 2011 increased 34% to \$392,079 from \$292,388 during the same period of 2010, due to the 104% increase in production between the periods. On a per boe basis, the DD&A provision decreased 35% to \$18.08/boe in the first quarter of 2011, from \$27.56/boe in the same period of 2010.

Income Taxes

For the three months ended March 31, 2010, there was a future income tax recovery of \$74,717 recorded in the period, compared to an expense of \$60,695 recorded in the same period of 2010. 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 the first quarter of 2011, as compared to an expense in the same quarter of 2010, was primarily due to the increased DD&A recorded in 2010 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 March 31, 2011, the Company had approximately \$8.8 million in tax pools available to shelter taxable income in future years. In the first quarter of 2011, \$2.4 million of cumulative exploration expenditures were renounced that related to the 2010 flow-through share issuance, effectively decreasing the Company's tax pools by the same amount.

Funds from Operations

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Cash flow (used in) from operating activities (per GAAP)	(127,008)	(950,398)	(87)
Change in non-cash working capital	115,964	790,686	(85)
Funds used in operations	(11,044)	(159,712)	(93)

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

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Funds used in operations	(11,044)	(159,712)	(93)
Per share basic & diluted	-	-	-

Funds used in operations was \$11,044 (\$nil per basic and diluted share) during the three months ended March 31, 2011 versus funds used in operations of \$159,712 (\$0.01 per basic and diluted share) in the same period of 2010. The decrease in the funds used in operations was primarily a result of the significant increase in revenues from production growth that was partially offset by the related increases in operating and royalty expenses.

Net earnings

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Net earnings (loss)	(459,235)	(626,333)	(93)
Per share basic & diluted	-	(0.01)	(100)

During the first quarter of 2010 the Company recorded a net loss of \$459,235 (nil per basic and diluted share) compared to a net loss of \$626,333 (\$0.01 per basic and diluted share) in the same period of 2010. The decrease in the loss was primarily attributed to the increase in net operating profit and deferred income tax recovery, which was partially offset by an increase in depletion expense and share based compensation between the first quarters of 2011 and 2010.

Capital Expenditures

During the first quarter of 2011, the Company spent \$454,783 on exploration and development activities and other items compared to \$696,843 in the same period of 2010. The expenditures primarily consisted of workovers and pump upgrades at its Mervin property to increase production capacity, along with completing and equipping a water disposal well facility at Mervin. The water disposal facility will dispose of produced water from the Company's six Mervin wells and have the capacity to take third-party volumes, thereby allowing Forent to seeing significant cost savings and a potential new revenue source.

Liquidity and Capital Resources

	3 months ended March 31, 2011	3 months ended March 31, 2010	Change
	(\$)	(\$)	(%)
Working capital, beginning of period	221,941	887,682	(75)
Funds from operations	(11,044)	(159,712)	(93)
Issue of capital stock (net)	726,252	178,402	307
Capital expenditures (net)	(696,843)	(454,783)	53
Working capital, end of period	240,306	451,589	(47)

Forent opened 2011 with a working capital surplus of \$0.22 million. The change in the Company's net working capital resulted from relatively neutral funds from operations, net equity of \$0.7 million from recording of the flow-through share premium and warrant exercises, net capital expenditures totalling \$0.7 million, thereby leaving the Company with a working capital surplus of \$0.24 million at March 31, 2011.

The Company's 2011 capital budget includes up to \$5 million to conduct a 2D seismic program and to drill three exploration wells on the Alton Block in Nova Scotia. The anticipated expenditures will be applied towards the Alton Block commitment Forent made under its three year exploration license requiring \$6.3 million to be expended over the three year term ending April 8, 2014. The Company has expended approximately \$0.6 million of the \$2.1 million commitment at Beech Hill under its 3 year exploration

licence, which is to be satisfied by April 30, 2011. The Company is currently reviewing its exploration program and future capital expenditures at Beech Hill. The Company has provided the government of Nova Scotia \$0.185 million in deposits for the Alton and Beech Hill Blocks and its maximum loss is limited to the loss of the specified deposit associated with each exploration lease should Forent not meet its commitments in the respective area.

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. Additional capital expenditures may be made if funds from operations are available to develop various oil focused, low risk projects in western Canada.

Share Capital

The Company has authorized an unlimited number of common and preferred shares with no par value. At March 31, 2011, the Company had 103,677,022 common shares outstanding and no preferred shares outstanding.

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

Three months ended March 31,	2011	2010
	(#)	(#)
Common Shares		
Balance – beginning of year	102,847,022	69,937,686
Issued pursuant to acquisition of Edelex	-	327,771
Issued pursuant to warrants exercised	830,000	-
Balance – end of period	103,677,022	70,265,563
Weighted Average Common Shares Outstanding⁽¹⁾		
Basic and Diluted	103,612,466	70,265,563
Share Purchase Warrants		
Balance – beginning of year	15,505,755	7,918,255
Exercise of warrants	(830,000)	-
Expiry of broker warrants	(579,026)	-
Balance – end of period	14,096,729	7,918,255
Stock Options		
Beginning of period	5,704,490	4,841,110
Granted	2,760,000	
Cancelled	(207,454)	-
Granted pursuant to re-pricing	1,889,355	-
Cancelled pursuant to re-pricing	(3,778,704)	-
End of period	6,367,687	4,841,110

(1) *Anti-dilutive stock options and warrants have been excluded from the dilution calculation.*

Quarterly and Annual Data

	Three months ended Mar. 31, 2010	Three months ended Jun. 30, 2010	Three months ended Sep. 30, 2010	Three months ended Dec. 31, 2010	Three months ended Mar. 31, 2011
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	342,091	435,054	773,448	1,152,596	921,024
Funds from (used in) operations ⁽¹⁾	(159,714)	(97,843)	49,174	180,398	(11,044)
Per share – basic and diluted	-	-	-	-	-
Net loss	(626,333)	(614,798)	(532,566)	(1,265,077)	(459,235)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	-
Capital expenditures	454,783	2,247,687	1,661,156	2,314,446	696,843
Working capital	451,588	2,186,095	572,431	221,941	240,294
Shareholders' equity	6,242,368	9,540,727	9,169,381	9,803,848	10,523,226
Average daily production					
Natural gas (mcf/d)	572	698	604	736	559
Crude oil and NGLs (bbls/d)	23	33	116	194	148
Total (boe/d)	118	149	216	317	241

Previous Canadian GAAP

	Three months ended Mar. 31, 2009	Three months ended Jun. 30, 2009	Three months ended Sep. 30, 2009	Three months ended Dec. 31, 2009
	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	173,164	140,004	98,180	210,909
Funds from (used in) operations ⁽¹⁾	(259,801)	(235,494)	(329,165)	(157,857)
Per share – basic and diluted ⁽²⁾	(0.01)	-	(0.01)	-
Net loss	(394,703)	(412,331)	(460,918)	(349,768)
Per share – basic and diluted ⁽²⁾	(0.01)	(0.01)	(0.01)	(0.01)
Capital expenditures	259,889	109,780	268,117	1,706,217
Working capital	1,201,720	856,446	259,164	1,182,925
Shareholders' equity	6,681,797	6,374,022	6,002,434	8,690,124
Average daily production				
Natural gas (mcf/d)	360	375	368	434
Crude oil and NGLs (bbls/d)	1	3	3	5
Total (boe/d)	61	65	64	77

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

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, non-secured and are to be settled in cash. No provisions for doubtful accounts have been made in the three months ended March 31, 2011 and 2010.

During the three months ended March 31, 2011 and 2010, the Company had the following related party transactions:

As at the three months ended March 31, 2011 the Company incurred \$36,000 to acquire oil and gas equipment from a company controlled by a significant shareholder. In March 31, 2010, the Company paid \$26,747 of net operating costs relating to pipeline and facility rental fees. At March 31, 2011, there was an outstanding balance of \$27,000 (March 31, 2010 - \$18,723). Pursuant to the purchase of the equipment the Company ended its rental relationship with the significant shareholder's company and renegotiated a lower cost pipeline and facilities rental agreement with a board member of Forent, as noted below.

During the three months ended March 31, 2011, the Company incurred \$15,972 of operating costs relating to pipeline compressor rental fees from a company controlled by a board member. The board member became a related party upon acceptance of a board position effective September 1, 2010. As at March 31, 2011, there was an outstanding balance of \$29,252 owed to the related company. The pipeline and facility rental fees and outstanding balance were incurred on facilities that the Company operates with approximately 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 partner, being a large and well funded petroleum producer.

During the three months ended March 31, 2011 the Company incurred \$17,754 (March 31, 2010 - \$6,227) for legal services with a law firm of which a board member is a partner. As at March 31, 2011 there was an outstanding balance of \$28,620 (March 31, 2010 – \$nil) owed for legal services.

Compensation for key management

Key management includes the company's directors and executives. Compensation awarded to key management included the following:

For the period ended,	March 31, 2011	March 31, 2010
	(\$)	(\$)
Salaries and employee benefits	94,257	98,365
Share based payments	35,596	14,569
	129,853	112,934

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions as at March 31, 2011. In addition, the Company did not have any outstanding risk management contracts as at March 31, 2011.

Contractual Obligations

The Company is committed to expend a minimum of \$6,300,000 on the Alton Block over a three year period, ending April 8, 2014, 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. The Company's 2011 capital budget includes up to \$5 million to conduct a 2D seismic program and to drill three exploration wells on the Alton Block in Nova Scotia, which will be applied towards the commitment.

The commitment made by Forent on the Beech Hill Block is to expend a minimum of \$2,070,000 over a three year period, ending May 1, 2011, in a work program including initiation and interpretation of geological and geophysical data and the possible completion of an exploration well. As at March 31, 2011 the Company has expended approximately \$0.6 million of the total commitment at Beech Hill. The Company is currently reviewing its exploration program and future capital expenditures at Beech Hill.

Transition to IFRS from Canadian GAAP

A reconciliation of the new and revised standards and interpretations is outlined in Note 15 of the March 31, 2011 interim consolidated financial statements.

The following discussion explains the significant differences between previous Canadian GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been applied retrospectively except where IFRS 1 exemptions permitted an alternative treatment upon transition to IFRS for first time adopters.

Property, Plant and Equipment ("PP&E")

For PP&E a Company has the option to elect fair value at the date of transition as the deemed cost for its PP&E or to use a revalued amount according to its previous Canadian GAAP if the revaluation, at the date of revaluation, is comparable to fair value or depreciated cost in accordance with IFRS or to measure oil and gas assets at the date of the transition to IFRS at the amount previously determined under previous Canadian GAAP.

Forent has elected to value its P&E as previously determined under Canadian GAAP. The measurement upon transition to IFRS is as follows: 1) exploration and evaluation assets were reclassified from the full cost pool method to exploration and evaluation ("E&E") assets at the amount that was previously recorded under Canadian GAAP, and 2) the remaining full cost pool of costs was allocated to development and producing assets on a pro-rata basis using reserve values discounted at 10% for its proved plus probable company interest reserves. This resulted in \$1,285,167 of E&E costs being transferred from development and production assets.

Exploration and Evaluation

Under previous Canadian GAAP, petroleum and natural gas properties included certain exploration and evaluation expenditures incurred within a country based cost centre. These costs include, but are not limited to, exploration license expenditures, leasehold acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. Under IFRS, such exploration and evaluation expenditures are recognized as tangible or intangible based on their nature and subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are expensed.

Exploration and evaluation assets at January 1, 2010 were deemed to be \$1,285,167, being the amount recorded as the undeveloped properties without proved or probable reserves attributed under previous Canadian GAAP. This has resulted in \$1,285,167 being reclassification from property, plant and equipment to E&E assets in the opening IFRS balance sheet. In the three months ended March 31, 2010, the Company recorded \$82,412 to exploration and evaluation expense in relation to E&E expenditures not expected to be recovered. During the year ended December 31, 2010, the Company recorded \$319,312 to exploration and evaluation expense in relation to E&E expenditures on undeveloped lands.

Decommissioning liabilities

Under Canadian GAAP the Company discounted its liability using a credit-adjusted risk free rate. Under IFRS, the Company has chosen to use a risk-free discount rate. Therefore under IFRS the decommissioning liabilities are higher due to the lower discount rates used. IFRS 1 provides an exemption, which the Company has elected, and allows the Company to measure decommissioning liabilities as at the date of transition and to recognize directly in the Company's retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to IFRS.

The adjustment to the discounted decommissioning liability recognized at January 1, 2010 was \$91,059. Under an IFRS 1 election, this adjustment has been offset directly to equity on transition. The adjustment to the discounted decommissioning liability recognized at March 31, 2010 and December 31, 2010 were \$88,473 and \$138,004, respectively.

Under GAAP the accretion expense was presented as part of the depletion, depreciation and amortization expense. IFRS requires that the expense be presented as a financing cost.

Depletion Policy

Previous Canadian GAAP provided specific guidelines on the calculation of depletion for oil and natural gas properties. Previously, depletion was calculated on the unit-of-production method using proved reserves as their base. Under IFRS, the Company had a choice as to the reserve base used in its depletion calculations. The Company has adopted the policy of depleting its oil and natural gas properties using its proved plus probable reserve base. Also, depletion calculations under previous GAAP were done on a country based cost centre basis with Forent only having one cost centre. Under IFRS, the Company is required to calculate depletion based on individual components that the Company has identified to be at the geographic area level. The adoption of this policy was effective as of the transition date.

For the three months ended March 31, 2010, depletion expense was reduced by \$12,558. For the year ended December 31, 2010, a decrease in depletion of \$202,087 resulted from the reduction of the Company's petroleum and natural gas asset base and the revised depletion methodology. Ceiling test impairments recognized under GAAP were previously disclosed in depletion and depreciation.

Impairment Test

IFRS requires an asset impairment test to be conducted on the transition date and subsequently when indicators of impairment are present. Under Canadian GAAP, impairment of long-lived assets is assessed on the basis of an asset's estimated undiscounted future cash flows compared with the asset's carrying amount and if impairment is indicated, discounted cash flows are prepared to quantify the amount of impairment. The impairment test under previous Canadian GAAP was done at the cost centre level with Forent only having one cost centre.

IFRS requires the impairment test to occur at the asset level or the cash generating unit ("CGU") level when long-lived assets exist that do not generate independent cash inflows. The carrying amount of the asset or CGU is compared to its recoverable amount which is the higher of the value-in-use or the fair value of the assets less the costs to sell it.

Forent performed an impairment test on transition to IFRS as at January 1, 2010 based on fair value less estimated costs to sell. Fair value was based on the most recent reserve report as evaluated by the Company's independent engineers. The Company recorded an impairment of \$2,175,952 on the transition date.

During the three months ended March 31, 2010 an impairment of \$77,598 was recognized on the Company's assets. For the year ended December 31, 2010, an impairment write-down of \$604,495 was recognized. The impairments reflect the historically low natural gas pricing environment and outlook.

Flow-through Shares

Under GAAP, the aggregate tax effect of all flow-through share renouncements in excess of the premium liability associated with flow-through share issuances were recognized as a reduction of share capital. No specific guidance is provided regarding this issue under IFRS; however, it has been interpreted that guidance applied under US GAAP is acceptable under IFRS. Under US GAAP, issuance proceeds were disaggregated between the fair market value of the shares issued and the premium paid for the renounced expenditures. A deferred tax liability is accrued upon effective date of the renouncement and the deferred tax expense is charged to net earnings rather than to share capital.

On transition to IFRS at January 1, 2010, the adjustment recorded related to the 2007 and 2008 flow-through common shares that were renounced and fully expended, prior to December 31, 2009, was a credit to common shares of \$395,912 and a corresponding debit to retained earnings. For the 2009 flow-through share issuance the company decreased the common shares by \$295,242 and credited the flow-through share tax current liability for \$295,242.

On March 31, 2010, the Company debited the deferred tax expense \$60,695, debited the flow-through share tax current liability \$98,593 and credited and the deferred tax liability of \$159,288.

During 2010 the Company issued flow-through shares in April and December. As at December 31, 2010, the Company decreased the common shares by \$585,151 and credited the flow-through share tax current liability for \$585,151, thereby setting up a flow-through liability at the year end.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised.

Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount that includes an estimate of uncollectible amounts.

Property, plant and equipment

The Company's oil and natural gas reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices by an independent reserve engineering firm. A significant number of estimates and assumptions are made in determining the reserves in place and the valuation of those reserves, requiring many judgements based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on net earnings as further information becomes available and as the economic environment changes. The reserves estimate is a key driver in determining the Company's depletion rate and used in impairment testing.

Oil and natural gas assets are grouped into cash generating units ("CGUs") that have been identified as being the smallest identifiable group of assets that generate cash flows, that are independent of cash flows of other assets or groups of assets. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Decommissioning liabilities

The calculation of decommissioning liabilities includes estimates of the ultimate settlement amounts, inflation factors, risk free rates, and timing of settlement. The actual decommissioning costs are uncertain and the estimates can vary in response to changes in regulatory requirements and new restoration techniques. The impact of future revisions to these assumptions on the consolidated interim financial statements of future periods could be significant.

Share based compensation

The fair value of employee stock options is measured using a Black Scholes option pricing model. The option pricing model requires management to estimate expected volatility, weighted average expected life, expected forfeiture rate, expected dividends, and the risk-free interest rate (based on government bonds). The expected volatility, life of the options and forfeiture rates are based upon historical experience. Dividends are assumed to be nil, as management does not anticipate any dividends to be paid in the future. The risk-free rate is based upon government bond rates at the time of issuance of the options.

Deferred taxes

Tax interpretations, regulations and legislation in which the Corporation and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Management

assumes that the Company will use its tax pools to the full extent in future periods and has determined its deferred tax balance on that basis.

Recent accounting pronouncements

The accounting standards effective for periods on or after January 1, 2011 have been adopted as part of the transition to IFRS. The following new IFRS pronouncements have been issued but are not yet effective and may have an impact on the Corporation in the future.

IFRS 9 – Financial Instruments

IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a significant impact on the financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation-Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The adoption of this standard is not expected to have a significant impact on the financial statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities, Non-Monetary Contributions by Venturers*. The adoption of this standard is not expected to have a significant impact on the financial statements.

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. The adoption of this standard is not expected to have a significant impact on the financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurement and in many cases does not reflect a clear measurement basis or consistent disclosures. The adoption of this standard is not expected to have a significant impact on the financial statements.

IAS 27 – Separate Financial Statements

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. This standard is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a significant impact on the financial statements.

IAS 28 – Investment in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Effective for annual periods beginning on or after January 1, 2013, the standard has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13. The adoption of this standard is not expected to have a significant impact on the financial statements.

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, 2010 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;

Design and Evaluation of Internal Controls Related to Disclosure Controls and Procedures

The CEO and CFO of Forent is responsible for designing internal controls or causing them to be designed under his supervision, in order to provide reasonable assurance regarding disclosure controls and procedures that: (1) ensures information required to be disclosed by the Company is assembled and communicated to management; and (2) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The Company's CEO and CFO has concluded based on his evaluation that disclosure controls and procedures are effective as at March 31, 2011.

Design and Evaluation of Internal Controls Related to Financial Reporting

The CEO and CFO of Forent is responsible for designing internal controls over financial reporting or causing them to be designed under his 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 March 31, 2011 and has certified that the controls over financial reporting are effective and includes those policies and procedures that:

- pertain to the maintenance of records with such reasonable detail that accurately and fairly reflects the transactions of the issuer;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with Canadian GAAP and that the receipts and expenditures of the issuer are being made in accordance with the authorization of the management and directors of the Company; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual or interim financial statements.

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, he is 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.

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² *Chairman of the Board*

³ *Technical Committee*

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