

Forent Energy Ltd.



Management's Discussion and Analysis For the Three and Six months ended June 30, 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 periods ended June 30, 2010 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of August 27, 2010 and reviewed and approved by the Board of Directors of Forent Energy Ltd. ("Forent" or the "Company"). The MD&A reviews the operational results of the Company with disclosure of oil and gas activities in accordance with Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and a review of financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the three and six months ended June 30, 2010 and 2009 and should be read in conjunction with the December 31, 2009 audited financial statements and accompanying notes.

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

Forward Looking Information

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

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

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

Introduction and Overview of Forent Energy Ltd.

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

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

EXECUTIVE SUMMARY & OUTLOOK

Establishing a Strong Foundation

The Company continued to build upon its first quarter success in transitioning into an oil focused operator. By the end of the second quarter almost 30% of its production originated from oil, with the first tangible results from the Company's heavy oil developments being realized during the quarter and overall oil production growing from 5 bopd in December 2009 to over 40 bopd in June 2010. Currently Forent's oil production is approximately 150 bopd primarily through production additions at Mervin and total production is approximately 260 boe/d including natural gas.

The Company completed a \$4.4 million equity financing on April 15th. Associated with the financing, W. Brett Wilson joined the Company's board of directors. During the second quarter of 2010 average oil and gas production increased by 129% as compared to the second quarter of last year and corporate netbacks improved 82% from a deficit of \$39.76 per boe to a deficit of \$7.21 per boe between the periods. The Company expects corporate netbacks to be positive in the third quarter of 2010.

Forent initiated a sophisticated differential gravity survey to be conducted by ARKeX, in order to provide the Company with its first geophysical assessment of the large reef prone basin and will lead to a 2-D seismic acquisition program, followed by a reef oil exploration drilling program anticipated to commence in 2011. Although the aircraft arrived in Canada in late May, ARKeX was unable to acquire significant data during the second quarter as a result of equipment and weather complications. These issues have been overcome and the ARKeX aircraft is currently acquiring data over the Alton Block with an estimated completion date of October 15, 2010.

The Company's founder, CEO and President, Mr. Dennis Forgeron was tragically lost in an airplane crash on August 5th. The Company's board of directors appointed Thomas E. Lester as President and CEO with the intention of continuing to pursue the strategy put in place by Mr. Forgeron, with a short term focus on western Canada and medium and longer term focus on its onshore developments in Nova Scotia.

Operations Summary and Overview of the Second Quarter of 2010

The Company initiated the re-entry of existing wells on the Mervin, Saskatchewan lands, which were acquired in December of 2009, in order to reactivate the previously producing oil field that was shut-in during the low oil price period of 1998, partially as a result of water volumes. Initial Mervin results have been encouraging from the first five wells of a 7 well re-entry program. Two oil producing wells were brought on stream at the end of June and three more wells were on stream in July, with the remaining wells to be activated in early September 2010. Additional locations, acquisition of seismic data and an optimization program are currently being evaluated to further enhance production and cost efficiency within the project area.

The Provost oil wells drilled in late 2009 and brought on-stream in February 2010, have been successfully producing with combined gross production of approximately 60 bbls/d (21 bbls/d net; 35% working interest).

Specific financial and operating highlights comparing the three and six months ended June 30, 2010 and 2009 are as follows.

- Average oil and gas production in 2010 increased by 129%
- Second quarter average crude oil and NGL production increased from 4% in 2009 to 22% of Forent's overall production mix
- Overall oil and gas revenues increased by 222% from \$140,004 to \$451,222
- Average Company commodity selling prices increased by 41%
- Corporate netbacks improved by 82% from a deficit of \$39.76 per boe to a deficit of \$7.21 per boe
- G&A expenses increased 19% but fell on a boe basis by 48% to \$20.32

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.

Financial Results – Third Quarter Information

Production

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change (%)	2010	2009	Change (%)
Daily Production						
Natural gas (<i>mcf/d</i>)	698	375	86	635	367	73
Crude oil and NGLs (<i>bbls/d</i>)	33	3	1,126	28	2	1,405
Boe/d	149	65	129	134	63	112
	(%)	(%)	(%)	(%)	(%)	(%)
Production Mix						
Natural gas	78	96	(19)	79	97	(19)
Crude oil and NGLs	22	4	450	21	3	600
	100	100	-	100	100	-

Company production volumes for the second quarter of 2010 averaged 149 boe/d, an increase of 129% from the 65 boe/d recorded during the same period of 2009. Natural gas production increased 86% in the second quarter of 2010 to 698 mcf/d from 375 mcf/d in the same quarter of 2009. The significant increase in natural gas production was a result of the Company's core natural gas well, Ferrybank 8-32, not being on production for the full second quarter, along with the increase in Forent's interest in the well from 45% to 100% between the two periods. Crude oil and natural gas liquids ("NGLs") production increased by 1,126% to 33 bbls/d during the three months ended June 30, 2010 from 3 bbls/d in the same period of 2009. The significant increase in crude oil and NGL production was mainly the result of two new oil wells being brought on stream in the Provost area during the first half of 2010 along with increased NGL production at Ferrybank and the successful recompletion of the Caroline well.

Company production volumes for the first half of 2010 increased 112% to average 134 boe/d compared to 63 boe/d in the corresponding period of 2009. Natural gas production increased 73%, to 635 mcf/d from 367 mcf/d during the first halves of 2010 and 2009, respectively. The increase in natural gas production was primarily related the Ferrybank well being off stream for a number of months in early 2009, along with the Company's increase in ownership interest of the well between the two periods. Crude oil and NGLs production increased 1,405%, to 28 bbls/d from 2 bbls/d during the six months ended of June 30, 2010 and 2009. The significant increase in crude oil and NGLs production was mainly the result of two new oil wells being brought on stream in the Provost area in the first half of 2010 along with increased NGL production at Ferrybank and the successful recompletion of the Caroline well, as mentioned above.

Natural gas revenue represented 78% and 96% of the Company's total sales in the three months ended June 30, 2010 and 2009, respectively. Crude oil and NGLs grew significantly to round out the Company's production base representing 22% of production in the second quarter of 2010, as compared to 4% in the same period of 2009.

Pricing

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Selling Prices						
Natural gas (\$/mcf)	4.10	3.70	11	4.47	4.44	1
Crude oil and NGLs (\$/bbl)	64.04	57.71	11	67.29	54.36	24
Average weighted selling price (\$/boe)	33.26	23.63	41	35.19	27.43	28

Average natural gas prices received by Forent increased 11% in second quarter of 2010 to \$4.10/mcf from \$3.70/mcf achieved during the same period of 2009. Crude oil and NGLs prices increased by a similar percentage, from \$57.71/bbl recorded during the second quarter of 2009 to \$64.04/bbl in the same quarter of 2010, representing an 11% increase. Selling prices for the six months ended June 30, 2010 averaged \$4.47/mcf for natural gas and \$67.29/bbl for crude oil and NGLs compared to \$4.44/mcf and \$54.36/bbl, respectively, during the same six month period of 2009.

Oil and Gas Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Natural gas revenue	260,460	125,980	107	513,553	295,067	74
Crude oil and NGLs revenue	190,762	14,024	1,260	337,374	18,101	1,764
Total oil and gas revenue	451,222	140,004	222	850,927	313,168	172

The Company's gross petroleum revenue for the second quarter of 2010 totalled \$451,222, representing an increase of 222% from the \$140,004 recorded in the same period of 2009. During the six months ended June 30, 2010 and 2009 the Company's gross petroleum revenue increased 172% to \$850,927 from \$313,168, respectively.

The significant increase in oil and gas revenues during the three and six months ended June 30, 2010 as compared to the same period of 2009, is attributed to the two new oil wells in the Provost area being brought on stream, the successful recompletion of the Caroline well and increased NGLs production at Ferrybank, in addition to the increased natural gas production achieved through the Ferrybank gas well.

Royalty Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Total royalties	39,055	14,964	161	119,611	32,551	267
As a % of oil and gas sales \$/boe	8.7%	11%	(21)	14.1%	10.0%	41
	2.88	2.53	14	4.95	2.85	74

During the three months ended June 30, 2010, the Company's royalty expense increased 161% to \$39,055 from \$14,964 from the same period of 2009. The change in the royalty expense was due to increased production and crude oil and natural gas and NGLs revenues, which were partially offset by custom processing and operating cost credits on Alberta crown royalties. For the first half of 2010, royalty expense increased 267% to \$119,611 from \$32,551, as a result of the increased production and petroleum revenues and crown royalty credit as described above. The disproportional increase relative to the Company's overall increase in oil and gas sales results from the greater proportion of oil revenues with their higher rate of royalties.

Royalties as a percentage of sales for the three months ended June 30, 2010 totalled 14.1% of oil and gas sales, which was a 41% increase over the 10% calculated for the same period of 2009. The increase in royalties as a percentage of sales is a result of the changing corporate mix of

petroleum production, resulting in the higher royalty rate commodities of oil and NGLs increasing as a percentage of Company sales.

Operating Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Operating expenses	250,336	115,360	117	467,933	239,933	95
Operating expenses (\$/boe)	18.45	19.47	(5)	19.35	21.02	(8)

Operating expenses increased 117% to \$250,336 in second quarter of 2010 compared to \$115,360 in same quarter of 2009. The increase in operating expenses was primarily a result of higher production volumes achieved by the addition of a number of new wells and an increase in variable costs on a number of worked over wells producing at higher rates. On a per boe basis, operating expenses decreased 5% to \$18.45 per boe in the three months ended June 30, 2010 from \$19.47 per boe in the same period of 2009.

During the six months ended June 30, 2010, operating costs increased 95% to \$467,933 from \$239,933 in the same period of 2009, reflecting the year-over-year increase in production and the increases in operating efficiencies resulting from previous well workovers. On a per boe basis, operating expenses fell by 8% are expected to decrease further in the future due to increases in production volumes and additional optimization of existing Company wells and facilities.

General and Administrative ("G&A") Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Gross expenses	308,578	273,267	13	601,754	609,126	(1)
Overhead recoveries	(32,772)	(41,591)	(21)	(66,172)	(91,584)	(28)
Total G&A expense	275,806	231,676	19	535,782	517,542	4
\$/boe	20.33	39.11	(48)	22.16	45.34	(51)

During the second quarter of 2010, general and administrative expenses increased 19% to \$275,806 from \$231,676 recorded in the same period of 2009. The increase was the result of Forent raising its scope of evaluating exploration and development prospects and incurring additional professional fees to support those activities. In the six months ended June 30, 2010, general and administrative expenses remained relatively stable with a modest increase of 4% to \$535,782 from \$517,542 in the corresponding period of 2009.

The overhead recoveries from partners, related to Forent operated projects, decreased to \$32,772 and \$66,172 in the three and six months ended June 30, 2010, respectively, compared to \$41,591 and \$91,584 in the same periods of 2009, respectively. The decrease was due to the Company only focusing on capital projects that they held a full interest in or on partner operated projects that did not generate overhead recoveries. Overhead recoveries from partners are earned primarily on the Huxley wells and gas plant that the Company operates and on operated capital projects.

Stock Based Compensation

Stock-based compensation expense increased 19% to \$124,775 in the second quarter of 2010 from \$104,556 in 2009 due to 945,000 stock options being issued in the current quarter. The total amount of options outstanding at June 30, 2010 was 5,786,110 with a weighted average exercise price of \$0.47 and an average life of 3.25 years.

Interest Income and Expense

Interest and other income during the three and six months ended June 30, 2010 was nil, compared to \$4,693 and \$6,495 earned in the same periods of 2009, respectively, as a result of term deposit interest revenue being offset by the decrease in value of shares held of a public company.

Interest expenses in the three and six months ended June 30, 2010, totalled \$640 and \$3,216, versus \$19,191 and \$24,932 in the same period of 2009. The decrease in the interest expense was attributed to a reduction in Part 12.6 taxes associated with utilization of the "look back rule" in renouncing flow through expenditures to investors.

Operating Netbacks

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$/boe)	(%)
Sales price	33.26	23.63	41	35.19	27.43	28
Royalties	(2.88)	(2.53)	14	(4.95)	(2.85)	74
Operating	(18.45)	(19.47)	(5)	(19.35)	(21.02)	(8)
Operating netback	11.93	1.63	632	10.89	3.56	206
G&A (net of non-cash items)	(20.33)	(39.11)	(48)	(22.16)	(45.34)	(51)
Interest and other (net of non-cash items)	1.19	(2.28)	(152)	0.61	(1.62)	(138)
Corporate netback (loss)	(7.21)	(39.76)	(82)	(10.66)	(43.40)	(75)

During the second quarter of 2010 the Company's operating netback increased 632% to \$11.93/boe from \$1.63/boe recorded in same period of 2009. During the six months ended June 30, 2010 the operating netback increased 206% to \$10.89/boe from \$3.56/boe recorded in same period of 2009. The increase was attributed to the shift towards a greater proportion of oil to natural gas, the improvement in oil and gas selling prices and the decrease in operating costs, partially offset by higher royalties, on a per boe basis during the periods.

On a corporate netback basis, the deficit in netback funds flow improved 82% to negative \$7.21/boe in the second quarter 2010, from a negative netback of \$39.76/boe in the second quarter of 2009. During the first half of 2009 the Company's corporate netback deficit improved 75% to a deficit of \$10.66/boe from a deficit of \$43.40/boe in the same period of 2009. The corporate netback improvement in deficits in the three and six month periods was primarily a result of increased production, the higher oil to gas ratio, and increased selling prices, along with the significant decrease in general and administrative costs on a per boe basis.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
DD&A provision	401,407	205,729	95	723,903	393,358	84
DD&A provision (\$/boe)	29.58	34.73	(15)	29.94	34.46	(13)

The DD&A provision increased 95% to \$401,407 in the second quarter of 2010, as compared to \$205,729 in the same period of 2009. During the six months ended June 30, 2010 the DD&A provision increased 84% to \$723,903 from \$393,358 during the same period of 2009. The significant increase was a result of increased Company production volumes. On a per boe basis, the DD&A provision decreased 15% to \$29.58/boe from \$34.73/boe in the three months ended periods of June 30, 2010 and 2009, respectively.

The Corporation performed an impairment (ceiling) test review at June 30, 2009 to assess the valuation of the petroleum and natural gas properties within the financial statements and determined that the amount does not exceed its fair value.

Income Taxes

The Company recorded a future income tax reduction of \$102,224 in the second quarter of 2010 as compared to a reduction of \$133,448 in the same period of 2009. The future income tax in the first half of 2010 was a reduction of \$266,126 as compared to a reduction of \$282,639 incurred in the same period of 2009. The changes in this non-cash item are due to the anticipated future tax effect of the periods' activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period. The recoveries in 2010 primarily relate to the future use of non-capital tax losses and the ability to carry those losses into future periods.

As at June 30, 2010, the Company had approximately \$7.2 million in tax pools available to shelter taxable income in future years.

Funds from Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Cash flow (used in) from operating activities (per GAAP)	(120,783)	(270,804)	(55)	(848,957)	(875,820)	(3)
Change in non-cash working capital	22,940	35,310	(35)	591,400	380,525	55
Funds from (used in) operations	(97,843)	(235,494)	(58)	(257,557)	(495,295)	(48)

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds from (used in) operations	(97,843)	(235,494)	(58)	(257,557)	(495,295)	(48)
Per share – basic and diluted	-	(0.01)	(100)	-	(0.01)	(100)

Funds used in operations decreased to \$97,843 (\$nil per basic and diluted share) for the three months ended June 30, 2010 versus funds used in operations of \$235,494 (\$0.01 per basic and diluted share) in the comparable period of 2009. For the first half of 2010, the funds used in operations decreased to \$257,557 (\$nil per basic and diluted share) from \$495,295 (\$0.01 per basic and diluted share) used in the same period of the prior year. The decreases in the three and six month periods use of funds in operations were primarily attributable to higher Company production and commodity selling prices.

Net Loss

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Net loss	(521,801)	(412,331)	27	(876,416)	(807,034)	9
Per share – basic and diluted	(0.01)	(0.01)	-	(0.01)	(0.01)	-

During the second quarter of 2010, the Company recorded a net loss of \$521,801 (\$0.01 per basic and diluted share) versus a net loss of \$412,331 (\$0.01 per basic and diluted share) in the same period a year ago. In the six month period ended June 30, 2010, the Company incurred a net loss of \$876,416 (\$0.01 per basic and diluted share) as compared to the net loss of \$807,034 (\$0.01 per basic and diluted share) recorded in the corresponding period of 2009. The increase of the loss during the three and six months ended June 30, 2010, as compared to the same periods of 2009, is largely a result of the increased depletion expense of the Company's petroleum assets, which was partially offset by a higher net operating profit on sales.

Capital Expenditures

Capital expenditures made during the three and six months ended June 30, 2010 and 2009 are summarized in the following table and do not include non-cash transactions:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Land	332,452	(546)	(60,989)	401,785	68,264	489
Geological and geophysical	823,093	86,048	857	892,103	178,066	401
Drilling and completions	787,717	34,127	2,208	875,851	97,187	801
Facilities and equipment	304,425	261	116,538	483,694	35,262	1,272
Property acquisitions	-	-	-	49,036	1,000	4,804
Property dispositions	-	(10,715)	(100)	-	(10,715)	(100)
Capitalized G&A and other	652	605	8	652	605	8
Total capital expenditures (net)	2,248,339	109,780	1,948	2,703,121	369,669	631

Total capital expenditures (net) is the aggregate of capital expenditures and the purchase and sale of petroleum properties.

During the second quarter of 2010, the Company increased its net capital spending by 1,948% to \$2,248,339 as compared to \$109,780 expended in the same quarter of 2009. The second quarter expenditures consisted of \$332,452 spent on exploratory land leases primarily in the Montgomery, Alberta project area, \$823,093 expended on geological and geophysical activities consisting mainly of the gravity gradiometry over the Alton Block in Nova Scotia, \$787,717 in drilling and completions expenditures to primarily conduct the 5 Mervin, Saskatchewan well re-entries and \$304,425 was used to develop facilities within the Mervin project area.

Liquidity and Capital Resources

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Working capital, beginning of period,	648,238	1,201,720	(46)	1,182,925	1,721,410	(31)
Funds used in operations	(97,843)	(235,494)	(58)	(257,557)	(495,295)	(48)
Issue of capital stock (net)	4,387,676	-	-	4,467,485	-	-
Capital expenditures (net)	(2,248,339)	(109,780)	1,948	(2,703,121)	(369,669)	631
Working capital, end of period	2,689,732	856,446	214	2,689,732	856,446	214

Forent opened the second quarter of 2010 with a working capital surplus of \$648,238. Changes in the quarter's working capital involved funds used in operations of \$97,843, net proceeds raised from a non-brokered private placement of \$4,387,676 and net capital expenditures of \$2,248,339, thereby leaving the Company with a working capital surplus of \$2,689,732 at June 30, 2010.

The Company has budgeted, based on commitments given to the government of Nova Scotia, approximately \$4.4 million in the years 2009 to 2011 for exploration and development on the Alton and Beech Hill Blocks. As of June 30, 2010 approximately \$1.5 million of this commitment has been fulfilled. Additional capital expenditures may be made if funds are available to develop various oil focused, low risk projects in western Canada. The Company intends to raise new capital or utilize other alternative means such as joint venturing to meet the stated Nova Scotia commitments, however, there is no certainty that the financing activities will be successful.

Share Capital

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 \$32,324 in regulatory and legal expenses.

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

As at,	June 30, 2010	December 31, 2009
	(#)	(#)
Common Shares		
Balance – beginning of period	69,937,686	49,872,476
Private placements	21,470,455	20,065,210
Issued pursuant to acquisition of Edelex Holdings Ltd.	327,771	-
Balance – end of period	91,735,912	69,937,686
Weighted Average Common Shares Outstanding⁽¹⁾		
Basic and Diluted	79,280,676	53,390,759
Share Purchase Warrants		
Balance – beginning of period	7,918,255	1,777,956
Issue of warrants	7,587,500	5,111,900
Issue of broker warrants	-	2,006,521
Expiry of warrants	-	(978,122)
Balance – end of period	15,505,755	7,918,255
Stock Options		
Balance – beginning of period	4,841,110	7,070,554
Expired	-	(183,332)
Cancelled	-	(2,811,112)
Granted	945,000	765,000
Balance – end of period	5,786,110	4,841,110

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

Select Information Financial Results

	2008				2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	195,306	304,749	152,787	202,463	173,164	140,004	98,180	210,909	399,705	451,222
Funds from (used in) operations ⁽¹⁾	(33,315)	(131,652)	(147,913)	(284,232)	(259,801)	(235,494)	(329,165)	(157,857)	(159,714)	(97,843)
Per share – basic and diluted ⁽²⁾	-	(0.01)	(0.01)	(0.01)	(0.01)	-	(0.01)	-	-	-
Net loss	(40,355)	(151,899)	(684,856)	(589,510)	(394,703)	(412,331)	(460,918)	(349,768)	(354,615)	(521,801)
Per share – basic and diluted ⁽²⁾	-	-	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Capital expenditures	122,644	379,091	1,303,852	1,287,580	259,889	109,780	268,117	1,706,217	454,782	2,248,339
Debt and working capital	1,760,994	1,251,144	3,109,184	1,721,410	1,201,720	856,446	259,164	1,182,925	648,238	2,689,732
Shareholders' equity	4,947,111	4,823,888	7,536,021	8,043,758	6,681,797	6,374,022	6,002,434	8,690,124	8,031,485	12,031,352
Average daily production										
Natural gas (mcf/d)	229	314	170	288	360	375	368	434	572	698
Crude oil and NGLs (bbls/d)	3	2	2	1	1	3	3	5	23	33
Total (boe/d)	41	55	30	49	61	65	64	78	118	149

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

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

Related Party Transactions

The Company enters into various transactions with related parties 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 and six months ended June 30, 2010 and 2009, the Company had the following related party transactions:

During the three and six months ended June 30, 2010, the Company incurred \$26,747 and \$53,495 (2009 - \$29,664 and \$59,267), respectively, of net operating costs relating to pipeline and facility rental fees from a company controlled by the majority shareholder. As at June 30, 2010, there was an outstanding balance of \$9,362 (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 and six months ended June 30, 2010 the Company incurred \$nil and \$6,227 (2009 - \$nil and \$23,431), respectively, for legal services with a law firm of which a board member is a partner. As at June 30, 2010, there was an outstanding balance due the related party of \$nil (2009 - \$7,737).

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions during the three or six months ended periods of June 30, 2010.

Contractual Obligations

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

In addition the Company committed to expend a minimum of \$2,350,000 on the Alton Block over a three year period, beginning February 3, 2009, in a Work Program consisting of further acquisition and interpretation of geological, geophysical, geomagnetic and geochemical data as well as, the drilling of additional wells within the boundaries of the Block.

On April 15, 2010, the Company issued flow-through shares requiring that \$1,385,000 in qualifying exploration expenditures be expended by December 31, 2011. As at June 30, 2010 the Company has incurred approximately \$0.6 million of qualifying expenditures, with approximately \$0.8 million remaining to be spent by December 31, 2011.

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 commenced at the end of May and is expected to be completed in October 2010, with the interpretation of the data being completed in December 2010. The Company paid an instalment of 50% upon the aircraft arriving in Nova Scotia and is committed to the remaining, 40% upon completion of the aerial survey and 10% at the time of delivery of the final processed data.

Critical Accounting Estimates

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. There were no changes to the Company's critical accounting estimates in the period from those used in the audited financial statements from 2009.

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 June 30, 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;

Change in Accounting Policies

On January 1, 2010 the Company adopted the following Canadian Institutes of Chartered Accounts ("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.

International Financial Reporting Standards

In 2011, IFRS will replace Canadian GAAP for profit oriented Canadian publicly accountable enterprises. Forent will be required to report its results in accordance with IFRS commencing in 2011.

Forent's Transition Plan

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

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

IFRS accounting Policies

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

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

The Company expects that it will be in a position to have its IFRS compliance January 1, 2010 balances available for its auditors review during the third quarter.

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

The CEO and CFO of Forent are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the Company's internal control over financial reporting as of June 30, 2010 and has certified that the controls over financial reporting are effective.

Forent has disclosure controls and procedures to ensure that information required to be disclosed by the Company is assembled and communicated to management. The Company's CEO and CFO have concluded based on their evaluation as of June 30, 2010, that disclosure controls and procedures are effective to provide reasonable assurance that material information related to Forent is made known to them by others within the entity.

Despite the CEO and CFO certifying that the Company's internal controls over financial reporting and disclosure controls and procedures are effective to provide a reasonable level of assurance, they are not able to conclude that the controls and procedures are capable of preventing all frauds and errors. Regardless of how well conceived or managed, a control system is incapable of providing absolute assurance to prevent all errors and fraud, as only reasonable assurance that the objectives of a control system can be obtained.

CORPORATE INFORMATION

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Scott Reeves
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¹ *Member of the Audit Committee*

² *Chairman of the Board*

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