

Forent Energy Ltd.



Management's Discussion and Analysis For the three and nine months ended September 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 September 30, 2010 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of November 18, 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 nine months ended September 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 activities in Nova Scotia and western Canada. Forent's Nova Scotia properties offer a number of different high potential exploration and development opportunities including shale gas, reef oil and shale oil (the "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. In western Canada the Company has a dual focus on both lower risk oil development opportunities and the higher risk and higher potential return Montgomery exploration opportunity in southern Alberta. 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.

EXECUTIVE SUMMARY & OUTLOOK

Generating Positive Cash Flow

As a result of the Company's successful oil development efforts, funds from operations increased to \$49,174 in the three months ended September 30, 2010 as compared to \$329,165 that were used in operations during the third quarter last year. For the first time in its public history the Company achieved positive cash flow in a quarter.

During the third quarter the Company continued to build upon its success during the first half of the year in transitioning into an oil focused operator. By the end of the third quarter 53% of its production originated from crude oil and NGL's. Overall crude oil and NGL production grew from 5 bopd in December 2009 to 116 bopd on average, in the third quarter of 2010. Currently, Forent's crude oil and NGL production is approximately 200 bopd, primarily through production additions at Mervin Saskatchewan while total production is approximately 285 boe/d. During the third quarter of 2010 average crude oil and NGL and natural gas production increased by 238% as compared to the third quarter of last year and corporate netbacks improved 101% from a deficit of \$56.00 per boe to a positive \$0.42 per boe between the periods.

Significant Western Canadian Exploration Opportunity

During the third quarter Forent secured an important land base of over 22 contiguous sections (14,484 acres), approximately 32 km west of Claresholm in southern Alberta. The lands are considered attractive because seismic coverage is generally absent and no oil or gas wells have been drilled on these lands. The Company acquired all mineral rights on the freehold lands for a three year period, expiring in the middle of 2013. Importantly, the Company has obtained permission from landowners to conduct a 23 section 3D seismic program, which it expects to complete by the end of February 2011, at an estimated cost of \$1.5 million. The Company is optimistic that the lands hold multi zone potential for light oil and sweet gas. The property is offset to the east with production from the Belly River, Cardium, Second White Specs, Barons, Glauconite and Sunburst formations; including a Second White Specs well that has produced over 1.5 million bbls of oil and 2.5 bcf of gas, since 1968.

Continued Development in Nova Scotia

By the end of the third quarter, Forent had completed 80% of a sophisticated differential gravity survey that was conducted by ARKeX Limited, in order to provide the first geophysical assessment of the large reef prone basin on the Alton Block in Nova Scotia. The survey is anticipated to lead to a 2-D seismic acquisition program, followed by a reef oil exploration drilling program. Currently, the data acquired is being processed in the ARKeX head office in the UK and interpretation is expected early in the New Year.

Operations Summary and Overview of the Third Quarter of 2010

Western Canada

Forent continued its re-completion program in Mervin with the re-entering, perforating and testing of two more wells during the third quarter. After several weeks of flow testing, the 8A-34-50-21W3 well has not responded economically and will be turned into a salt water disposal well. Utilizing our own water disposal well will significantly reduce operating costs and will provide a level of dependability much greater than we are currently experiencing.

Nova Scotia

The Company initiated the acquisition of a 9,613 km airborne gravity gradiometry survey conducted by ArkEx Limited over the Gays River reef prone Shubenacadie sub-basin in the Alton Block. Acquisition of the data is now complete and is currently being processed in ARKeX's Cambridge England office. Forent plans to have the gravity gradiometry survey interpreted by year end 2010 leading to a 2D seismic delineation program in the second quarter of 2011 and a multi well drilling program targeting Gays River reef oil targets most likely in the fourth quarter of 2011.

The Company conducted geological field and core analysis work on the Beech Hill Block including examination of the organic rich Horton in the Big Marsh area and Gays River outcrops at the Ridge Brokers Ltd. quarry. Forent intends to build on data and knowledge gained from the Alton Block to further understanding the petroleum potential of the Beech Hill Block.

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

- Funds from operations increased to \$49,174 as compared to funds used in operations of \$329,165 in the three months ended September 30, 2010 and 2009, respectively.
- Average oil and gas production in 2010 increased by 238% during the third quarter from 64 boed to 216 boed.
- Third quarter average crude oil and NGL production increased from 4% in 2009 to 53% of Forent's overall production mix.
- Overall oil and gas revenues increased by 759% during the third quarter from \$98,180 in 2009 to \$843,006 in 2010.
- Corporate netbacks improved by 101% from a deficit of \$56.00 per boe to a positive \$0.42 per boe in the third quarter of 2010.
- G&A expenses increased 17% but fell on a boe basis by 65% to \$12.28 per boe.

The Common shares of Forent are listed for trading on the TSX Venture Exchange under the symbol FEN.

Additional information regarding Forent is available under the Company's profile on SEDAR at www.sedar.com. Information is also accessible on the Company's website www.forentenergy.com.

Financial Results – Third Quarter Information

Production

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change (%)	2010	2009	Change (%)
Daily Production						
Natural gas (<i>mcf/d</i>)	604	368	64	625	368	70
Crude oil and NGLs (<i>bbls/d</i>)	116	3	3,767	57	2	2,750
Boe/d	216	64	238	161	63	156
	(%)	(%)	(%)	(%)	(%)	(%)
Production Mix						
Natural gas	47	96	(51)	64	97	(34)
Crude oil and NGLs	53	4	1,225	36	3	1,100
	100	100	-	100	100	-

The Company's overall production for the third quarter of 2010 averaged 216 boe/d, an increase of 238% from the 64 boe/d recorded during the same period of 2009. Natural gas production increased 64% in the third quarter of 2010 to 604 mcf/d from 368 mcf/d in the same quarter of 2009. The significant increase in natural gas production was primarily a result of the Company increasing its working interest in the Ferrybank 8-32 natural gas well, between the two periods. Crude oil and natural gas liquids ("NGLs") production increased by 3,767% to 116 bbls/d during the three months ended September 30, 2010 from 3 bbls/d in the same period of 2009. The significant increase in crude oil and NGL production resulted by new production from the well re-entries at the 100% owned Mervin Saskatchewan project, along with added production from two new oil wells that were brought on stream in the Provost area during the first quarter of 2010.

Company production volumes for the first nine months of 2010 increased 156% to average 161 boe/d compared to 63 boe/d in the corresponding period of 2009. Natural gas production increased 70%, to 625 mcf/d from 368 mcf/d during the nine months ended September 30, 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 2009, along with the Company's increase in ownership in the well between the two periods. Crude oil and NGLs production increased 2,750%, to 57 bbls/d from 2 bbls/d during the nine months ended as of September 30, 2010 and 2009, respectively. The significant increase in crude oil and NGLs production was mainly the result of new production from the well re-entries at Mervin, and the two new oil wells in the Provost area. In addition, the Company realized a significant increase in NGL production from the Ferrybank 8-32 well and the successful recompletion of its Caroline well that had been shut-in for a number of years.

Natural gas revenue represented 47% and 96% of the Company's total sales in the three months ended September 30, 2010 and 2009, respectively, while crude oil and NGLs grew significantly representing 53% of total production in the third quarter of 2010, as compared to 4% in the same quarter of 2009.

Pricing

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Selling Prices						
Natural gas (\$/mcf)	3.58	2.55	40	4.18	3.80	10
Crude oil and NGLs (\$/bbl)	56.73	51.19	11	60.11	53.06	13
Average weighted selling price (\$/boe)	40.33	16.71	141	37.51	23.79	58

Average natural gas prices received by Forent increased 40% in third quarter of 2010 to \$3.58/mcf from \$2.55/mcf received during the same quarter of 2009. Crude oil and NGLs prices increased by 11%, from \$51.19/bbl recorded during the third quarter of 2009 to \$56.73/bbl in the same quarter of 2010. Selling prices for the nine months ended September 30, 2010 averaged \$4.18/mcf for natural gas and \$60.11/bbl for crude oil and NGLs compared to \$3.80/mcf and \$53.06/bbl, respectively, during the same nine months period of 2009. The increase in natural gas, crude oil and NGL prices in 2010 can be attributed to the declining value of the American dollar and a small increase in demand as a result of somewhat improved general economic conditions in North America.

Oil and Gas Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Natural gas revenue	239,794	86,406	178	753,347	381,473	97
Crude oil and NGLs revenue	603,212	11,774	5,023	940,586	29,875	3,048
Total oil and gas revenue	843,006	98,180	759	1,693,933	411,348	312

The Company's gross petroleum revenue for the third quarter of 2010 totalled \$843,006, representing an increase of 759% from the \$98,180 recorded in the same period of 2009. During the nine months ended September 30, 2010 and 2009 the Company's gross petroleum revenue increased 312% to \$1,693,933 from \$411,933, respectively.

The significant increase in oil and gas revenues during the three and nine months ended September 30, 2010 over the same periods of 2009, is attributed to the Company's redirection of focus from gas to crude oil that began in late 2009, combined with both higher production and commodity prices.

Royalty Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Total royalties	91,438	25,113	264	211,049	57,664	266
As a % of oil and gas sales \$/boe	11%	26%	(58)	13%	14%	(14)
	4.60	4.27	8	4.79	3.33	44

During the three months ended September 30, 2010, the Company's royalty expense increased 264% to \$91,438 from \$25,113 from the same period of 2009. The increase in the royalty expense was primarily due to increased crude oil production, which was partially offset by additional custom processing and operating cost credits on Alberta crown royalties. In the nine months ended September 30, 2010, royalty expense increased 266% to \$211,049 from \$57,664 in the same period of the prior year, as a result of the increased production and petroleum revenues, which were somewhat offset by crown royalty credits as described above.

Royalties as a percentage of sales for the three months ended September 30, 2010 totalled 11% of oil and gas sales, which was a 58% decrease from the 26% calculated for the same period of

2009. The decrease in royalties as a percentage of sales is primarily attributed to crown royalty adjustments and credits from prior years being realized in the third quarter of 2010.

Operating Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Operating expenses	426,130	172,967	146	894,063	412,900	117
Operating expenses <i>(\$/boe)</i>	21.42	29.43	(27)	20.29	23.88	(15)

Operating expenses increased 146% to \$426,130 in third quarter of 2010 compared to \$172,967 in same quarter of 2009. The increase in operating expenses was a result of higher production volumes resulting from the addition of the new wells in Mervin and Provost, along with small production increases from a number of additional Company wells. On a per boe basis, operating expenses decreased 27% to \$21.42 per boe in the three months ended September 30, 2010 from \$29.43 per boe in the same period of 2009, as a result of the greater efficiency on an overall well basis.

During the nine months ended September 30, 2010, operating costs increased 117% to \$894,063 from \$412,900 in the same period of 2009, reflecting the year-over-year increase in production. On a per boe basis, operating expenses fell by 15% as a result of increases in production volumes on a per well basis and additional optimization of existing Company wells and facilities.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Gross expenses	277,011	236,152	17	878,965	845,278	4
Overhead recoveries	(32,739)	(27,633)	18	(98,911)	(119,217)	(17)
Total G&A expense	244,272	208,519	17	780,054	726,061	7
<i>\$/boe</i>	12.28	35.48	(65)	17.70	41.99	(58)

During the third quarter of 2010, general and administrative expenses increased 17% to \$244,272 from \$208,519 recorded in the same period of 2009. The increase resulted from additional salaries and wages, donations, travel and communications expenses, which were somewhat offset by lower rental costs. In the nine months ended September 30, 2010, general and administrative expenses remained relatively stable with a modest increase of 7% to \$780,054 from \$726,061 in the corresponding period of 2009.

Overhead recoveries from partners, related to Forent operated projects, were \$32,739 and \$98,911 in the three and nine months ended September 30, 2010, respectively, compared to \$27,633 and \$119,217 in the same periods of 2009, respectively. The decrease in the nine months ended September 30, 2010 was due to the Company focusing on capital projects that it held a significant working interest 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 decreased 34% to \$58,697 in the third quarter of 2010 from \$89,330 in 2009 as a result of a decrease in the number of options being expensed in 2010 compared to 2009 as a result of a number of options being fully vested and some option cancellations between the two periods. The total amount of options outstanding at September 30, 2010 was 5,786,110 with a weighted average exercise price of \$0.43 and an average life of 2.99 years.

Interest Income and Expense

Interest and other income during the three and nine months ended September 30, 2010 was \$293, compared to \$6,123 and \$12,618 earned in the same periods of 2009, respectively, as a result of term deposit interest revenue being earned in 2009 that wasn't in place during 2010.

Interest expenses in the three and nine months ended September 30, 2010, totalled \$9,631 and \$12,847, versus \$26,869 and \$51,801 in the same period of 2009, respectively. 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 September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$/boe)	(%)
Sales price	40.33	16.71	141	37.51	23.79	58
Royalties	(4.60)	(4.27)	8	(4.79)	(3.33)	44
Operating	(21.42)	(29.43)	(27)	(20.29)	(23.88)	(15)
Operating netback	14.31	(16.99)	(184)	12.43	(3.42)	(463)
G&A (net of non-cash items)	(12.28)	(35.48)	(65)	(17.70)	(41.99)	(58)
Interest and other (net of non-cash items)	(1.61)	(3.53)	(54)	(0.39)	(2.27)	(83)
Corporate netback (loss)	0.42	(56.00)	(101)	(5.66)	(47.68)	(88)

During the third quarter of 2010 the Company's operating netback increased to a positive \$14.31/boe from a negative netback of \$16.99/boe recorded in same period of 2009. During the nine months ended September 30, 2010 the operating netback improved from a deficit of \$3.42/boe in same period of 2009, to a positive netback of \$12.43/boe. The increases were attributed to the shift towards a greater proportion of oil as compared 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 to positive cash flow of \$0.42/boe in the third quarter 2010, from a negative netback of \$56.00/boe in the same quarter of 2009. During the nine months of 2010 the Company's corporate netback deficit improved to a deficit of \$5.66/boe from a deficit of \$47.68/boe in the same period of 2009. The significant corporate netback improvement in the three and nine month periods was a result of increased production, a higher ratio of oil to gas, increased selling prices and a significant decrease in general and administrative costs on a per boe basis.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
DD&A provision	570,525	211,328	170	1,294,428	604,686	114
DD&A provision (\$/boe)	28.68	35.96	(20)	29.37	34.97	(16)

The DD&A provision increased 170% to \$570,525 in the third quarter of 2010, as compared to \$211,328 in the same period of 2009. During the nine months ended September 30, 2010 the DD&A provision increased 114% to \$1,294,428 from \$604,686 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 20% to \$28.68/boe from \$35.96/boe in the three months ended periods of September 30, 2010 and 2009, respectively.

The Corporation performed an impairment (ceiling) test review at September 30, 2010 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 \$62,816 in the third quarter of 2010 as compared to a reduction of \$168,905 in the same period of 2009. The future income tax in the first nine months of 2010 was a reduction of \$328,942 as compared to a reduction of \$451,544 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 September 30, 2010, the Company had approximately \$8.6 million in tax pools available to shelter taxable income in future years.

Funds from Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Cash flow (used in) from operating activities (per GAAP)	241,188	(114,511)	(311)	(607,769)	(990,331)	(39)
Change in non-cash working capital	(192,014)	(214,654)	(11)	399,386	165,871	141
Funds from (used in) operations	49,174	(329,165)	(115)	(208,383)	(824,460)	(75)

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds from (used in) operations	49,174	(329,165)	(115)	(208,383)	(824,460)	(75)
Per share – basic and diluted	-	(0.01)	(100)	-	(0.02)	(100)

Funds from operations increased to a positive \$49,174 (\$nil per basic and diluted share) for the three months ended September 30, 2010 versus funds used in operations of \$329,165 (\$0.01 per basic and diluted share) in the comparable period of 2009. During the nine months ended September 30, 2010, the funds used in operations decreased to \$208,383 (\$nil per basic and diluted share) from \$824,460 (\$0.02 per basic and diluted share) used in the same period of the prior year. The improvement in the three and nine month period cash flow was primarily attributable to the greater volumes of Company production, improvement in commodity selling prices and a greater percentage of revenues being derived from crude oil and natural gas liquids.

Net Loss

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Net loss	(517,232)	(460,918)	12	(1,393,648)	(1,267,952)	10
Per share – basic and diluted	(0.01)	(0.01)	-	(0.02)	(0.03)	(33)

During the third quarter of 2010, the Company recorded a net loss of \$517,232 (\$0.01 per basic and diluted share) versus a net loss of \$460,918 (\$0.01 per basic and diluted share) in the same period a year ago. In the nine month period ended September 30, 2010, the Company incurred a net loss of \$1,393,648 (\$0.02 per basic and diluted share) as compared to the net loss of \$1,267,952 (\$0.03 per basic and diluted share) recorded in the corresponding period of 2009. The slightly greater loss during the three and nine months ended periods of September 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 nine months ended September 30, 2010 and 2009 are summarized in the following table and do not include non-cash transactions.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Land	448,835	14,348	3,028	850,620	82,612	930
Geological and geophysical	716,107	57,000	1,156	1,608,210	235,066	584
Drilling and completions	363,684	181,246	101	1,239,535	278,433	345
Facilities and equipment	132,533	24,288	446	616,227	59,550	935
Property acquisitions	-	-	-	49,036	1,000	4,804
Property dispositions	-	(8,765)	(100)	-	(19,480)	(100)
Capitalized G&A and other	1,681	-	-	2,333	605	286
Total capital expenditures (net)	1,662,840	268,117	520	4,365,961	637,786	585

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

During the third quarter of 2010, the Company increased its net capital spending by 520% to \$1,662,840 as compared to \$268,117 expended in the same quarter of 2009. The third quarter expenditures consisted of \$448,835 spent on exploratory land leases primarily in the Montgomery, Alberta area. During the quarter \$716,107 was spent on geological and geophysical activities consisting mainly of the gravity gradiometry survey over the Alton Block in Nova Scotia which was 80% completed at the end of the quarter. In addition, \$363,684 was spent on drilling and completions primarily for the seven Mervin, Saskatchewan well re-entries initiated in the second and third quarter, along with and \$132,533 that was used to develop facilities primarily in Mervin.

Liquidity and Capital Resources

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Working capital, beginning of period,	2,689,732	856,446	214	1,182,925	1,721,410	(31)
Funds provided (used in) operations	49,174	(329,165)	(95)	(208,383)	(824,460)	(75)
Issue of capital stock (net)	-	-	-	4,467,485	-	-
Capital expenditures (net)	(1,662,840)	(268,117)	520	(4,365,961)	(637,786)	585
Working capital, end of period	1,076,066	259,164	315	1,076,066	259,164	315

Forent opened the third quarter of 2010 with a working capital surplus of \$2,689,732. Changes in the quarter's working capital involved funds generated in operations of \$49,174 and net capital expenditures of \$1,662,840, thereby leaving the Company with a working capital surplus of \$1,076,066 at September 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 September 30, 2010 approximately \$2.6 million of this commitment has been fulfilled. Additional capital expenditures may be made if funds are available to develop various oil focused 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 327,771 Forent common shares to the Edelex shareholders in exchange for all of the common shares of Edelex. The purchase allocation of Edelex consisted of \$81,969 of fair valued assets and liabilities, comprised of \$49,036 in oil and gas interests and \$32,933 in net working capital. 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,	September 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	83,478,045	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			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	152,787	202,463	173,164	140,004	98,180	210,909	399,705	451,222	843,006
Funds from (used in) operations ⁽¹⁾	(147,913)	(284,232)	(259,801)	(235,494)	(329,165)	(157,857)	(159,714)	(97,843)	49,174
Per share – basic and diluted ⁽²⁾	(0.01)	(0.01)	(0.01)	-	(0.01)	-	-	-	-
Net loss	(684,856)	(589,510)	(394,703)	(412,331)	(460,918)	(349,768)	(354,615)	(521,801)	(517,232)
Per share – basic and diluted ⁽²⁾	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(.01)
Capital expenditures	1,303,852	1,287,580	259,889	109,780	268,117	1,706,217	454,782	2,248,339	1,662,840
Working capital	3,109,184	1,721,410	1,201,720	856,446	259,164	1,182,925	648,238	2,689,732	1,076,066
Shareholders' equity	7,536,021	8,043,758	6,681,797	6,374,022	6,002,434	8,690,124	8,031,485	12,031,352	11,572,817
Average daily production									
Natural gas (mcf/d)	170	288	360	375	368	434	572	698	604
Crude oil and NGLs (bbls/d)	2	1	1	3	3	5	23	33	116
Total (boe/d)	30	49	61	65	64	77	118	149	216

(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 nine months ended September 30, 2010 and 2009, the Company had the following related party transactions:

During the three and nine months ended September 30, 2010, the Company incurred \$25,997 and \$79,492 (2009 - \$27,719 and \$86,986), respectively, of net operating costs relating to pipeline and facility rental fees from a company controlled by a significant shareholder. As at September 30, 2010, there was an outstanding balance of \$8,166 (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 nine months ended September 30, 2010, the Company incurred \$2,422 and \$2,422, respectively, 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 the board position effective September 1, 2010. As at September 30, 2010, there was an outstanding balance of \$2,422 owed to the related company.

During the three and nine months ended September 30, 2010 the Company incurred \$36,385 and \$42,612 (2009 - \$7,070 and \$30,501), respectively, for legal services with a law firm of which a board member is a partner. As at September 30, 2010, there was an outstanding balance due the related party of \$26,915 (2009 - \$7,737).

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions during the three or nine months ended periods of September 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 September 30, 2010 the Company has incurred approximately \$1.3 million of qualifying expenditures, with approximately \$0.1 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 was completed in October 2010, with the interpretation of the data expected to be completed in December 2010. The Company paid an instalment of 50% upon the aircraft arriving in Nova Scotia and subsequent to the third quarter ended paid an instalment of 40% upon successful completion of the aerial survey and the remaining 10% is to be paid 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 Company's December 31, 2009 year ended audited 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 September 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 the three month period ending March 31, 2011. We expect that the adoption of IFRS in 2011 will not have a significant impact or influence on our business, operations or strategies.

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.

We are continuing to monitor any new or amended IFRS issued by the International Accounting Standards Board that could affect our choice of accounting policies, including the new joint ventures standard that is expected to be published later in 2010. It should be noted that our IFRS financial statements for 2011 must use the standards that are in effect on December 31, 2011. Therefore, the accounting policies that we have chosen and used for our draft IFRS opening balance sheet are subject to change. Our IFRS accounting policies will only be finalized when our first annual IFRS financial statements are prepared for the year ended December 31, 2011.

We have prepared an initial draft balance sheet at January 1, 2010, which is subject to further review by management and audit work by our external auditors before it is considered final. We expect to draft our financial results under IFRS for the first and second quarters of 2010 before the end of the year.

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 September 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 September 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

DIRECTORS

W. Brett Wilson^{1,2}
John A. Forgeron
Thomas E. Lester
Douglas Porter¹
Scott Reeves
Wayne Rousch¹

¹ *Member of the Audit Committee*

² *Chairman of the Board*

OFFICERS

Thomas E. Lester, President & CEO, CFO
Ian Shook, Vice President Exploration
Scott Reeves, Corporate Secretary

EXECUTIVE OFFICE

Forent Energy Ltd.
Suite 400, 333 – 11th Ave SW
Calgary, Alberta, Canada T2R 1L9

Telephone: (403) 262-9444

Facsimile: (403) 262-4651

LEGAL COUNSEL

TingleMerrett LLP

BANKERS

National Bank of Canada

AUDITORS

PricewaterhouseCoopers LLP

EVALUATION ENGINEERS

Sproule Associates Limited
Calgary, Alberta

www.forentenergy.com