



Management's Discussion and Analysis

For the Years ended December 31, 2010 and 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 28, 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 accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the years ended December 31, 2010 and 2009 and should be read in conjunction with the 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.

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 and Beech Hill Blocks in Nova Scotia and ii) on its Montgomery, Alberta property. 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

Overview of 2010

The past year was highlighted by a number of significant factors that had a major influence on Forent's activities and financial results. One of the most important factors was the global economic improvement that resulted in a significant increase in crude oil and natural gas liquids prices, allowing for a significant increase in revenues as the Company focused on developing crude oil and natural gas liquids production in 2010. In addition, the Company was able to conduct two non-brokered equity placements in 2010, raising a total of \$5.7 million in new equity that was allocated to short-term western Canadian exploration and development opportunities, as well as the \$1.6 million gravity differential survey on its Alton Block in Nova Scotia and a \$1.5 million 3D seismic survey on its Montgomery, Alberta lands.

Mervin, Saskatchewan

During the third and fourth quarters of 2010, the Company re-entered seven existing well bores, one of which was converted to a salt water disposal well late in the year. The six producing Mervin wells made a significant contribution to Forent's 200% production increase in 2010, as compared to 2009, and the Company's ability to become cash flow positive. The conversion of one of the wells to a water disposal well resulted in significant cost savings and improved net backs.

Montgomery, Alberta

Forent completed a 23 section 3D seismic program in the Montgomery, Alberta, project area in December 2010. The seismic data appears very promising, identifying at least six drilling locations, each with significant exploration and development potential. These locations include multi-zone, three-way structural closures of significant areal extent. The Company will continue to interpret the 3D seismic program to establish additional drilling locations throughout the first half of 2011. The Company anticipates bringing on a partner to participate in the drilling program that is expected to commence in the summer of 2011.

Alton and Beech Hill Blocks, Nova Scotia

Forent's Nova Scotia properties offer a number of different high potential exploration and development opportunities including reef oil and shale oil and gas. 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 completed an aerial gravity gradiometry survey in December 2010, allowing the Company to economically evaluate and identify potential reefal structures on the southern half of the Alton Block. The Company anticipates completing a 2D seismic program in the summer of 2011 to provide additional clarity to the features identified by the gravity gradiometry survey to pin point drilling locations, with the drilling of those targets anticipated to begin in the fall of 2011.

Financial and operating highlights of 2010

- Annual average oil and gas production increased by 200 percent compared to 2009;
- average commodity selling prices increased by 59 percent vs. 2009;
- overall oil and gas revenues increased by 384 percent to \$3.0 million from \$0.6 million;
- operating expenses decreased 7 percent to \$20.54 per boe;
- operating netbacks for the year improved appreciably from a net cost of \$0.32 per boe in 2009 to a positive netback of \$14.60 per boe in 2010;
- general and administrative expenses increased 17 percent overall, but fell on a per boe basis by 61 percent to \$15.47 per boe; and
- the Company was cash flow positive in the second half of 2010 and ended the year using cash of just \$27,985, compared to a cash burn of \$982,317 in 2009.

Outlook for 2011

The current year is shaping up to be one of the most ambitious in Forent's history.

In Mervin, Saskatchewan the Company intends to tie the six producing wells into the salt water disposal well in order to affect further significant cost savings. In addition, based on cash flow from operations, Forent will review the potential to drill additional wells at Mervin and will assess other low risk heavy oil opportunities as internally generated cash flow dictates.

The Montgomery, Alberta exploration opportunity will be marketed during the second quarter, with the intention of completing a multiple well farm-out later in the quarter, with drilling to commence in the third quarter of 2011. The 3D seismic indicates a number of deeper multi-zone drilling prospects and the Company believes there is potential for major discoveries of oil and gas. The Company has 24.5 contiguous sections with an average working interest of 85% at Montgomery.

In Nova Scotia Forent 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 gravity gradiometry survey flown in 2010. Initially, Forent intends to acquire 65 km of 2D seismic and then early in the fourth quarter drill the first of three exploration wells. We are optimistic that our efforts over the past four years will bear fruit in 2011 and that the Company will become the first in Nova Scotia to produce oil on shore. The Company plans to raise approximately \$5.0 million in additional equity capital in the second quarter of 2011 to fund this project.

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.

Subsequent Events

Issuance of Stock Based Compensation and Changes to Pre-existing Plans

On February 11, 2011, the Company granted stock options to acquire up to an aggregate of 2,755,000 common shares of Forent to certain directors, officers, employees and consultants of the Company. Each of the options is exercisable for a five year term expiring on February 11, 2016 and exercisable until that time at a price of \$0.25 per common share. One-third of the options vest immediately upon the date of grant with an additional one-third to vest on each of the annual anniversaries of the grant date. The options are subject to a four month hold period that expires on June 12, 2011.

The Company determined a fair value of \$354,180 for the stock options granted, using the Black-Scholes option pricing model as at the date of grant. The weighted average fair market value of the stock options and the assumptions used in their determination for options issued on February 11, 2011 were as follows: dividend rate: 0%; expected volatility: 90%; risk-free interest rate: 2.20%; forfeiture rate: 8.32%; and expected life: 3.4 years.

In addition, the Company amended 2,118,519 options issued to directors, officers, employees and consultants of the Company that were originally issued on October 17, 2007 and 1,863,889 options that were originally issued on October 7, 2008, all with an exercise price of \$0.49 per share, by reducing the number of options issued in each grant by 50%, reducing the exercise price of the options and extending the expiry date. By virtue of the amendment, there are now an aggregate of 1,889,355 options issued under the grant with an expiry date of February 4, 2016 and an exercise price of \$0.25 per share. The amendment is subject to disinterested shareholder approval, to be sought at the next annual general meeting of the shareholders of the Company and the approval of the TSX Venture Exchange.

Financial Results – Annual Information

Production

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change (%)	2010	2009	Change (%)
Daily Production						
Natural gas (mcf/d)	736	434	70	653	384	70
Crude oil and NGLs (bbls/d)	194	5	3,780	92	3	2,967
Boe/d	317	77	312	201	67	200
	(%)	(%)	(%)	(%)	(%)	(%)
Production Mix						
Natural gas	39	93	(58)	54	96	(44)
Crude oil and NGLs	61	7	771	46	4	1,050
	100	100		100	100	

Production volumes for the year ended December 31, 2010 averaged 201 boe/d, a 200% increase over the 67 boe/d recorded during 2009. Natural gas production rose 70% to 653 mcf/d from 384 mcf/d a year ago and crude oil and natural gas liquids ("NGLs") production increased by 2,967% to 92 bbls/d from 3 bbls/d as compared to same period of 2009. The large production increases were primary the result of the successful reactivations of six oil wells near Mervin, Saskatchewan, the bringing on stream of two oil wells near Provost, Alberta, along with significant natural gas adds including the additional working interest purchased in late 2009 at the Company's Ferrybank well.

In the fourth quarter of 2010 production volumes averaged 317 boe/d, a 312% increase over the 77 boe/d recorded during the same quarter in 2009. The significant increase was largely attributed to the Mervin wells mentioned above, which realized their highest production rates of 2010 in the fourth quarter.

Natural gas revenue represented 54% and crude oil and NGLs comprised the remaining 46% of the Company's total production volumes in 2010, as compared to 96% natural gas and 4% crude oil and NGLs in 2009. The change in petroleum weightings resulted from the Company changing its focus in late 2009 to crude oil production to reduce its reliance on 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 2010, the AECO natural gas price averaged \$4.16/mcf compared to \$4.21/mcf in 2009. Natural gas prices remained weak in 2010 primarily as a result of significant production increases from various shale gas developments in North America.

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 \$77.81/bbl in 2010 and \$66.20/bbl in 2009. 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 throughout 2010 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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Selling Prices						
Natural gas (\$/mcf)	2.87	4.75	(40)	3.98	4.07	(2)
Crude oil and NGLs (\$/bbl) ⁽¹⁾	60.55	45.64	33	60.35	49.71	21
Average weighted selling price (\$/boe)	43.89	29.61	48	40.61	25.49	59

(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 realized by Forent decreased 2% in 2010 to \$3.98/mcf from \$4.07/mcf during 2009. Crude oil and NGLs selling prices increased 21% to \$60.35/bbl during the year ended December 31, 2010, compared to \$49.71/bbl recorded during 2009. Gas pricing remained soft between the periods, while crude oil and natural gas liquids realized a generous increase in selling prices between 2010 and 2009, as a result of the global economic improvements in 2010 thereby increasing overall world demand without an equivalent increase in supply.

In the fourth quarter of 2010 the Company's average selling price of natural gas decreased 40% to \$2.87/mcf from \$4.75/mcf during the fourth quarter of 2009. Crude oil and NGLs selling prices increased 33% to \$60.55/bbl compared to \$45.64/bbl recorded in the fourth quarter of 2009.

Oil and Gas Revenue

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Natural gas revenue	238,715	189,686	26	992,062	571,159	74
Crude oil and NGLs revenue	1,081,470	21,223	4,996	2,022,056	51,098	3,857
Total oil and gas revenue	1,320,185	210,909	526	3,014,118	622,257	384

The Company's gross revenue for the year ended December 31, 2010 totalled \$3,014,118, an increase of 384% from the same period of 2009, when gross revenue was \$622,257. The considerable increase in revenues was a result of the 200% increase in volumes in combination with the 59% rise in the average weighted selling prices realized during the year.

In the fourth quarter of 2010 revenue totalled \$1,320,185, an increase of 526% over the same quarter of 2009 when gross revenue was \$210,909. The significant increase in revenue was attributed to the 312% increase in combined company production that was further enhanced by the 48% increase in the average weighted selling prices between the fourth quarters of 2010 and 2009.

Royalty Expense

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Total royalties	189,476	30,651	518	400,525	88,315	354
As a % of oil and gas sales	14%	15%	(7)	13%	14%	(7)
\$/boe	6.50	4.30	51	5.47	3.62	51

For the year ended December 31, 2010, royalty expense increased 354% to \$400,525 from \$88,315 incurred in 2009, as a result of the significant rise in revenues achieved through higher production volumes and higher pricing on crude oil and NGL revenues between the years. Royalties (sensitive to both commodity prices and individual well production) as a percentage of production revenue remained relatively flat with a modest decrease of 7% from the previous year. On a per boe basis the royalties increased to \$5.47 per boe from \$3.62 per boe primarily as a result of the higher royalty rates on the new Saskatchewan heavy oil production.

In the fourth quarter of 2010, royalty expense increased 518% to \$189,476 from \$30,651 recorded in the same period of 2009. The sharp increase was a result of the increased production from both natural gas and crude oil and NGLs between the quarters.

Operating Expenses

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Operating expenses	609,833	128,968	373	1,503,896	541,868	178
Operating expenses (\$/boe)	20.92	18.11	16	20.54	22.19	(7)

Operating expenses increased 178% to \$1,503,896 in 2010 compared to \$541,868 during the year ended December 31, 2009. The increase in operating expenses was primarily attributable to the increased production from the six reactivated oil wells in Mervin, Saskatchewan along with additional costs for the two new oil wells at Provost and a recompleted well at Caroline, along with the increased working interest of the 8-32 Ferrybank natural gas well. On a per boe basis, operating expenses in 2010 decreased 7% from the year ended December 31, 2009, as a result of the Company achieving higher per well production levels without a direct corresponding increase in operating costs. In the future, operating costs are expected to decrease on a per boe basis as a result of reducing the costs of trucking water to the Company's water disposal well at Mervin, as a result of tying-in the six producing wells into the water disposal well after winter breakup in 2011.

During the fourth quarter operating expenses increased 373% to \$609,833 in 2010 compared to \$128,968 in the same period of 2009. The significant increase in operating expense was predominantly a result of the Company's increased production from the new wells brought on stream in 2010, particularly those at Mervin as mentioned previously. The 16% increase per boe was a result of the higher initial operating costs in the Mervin area for the 6 new heavy oil wells. The Mervin wells are expected to see reduced operating costs in 2011 through operating efficiencies and the anticipated tie-in to the Company's water disposal well.

General and Administrative ("G&A") Expenses

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Gross expenses	385,831	275,011	40	1,264,796	1,120,289	13
Overhead recoveries	(32,961)	(33,539)	(2)	(131,872)	(152,756)	(14)
Total G&A expense	352,870	241,472	46	1,132,924	967,533	17
\$/boe	12.10	33.90	(64)	15.47	39.63	(61)

During the year ended December 31, 2010, general and administrative expenses increased 17% to \$1,132,924 from \$967,533 in the same period of 2009. The general and administrative expenses increased between the periods of 2010 and 2009, primarily as a result of additional employee and consulting expenses associated with the continued exploration of its oil and gas properties in Nova Scotia and the addition of a western Canadian core exploration area at Montgomery, Alberta.

In the fourth quarter of 2010, general and administrative expenses increased 46% to \$352,870 from \$241,472 in the same quarter of 2009. The increase was primarily a result of increased employee expenses and geologic software program costs, along with additional audit fees related to the conversion from Canadian GAAP to International Financial Reporting Standards ("IFRS") in the fourth quarter of 2010.

The overhead recoveries from partners, related to Forent operated projects, decreased by 14% to \$131,872 in the 12 months ended December 31, 2010, compared to \$152,756 in the same period of 2009. The decrease was a result of a reduction in capital projects that involved joint venture partners with Forent as the operator. During the year the Company only conducted capital operations on projects where Forent had a 100% working interest (Mervin and Richdale), while a joint venture partner managed operations at Provost where Forent has a 35% working interest. 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 decreased 54% to \$173,765 in 2010 from \$376,936 in 2009 due to a lower amortization base as a result of a number of option cancellations and option tranches being fully vested in the prior year. In addition, the company capitalized \$106,043 of stock based compensation in 2010. The total number of options outstanding at December 31, 2010 is 5,704,490 with a weighted average exercise price of \$0.43 and life of 2.73 years.

Interest Income and Expense

Interest and other income during the year ended December 31, 2010 totalled \$809 compared to \$11,612 earned in 2009. The decrease was a result of the Company holding significantly lower term deposit balances in 2010 as compared to 2009.

Interest expense and financing fees for the year ended December 31, 2010 was \$5,567 versus \$23,720 recorded in the same period of 2009. The decrease was a result of an over estimation of Part XII.6 tax recorded in 2009 relative to the actual tax incurred. The Part XII.6 tax was calculated based on the outstanding balance of cumulative exploration expenditures ("CEE") related to the Company's 2009 flow-through share issuance during 2010. The CEE related to the 2009 flow-through share issuance was fully expended as at the year ended December 31, 2010.

Operating Netbacks per boe

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$/boe)	(\$/boe)	(%)	(\$/boe)	(\$/boe)	(%)
Sales price	43.89	29.61	48	40.61	25.49	59
Royalties	(6.50)	(4.30)	51	(5.47)	(3.62)	51
Operating	(20.92)	(18.11)	16	(20.54)	(22.19)	(7)
Operating netback	16.47	7.20	129	14.60	(0.32)	4,662
G&A (net of non-cash items)	(12.10)	(33.90)	(64)	(15.47)	(39.63)	(61)
Interest and other (net of non-cash items)	0.43	4.54	(91)	(0.06)	(0.28)	(79)
Corporate netback (loss)	4.80	(22.16)	(122)	(0.93)	(40.23)	(98)

During the year ended December 31, 2010 the Company's operating netback improved considerably to \$14.60/boe from negative \$0.32/boe recorded in 2009. The improvement in operating netback was primarily attributed to the Company's change in product mix from primarily natural gas to a more balanced oil/gas split and to the increase in overall production. Overall corporate netback funds flow increased to negative \$0.93/boe during 2010, from a negative netback of \$40.23/boe in the prior year. The significant improvement in the corporate netback deficit was a consequence of the improvement in the operating netback and a reduction of general and administrative costs on a per boe basis, as compared to 2009.

During the three months ended December 31, 2010 the operating netback increased to \$16.47/boe from \$7.20/boe recorded in same period of 2009. The improvement in operating netback between the quarters was primarily attributed to the Company's change in product mix from primarily natural gas to a more balanced split between the higher operating margin commodities of crude oil and NGLs. In addition, the Company's corporate netback improved to \$4.80/boe in the fourth quarter of 2010 from a deficit of \$22.16/boe in the fourth quarter of 2009. The improvement of the corporate netback between the three month periods was a result of the improved operating netback and lower general and administrative expenses, all on a per boe basis.

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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
DD&A provision	943,376	336,410	180	2,237,804	941,096	138
DD&A provision (\$/boe)	32.36	47.23	(31)	30.56	38.55	(21)

The depletion, depreciation and amortization ("DD&A") provision in 2010 increased 138% to \$2,237,804 from \$941,096 during the year ended December 31, 2009, due to the 200% increase in production and the additional carrying value of capital expenditures associated with developing those assets that increased the base of the Company's depletable oil and gas assets. On a per boe basis, the DD&A provision decreased 21% during the year ended December 31, 2010, to \$30.56/boe from \$38.55/boe in the same period of 2009, as a result of the increased production in 2010 relative to the increased net book value of oil and gas assets from the same period of 2009. Depletion costs remain high as a result of the Company's reserve evaluators only assigning 57,100 bbls of proved reserves to the Mervin re-entry project.

In the fourth quarter of 2010 the Company recorded a \$943,376 DD&A provision that was an increase of 180% over the \$336,410 DD&A provision in the same period of 2009. The increase was primarily attributable to the 312% increase in production volumes and the associated depletable asset base in the fourth quarter of 2010 over the fourth quarter of 2009.

During the year the Company conducted a ceiling test to assess the carrying value of its oil and gas assets relative to the fair value of those assets. It was determined that the carrying value of assets subject to the ceiling test were not impaired as at December 31, 2010. In 2009 the Company recorded an impairment of \$0.1 million related to oil and gas assets subject to the ceiling test.

Income Taxes

For the year ended December 31, 2010 there was a future income tax recovery of \$605,983 recorded in the period, compared to a recovery of \$682,629 recorded in the same period of 2009. 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.

As at December 31, 2010, the Company had approximately \$10.5 million in tax pools available to shelter taxable income in future years. Of the \$10.5 million in tax pools available the Company is committed to renounce \$3.4 million in the first quarter of 2011 related to the 2010 flow-through share issuances.

Funds from Operations

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Cash flow (used in) from operating activities (per GAAP)	(167,170)	140,292	(219)	(774,939)	(850,039)	(9)
Change in non-cash working capital	347,568	(298,149)	(217)	746,954	(132,278)	(665)
Funds from (used in) operations	180,398	(157,857)	(214)	(27,985)	(982,317)	(97)

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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds from (used in) operations	180,398	(157,857)	(214)	(27,985)	(982,317)	(97)
Per share – basic and diluted	-	(0.01)	(100)	-	(0.02)	(100)

Funds used in operations was \$27,985 (\$nil per basic and diluted share) for the year ended December 31, 2010 versus funds used in operations of \$982,317 (\$0.02 per basic and diluted share) in 2009. The year to year improvement in the funds used in operations was primarily a result of the additional wells brought on stream in 2010, with the focus on crude oil and NGLs.

In the three months ended December 31, 2010, the funds from operations increased to \$180,398 (\$nil per basic and diluted share) from \$157,857 (\$0.01 per basic and diluted share) used in the same period of 2009. The fourth quarter increase in funds from operations was primarily related to the significant crude oil production additions in the Company's Mervin field that generated considerable cash flows, allowing the company to achieve positive cash flow from operations in the third and fourth quarters of 2010.

Net loss

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Net loss	(439,923)	(349,768)	26	(1,833,571)	(1,617,720)	13
Per share – basic and diluted	-	(0.01)	(100)	(0.02)	(0.03)	(33)

During 2010, the Company recorded a net loss of \$1,833,571 (\$0.02 per basic and diluted share) compared to a net loss of \$1,617,720 (\$0.03 per basic and diluted share) in the same period of 2009. The increase in the loss was primarily attributed to the significant jump in the non-cash item of depletion, which was partially offset by the greater income from operations generated primarily through the Company's production additions in 2010.

In the fourth quarter of 2010 a net loss of \$439,923 (\$nil per basic and diluted share) was recorded, as compared to a net loss of \$349,768 (\$0.01 per basic and diluted share) in same period of 2009. The increase in the loss in the fourth quarter was primarily related to increased depletion expense, which was partially offset by the operating income earned by the Company's reactivation of the Mervin field.

Capital Expenditures

Capital expenditures made during the years ended December 31, 2010 and 2009 are summarized in the following table and do not include non-cash transactions:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Land	(21,574)	223,593	(110)	829,046	306,205	171
Geological and geophysical	1,692,264	98,979	1,610	3,300,474	334,045	888
Drilling and completions	435,690	1,126,516	(61)	1,675,225	1,404,949	19
Facilities and equipment	170,945	(18,194)	(1,040)	787,172	41,356	1,803
Property acquisitions	-	275,935	(100)	49,036	276,935	(82)
Property dispositions	(35,000)	(612)	5,619	(35,000)	(20,092)	74
Other	106,043	-	-	108,376	605	17,813
Total capital expenditures (net) ⁽¹⁾	2,348,368	1,706,217	38	6,714,329	2,344,003	186

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

During 2010, the Company spent \$6.7 million on exploration and development activities and other items compared to \$2.3 million in 2009. Land expenditures were \$0.8 million in 2010, which included the cost of land acquisitions in the Montgomery area of Alberta, with a small amount attributable to capitalized lease rentals on the Nova Scotia exploration blocks. The Company's 2010 geological and geophysical expenditures of \$3.3 million consisted of \$1.5 million in seismic acquisition costs in Montgomery and \$1.6 million incurred for the gravity differential aerial survey of the Alton Block in Nova Scotia, along with \$0.1 million of additional seismic and interpretation costs and capitalized G&A of \$0.1 million.

During the year, the Company reactivated 7 shut-in wells in the Company's 100% working interest project area of Mervin, resulting in 6 actively producing heavy oil wells and one well bore that was converted into a water disposal well. The Company also drilled 1 gross (0.5 net) wells in the Lloydminster project area (2009 - 4 gross (2.1 net)). Total spending on the reactivations, water disposal well, new well drilling and completions totalled \$1.7 million. Equipment and facilities expenditures totalled \$0.8 million to equip the Mervin wells with pumps and tanks, along with tie-ins of the Provost and Richdale wells drilled in 2009.

In addition, in 2010 the Company acquired all of the joint petroleum assets of a joint venture partner valued at \$49,036. During the year ended December 31, 2010 the Company disposed of \$35,000 of oil and gas properties. Other capital expenditures included \$0.1 million in capitalized stock based compensation during 2010.

Liquidity and Capital Resources

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2010	2009	Change	2010	2009	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Working capital, beginning of year	1,076,066	259,164	315	1,182,925	1,721,410	(31)
Funds from operations	180,398	(157,857)	(214)	(27,985)	(982,317)	(97)
Issue of capital stock (net)	1,977,954	2,787,835	(29)	6,445,439	2,787,835	131
Capitalized stock based compensation	106,043	-	-	106,043	-	-
Other assets	(185,000)	-	-	(185,000)	-	-
Capital expenditures (net)	(2,348,368)	(1,706,217)	38	(6,714,329)	(2,344,003)	186
Working capital, end of year	807,093	1,182,925	(32)	807,093	1,182,925	(32)

Forent opened 2010 with a working capital surplus of \$1.2 million. The change in the Company's net working capital resulted from relatively neutral funds from operations, net equity of \$6.4 million raised in April and December 2010, through two separate non-brokered private placements, capitalized stock based compensation of \$0.1 million, change in other assets of \$0.2 million consisting of long-term deposits and net capital expenditures totalling \$6.7 million, thereby leaving the Company with a working capital surplus of \$0.8 million at December 31, 2010.

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 term. 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 \$0.145 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.

Pursuant to flow-through common share issuances completed on April 15, 2010 and December 21, 2010, the Company committed to renounce a total of \$3.4 million of eligible exploration expenditures. As at December 31, 2009, Forent had incurred the full amount of expenditures eligible for renouncement.

Share Capital

On December 21, 2010 the Company completed a non-brokered private placement for gross proceeds of \$2,000,000. The private placement consisted of the issuance of 11,111,111 flow-through common shares at a price of \$0.18 per share. Fees associated with the private placement consisted of \$22,047 in regulatory and legal expenses. In addition the future income tax benefit associated with the share issue costs was \$6,287, resulting in net share issuance costs of \$15,760.

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 6,295,454 flow through common shares at a price of \$0.22 per share. The common shares and flow-through common shares were valued at \$3,697,552 and the warrants were valued at \$722,448. Fees associated with the private placement consisted of \$32,324 in regulatory and legal expenses. The future income tax benefit associated with the share issue costs was \$9,217, resulting in net share issuance costs of \$23,107.

Effective 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 regulatory and legal expenses. The future income tax benefit associated with the share issue costs was \$623, resulting in net share issuance costs of \$1,537. Immediately following the acquisition, Edelex amalgamated with Forent.

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

12 months ended December 31, 2010 and 2009	2010	2009
	(#)	(#)
Common Shares		
Balance – beginning of year	69,937,686	49,872,476
Acquisition of Edelex	327,771	-
Private placements	32,581,565	20,065,210
Balance – end of year	102,847,022	69,937,686
Weighted Average Common Shares Outstanding⁽¹⁾		
Basic	85,862,996	53,390,759
Diluted	85,862,996	53,390,759
Share Purchase Warrants		
Balance – beginning of year	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 year	15,505,755	7,918,255
Stock Options		
Balance – beginning of year	4,841,110	7,070,554
Expired	-	(183,332)
Cancelled	(81,620)	(2,811,112)
Granted	945,000	765,000
Balance – end of year	5,704,490	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	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	399,705	451,222	843,006	1,320,185	3,014,118
Funds from (used in) operations ⁽¹⁾	(159,714)	(97,843)	49,174	180,398	(27,985)
Per share – basic and diluted ⁽²⁾	-	-	-	-	-
Net loss	(354,615)	(521,801)	(517,232)	(439,923)	(1,833,571)
Per share – basic and diluted ⁽²⁾	-	(0.01)	(0.01)	(0.01)	(0.02)
Capital expenditures	454,782	2,248,339	1,662,840	2,348,368	6,714,329
Working capital	648,238	2,689,732	1,076,066	807,093	807,093
Shareholders' equity	8,031,485	12,031,352	11,572,817	13,120,931	13,120,931
Average daily production					
Natural gas (mcf/d)	572	698	604	736	653
Crude oil and NGLs (bbls/d)	23	33	116	194	92
Total (boe/d)	118	149	216	317	201

	Three months ended Mar. 31, 2009	Three months ended Jun. 30, 2009	Three months ended Sep. 30, 2009	Three months ended Dec. 31, 2009	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Oil and gas revenue	173,164	140,004	98,180	210,909	622,257
Funds from (used in) operations ⁽¹⁾	(259,801)	(235,494)	(329,165)	(157,857)	(982,317)
Per share – basic and diluted ⁽²⁾	(0.01)	-	(0.01)	-	(0.02)
Net loss	(394,703)	(412,331)	(460,918)	(349,768)	(1,617,720)
Per share – basic and diluted ⁽²⁾	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Capital expenditures	259,889	109,780	268,117	1,706,217	2,344,003
Working capital	1,201,720	856,446	259,164	1,182,925	1,182,925
Shareholders' equity	6,681,797	6,374,022	6,002,434	8,690,124	8,690,124
Average daily production					
Natural gas (mcf/d)	360	375	368	434	384
Crude oil and NGLs (bbls/d)	1	3	3	5	3
Total (boe/d)	61	65	64	77	67

(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 share issuances, 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 years ended December 31, 2010 and 2009, the Company had the following related party transactions:

During the year ended December 31, 2010, the Company incurred \$103,989 (2009 - \$153,432), of net operating costs relating to pipeline and facility rental fees from a company controlled by a significant shareholder. As at December 31, 2010, there was an outstanding balance of \$nil (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 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 year ended December 31, 2010, the Company incurred \$29,391 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 December 31, 2010, there was an outstanding balance of \$10,605 owed to the related company.

During the year ended December 31, 2010 the Company incurred \$59,705 (2009 - \$63,226) for legal services with a law firm of which a board member is a partner. As at December 31, 2010, there was an outstanding balance due the related party of \$10,866 (2009 - \$7,737).

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions as at the year ended December 31, 2010.

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 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 Block. As at December 31, 2010 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.

On December 21, 2010, the Company issued flow-through shares requiring that \$2,000,000 in qualifying exploration expenditures be expended by December 31, 2011. As at December 31, 2010 the Company has incurred the full amount of qualifying expenditures

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 December 31, 2010 the Company has incurred the full amount of qualifying expenditures

The Company does not have any outstanding risk management policies as at the year ended December 31, 2010.

Critical Accounting Estimates

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in this MD&A to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. The Company's management reviews its estimates regularly.

The following outlines the Company's accounting policies involving critical estimates.

Proved Oil and Gas Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. The estimated quantities of proved crude oil, natural gas liquids and natural gas are derived from geological and engineering data that demonstrate with reasonable certainty the amounts that can be recovered in future years from known reservoirs under existing economic and operating conditions. Reserves are considered proved if they can be produced economically as demonstrated by either actual production or conclusive formation tests. The oil and gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's plans.

Depletion of Oil and Gas Properties

The Company uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and developments are capitalized whether successful or not. The aggregate of net capitalized costs and estimated future development costs less estimated salvage values is amortized using the unit-of-production method based upon proved oil and gas reserves. An increase in estimated proved oil and gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

Withheld Costs

Certain costs related to unproved properties may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly and any impairment is transferred to the costs being depleted.

Impairment of Long Lived Assets

The Company is required to review the carrying value of all property, plant and equipment, including the carrying value of oil and gas assets, for potential impairment.

The carrying value of the Company's petroleum and natural gas properties must not exceed their fair value. The fair value is equal to the estimated future cash flows from proved and probable reserves using future price forecasts and costs discounted at a risk-free rate. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long lived asset is charged to income.

Legal, Environmental and Other Contingent Matters

The Company is required to determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can reasonably be estimated. When the loss is determined, it is charged to earnings.

The Company's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

Income Tax Accounting

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management. In addition, the Company calculates future taxes based on rates substantively enacted at each reporting period and expected to apply when temporary differences reverse. Any changes in the anticipated reversals may impact future tax rates and the increase or decrease will be recorded through earnings.

Asset Retirement Obligations

Asset retirement obligations are initially measured at fair value when they are incurred, which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

Stock Based Compensation

The Company uses the fair value method for valuing stock option grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. A zero dividend yield is used as the Company does not issue dividends; the volatility is a calculation based on past trading history and the risk-free rate is from the Bank of Canada. An increase in dividends would decrease the option expense and an increase in the volatility or the risk-free rate would increase the calculated expense.

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;

Change in Accounting Policies

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

(a) 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 the revised standard is expected to impact the Company's financial statements only to the extent that business combinations are entered into after the effective date.

(b) "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. It is not anticipated that the adoption of this standard will have a material impact on the Company's financial statements.

(c) "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. It is not anticipated that the adoption of this standard will have a material impact on the Company's Consolidated Financial Statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. Forent will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information.

In 2009 Forent commenced the process to transition its financial statements from current Canadian GAAP to IFRS and has been progressing towards completion throughout 2010. Forent's project consists of three key phases: the scoping and diagnostic phase, the impact analysis and evaluation phase and the implementation phase.

Throughout 2010 Forent accounting and finance personnel participated in various seminars and industry discussion groups regarding the application of current IFRS and potential changes to the standards, as well as the impact of IFRS on the consolidated financial statements.

The Company intends to draft its financial results under IFRS for the first quarter of 2010 during the second quarter of 2011 and will have the external auditors review the first quarters for both 2010 and 2011 under IFRS, before they are published. In recognition of the significant changes that result from the implementation of IFRS, the Alberta Securities Commission has granted all public issuers an additional 30 days in which to file their first quarter 2011 results.

Significant accounting differences between the Company's current accounting policies under Canadian GAAP and expected accounting policies under IFRS include the following areas:

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

Under Canadian GAAP Forent follows the CICA's guidelines of full cost accounting under which all costs directly associated with the exploration and development of oil and gas reserves are capitalized.

Under IFRS oil and gas assets consist of two separate categories 1) Intangible exploration assets and other intangible assets and 2) property, plant and equipment. The following describes the accounting policies related to those assets and the unaudited adjustments determined by Forent upon the adoption of IFRS.

"Intangible exploration assets and other intangible assets" primarily includes exploration and evaluation ("E&E") costs, including the costs of acquiring licences and directly attributable general and administrative costs. Initially E&E costs are capitalized as either tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets referred to as oil and natural gas interests.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGU's"). The Company's will be subject to an impairment assessment of E&E assets at the time of IFRS adoption.

"Property, plant and equipment" ("PP&E") includes oil and gas exploration and development expenditures for properties for which technical feasibility and commercial viability have been determined, as well as, other capital assets such furniture and fixtures. Under IFRS Forent's PP&E assets must be divided into CGU's. PP&E values are allocated based on the proportion of reserves attributable to a CGU.

IFRS requires development costs to be depleted on a unit-of-production basis over a cash generating unit instead of the country cost centre level currently utilized under Canadian GAAP. Canadian GAAP requires proved reserves to be used for the depletion calculation. Under IFRS, the Corporation will calculate depletion using proved and probable reserves.

The Corporation has adopted the IFRS 1 exemption for oil and gas assets that allows the Corporation to deem its opening January 1, 2010, IFRS asset costs to be equal to its previous Canadian GAAP historical net book value subject to an impairment valuation. Upon transition to IFRS, E&E costs are expected to be equal to the Canadian GAAP unproved properties balance.

Decommissioning costs

Under Canadian GAAP, the asset retirement obligation is measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Existing liabilities are not re-measured using current discount rates. Under IFRS, the decommissioning liability is the best estimate of expenditures expected to be required to settle the present obligation at the end of the period. If there are uncertainties surrounding the amount recognized as a provision then the obligation is estimated by weighting all possible outcomes by their associated probabilities. The discount rate used for decommissioning liability will be a risk free rate as the estimated provision is adjusted to reflect risks specific to the liability. Currently under Canadian GAAP, the Corporation uses a credit adjusted risk free rate. Under IFRS, the unwinding of the discount rate is charged as interest expense versus accretion expense under current Canadian GAAP.

The Company has adopted the IFRS 1 exemption for decommissioning liabilities and is therefore required to revalue its January 1, 2010 decommissioning liabilities under IAS 37 and recognize the adjustment in retained earnings.

Income Taxes

The requirements under IFRS for future income taxes are similar to those required under Canadian GAAP. Changes in deferred tax of the Company are primarily expected to be impacted by adjustments to PP&E through any asset impairments calculated upon adoption.

Stock based compensation

IFRS 2 Stock based compensation ("SBC") requires options given to employees to be fair valued, which is similar to Canadian GAAP, using a model such as Black-Scholes. IFRS also requires the use of the graded vesting method on amortizing the SBC and using an estimated forfeiture rate. Under Canadian GAAP, the Company used the straight-line vesting method in amortizing and the actual forfeiture rate in calculating fair value. The Company has adopted the IFRS 1 exemption under which SBC that had vested prior to January 1, 2010, is not required to be restated.

Equity

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under GAAP. The premium paid for the flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to share capital. When the renouncement is made, share capital is reduced and a future income tax liability is recognized. Under IFRS, the flow-through share premium is recorded as a liability at the time of the flow-through share issuance. Once the flow-through shares are renounced the liability is reversed with a corresponding tax expense and future tax liability recorded.

Financial statement disclosures

There will be some financial statement note disclosure differences between Canadian GAAP and IFRS. The financial statements for March 31, 2011 will contain all IFRS accounting policies and disclosures, as well as reconciliations outlining the adjustments made from Canadian GAAP to IFRS at date of transition.

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 with 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 December 31, 2010.

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 December 31, 2010 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.



DIRECTORS

W. Brett Wilson^{1,2,3}
John A. Forgeron
Thomas E. Lester
Douglas Porter¹
Scott Reeves
Wayne Rousch^{1,3}

¹ Member of the Audit Committee

² Chairman of the Board

³ Technical Committee

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

www.forentenergy.com

LEGAL COUNSEL

TingleMerrett LLP

BANKERS

National Bank of Canada

AUDITORS

PricewaterhouseCoopers LLP

EVALUATION ENGINEERS

Sproule Associates Limited
Calgary, Alberta

HALIFAX OFFICE

Forent Energy Ltd.
Suite 404, 5120 Salter St.
Halifax, Nova Scotia, Canada B3J 0A1

Telephone: (902) 446-4471