Management's Discussion and Analysis ("MD&A")

For the year ended December 31, 2015

Corporate Profile

Forent Energy Ltd. ("Forent" or the "Company") is an oil and gas exploration, development and production company with mineral rights holdings, reserves and production in Alberta, Canada. The Company's principal focus is the exploitation of oil reserves through development drilling on three core properties in south central Alberta; Twining, Provost and Wayne. The majority of Forent's production and revenue is generated from these properties.

CORPORATE SUMMARY

HIGHLIGHTS

	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Financial *($'s, except as indicated)*						
Petroleum and natural gas sales, net of royalties	**539,040**	903,274	-40%	**2,264,974**	3,504,902	-35%
Funds (out) flow[(1)]	**(552,365)**	(129,354)	-327%	**(1,618,909)**	131,725	-1329%
per share, basic and diluted	**(0.04)**	(0.01)	-300%	**(0.13)**	0.01	-1400%
Net loss	**(2,873,616)**	(327,726)	-777%	**(5,030,934)**	(867,117)	-480%
per share, basic and diluted	**(0.19)**	(0.03)	-533%	**(0.41)**	(0.08)	-413%
Capital expenditures	**123,371**	1,481,389	-92%	**531,428**	5,994,302	-91%
Net debt[(2)]	**5,833,068**	5,845,148	0%	**5,833,068**	5,845,148	0%
Shares outstanding (millions)	**14.93**	9.43	58%	**14.93**	9.43	58%
Operations						
Production						
Oil & Liquids (Bopd)	**125**	154	-19%	**127**	126	1%
Gas (Mcfd)	**575**	580	-1%	**542**	503	8%
BOEd (6 Mcf = 1 Bbl)	**221**	251	-12%	**217**	210	3%
Product Prices						
Oil ($/Bbl)	**40.37**	$62.58	-35%	**45.38**	78.04	-42%
Gas ($/Mcf)	**3.18**	$3.98	-20%	**3.06**	4.66	-34%
$ BOE	**$ 30.99**	$47.61	-35%	**34.02**	57.63	-41%
Reserves (proved plus probable, forecast costs and prices)						
Gas (MMcf)				**2,182.9**	2,354.1	-7%
Oil (Mbbl)				**1,059.2**	1,223.5	-13%
MBOE				**1,423.0**	1,615.9	-12%
Net present value of future net revenue, before tax, of 2P reserves, discounted at 10% ($ millions) See "Oil and Gas Reserves"				**$ 13.8**	$ 22.8	-39%

(1) Funds flow from operations is a non-GAAP measure that represents the total of cash provided by operating activities, before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities.

(2) Net debt is a non-GAAP measure which is the aggregate of bank indebtedness, accounts payable and accrued liabilities, less accounts receivables, deposits and prepaids.

READER ADVISORY

Forward-Looking Statements

In providing Forent Energy Ltd.'s shareholders and potential investors with information regarding Forent, including management's assessment of the future plans and operations of Forent, certain statements contained in this annual report constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this report contains forward-looking statements pertaining to the following: drilling plans and property developments planned for 2016 and beyond; funds flow and cash flow forecasts; the volume and product mix of Forent's oil and natural gas production; future oil and natural gas prices; future operational activities; future results from operations and operating metrics, including future production growth and other matters herein. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

With respect to forward-looking statements contained in this report, Forent has made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; results from operations including future oil and natural gas production levels; future exchange rates and interest rates; Forent's ability to obtain equipment in a timely manner to carry out development activities; decline rates based on analogous information; its ability to market its oil and natural gas successfully to current and new customers; Forent's ability to obtain financing on acceptable terms; and Forent's ability to add production and reserves through its development and exploitation activities. Although Forent believes that the expectations reflected in the forward looking statements contained in this annual report, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward looking statements included in this annual report, as there can be no assurance that the plans or expectations upon which the forward looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Forent's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: the risks associated with the oil and gas industry; commodity prices; operational risks in exploration, development and production; delays or changes in plans; risks associated with the uncertainty of reserve estimates; the uncertainty of estimates and projections of production, costs and expenses; volatility in market prices for oil and natural gas; and general economic conditions in Canada, the U.S. and globally. The recovery and reserve estimates of Forent's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Readers are cautioned that this list of risk factors should not be construed as exhaustive. The forward-looking statements contained in this annual report speak only as of the date of this annual report. Except as required by applicable securities laws, Forent does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Barrels of Oil Equivalent

Barrels of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indicated value.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated as of April 13, 2016

This Management's Discussion and Analysis ("MD&A") for Forent Energy Ltd. ("Forent" or the "Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2015, as well as the audited financial statements and MD&A for the year ended December 31, 2014.The Company's principal activity is the acquisition of, exploration for and the development and production of petroleum and natural gas in Alberta, Canada.

The following discussion and analysis is Management's assessment of Forent's historical, financial and operating results. The reader should be aware that historical results are not necessarily indicative of future performance.

IFRS

The audited financial statements for the year ended December 31, 2015 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. In Canada, public companies that prepare their financial statements using IFRS are also considered to be following generally accepted accounting principles ("GAAP").

CORPORATE SUMMARY

The Corporate Summary included on page two of this report is incorporated in this MD&A by reference.

NON-GAAP FINANCIAL MEASURES

Certain measures in this document do not have any standardized meaning as prescribed by GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Forent to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.

Non-GAAP measures used in this report include the term "funds flow from operations" or "funds flow" which represents the total of cash provided by operating activities, before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities. "Annualized funds flow from operations" equals four times the most recent quarterly "funds flow from operations". "Funds flow" per share is calculated using the weighted average shares outstanding consistent with the calculation of earnings per share. "Operating net back" separately presents royalty which is not shown on the face of the consolidated financial statements. In addition, the Company presents "working capital", "net debt" and "surplus", which is calculated as current liabilities less current assets.

Funds flow from operations is reconciled to cash flow from operating activities as follows:

	Years ended Dec 31	
(Cdn $)	**2015**	2014
Cash provided by (Used in) operating activities	**(1,830,027)**	578,315
Change in non-cash working capital	**211,118**	(446,590)
FUNDS (OUT) FLOW	**(1,618,909)**	131,725

Net debt (surplus) is reconciled to the balance sheet accounts as follows:

	As at	
	Dec 31, 2015	Dec 31, 2014
Current liabilities	$ 7,321,582	$ 7,356,035
Current assets	(1,488,514)	(1,510,887)
NET DEBT	$ 5,833,068	$ 5,845,148

These financial measures may not be comparable to similar measures presented by other companies and should not be considered as an alternative to, or more meaningful than, earnings (loss), cash flow from operating activities and other measures of financial performance as determined in accordance with IFRS as an indicator of performance, but we believe these measures are useful in providing relative performance and measuring change.

BOE PRESENTATION

Barrels of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indicated value.

FORWARD LOOKING STATEMENTS

In providing Forent Energy Ltd.'s shareholders and potential investors with information regarding Forent, including management's assessment of the future plans and operations of Forent, certain statements contained in this report constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this report contains forward-looking statements pertaining to the following: drilling plans and property developments planned for 2016 and beyond; funds flow and cash flow forecasts; the volume and product mix of Forent's oil and natural gas production; future oil and natural gas prices; future operational activities; future results from operations and operating metrics, including future production growth and other matters herein. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

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SUMMARY OF RESULTS

	Twelve months ended December 31		
Cnd$, except per BOE, BOEd and per share amounts)	**2015**	2014	2013
Petroleum and natural gas sales, net of royalties	**2,264,974**	3,504,902	1,125,704
Funds (out)flow*	**(1,618,909)**	131,725	(1,088,211)
per share, basic and diluted *	**(0.13)**	0.00	(0.01)
Net loss, from continuing operations	**(5,030,934)**	(867,117)	(3,967,758)
per share, basic and diluted	**(0.41)**	-	(0.02)
Exploration expense	**117,000**	22,965	6,149,313
Property, plant & equipment impairment	**1,838,000**	-	-
Total assets	**21,344,169**	23,738,247	18,756,880
General and administrative	**1,460,921**	1,240,612	1,441,824
Net debt*	**5,833,068**	5,845,148	1,909,172
Production (BOEd)	**217**	210	96
Oil and gas average price ($ per BOE)	**34.02**	57.63	35.81

*see "Non-GAAP financial measures"

During Q1 2013, the Company completed the sale of its Mervin oil property for approximately $5,500,000. Proceeds from the sale were later used to partially finance an oil and gas asset acquisition in Q4 2013. The asset acquisition has resulted in increased oil production and revenues which are reflected in the 2015 and 2014 petroleum and natural gas sales improvement compared with 2013.

Oil prices began to drop during Q4 2014 and continued falling throughout most of 2015 resulting in reduced petroleum and natural gas sales and funds outflow during 2015 compared with 2014. Production held fairly constant across the three years as production additions from three oil wells drilled by the Company in the summer of 2014 offset naturally declining production.

General and administrative expenses were up slightly in 2015 compared with 2014 resulting from severance costs incurred in Q1 2015 and the addition of two additional staff at mid-year, partially offset by wage reductions taken by some officers of the Company.

SELECTED QUARTERLY INFORMATION

	Three months ended							
	2015				2014			
Cdn $ Thousands, except as indicated	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Oil & liquids production (bopd)	125	125	130	129	154	138	96	107
Natural gas production (mcfd)	575	509	543	542	580	499	458	520
Production (BOEd)	221	210	221	219	251	221	172	194
Oil $ per barrel	40.37	44.05	56.74	40.29	62.58	82.67	89.30	83.35
Oil and gas average price ($/BOE)	30.99	33.73	39.92	31.47	47.61	60.06	62.73	60.97
Total revenue	539	523	700	503	903	1,005	738	859
Operating and transport cost	492	493	426	463	676	485	356	350
$/BOE	24.11	25.45	21.30	23.36	29.20	23.04	22.67	20.08
General and administrative	386	274	433	368	377	275	285	303
Funds (out) flow *	(552)	(362)	(255)	(449)	(129)	111	(16)	150
per share (basic and diluted) *	(0.04)	(0.02)	(0.03)	(0.05)	(0.01)	0.01	-	0.02
Net loss	(2,874)	(737)	(718)	(702)	(328)	(38)	(140)	(362)
per share (basic and diluted)	(0.19)	(0.05)	(0.08)	(0.07)	(0.04)	-	(0.01)	(0.04)
Net capital expenditures	123	(105)	264	249	1,481	1,159	3,074	281
Total assets	21,344	22,596	23,409	23,532	23,738	22,537	21,239	18,185
Net debt (working capital) *	5,833	5,153	4,679	6,327	5,845	5,581	4,522	1,589

* See non-GAAP measures.

New wells brought onto production during Q3 2014 increased the average production rates which have now been flat for the last four quarters. Average oil and natural gas prices increased during the first half of 2014 weakened slightly in Q3 2014 and then significantly in Q4 2014 and for most of 2015. Total operating and transportation costs and costs per BOE have been relatively flat for five of the last six quarters. Q4 2014 operating costs and rates were higher due to several 13 month adjustments charges received from joint venture partners and annual municipal taxes.

The Company has had successive net losses from operations for the last eight quarters; however, the loss in Q4 2015 included an oil and gas asset impairment of $1.9 million.

Net debt decreased in Q1 2014 as funds flow from operations combined with an equity financing offset capital spending for the quarter. Debt increased in Q2 and Q3 2014 to fund the Twining drilling program. An equity financing and a corporate acquisition in Q2 2015 helped reduce net debt but continued operating funds outflow has caused an increase in net debt for the last two quarters.

RESULTS OF OPERATIONS

For the three months ended December 31, 2015, Forent's production averaged 221 boe/d consisting of 125 bopd of crude oil and 575 Mcfd of natural gas.

Oil & Gas Production

	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Oil & Liquids (Bopd)						
Twining	**63**	75	-16%	**63**	59	7%
Provost	**32**	41	-22%	**32**	36	-11%
Wayne	**28**	33	-15%	**28**	27	4%
Other	**2**	5	-60%	**4**	4	0%
Oil & Liquids (Bopd)	**125**	154	-19%	**127**	126	1%
Gas (Mcfd)						
Ferrybank	**123**	129	-5%	**126**	138	-9%
Ghost Pine	**37**	123	-70%	**104**	96	8%
Twining	**112**	98	14%	**85**	77	10%
Huxley	**73**	73	0%	**73**	72	1%
Wayne	**33**	29	14%	**31**	29	7%
Provost	**7**	13	-46%	**10**	8	25%
Other	**190**	115	65%	**113**	83	36%
Gas (Mcfd)	**575**	580	-1%	**542**	503	8%
Total (BOEd)	**221**	251	-12%	**217**	210	3%
Oil, percentage of total	**57%**	61%		**59%**	60%	

During Q4 2015, Forent's average oil and liquids sales decreased to 125 bopd compared with 154 bopd in Q4 2014. Gas production in Q4 2015 decreased slightly to 575 Mcfd compared with 580 Mcfd in Q4 2014.

During 2015, Forent's average oil and liquids sales were 127 bopd compared with 126 bopd for 2014. Average gas production in 2015 increased to 542 Mcfd compared with 503 Mcf for 2014.

The drilling of three new oil wells in Q2 / Q3 2014 had a significant and positive impact on oil and natural gas production and operating results for the three and twelve months ended December 31, 2014. Production rates have declined slightly through 2015.

Product prices	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Oil ($/Bbl)	$ 40.37	$ 62.58	-35%	$ 45.38	$ 78.04	-42%
Natural Gas ($/Mcf)	$ 3.18	$ 3.98	-20%	$ 3.06	$ 4.66	-34%
NGL's ($/Bbl)	$ 26.34	$ 58.90	-55%	$ 30.53	$ 64.21	-52%
$/BOE - Company	$ 30.99	$ 47.61	-35%	$ 34.02	$ 57.63	-41%

During Q4 2015, average natural gas, oil and NGL prices were 35% lower than for Q4 2014. For 2015, average natural gas and oil prices were 34% and 42% lower respectively than for 2014.

Revenue from oil and gas production, before royalties	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Oil	$ 420,112	$ 812,322	-48%	$ 1,928,068	$ 3,332,266	-42%
Natural Gas	168,106	205,478	-18%	606,204	837,945	-28%
NGL's	17,723	49,687	-64%	75,920	138,257	-45%
Royalties and other	26,008	24,698	5%	97,650	92,829	5%
	$ 631,949	$ 1,092,185	-42%	$ 2,707,842	$ 4,401,297	-38%

The significant reduction in oil and natural gas prices during 2015 negatively affected revenues. Q4 2015 revenues of $632,000 were 42% lower than for Q4 2014. Revenues of $2.7 million for 2015 were 38% lower than for 2014.

Royalty	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Crown	$ 2,179	$ 32,397	-93%	$ (20,648)	$ 122,923	-117%
Freehold	90,730	156,514	-42%	463,516	773,472	-40%
Royalties	$ 92,909	$ 188,911	-51%	$ 442,868	$ 896,395	-51%
per BOE	$ 4.56	$ 8.16	-44%	$ 5.56	$ 11.69	-52%
Royalties as a percentage of revenue	14.7%	17.3%		16.4%	20.4%	

Royalty expense dropped during 2015 compared with the same periods of 2014 as revenues were down throughout 2015. Royalties as a percentage of revenue remained within the expected 19%-20% range; however, an adjustment to the Company’s gas cost allowance resulted in a refund of $39,000 from the Alberta Government in the second quarter, exceeding the current years’ crown royalties paid.

Operating	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Operating and transportation cost	$ 491,737	$ 675,972	-27%	$ 1,874,000	$ 1,866,975	0%
per BOE	$ 24.11	$ 29.20	-17%	$ 23.54	$ 24.35	-3%

Total operating and transportation costs and operating costs per BOE for 2015 were almost the same as 2014 as production volumes and related costs have remained essentially flat over the two years. However, Q4 2014 operating costs were unusually high due to several 13 month adjustment charges received from joint venture partners.

Summary of operating netback	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Oil	$ 420,112	$ 812,322	-48%	$ 1,928,068	$ 3,332,266	-42%
Natural Gas	168,106	205,478	-18%	606,204	837,945	-28%
NGL's	17,723	49,687	-64%	75,920	138,257	-45%
Royalties and other	26,008	24,698	5%	97,650	92,829	5%
Total oil, gas, liquids & other revenue	631,949	1,092,185	-42%	2,707,842	4,401,297	-38%
Royalties	(92,909)	(188,911)	51%	(442,868)	(896,395)	51%
Oil and gas revenue, net of royalties	539,040	903,274	-40%	2,264,974	3,504,902	-35%
Operating expenses	(491,737)	(675,972)	27%	(1,874,000)	(1,866,975)	0%
Operating netback	$ 47,303	$ 227,302	-79%	$ 390,974	$ 1,637,927	-76%
$/BOE						
Total Gas, Oil & Liquids	$ 30.99	$ 47.17	-34%	$ 34.02	$ 57.40	-41%
Royalties	$ (4.56)	$ (8.16)	44%	$ (5.56)	$ (11.69)	52%
Operating expenses	$ (24.11)	$ (29.20)	17%	$ (23.54)	$ (24.35)	3%
Operating netback	$ 2.32	$ 9.81	-76%	$ 4.92	$ 21.36	-77%

For the three and twelve month periods, production was stable while revenues decreased compared with the prior year periods due to the substantial reduction in oil and natural gas realized prices. The resulting operating netback for three and twelve month period of 2015 of $2.32 and $4.92 per BOE respectively compared with $9.81 and 21.36 per BOE in the prior year periods reflects the drop in realized prices offset partially by a reduction in royalties.

General and administrative	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Salaries & benefits	$ 220,672	$ 265,238	-17%	$ 1,015,171	$ 1,062,359	-4%
Office	70,136	76,793	-9%	317,788	285,573	11%
Corporate	159,170	172,254	-8%	391,464	434,265	-10%
Gross expenses	449,978	514,285	-13%	1,724,423	1,782,197	-3%
Recovered from third parties	(30,873)	(30,665)	-1%	(110,791)	(115,886)	4%
Capitalized	(33,000)	(106,370)	69%	(152,711)	(425,699)	64%
Net Overhead	$ 386,105	$ 377,250	2%	$ 1,460,921	$ 1,240,612	18%
per BOE	$ 18.93	$ 16.29	16%	$ 18.35	$ 16.18	13%

Gross expenses for the three months ended December 31, 2015 decreased 13% compared with the prior year period as salary reductions taken in Q1 2015 start to show a meaningful affect. Also, $26,000 in salary for the quarter and $83,000 for the year were re-classed to "costs associated with potential acquisitions" reflecting the significant corporate effort in that regard and partially offsetting the addition of two staff members in June who are focused on acquisitions. For 2015, gross expenses are down slightly compared with the prior year as salary reductions offset severance payments made related to a staff reduction. Net overhead costs for the fourth quarter and the year were slightly higher than the prior year periods as a reduction in corporate costs and salary were offset by a larger reduction in capitalized overhead.

Finance expense, except per BOE	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Bank loan - interest	$ 65,109	$ 70,672	-8%	$ 264,651	$ 171,295	55%
Bank loan - fees	(2,750)	(1,750)	-57%	11,125	19,250	-42%
Accretion of decommissioning liability	17,913	23,940	-25%	74,513	78,991	-6%
Finance expense	$ 80,272	$ 92,862	-14%	$ 350,289	$ 269,536	30%
per BOE	$ 3.94	$ 4.01	-2%	$ 4.40	$ 3.52	25%

Finance expenses for 2015 were higher than for 2014 as the Company had on average higher levels of bank debt during the year. During Q4 2015 we identified that bank loan fees had been overestimated in earlier periods resulting in a credit for the quarter.

Depletion and depreciation	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Depletion and depreciation expense	$ 316,317	$ 328,925	-4%	$ 1,156,553	$ 980,975	18%
per BOE	$ 15.51	$ 14.21	9%	$ 14.53	$ 12.79	14%

Depletion charges are calculated on a unit of production basis. The charge per unit is based on the total development costs of a cash-generating-unit ("CGU") divided by total proved and probable reserves of a CGU.

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or CGU may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in earnings. Key judgments include estimates about recoverable reserves (see Note 6 in the audited financial statements of the Company for the year ended December 31, 2015 – Significant accounting estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates. There were indicators of impairment noted for Q4 2015, and an impairment of $1.9 million was calculated. The Company used a discount rate of 10% for oil assets and 11% for gas assets when determining the value of recoverable reserves and used the price forecast from the Company's reserve evaluator as at January 1, 2016.

Capital additions	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Geological and geophysical	$ 19,674	$ 62,862	-69%	$ 102,699	$ 311,681	-67%
Drilling and completions	9,241	732,374	-99%	24,649	3,287,684	-99%
Equipment, facilities and pipelines	61,613	(586,913)	110%	77,020	835,885	-91%
Asset acquisition[(1)]	-	-		179,961	(21,345)	943%
Decommissioning obligation	32,843	1,273,066	-97%	147,099	1,580,397	-91%
Total	$ 123,371	$ 1,481,389	-92%	$ 531,428	$ 5,994,302	-91%

(1) See note 11, corporate acquisition in the audited financial statements of the Company for the year ended December 31, 2015.

Capital additions for the three and twelve months periods of 2015 resulted from capitalized overhead, changes to the Company's decommissioning obligation and an asset acquisition. Capitalized overhead is 100% of the geological and geophysical category above.

Costs associated with potential acquisitions on the statement of loss and comprehensive loss of $237,000 for the 2015 year include allocated salaries, and direct legal, consulting and other third party charges related to acquisitions and also include $22,000 related to the asset acquisition noted above.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, Forent had net debt of $5.8 million compared with net debt of $5.8 million at the beginning of the year.

Forent has a $7.0 million production loan facility with a Canadian financial institution, payable on demand and subject to an annual review by the lender in May 2016.

At December 31, 2015, the Company had drawn $6.2 million of the loan facility (2014 – $6.0 million). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2015. The financial covenant is: adjusted working capital (being current assets plus unused bank line) divided by current liabilities less bank loans and derivatives, must be greater than 1. The loan facility is charged interest at prime plus 1.6% per annum. The Company has no outstanding letters of credit at December 31, 2015 (Q4 2014 – nil).

To facilitate the management of its capital structure, the Company prepares expenditure and operating forecasts and budgets that are updated as necessary depending on a number of factors that impact the Company's liquidity including drilling success, commodity prices, and other industry conditions and the Company's funds flow from operations (see "Non-GAAP Measures"). These budgets are reviewed by the Board of Directors. The Company makes adjustments to capital spending in light of changes in economic conditions and risk characteristics of the underlying assets.

On June 30, 2015, the Company completed two transactions:

- The Company issued 2,800,500 common shares to acquire 1883222 Alberta Inc. which included $870,000 of cash, some minor assets and no debt; and
- The Company issued 2,700,000 common shares for gross proceeds of $1.08 million.

As of April 12, 2016, Forent had 14,932,660 common shares outstanding and 1,344,916 options outstanding to purchase 1,344,916 additional common shares (1,778 options expired after December 31st).

The continued exploration and development of the Company's properties is, in part, dependent upon the maintenance of the Company's credit facility and/or its ability to arrange additional equity financing. In addition, as a consequence of the significant decline in commodity prices during 2015 the Company's revenues, cash flow and earnings have been materially reduced, despite steady production levels.

There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

See note 1, Going Concern, in the notes to the consolidated financial statements for the year ended December 31, 2015.

SUBSEQUENT EVENTS

On February 16, 2016, Forent was informed by the Court of Queen's Bench of Alberta that the Vendor in respect of which the Company had previously announced a purchase and sale agreement to acquire oil and gas properties in the Twining area, had appointed a Receiver, pursuant to section 243 of the Bankruptcy and Insolvency Act. Forent has made a revised offer to purchase the Twining properties from the Receiver.

On March 7, 2016, Forent and Perisson Petroleum Corporation (CSE: POG) ("Perisson") announced that they had entered into a definitive agreement pursuant to which Perisson and Forent have agreed to amalgamate under the Business Corporations Act (Alberta) (the "Amalgamation"). Further details regarding the transaction shall be provided in the joint information circular which will be mailed to shareholders of Forent and shareholders of Perisson in connection with their special shareholders' meetings to approve the Amalgamation.

BUSINESS RISK

The Company is engaged in the exploration, development, production and acquisition of crude oil and natural gas. Forent's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced.

Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates and currency exchange rates. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

The Company minimizes its business risks by focusing on a select group of properties. This enables Forent to have more control over the timing, direction and costs related to exploration and development opportunities. The geological focus is on areas in which the prospects are well understood by Management. Technological tools are regularly used to reduce risk and increase the probability of success. The Company closely follows all government regulations and has an up-to-date emergency response plan that has been communicated to all field operations by Management. Forent also carries insurance coverage to protect itself against potential losses.

The Company requires sufficient working capital to undertake the development of its oil & gas properties. Forent makes adjustments to capital requirements in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, as it is required, Forent may issue new shares or buy back shares, and the Company may increase its debt or sell assets.

The Company is exposed to commodity price and market risk for its principal products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors of which most are beyond the control of Forent. To manage this risk, the Company has entered, from time to time, into a number of fixed price sales contracts in relation to natural gas prices and has entered into financial instrument agreements to protect against fluctuations in the price of oil.

Finally, the Company employs an experienced staff of petroleum and natural gas professionals to further minimize the business risk.

Please refer to note 7 – Financial Instruments and Risk Management in the notes to the consolidated financial statements for the year ended December 31, 2015.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2017, as follows:

Commitments as at December 31, 2015	
2016	$ 180,704
2017	125,835
	$ 306,539

The Company's subsidiary has an obligation to spend $870,000 in qualifying development and exploration expenditures by December 31, 2016.

OFF BALANCE SHEET ARRANGEMENTS

Forent does not currently utilize any off balance sheet arrangements with unconsolidated entities to enhance liquidity and capital resource positions or for any other purpose.

RELATED PARTY TRANSACTIONS

The Company enters into various transactions with related parties from time to time.

The following transactions were entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties recorded at the exchange amount.

During the years ended December 31, 2015 and 2014, the Company incurred $173,000 and $233,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. Forent also incurred $37,000 in the first half of 2015 and $34,000 in 2014 for legal services with a law firm of which a board member was a partner.

In March 2015, the Company entered into a $150,000 short term loan with Prairie Merchant Corporation to advance funds against a pending GST refund. Prairie Merchant Corporation is owned by a Board member. The interest rate on the loan was 5% per annum and the loan was repaid in full during April 2015.

In June 2015, related to the acquisition of 1883222 Alberta Inc., officers of Forent held 120,000 shares in 1883222 Alberta Inc. (10.7% of total) prior to the acquisition closing (see Note 11, Corporate Acquisition, in the notes to the consolidated financial statements for the year ended December 31, 2015).

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Forent's financial statements have been prepared in accordance with IFRS. The significant accounting policies used by Forent are disclosed in Note 4 to the Financial Statements of the Company's annual report for the year ended December 31, 2015. Certain accounting policies require that Management make appropriate estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Forent's Management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

Upstream Assets and Reserves

Reserves estimates can have a significant impact on earnings, as they are a key input to the Company's depletion and depreciation calculations and impairment tests. Costs accumulated within each area are depleted using the unit-of-production method based on proved reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher depletion and depreciation charge to earnings.

Upstream assets, including exploration and evaluation costs and development costs, are aggregated into cash generating units based on their ability to generate largely independent cash flows. If the carrying value of the cash-generating unit exceeds the recoverable amount, the cash-generating unit is written down with an impairment recognized in earnings. The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to earnings.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in earnings.

All of Forent's oil and gas reserves and resources are evaluated and reported on by independent qualified reserves evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts. Contingent resources are not classified as reserves due to the absence of a commercial development plan that includes a firm intent to develop within a reasonable time frame.

Decommission Obligations

Decommission obligations include obligations where the Company will be required to retire tangible assets such as producing well sites and natural gas processing plants. The obligation is measured at the present value of the expenditure expected to be incurred. The associated asset retirement cost is capitalized as part of the cost of the related asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in discount rate are recognized as a change in the decommissioning obligation and the related asset cost.

Increases in the estimated decommission obligation and costs increase the corresponding charges of accretion and depletion and depreciation to earnings. A decrease in discount rates decreases the obligation, which decreases the accretion charged to earnings.

Amortization of decommissioning obligations are included in finance expense in the statement of loss.

Actual expenditures incurred are charged against the accumulated decommissioning obligation. Any difference between actual expenditures and the carrying value of the obligation is recognized as a gain or loss in the period.

Income Tax Accounting

Forent follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period. The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in earnings or in shareholders' equity depending on the item to which the adjustment relates.

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.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash is measured at fair value, which approximates carrying value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable, accrued liabilities, and bank debt are designated as "other financial liabilities" and carried at amortized cost using the effective interest method. Derivative assets and liabilities are held for trading.

The Company's financial instruments currently included in the balance sheet are comprised of cash, accounts receivable, deposits, accounts payable, and bank debt. Derivative assets and liabilities are periodically used.

Fair value is determined following a three level hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities. The Company does not have any financial assets or liabilities that require level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. Forent uses Level 2 inputs in the determination of the fair value of oil and gas derivative assets and liabilities.

Level 3: Fair value is determined using inputs that are not observable. Forent uses Level 3 inputs in the determination of fair value less costs of disposal used in determining the recoverable amount of a Cash Generating Unit (CGU) for the purpose of impairment testing.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its accounts receivable and cash to a maximum of the carrying value. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. Approximately $159,000 (2014 – $340,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company's trade receivable balance at December 31, 2015, was approximately $581,000 (2014 – $921,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in 2014 by approximately $66,000 (2014 – $43,000).

Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations.

The Company manages liquidity risk by forecasting cash flows in an effort to match operating cash flow to future expenditures and to arrange financing, if necessary. It may take many years and substantial cash expenditures to pursue exploration and development activities on all of the Company's existing undeveloped properties. Accordingly, the Company may need to raise additional funds from outside sources in order to explore and develop its properties. There is no assurance that adequate funds from debt and equity markets will be available to the Company in a timely manner.

During 2014, the Company completed one equity financing raising $591,000. In 2015, the Company completed two transactions raising a combined $1.95 million.

The timing of cash outflows relating to financial liabilities are outlined as:

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,084,209	$ -	$ -
Bank indebtedness	6,237,373		
	$ 7,321,582	$ -	$ -

Foreign Currency Exchange Risk

The Company currently has no material exposure to foreign currency fluctuations in its cash or accounts receivables.

SIGNIFICANT ACCOUNTING POLICIES

During the twelve months ended December 31, 2015, the Company did not adopt any new or revised standards. New accounting standards, amendments to accounting standards and interpretations effective for annual periods beginning on or after January 1, 2016 are as follows:

Leases

On January 13, 2016, the IASB issued IFRS 16 - Leases, which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on the Financial Statements.

Revenue Recognition

On September 11, 2015 the IASB published an amendment to IFRS 15 – Revenue from Contracts with Customers, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018. IFRS 15, replaces IAS 11 – Construction Contracts, IAS 18 - Revenue and several revenue-related interpretations, establishing a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The Company is currently evaluating the impact of adopting IFRS 15 on the Financial Statements.

Financial Instruments

IFRS 9 – Financial Instruments was issued in 2014 and is effective for years beginning on or after January 1, 2018 with earlier adoption permitted. The standard introduces multiple changes from IAS 39 – Financial Instruments: Recognition and Measurement, including introducing a principle-based approach for classification and measurement of financial assets, a single expected loss impairment model and a substantially-reformed approach to hedge accounting. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements. The accounting policies followed in the audited financial statements are consistent with those of the previous year ended December 31, 2014.

FORENT ENERGY

Financial Statements

For the year ended December 31, 2015

MANAGEMENT'S REPORT

The accompanying financial statements of Forent Energy Ltd. for the years ended December 31, 2015 and 2014 are the responsibility of Management and have been prepared by Management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments. Financial information contained throughout the annual report is consistent with these financial statements.

The Company's Board of Directors has approved the financial statements. The Board of Directors fulfills its responsibility regarding the financial statements through its Audit Committee, which has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee has reviewed these statements with Management and with the auditors, and has reported to the Board of Directors.

The financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders.

("Signed") Robyn Lore	("Signed") Brad R. Perry, CPA, CMA
President and Chief Executive Officer	Chief Financial Officer

April 13, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Forent Energy Ltd.

We have audited the accompanying consolidated financial statements of Forent Energy Ltd., which comprise the consolidated balance sheet as at December 31, 2015 and December 31, 2014 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Forent Energy Ltd. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Forent Energy Ltd.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
April 13, 2016
Calgary, Canada

CONSOLIDATED BALANCE SHEET

(Cdn $)	Note	Dec 31, 2015	Dec 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		$ 49,467	$ 18,926
Accounts receivable	7	840,117	1,147,274
Prepaids and other assets	18	598,930	121,147
Exploration deposit	9	-	223,540
		1,488,514	1,510,887
Non-current assets			
Property, plant and equipment	10	15,739,920	18,200,798
Exploration and evaluation assets	9	4,115,735	4,026,562
		$ 21,344,169	$ 23,738,247
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 1,084,209	$ 1,369,613
Bank indebtedness	5	6,237,373	5,986,422
		7,321,582	7,356,035
Non-current liabilities			
Decommission obligation	12	4,814,938	4,593,326
Deferred income tax liability	17	-	65,962
		12,136,520	12,015,323
SHAREHOLDERS' EQUITY			
Share capital	13	26,649,441	24,459,495
Contributed surplus		3,713,360	3,387,647
Deficit		(21,155,152)	(16,124,218)
		9,207,649	11,722,924
		$ 21,344,169	$ 23,738,247

Going concern (note 1)
Commitments (note 14)

The accompanying notes are an integral part of these financial statements.

On Behalf of the Board of Directors:

(Signed) "Robyn Lore" Director (Signed) "W. Rousch" Director

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Cdn $, except per share amounts)	*Note*		Years ended Dec 31 **2015**		2014
Revenues					
Petroleum and natural gas sales, net of royalties	*16*	$	**2,264,974**	$	3,504,902
Expenses					
Operating			**1,874,000**		1,866,975
General and administrative	*16*		**1,460,921**		1,240,612
Costs associated with potential acquisitions	*11*		**237,187**		-
Share based compensation	*13*		**299,499**		150,223
Finance expense	*16*		**350,289**		269,536
Loss (gain) on derivatives			**-**		5,082
Exploration and evaluation expense	*9*		**117,000**		22,965
Gain on bargain purchase	*11*		**(11,268)**		(23,699)
Depletion and depreciation	*10*		**1,156,553**		980,975
Other (income) expense	*9*		**35,999**		(47,940)
Impairment	*10*		**1,838,000**		-
			7,358,180		4,464,729
Loss before income taxes			**(5,093,206)**		(959,827)
Deferred tax recovery			**62,272**		92,710
Loss from continuing operations			**(5,030,934)**		(867,117)
Income from discontinued operations			**-**		93,403
Net loss and comprehensive loss		$	**(5,030,934)**	$	(773,714)
Loss per share, basic and diluted	*13*	$	**(0.41)**	$	(0.08)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Cdn $)	Note	Year ended Dec 31 2015	Year ended Dec 31 2014
Share Capital			
Balance, beginning of year		**$ 24,459,495**	$ 23,893,520
Common shares issued pursuant to private placement		**1,080,000**	591,000
Common shares issued for acquisition	*11*	**1,120,000**	-
Share issue costs, net of deferred tax		**(10,054)**	(25,025)
Balance, end of period		**$ 26,649,441**	$ 24,459,495
Contributed surplus			
Balance, beginning of year		**$ 3,387,647**	$ 3,194,051
Share-based payments for awards granted		**325,713**	193,596
Balance, end of period		**$ 3,713,360**	$ 3,387,647
Deficit			
Balance, beginning of year		**$ (16,124,218)**	$ (15,350,504)
Net loss and comprehensive loss		**(5,030,934)**	(773,714)
Balance, end of period		**$ (21,155,152)**	$ (16,124,218)
Shareholders equity, end of period		**$ 9,207,649**	$ 11,722,924

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Cdn $)	*Note*	Years ended Dec 31 **2015**	2014
Cash provided by (Used in):			
OPERATING ACTIVITIES			
Loss from continuing operations		$ (5,030,934)	$ (867,117)
Adjustments for items not involving cash:			
Share based compensation		**299,499**	150,223
Finance expense, accretion portion		**74,513**	78,991
Loss (gain) on derivatives, unrealized		**-**	(94,938)
Exploration and evaluation expense	*9*	**117,000**	-
Gain on bargain purchase		**(11,268)**	(23,699)
Depletion and depreciation		**1,156,553**	980,975
Impairment		**1,838,000**	-
Deferred tax (recovery) expense		**(62,272)**	(92,710)
Change in non-cash working capital	*16*	**(211,118)**	446,590
Cash provided by (Used in) Operating Activities:		**(1,830,027)**	578,315
FINANCING			
Increase in bank indebtedness		**250,951**	3,176,550
Share capital issued for cash, net of issue costs		**1,066,256**	565,975
Cash from 1883222 Alberta Inc. acquisition	*11*	**870,185**	-
Cash provided by (Used in) Financing Activities:		**2,187,392**	3,742,525
INVESTING			
Expenditures on property acquisitions		**-**	47,398
Expenditures on property and equipment	*10*	**(191,324)**	(4,402,127)
Expenditures on exploration and evaluation assets	*9*	**(95,250)**	(555,673)
Change in non-cash working capital	*16*	**(40,250)**	(122,374)
Cash provided by (Used in) Activities:		**(326,824)**	(5,032,776)
Cash from discontinued operations		**-**	93,676
CHANGE IN CASH		**$ 30,541**	$ (618,260)
Cash, beginning of period		**18,926**	637,186
CASH, End of year		**$ 49,467**	$ 18,926

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014.

Amounts in Canadian dollars unless otherwise indicated.

1. Going Concern

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At December 31, 2015, the Company had a working capital deficit of $5.8 million, including amounts drawn on its credit facility of $6.2 million. The Company currently has a credit facility with a Canadian financial institution of $7.0 million, which is repayable on demand and subject to an annual review by May 31, 2016. Also, the Company has had net losses from continuing operations for the last eight quarters and has an accumulated deficit of $21.2 million.

The continued exploration and development of the Company's properties is, in part, dependent upon the maintenance of the Company's credit facility and/or its ability to arrange additional financing. The necessary financing may be secured through the issue of new equity or debt instruments, or entering into new joint venture arrangements. In addition, as a consequence of the decline in commodity prices since Q4 2014, the Company's revenues, cash flow and earnings have been significantly reduced, despite steady production levels. The Company has taken steps to reduce operating and overhead costs where possible. The Company has entered into a definitive amalgamation agreement that is anticipated to close in May 2016, see Note 19 – subsequent event.

These conditions give rise to material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

There can be no assurance that the Company will be successful in its efforts to sufficiently reduce operating and overhead costs, or to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, or expenses and revenues and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. Corporate Information

Forent Energy Ltd. ("Forent" or the "Company") is an oil and gas exploration, development and production company with mineral rights holdings, reserves and production in Alberta, Canada.

The Company's principal focus is the production of oil reserves through development drilling on three core properties in south central Alberta; Twining, Provost and Wayne. The majority of Forent's production and revenue is generated from these properties.

Forent is a publicly traded company, incorporated and headquartered in Canada. The address of its principal office is 200, 340 – 12th Avenue SW, Calgary, Alberta, Canada T2R 1L5.

The consolidated financial statements of the Company include Forent's wholly owned subsidiary, 1883222 Alberta Inc.

Common shares of the Company trade on the TSX Venture Exchange under the symbol "FEN".

3. Basis of Presentation

The Company prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). The Company has consistently applied the same accounting policies throughout all periods presented in these consolidated financial statements.

These consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 4. They are presented in Canadian dollars, which is the Company’s functional currency.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 13, 2016.

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Cash and cash equivalents

Cash consists of balances held with banks or other institutions, and other short-term highly liquid investments with original maturities of three months or less from inception.

b) Joint arrangements

Certain of the Company’s crude oil and natural gas activities involve jointly controlled operations. The financial statements reflect the Company’s proportionate share of the jointly controlled assets and liabilities and proportionate share of related revenues and costs.

c) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have been expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

All financial instruments are initially recognized at fair value on the balance sheet. Measurement of financial instruments subsequent to the initial recognition, as well as resulting gains and losses, are based on how each financial instrument was initially classified. The Company has classified each identified financial instrument into the following categories: fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, and financial liabilities at amortized cost. Fair value through profit or loss financial instruments are measured at fair value with gains and losses recognized in income immediately. Available for sale financial assets are measured at fair value with gains and losses, other than impairment losses, recognized in other comprehensive income and transferred to income when the asset is derecognized. Loans and receivables, held-to-maturity investments and financial liabilities at amortized cost are recognized at amortized cost using the effective interest method and impairment losses are recorded in income when incurred.

Derivative instruments executed by the Company to manage market risk associated with volatile commodity prices are classified as held for trading within fair value through profit or loss and recorded on the balance sheet at fair value as derivative assets and liabilities. Gains and losses on these derivative instruments are recorded as gains and losses in the statement of loss and comprehensive loss in the period they occur.

Gains and losses on derivative instruments are comprised of cash receipts and payments associated with periodic settlement that occurs over the life of the instrument (realized gains/losses), and non-cash gains and losses associated with changes in the fair values of the instruments which are remeasured at each reporting date and recorded on the balance sheet (unrealized gains/losses). Transaction costs attributed to the acquisition or issue of a derivative instrument are expensed immediately. For other financial instruments, transaction costs are added to the fair value initially recognized for a financial asset or liability.

d) Share capital and flow-through shares

Equity instruments issued by the Company are recorded at the proceeds received, with direct issue costs as a deduction there from, net of any associated tax benefit.

When flow-through shares are issued, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement loss and comprehensive loss.

e) Property and equipment and exploration and evaluation assets

I. Exploration and evaluation (E&E) expenditures

Pre-license costs are recognized in the statement of income (loss) as incurred. All exploratory costs incurred subsequent to acquiring the right to explore for oil and natural gas and before technical feasibility and commercial viability of the area have been established are capitalized as E&E assets. Such costs can typically include costs to acquire land rights in areas with no proved or probable reserves assigned, geological and geophysical costs, and exploration wells.

Exploration and evaluation costs initially are capitalized as either tangible or intangible according to the nature of the assets acquired. The costs are accumulated in areas by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depreciated, and are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If an impairment indicator for E&E assets is noted, for purposes of impairment testing, exploration and evaluation assets are allocated to the Company's cash-generating units and are tested for impairment at the operating segment level.

The technical feasibility and commercial viability of extracting a mineral resource from exploration and evaluation assets is considered when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to development and production assets within property and equipment. If the well or exploration project did not encounter potentially economic oil and gas quantities, the unrecoverable costs are expensed and reported in exploration and evaluation expense in the period incurred.

II. Development and production expenditures

Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Costs include E&E expenditures incurred in finding commercial reserves transferred from E&E assets, drilling and completion, production facilities, decommissioning costs, geological and geophysical costs and directly attributable costs related to development and production activities, net of any government incentive programs, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When significant parts of an item of property and equipment, including oil and natural gas properties, have different useful lives, they are accounted for as separate items (major components). Gains and losses on disposal of an item of property and equipment, including oil and natural gas properties and E&E assets, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within the statement of loss and comprehensive loss.

III. Subsequent costs

Costs incurred subsequent to commencement of production that are significant are recognized as oil and gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income as incurred.

IV. Depletion and depreciation

The net carrying value of oil and gas properties is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Major development projects are not depleted until production commences.

Administrative assets are depreciated on a declining balance basis over their estimated useful life at rates varying from 20% to 50% which is designed to amortize the cost of the assets over their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each financial year end, and, if necessary, changes in useful lives are accounted for prospectively.

f) Impairments

I. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income in the period incurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of loss and comprehensive loss.

II. Non-financial assets

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less cost of disposal is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposal is estimated by discounting the expected after-tax cash flows of the cash generating unit at an after-tax discount rate that reflects the risk of the properties in the cash generating unit. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the cash generating unit would be entitled. The carrying value of the cash generating unit is reduced by the deferred tax liability associated with its property and equipment.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been objective change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion, if no impairment loss had been recognized.

g) Share Based Compensation Plan

The Company follows the fair value method of valuing share award grants. Under this method, compensation costs attributable to share options granted to employees, officers and directors of the Company are measured at fair value at the date of grant determined in reference to the Company's share price on the grant date, and the resulting share based payment expense is recognized on a graded-vesting basis over the related vesting period with a corresponding increase to contributed surplus.

h) Decommission Obligation

Decommission obligations include obligations, legal or constructive, where the Company will be required to retire tangible assets such as producing well sites and natural gas processing plants. The asset retirement obligation is measured at the present value of the expenditure expected to be incurred. The associated asset retirement cost is capitalized as part of the cost of the related asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Increases in the estimated decommission obligation and costs increase the corresponding charges of accretion and depletion and depreciation to earnings. A decrease in discount rates decreases the obligation, which decreases the accretion charged to earnings.

Amortization of decommissioning obligations are included in finance expense in the statement of loss.

Actual expenditures incurred are charged against the accumulated decommissioning obligation. Any difference between actual expenditures and the carrying value of the obligation is recognized as a gain or loss in the period.

i) Revenue Recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Company is recognized when title passes from the Company to its customers and collectability is reasonably assured. For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product reaches a trucking terminal or pipeline. For natural gas liquids, this is generally at the time the product is processed through a gas plant. Revenue is measured net of discounts, customs duties and royalties.

j) Finance expense

Finance expense comprises interest expense on borrowings, amortized bank fees for loan renewals, and accretion of the discount on the decommissioning provision.

k) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantively enacted tax rates at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

l) Earnings Per Share

Basic earnings (loss) per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into earnings (loss) attributable to the shareholders.

Diluted earnings per share are calculated by dividing the diluted weighted average number of aggregate outstanding shares during the period in the earnings for the period. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. Diluted loss per share is calculated by dividing the basic weighted average aggregate outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive.

m) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed and any non-controlling interest are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to net income as negative goodwill or gain on bargain purchase. At acquisition, goodwill is allocated to each of the CGUs to which it relates. Subsequent measurement of goodwill is at cost less any accumulated impairment losses.

n) New standards and interpretations

During the twelve months ended December 31, 2015, the Company did not adopt any new or revised standards. New accounting standards, amendments to accounting standards and interpretations effective for annual periods beginning on or after January 1, 2016 are as follows:

I. Leases

On January 13, 2016, the IASB issued IFRS 16 - Leases, which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on the Financial Statements.

II. Revenue Recognition

On September 11, 2015 the IASB published an amendment to IFRS 15 – Revenue from Contracts with Customers, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018. IFRS 15, replaces IAS 11 – Construction Contracts, IAS 18 - Revenue and several revenue-related interpretations, establishing a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The Company is currently evaluating the impact of adopting IFRS 15 on the Financial Statements.

III. Financial Instruments

IFRS 9 – Financial Instruments was issued in 2014 and is effective for years beginning on or after January 1, 2018 with earlier adoption permitted. The standard introduces multiple changes from IAS 39 – Financial Instruments: Recognition and Measurement, including introducing a principle-based approach for classification and measurement of financial assets, a single expected loss impairment model and a substantially-reformed approach to hedge accounting. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements. The accounting policies followed in the audited financial statements are consistent with those of the previous year ended December 31, 2014.

5. Bank Indebtedness

Forent has a $7.0 million production loan facility with a Canadian financial institution, payable on demand and subject to an annual review by the lender in May 2016.

At December 31, 2015, the Company had drawn $6.2 million of the loan facility (2014 – $6.0 million). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2015. The financial covenant is adjusted working capital (being current assets plus unused bank line) divided by current liabilities less bank loans and derivatives, must be greater than 1. The loan facility is charged interest at prime plus 1.6% per annum. The Company has no outstanding letters of credit at December 31, 2015 (Q4 2014 – nil).

6. Significant Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates and assumptions

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 7 – valuation of financial instruments;
- Notes 9 & 10 – valuation of exploration and evaluation assets and property and equipment;
- Note 11 – corporate acquisitions;
- Note 12 – measurement of decommissioning provision;
- Note 13 – measurement of share-based compensation; and
- Note 17 – taxes.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the consolidated financial statements.

a) Exploration and evaluation assets

The decision to transfer assets from exploration and evaluation to property and equipment is based on the estimated proved and probable reserves used in the determination of an area's technical feasibility and commercial viability (Note 9).

b) Reserves base

The oil and gas development and production properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs (Note 10).

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is highly likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved and probable reserves.

c) Depletion of oil and gas assets

Oil and gas properties are depleted using the UOP method over proved plus probable reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved plus probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves (Note 10).

d) Determination of cash generating units

Oil and gas properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil and gas properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure (Note 10).

e) Impairment indicators and calculation of impairment

At each reporting date, Forent assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. At December 31, 2015, Management exercised judgement and determined that there were impairment indicators present for certain CGUs (Note 10). When management judges that circumstances clearly indicate impairment, property and equipment and exploration and evaluation assets are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs (Note 10).

f) Business combinations

The acquisition of 1883222 Alberta Inc. has been accounted for using the acquisition method, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as gain on bargain purchase. The Company assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount that it is expected to settle the outstanding liabilities. See Note 11.

g) Income taxes

Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. See Note 3.

7. Financial Instruments and Risk Management

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash is measured at fair value, which approximates carrying value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable, accrued liabilities, and bank debt are designated as "other financial liabilities" and carried at amortized cost using the effective interest method. Derivative assets and liabilities are held for trading.

The Company's financial instruments currently included in the balance sheet are comprised of cash, accounts receivable, deposits, accounts payable, and bank debt. Derivative assets and liabilities are periodically used.

Fair value is determined following a three level hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities. The Company does not have any financial assets or liabilities that require level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. Forent uses Level 2 inputs in the determination of the fair value of oil and gas derivative assets and liabilities.

Level 3: Fair value is determined using inputs that are not observable. Forent uses Level 3 inputs in the determination of fair value less costs of disposal used in determining the recoverable amount of a Cash Generating Unit (CGU) for the purpose of impairment testing.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its accounts receivable and cash to a maximum of the carrying value. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. Approximately $159,000 (2014 – $340,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company's trade receivable balance at December 31, 2015, was approximately $581,000 (2014 – $921,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in 2015 by approximately $66,000 (2014 – $43,000).

Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations.

The Company manages liquidity risk by forecasting cash flows in an effort to match operating cash flow to future expenditures and to arrange financing, if necessary. It may take many years and substantial cash expenditures to pursue exploration and development activities on all of the Company's existing undeveloped properties. Accordingly, the Company may need to raise additional funds from outside sources in order to explore and develop its properties. There is no assurance that adequate funds from debt and equity markets will be available to the Company in a timely manner.

During 2014, the Company completed one equity financing raising $591,000. In 2015, the Company completed two transactions raising a combined $1.95 million.

The timing of cash outflows relating to financial liabilities are outlined as:

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,084,209	$ -	$ -
Bank indebtedness	6,237,373		
	$ 7,321,582	$ -	$ -

See note 1, going concern.

Foreign Currency Exchange Risk

The Company currently has no material exposure to foreign currency fluctuations in its cash or accounts receivables.

Other Risk

See note 1, going concern.

8. Capital Management

The Company's capital structure consists of shareholders' equity, working capital and bank indebtedness. Forent's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by investing in oil and gas activities commensurate with the level of risk management deems acceptable.

To facilitate the management of its capital structure, the Company prepares expenditure and operating forecasts and budgets that are updated as necessary depending on a number of factors that impact the Company's liquidity including drilling success, commodity prices, and other industry conditions and the Company's funds flow from operations(2). These budgets are reviewed by the Board of Directors. The Company makes adjustments to capital in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, as it is required, Forent may issue new shares or buy back shares and the Company may increase its debt or sell assets.

The ratio is calculated as follows:

Net Debt Repayability

(*Cdn* $, except for years)	Three months ended Dec 31	
	2015	2014
Current liabilities	$ 7,321,582	$ 7,356,035
Less current assets	(1,488,514)	(1,510,887)
Net debt(1)	5,833,068	5,845,148
Annualized funds flow(2)	$ (2,209,460)	$ (517,416)
Years estimated to repay net debt	N/A	N/A

(1) Net debt (surplus) is a non-GAAP measure representing the total from continuing operations of bank indebtedness, accounts payables and accrued liabilities, less accounts receivables, deposits and prepaids. If net debt is a surplus, then the calculation cannot be completed as there is no debt repayment to measure.

(2) Funds flow from operations is a non-GAAP measure that represents cash provided by operating activities before adjusting for changes in non-cash working capital items and expenditures on decommissioning liabilities. Annualized funds flow from operations is calculated by multiplying the current quarter's funds flow by 4. If the funds flow amount is negative then the calculation cannot be completed since repayability is not possible.

Net debt repayability is a calculation to determine the number of years required to repay net debt from the most recent quarter's annualized funds flow from operations. The target for this ratio is to be less than 2 years net debt repayability.

The net debt repayability ratio is currently negative but the Company expects this ratio to be positive when oil and natural gas prices increase. Additional incremental funds flow is needed or a reduction of the net debt position must occur for the ratio to improve to an acceptable level. The Company's share capital is not subject to external restrictions; however, its credit facility value is based primarily on its petroleum and natural gas reserves. There are covenants Forent must comply with (see Note 5) and the Company was in compliance with all of these financial covenants at the end of the reporting period.

9. EXPLORATION AND EVALUATION ASSETS

Balance, December 31, 2013	$	3,475,784
Additions		573,743
Exploration and evaluation expense		(22,965)
Balance, December 31, 2014	$	4,026,562
Additions		206,173
Exploration and evaluation expense		(117,000)
Balance, December 31, 2015	**$**	**4,115,735**

	Year ended December 31	
Exploration and evaluation assets, by project	**2015**	2014
Montgomery, Alberta	**3,579,834**	3,676,959
Heathdale, Alberta	**435,901**	349,603
General	**100,000**	-
	$ 4,115,735	$ 4,026,562

Exploration and evaluation ("E&E") assets consist of the Company's land and exploration projects which are pending the determination of technical feasibility and commercial viability. Projects not deemed to be feasible are charged to the statement of income as exploration and evaluation expense. Additions for the year were for oil and gas licences.

The Company recognized a $117,000 exploration expense during the year when a small percentage of licences at Montgomery expired.

During 2015, $76,000 (2014 - $161,000) was capitalized to E&E for related overhead and stock based compensation expenses.

Exploration deposit

The Nova Scotia Government required a deposit of 20% of the outstanding work commitments on exploration licences issued to Forent. At December 31, 2014, the Nova Scotia Government held deposits related to Forent's exploration licence in the amount of $223,540 (2013 - $175,600). However, the Government subsequently reduced the deposit amount to $175,600. The reduction in the deposit also affects the statement of loss as "other (income) expense".

As all Government reviews are complete, this deposit was refunded to Forent in Q3 2015.

10. PROPERTY, PLANT AND EQUIPMENT

Cost:		Oil & gas properties		Office equipment		Total
Balance, December 31, 2013	$	18,722,242	$	92,230	$	18,814,472
Additions		4,413,905		13,525		4,427,430
Changes in decommisioning provision		1,580,397		-		1,580,397
Balance, December 31, 2014	$	24,716,544	$	105,755	$	24,822,299
Additions		384,329		2,247		386,576
Changes in decommisioning provision		147,099		-		147,099
Balance, December 31, 2015	**$**	**25,247,972**	**$**	**108,002**	**$**	**25,355,974**
Accumulated depletion, depreciation and impairment losses						
Balance, December 31, 2013	$	5,560,623	$	79,903	$	5,640,526
Depletion and depreciation		972,037		8,938		980,975
Balance, December 31, 2014	$	6,532,660	$	88,841	$	6,621,501
Depletion and depreciation		1,149,116		7,437		1,156,553
Impairment loss		1,838,000		-		1,838,000
Balance, December 31, 2015	**$**	**9,519,776**	**$**	**96,278**	**$**	**9,616,054**
Net carrying value:						
At December 31, 2014	$	18,183,884	$	16,914	$	18,200,798
Balance, December 31, 2015	**$**	**15,728,196**	**$**	**11,724**	**$**	**15,739,920**

For the calculation of depletion expense, estimated future costs required to develop the proved and probable reserves were added to the cost base of property, plant and equipment. At December 31, 2015, future costs were $8.1 million (December 31, 2014 - $9.0 million).

For 2015, $103,000 (2014 - $308,000) was capitalized to property, plant and equipment for related overhead and stock based compensation expenses.

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or CGU may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in earnings. Key judgments include estimates about recoverable reserves (see Note 6 – Significant accounting estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates. There were indicators of impairment noted for Q4 2015, and an impairment of $1.9 million was calculated.

The Company estimated the recoverable amount for all CGUs based on the fair value less costs of disposal, determined with an after-tax discount rate of 10% for oil CGU's and 11% for gas CGU's, forecasted cash flows over the estimated life of reserves, and an independent industry reserve engineer price forecast. The discount rate represents the rate of return that a market participant would require for assets with similar composition and risk. The forecasted cash flows are prepared over the estimated life of the reserves in the CGUs, which range from 20 to 50 years. The primary source of cash flow information was derived from the Company's oil and gas reserves, as prepared by an independent qualified reserve evaluator as at December 31, 2015.

Based on the assessment, the after-tax recoverable amount did not exceed the carrying value of the Alberta Oil and the Alberta Gas CGUs and the total 2015 non-cash pre-tax impairment charge at December 31, 2015 was $1.838 million ($1.342 million after tax).

2015 Impairment	Recoverable Amount	Impairment (Pre Tax)	Impairment (Post Tax)
Alberta Gas CGU	$ 1,041,875	$ 103,000	$ 75,190
Alberta Oil CGU	11,001,552	1,735,000	1,266,550
		$ 1,838,000	$ 1,341,740

The forecasted commodity prices used in the impairment test at December 31, 2015 were as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
WTI crude oil (US$ / bbl)	45.00	53.60	62.40	69.00	73.10	77.30	81.60	86.20	87.90	89.60	91.40
AECO gas price (Cdn$ / Mmbtu)	2.70	3.20	3.55	3.85	3.95	4.20	4.45	4.70	4.80	4.90	5.00

The following table indicates the sensitivity of the December 31, 2015 pre-tax impairment to changes in the discount rate and forecasted commodity prices:

Impairment sensitivity, pre tax	Increase in rate or price	Decrease in rate or price
Discount rate, 1% change	$ 937,054	$ (1,055,884)
WTI crude oil, $5 change	$ (1,348,441)	$ 1,348,441
AECO gas price, $0.50 change	$ (223,974)	$ 223,974

11. CORPORATE ACQUISITION

On June 30, 2015, the Company completed the acquisition of 1883222 Alberta Inc. in exchange for 2,800,500 common shares (on a post 20:1 consolidation basis) for total consideration of $1.12 million. The value of the common shares issued as consideration was determined based on the trading value of Forent's common shares on the date of acquisition.

The following are the estimated fair values of the assets from 1883222 Alberta Inc.:

		June 30, 2015
Cash	$	870,185
Petroleum and natural gas properties, 2P discounted at 10%		180,100
Exploration properties, assessed land value		100,000
Decommissioning obligation, discounted at 10%		(139)
Gain on bargain purchase, net of tax		(11,268)
Deferred tax liability related to gain on bargain purchase		(3,756)
Working capital		(15,122)
	$	1,120,000

Consideration		Total
Common shares (2,800,500 at $0.40 per share)	$	1,120,000

The recognized identifiable assets and liabilities acquired were based on estimates by Forent's management. The decommissioning obligation was fair valued using the credit-adjusted rate of 10%.

Petroleum and natural gas properties were valued based on Management's assessment of the proved plus probable reserves ("2P") discounted at 10% and using the Company's reserve auditor's April 1, 2015, forward pricing data.

2015 Revenues and earnings from:		January 1, 2015		June 30, 2015
Revenues	$	17,330	$	8,665
Earnings	$	4,510	$	2,255

Costs associated with potential acquisitions on the statement of loss and comprehensive loss of $237,000 for the 2015 year include allocated salaries, and direct legal, consulting and other third party charges related to acquisitions and also include $22,000 related to the asset acquisition noted above.

12. DECOMMISSIONING PROVISION

Decommissioning obligations are based on the Company's net ownership in wells and facilities, and management's best estimate of future costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred.

The Company has estimated the present value of its total decommissioning provision to be $4.8 million at December 31, 2015 (2014 - $4.6 million), based on a total future undiscounted liability of $4.5 million (2014 - $4.5 million). Payments to settle the obligations occur over the operating lives of the underlying assets and are estimated to be from 2 to 25 years, with the majority of costs to be incurred after 2019. The risk free rate used to calculate the present value of the decommissioning liability used average risk free rates of 0.74% to 2.16% (2014 – 1.34% to 2.33%). The estimated inflation rate was 2.00% (2014 - 2.00%).

The present value of the initial estimated decommissioning liability for new obligations is capitalized as part of the net capitalized asset base and the depletion of the capitalized decommissioning estimate is determined on a basis consistent with depletion of the Company's other assets. With time, accretion will increase the carrying amount of the obligation. Accretion is expensed.

The Company completed a review of its decommissioning liability at December 31, 2014, using estimates consistent with the Alberta Energy Regulator. This review, combined with the addition of some abandonment liabilities not previously identified, resulted in an increase in the overall decommissioning provision of $1.0 million in Q4 2014.

Changes to the decommisioning provision are:		**Year ended December 31, 2015**		Year ended December 31, 2014
Decommissioning provision, beginning of period	$	**4,593,326**	$	2,933,938
Liabilities incurred		**-**		168,239
Liabilities settled		**-**		-
Liabilities acquired from acquisitions		**5,025**		-
Effect of change in risk free rate(1)		**135,472**		402,597
Revisions in estimated cash outflows		**6,706**		1,009,561
Accretion expense		**74,409**		78,991
Decommissioning provision, end of period	$	**4,814,938**	$	4,593,326

(1) These amounts include the revaluation of acquired decommissioning liabilities at the end of the period using a risk-free discount rate. At the date of acquisition, acquired decommissioning liabilities are valued using a fair value rate.

13. SHAREHOLDERS' EQUITY

Authorized

The Company has authorized an unlimited number of voting common shares and an unlimited number of preferred shares without nominal or par value. On June 30, 2015, the Company initiated a 20 for 1 common share consolidation. The common share numbers that follow are on a post consolidation basis.

	Number of common shares		Amount
Balance, December 31, 2013	9,078,285	$	23,893,520
Common shares issued pursuant to private placements	353,875		591,000
Share issue costs, net of deferred tax	-		(25,025)
Balance, December 31, 2014	**9,432,160**	**$**	**24,459,495**
Common shares issued pursuant to private placements	2,700,000		1,080,000
Share issue costs, net of deferred tax	-		(10,054)
Common shares issued for 1883222 Alberta Inc.	2,800,500		1,120,000
Balance, December 31, 2015	**14,932,660**	**$**	**26,649,441**

In February 2014, the Company issued 353,875 common shares for gross proceeds of $591,000.

In June 2015, the Company issued 2,700,000 for gross proceeds of $1,080,000 and issued 2,800,500 common shares to acquire its wholly owned subsidiary 1883222 Alberta Inc. which was assigned a fair value of $1,120,000.

Share Option Plan

The Company's Share Option Plan permits the granting of options to purchase common shares to officers, directors, employees and other persons who provide ongoing management or consulting services to the Company. The Share Option Plan currently limits the number of common shares that may be issued on exercise of options outstanding at any time to 10% of the number of outstanding common shares. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Share Option Plan. Additionally, any exercise of options will make new grants available under the Share Option Plan.

Options granted pursuant to the Share Option Plan have a term not to exceed five years and vest as follows:

1/3 on grant date

1/3 on first anniversary of grant date

1/3 on second anniversary of grant date

As at December 31, 2015, there are a total of 1,346,694 options granted and outstanding under the Share Option Plan with a weighted average exercise price of $0.48 per share. A total of 470,866 options with a weighted average exercise price of $0.61 are exercisable at December 31, 2015.

	December 31, 2015			December 31, 2014		
Stock Options	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Outstanding, beginning of period	571,119	$	3.44	560,415	$	3.92
Granted	1,300,000	$	0.40	133,500	$	1.96
Expired	(33,000)	$	6.00	(28,250)	$	5.00
Cancelled	(491,425)	$	3.34	(94,546)	$	3.80
Outstanding, end of period	1,346,694	$	0.48	571,119	$	3.44
Options exercisable, end of period	470,866	$	0.61	461,287	$	3.79

Exercise price		Weighted Ave Strike Price	Outstanding Dec 31, 2015	Remaining (years)	Exercisable Dec 31, 2015
$0.25 - $0.49	$	0.40	1,300,000	4.50	433,338
$1.50 - $2.99	$	1.84	31,250	3.07	22,084
$3.00 - $11.00	$	4.63	15,444	0.83	15,444
	$	0.48	1,346,694	4.31	470,866

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with assumptions as follows:

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Forfeitures	Expected Volatility		Weighted Average Future Value Per Option
2014	1.39	4.5	10.00%	1.20	$	1.75
2015	0.76	4.5	10.00%	1.52	$	0.36

The Company accounts for its options granted using the fair value method whereby costs have been recognized for share options granted, resulting in share based compensation expense for the 2015 of $299,000 (2014 – $150,000). Additionally, share based compensation of $26,000 (2014 - $43,000) was capitalized for the same period.

Net loss per share

Diluted earnings per share are calculated by dividing the diluted weighted average number of aggregate outstanding shares during the period into the earnings for the period. Diluted loss per share is calculated by dividing the basic weighted average aggregate outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive. Share options are not shown to be dilutive in the periods shown below as they were out-of-the-money compared with the average share prices during those periods.

Common shares outstanding	Years ended Dec 31 2015	2014
Weighted average shares outstanding	12,205,015	9,404,044
Dilutive effect of stock options	-	-
Diluted weighted average shares outstanding	12,205,015	9,404,044

14. COMMITMENTS

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2017, as follows:

Commitments as at December 31, 2015	
2016	$ 180,704
2017	125,835
	$ 306,539

The Company's subsidiary has an obligation to spend $870,000 in qualifying development and exploration expenditures by December 31, 2016.

15. RELATED PARTY TRANSACTIONS

The Company enters into various transactions with related parties from time to time.

The following transactions were entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties recorded at the exchange amount.

During the years ended December 31, 2015 and 2014, the Company incurred $173,000 and $233,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. Forent also incurred $37,000 in the first half of 2015 and $34,000 in 2014 for legal services with a law firm of which a board member was a partner.

In March 2015, the Company entered into a $150,000 short term loan with Prairie Merchant Corporation to advance funds against a pending GST refund. Prairie Merchant Corporation is owned by a Board member. The interest rate on the loan was 5% per annum and the loan was repaid in full during April 2015.

In June 2015, related to the acquisition of 1883222 Alberta Inc., officers of Forent held 120,000 shares in 1883222 Alberta Inc. (10.7% of total) prior to the acquisition closing, see Note 11.

16. Supplemental Information

Supplemental Cash Flow Information	Years ended Dec 31	
(Cdn $)	2015	2014
Interest paid during the period	$ 264,651	$ 171,295
Taxes paid during the period	$ -	$ -

Changes in non-cash working capital balances		
Accounts receivable	$ 307,157	$ 68,058
Prepaid expenses	(477,783)	(42,115)
Exploration deposit	223,540	(47,940)
Accounts payable and accrued liabilities	(285,404)	318,601
Flow-through shares, deferred liability	-	(60,500)
Other	(18,878)	88,112
	$ (251,368)	$ 324,216

Changes in non-cash working capital balances		
Operating activity	$ (211,118)	$ 446,590
Investing activity	(40,250)	(122,374)
	$ (251,368)	$ 324,216

Expenses by nature:

General and administrative	Years ended Dec 31 2015	2014
Salaries & benefits	$ 1,015,171	$ 1,062,359
Office	317,788	285,573
Corporate	391,464	434,265
Gross expenses	1,724,423	1,782,197
Recovered from third parties	(110,791)	(115,886)
Capitalized	(152,711)	(425,699)
Net Overhead	$ 1,460,921	$ 1,240,612

Finance expense	Years ended Dec 31 2015	2014
Bank loan - interest	$ 264,651	$ 171,295
Bank loan - fees	11,125	19,250
Accretion of ARO	74,513	78,991
Finance expense	$ 350,289	$ 269,536

Revenue from oil and gas production, net of royalties	Years ended Dec 31 2015	2014
Oil	$ 1,928,068	$ 3,332,266
Natural Gas	606,204	837,945
NGL's	75,920	138,257
Royalties and other	97,650	92,829
	2,707,842	4,401,297
Crown	20,648	(122,923)
Freehold	(463,516)	(773,472)
Royalties	(442,868)	(896,395)
	$ 2,264,974	$ 3,504,902

Remuneration of Directors' and Senior Management	Years ended Dec 31 2015	2014
Salaries & benefits	$ 808,118	$ 748,516
Share-based compensation	273,301	135,330
Gross expenses	1,081,419	883,846

17. TAXES

The provision for income taxes differs from the amount obtained by applying the combined federal and provincial income tax rate to the loss before income taxes in relation to the following items.

Rate reconciliation	Years ended December 31	
	2015	2014
Expected Rate	**26.00%**	25.00%
Loss before taxes- continuing operations	**(5,093,206)**	(959,827)
Earnings before taxes- assets held for sale	**-**	124,538
Loss before taxes	**(5,093,206)**	$ (835,289)
Expected income tax (recovery)	**(1,324,234)**	(208,822)
Tax effect of non-deductible and non-taxable amounts related to:		
Non-deductible expenses	**822**	1,719
Stock based compensation	**77,870**	37,556
Effect of tax rate changes and temporary differences recorded at future rates	**5,277**	-
Reconciliation from assessed taxes	**(65,979)**	(5,322)
CEE Renounced for flow-through shares	**32,240**	121,750
Other	**(77,162)**	(8,456)
Valuation allowance	**1,288,894**	-
Provision for deferred income taxes (recovery)	**$ (62,272)**	$ (61,575)
Effective tax rate	**1.2%**	7.4%
Composition of deferred income recovery		
Deferred income tax expense (recovery) from continuing operations	**(62,272)**	(92,710)
Deferred income tax expense (recovery) from discontinued operations	**-**	31,135
Deferred income tax recovery	**(62,272)**	(61,575)

Components of the net deferred income tax liability are as follows:

		2015		2014
Deferred income tax liabilities				
Deferred tax liabilities to be settled within 12 months	$	**-**	$	-
Deferred tax liabilities to be settled after more than 12 months		**(3,689,851)**		(3,808,894)
		(3,689,851)		(3,808,894)
Deferred income tax assets				
Deferred tax assets to be settled within 12 months		**113,687**		122,246
Deferred tax assets to be settled after more than 12 months		**4,865,058**		3,620,686
Valuation allowance		**(1,288,894)**		
		3,689,851		3,742,932
Total	$	**-**	$	(65,962)

The deferred income tax liabilities and assets to be settled (recovered) within 12 months represents Management's estimate of the timing of the reversal of temporary differences and does not relate to the current income tax expense (if any) in the subsequent year.

The movement in deferred income tax liabilities and assets is as follows:

Deferred income tax liability		Property, plant and equipment
Balance December 31, 2013	$	2,838,085
Charged (credited) to earnings		910,309
Charged (credited) to balance sheet		60,500
Balance December 31, 2014		3,808,894
Charged (credited) to earnings		(119,043)
Charged (credited) to balance sheet		-
Balance, December 31, 2015	**$**	**3,689,851**

Deferred income tax assets		Decommissioning liabilities		Tax Losses		Other		Total
Balance December 31, 2013	$	(733,485)	$	(1,975,172)	$	(59,875)	$	(2,768,532)
Charged (credited) to earnings		(414,847)		(583,858)		30,561		(968,144)
Credited to share capital		-		-		(6,256)		(6,256)
Balance December 31, 2014		(1,148,332)		(2,559,030)		(35,570)		(3,742,932)
Charged (credited) to earnings		(151,701)		(1,108,251)		1,316,606		56,654
Charged (credited) to balance sheet		-		-		(3,573)		(3,573)
Valuation allowance		-		-		(1,288,894)		(1,288,894)
Balance, December 31, 2015	**$**	**(1,300,033)**	**$**	**(3,667,281)**	**$**	**(11,431)**	**$**	**(3,689,851)**

Net deferred income tax liability		
Balance December 31, 2014	$	65,962
Balance, December 31, 2015	**$**	**-**

At December 31, 2015, the Company had the following tax deductions available to reduce future taxable income:

		Dec 31, 2015		2014
Canadian exploration expense	**$**	**610,909**	$	546,234
Canadian development expense		**1,250,462**		1,798,915
Canadian oil and gas property expense		**2,386,712**		2,407,813
Undepreciated capital cost		**1,689,637**		2,013,213
Share issue costs		**42,336**		142,279
Loss carry forwards		**13,582,523**		10,236,118
Total	**$**	**19,562,579**	$	17,144,572

18. PREPAIDS AND OTHER ASSETS

The Company has prepaids and other assets as follows:

	As at	
	Dec 31, 2015	Dec 31, 2014
Prepaid expenditures	$ 59,310	$ 85,527
Refundable Deposits	534,695	30,695
Crown royalty deposits	3,932	3,932
Other	993	993
Total	$ 598,930	$ 121,147

Prepaid expenditures include amounts related to prepaid insurance and prepaid software licences.

Refundable deposits include $500,000 in 2015 related to a property acquisition that had not closed at December 31, 2015. The remaining balance of $34,695 in 2015 (2014 - $30,695) are deposits with TransCanada to allow Forent to use their gas transmission system.

19. SUBSEQUENT EVENTS

On February 16, 2016, Forent was informed by the Court of Queen's Bench of Alberta that the Vendor in respect of which the Company had previously announced a purchase and sale agreement to acquire oil and gas properties in the Twining area, had appointed a Receiver, pursuant to section 243 of the Bankruptcy and Insolvency Act. Forent has made a revised offer to purchase the Twining properties from the Receiver.

On March 7, 2016, the Forent and Perisson Petroleum Corporation (CSE: POG) ("Perisson") announced that they had entered into a definitive agreement pursuant to which Perisson and Forent have agreed to amalgamate under the Business Corporations Act (Alberta) (the "Amalgamation"). Further details regarding the transaction shall be provided in the joint information circular which will be mailed to shareholders of Forent and shareholders of Perisson in connection with their special shareholders' meetings to approve the Amalgamation.

CORPORATE INFORMATION

DIRECTORS

Robyn Lore
Chairman of the Board

John A. Forgeron [2]

Curtis Hartzler

Martin Hislop [1, 3]

John G.F. McLeod [2, 3]

Wayne Rousch [1, 2, 3]

W. Brett Wilson [1]

Member of:
(1) Audit Committee
(2) Reserves Committee
(3) Compensation Committee

OFFICERS

Robyn Lore
President & Chief Executive Officer

Brad R. Perry
Chief Financial Officer

Richard Wade
Chief Operating Officer

Tim Laska
Vice President Exploration

Curtis Hartzler
Vice President Business Development

Ian Shook
Vice President Geophysics

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ENGINEERS

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REGISTRAR & TRANSFER AGENT

Computershare Canada
Calgary, AB

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol "FEN"