Management's Discussion and Analysis
Three Months Ended March 31, 2012 and 2011

In accordance with National Instrument 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*, the Company discloses that its auditors have not reviewed the unaudited Financial Statements for the periods ended March 31, 2012 and 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 24, 2012 and reviewed and approved by the Board of Directors of Forent Energy Ltd. ("Forent" or the "Company"). The MD&A reviews the operational results of the Company with disclosure of oil and gas activities in accordance with Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and a review of financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the three months ended March 31, 2012 and 2011. This MD&A should be read in conjunction with the Corporation's audited financial statements and notes thereto for the year ended December 31, 2011. In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. In this MD&A, the term "previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

As a result of changes in interpretations of IFRS standards the quarterly information has been restated for comparative periods.

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

Forward Looking Information

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

For the purpose of calculating unit costs, natural gas volumes have been converted to a barrel equivalent ("boe") using six thousand cubic feet equal to one barrel equivalent unless otherwise stated. A boe conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with national instrument NI 51-101. Boe's may be misleading, particularly if used in isolation.

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

Introduction and Overview of Forent Energy Ltd.

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

Forent Energy Ltd. was incorporated under the Business Corporations Act of Alberta as a private company on April 6, 1999. Forent became a public company as a result of the reverse takeover of Seriatim Ventures Inc. a capital pool company listed on the TSX Venture Exchange, which was completed on December 18, 2008.

The Company's operational focus over the next one to two years is to continue its strategy of growth through focused exploration on it two core exploration areas consisting of i) the onshore Alton Block ("Alton") in Nova Scotia and ii) on its 29 section Montgomery, Alberta property ("Montgomery"). Forent has assembled a team of individuals with many years' experience in both western Canada and frontier exploration, such as Nova Scotia, in order to take advantage of these opportunities.

Critical Accounting Estimates

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

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

Accounts receivable

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

Property, plant and equipment

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

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

Decommissioning liabilities

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

Share based compensation

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

Deferred taxes

Tax interpretations, regulations and legislation in which the Corporation and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Management assumes that the Company will use its tax pools to the full extent in future periods and has determined its deferred tax balance on that basis.

EXECUTIVE SUMMARY & OUTLOOK

Overview of the First Quarter 2012

The Company had a very active first quarter in Nova Scotia, where it drilled and cased the Alton #1 well and prepared to drill a second well on the Alton Block (South Branch #1). Forent enjoyed reasonable oil production and significant third party water volumes at its Mervin Saskatchewan facility. Crude oil and natural gas liquids prices remained high, allowing the Company to largely maintain netbacks, however, natural gas prices fell significantly from price levels received in the first quarter of 2011. On February 22nd the Company completed a non-brokered private placement for gross proceeds of $400,000, consisting of flow-through common shares and units, with the funds allocated to exploration on the Alton Block. Forent remains debt free and cash flow positive.

Nova Scotia

Forent spudded its first reef oil exploration well (Alton #1) on February 14th and the well was completed at the end of the month. The well encountered the flank of a Gays River reef, a shaley dolomite, lying on a Meguma basement high. Several significant natural gas kicks were detected during the well drilling and live oil was found in the mud tank, indicating an active petroleum system and suggesting that there are natural gas liquids or light oil associated with the natural gas. The logs indicated minimal porosity and permeability near the well bore and as such, the company does not anticipate production from this well, however, future wells drilled into the same reef may be productive. The well has been cased and left in a condition that it may be easily re-entered for further evaluation. The well was drilled within the financial and time parameters established prior to spud and the company was encouraged by the results.

Montgomery, Alberta

The Company continues to seek a partner or partners for its 29 section Montgomery exploration opportunity. While we are in discussion with a number of parties there has not been any substantive progress in identifying a partner. Montgomery remains a very important piece of the Company's go-forward strategy. The property has the potential to have a significant impact on the Company's common share value.

Mervin, Saskatchewan

During the first quarter of 2012 production averaged approximately 130 bbls per day from the Mervin property. While we have witnessed considerable changes in individual well production from month to month, overall field production is experiencing only slight decline. In addition to the oil production noted above, the Company received approximately 230,000 bbls of third party water for disposal and earned approximately $130,000 in water disposal revenue, as well as, additional volumes of recovered crude oil. We expect production from Mervin to decline slightly over the balance of 2012.

Financial and operating highlights - First Quarter 2012

- Average oil and gas production increased 3 percent compared to 2011;
- average commodity selling prices decreased by 12 percent vs. 2011, due to significantly lower natural gas prices;
- overall oil and gas revenues decreased by 9 percent to $884,299 from $969,198;
- operating expenses decreased 45 percent to $17.23 per boe;
- operating netbacks for the period improved appreciably from $9.29 per boe in 2011 to $17.22 per boe in 2012;
- general and administrative expenses increased 16 percent overall and on a per boe basis increased by 12 percent to $15.28 per boe; and

- the Company was cash flow positive in the first quarter and experienced positive corporate netbacks, compared to in 2011.

Outlook for the balance of 2012

Management believes that there is considerable upside in the value of the Company's common shares with the successful exploration of its interests at Montgomery, Alberta. We continue to market the Montgomery exploration opportunity and are currently in discussions with several parties in an effort to complete a multiple well farm-out later this year. The Company has interests in 29 contiguous sections with an average working interest of approximately 85%. We have identified more than a dozen drilling locations, including multi-zone, three-way structural closures of significant areal extent, as well as, a number of Second White Specs prospects, that appear similar to a very successful nearby Second White Specs well.

As a result of the positive results from the drilling of the Alton #1 well and disappointing results from the South Branch #1 well, the Company is reviewing all geological and geophysical data related to the Alton Block, in an effort to determine how best to move forward. It must be recognized that all of the dozen or so geophysical reef-like features that have been identified on the Alton Block are distinct exploration opportunities, such that a lack of success at any one does not rule out the potential for success at a different location. Forent has more than fulfilled its work commitments on the Alton Block and accordingly, is not required to commit significant capital to this project over the next 12 to 18 months.

In Mervin, the Company will continue its efforts to optimize production and attract third party water volumes. We have recently experienced a significant drop in third party water, as a result of one of our major customers drilling its own water disposal well. The Company is canvasing other producers in the area in order to attract other volumes and expects that it will be successful in this effort. Even with the decline in third party volumes, Forent enjoys significant operating cost savings as a result of owning its own water well and by having its six production wells tied into the facility.

We have recently started shipping a portion of our production to the US Gulf Coast via rail car in order to take advantage of the premium price being offered and as long as the price premium remains, will maximize the volumes sold in this manner.

Subsequent Events

Nova Scotia Drilling results

Near the end of April the Company finished drilling its second reef exploration well, South Branch #1. The well was positioned on a geophysically determined basement high where a Gays River reef was anticipated to have been deposited. The well encountered a structurally high basement, however no Gays River reef was detected and no significant hydrocarbon accumulations were observed. While disappointing, the Company will use this information to refine its geological and geophysical models as it continues its exploration endeavors on the Alton Block. The well was drilled in a record 10 days and well under budget, with estimated total costs of $1 million.

Financial Results

Production

	Three Months Ended March 31,		
	2012	2011	Change
			(%)
Daily Production			
Natural gas *(mcf/d)*	**552**	559	(1)
Crude oil and NGLs *(bbls/d)*	**144**	138	4
Boe/d	**237**	231	3
	(%)	*(%)*	*(%)*
Production Mix			
Natural gas	**39**	40	(3)
Crude oil and NGLs	**61**	60	2
	100	100	

The Company's overall production for the first quarter of 2012 averaged 237 boe/d, a slight increase of 3% from the 231 boe/d recorded during the same period of 2011. Natural gas production remained stable in the first quarter of 2012 at 552 mcf/d vs. 559 mcf/d in the first quarter of 2011. Crude oil and natural gas liquids ("NGLs") production increased modestly by 4% to 144 bbls/d during the three months ended March 31, 2012 from 138 bbls/d in the same period of 2011. The Mervin, Saskatchewan heavy oil wells accounted for the majority of the crude oil and NGLs increase, as a result of consistent production in 2012, as opposed to the operational issues the Company had in February 2011, resulting in lower oil production during the first quarter of 2011. In addition, Forent realized additional crude oil volumes in 2012 that was recovered from third party salt water being disposed at the Company's water disposal facility. The increase from 2011 to 2012 was partially offset as a result of the sale of the Company's Provost, Alberta oil wells, effective June 1, 2011 representing a loss of approximately 14 bbls/d of oil production.

Natural gas production represented 39% and 40% of the Company's total production during the three months ended March 31, 2012 and 2011, respectively. Crude oil and NGL production represented 61% of production in the first quarter of 2012, as compared to 60% in the same period of 2011. The Company's decrease in the weighting of natural gas and shifting to crude oil and NGL production was a strategic tactic initiated in late 2009 in order to provide greater cash flows from crude oil and NGLs relative to natural gas.

Natural Gas Prices

United States natural gas prices are commonly referenced off the New York Mercantile Exchange at the Henry Hub, Louisiana ("NYMEX") index price, while Canadian natural gas prices are typically referenced to the AECO Hub in Alberta ("AECO"). Natural gas prices are primarily influenced by North American supply and demand rather than global fundamentals. During the first quarter of 2012, the AECO natural gas price averaged $2.49/mcf compared to $3.79/mcf in the same period of 2011. The lower natural gas prices in 2012 compared to 2011 were primarily a result of strong supply resulting from various new shale gas projects, which led to an abundant supply of natural gas throughout 2011 and into 2012, as well as a late start to a very mild 2011-12 winter. Currently, North American natural gas prices have fallen to 10 year lows as a result of weak winter demand and abundant supply.

Crude Oil Prices

Alberta crude oil prices are commonly referenced to Edmonton par crude prices with adjustments (normally discounts) being taken to reflect the quality of the actual produced crude oil. The average Edmonton par price for the first quarter of 2012 was $92.81/bbl and $88.44/bbl in 2011. The majority of

Forent's crude oil production consists of heavy oil that has historically sold at a discount relative to the Edmonton par pricing. During 2012 this light/heavy oil differential increased from the levels witnessed in 2011, with the result that the Company did not experience as much of a price increase as producers of lighter oil. Oil prices strengthened in 2012 largely as a result of increased global demand attributable to the global economic recovery. In addition, political uncertainty positively affected prices by adding a risk premium to international prices.

Pricing

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Selling Prices			
Natural gas *($/mcf)*	**1.65**	4.25	(61)
Crude oil and NGLs *($/bbl)* (1)	**60.96**	60.90	-
Average weighted selling price *($/boe)*	**41.09**	46.62	(12)

(1) Combined crude oil and NGLs pricing reflects the impact of actual crude quality; in addition prices may be significantly different than those received for crude oil in isolation, due to NGLs being priced on a different basis then crude oil.

Average natural gas prices received by Forent decreased 61% in first quarter of 2012 to \$1.65/mcf from \$4.25/mcf received during the same quarter of 2011. The significant decrease in the natural gas price received by Forent in the first quarter was related to the Company selling a portion of its gas on the spot market which resulted in a significantly greater price in the first quarter of 2011 as compared to the AECO price. Crude oil and NGLs prices remained relatively stable at \$60.96/bbl during the first quarter of 2012, as compared to \$60.90/bbl in the same quarter of 2011. The increase in the oil and NGL pricing received by the Company was significantly below the Edmonton par pricing as a result of widening of the heavy oil differential during the quarter.

Oil and Gas Revenue

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Revenue			
Natural gas sales	**82,963**	213,529	(61)
Crude oil and NGLs sales	**801,336**	755,669	6
Total petroleum sales	**884,299**	969,198	(9)
Less: Crown and freehold royalties	**(142,920)**	(128,168)	12
Net oil, NGLs and natural gas sales	**741,379**	841,030	(12)
Other oil and natural gas operating revenues	**149,077**	36,034	314
Total oil and natural gas revenues	**890,456**	877,064	2

The Company's total crude oil and natural gas sales for the three months ended March 31, 2012, was \$884,299, a decrease of 9% from the same period of 2011, when revenue totalled \$969,198. Gross natural gas revenues decreased 61%, to \$82,963 in the first quarter of 2012 from \$213,529 in 2011, largely as a result of lower natural gas prices. Crude oil and NGL revenues increased 6% between the first quarters of 2012 and 2011, to $801,336 from $755,669, respectively, as a result of a 4% increase in volumes from the Company's Mervin wells and the slight increase in pricing.

Other oil and natural gas operating revenues consist of water disposal and processing revenues from third party charges at facilities that Forent operates. In the first quarter of 2012 the other oil and natural gas operating revenues increased 314% to $149,077 from $36,034 in the same period of 2011. The increase in other revenues was primarily attributable to the water disposal facility at Mervin that became operational in February of 2011. Water disposal revenues steadily increased from the activation in the first quarter of 2011 to the first quarter of 2012.

Royalty Expense

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Total royalties	**142,920**	128,168	12
As a % of oil and gas sales	**16%**	13%	23
$/boe	**6.64**	6.17	8

During the three months ended March 31, 2012, the Company's royalty expense increased 12% to $142,920 from $128,168 in the same period of 2011. The increase in the royalty expense is primarily related to the increase in oil and NGL production predominantly from the six Mervin wells and the higher average rate paid on oil and NGL production as compared to natural gas production.

Royalties as a percentage of sales for the first quarter of 2012 increased to 16% of oil and natural gas sales, which was a 23% increase from the 13% calculated for the same period of 2011. The overall increase in the royalty rates between the periods as a percentage of sales is primarily a result of the greater ratio of oil sales relative to natural gas sales, with crude oil having a higher average royalty rate.

Operating Expenses

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Operating expenses	**370,890**	647,772	(43)
Operating expenses *($/boe)*	**17.23**	31.16	(45)

Operating expenses decreased 43% to $370,890 in the first quarter of 2012 compared to $647,772 in same quarter of 2011. The decrease in operating expenses was related to Forent completing the tie-in of the Mervin wells early in the first quarter of 2012. The tie-in allowed for significant cost savings to be achieved by eliminating water hauling costs associated water produced at Mervin. In addition, the Company sold its two wells at Provost, thereby eliminating the costs associated with the 14 boe/d oil production from the property.

On a per boe basis, operating expenses decreased 45% to $17.23 per boe in the three months ended March 31, 2012 from $31.16 per boe in the same period of 2011. The decrease in boe costs was a result of reduction of water hauling costs at Mervin.

General and Administrative ("G&A") Expenses

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Gross expenses	**355,303**	310,239	15
Overhead recoveries	**(26,403)**	(26,045)	1
Total G&A expense	**328,900**	284,194	16
$/boe	**15.28**	13.67	12

During the first quarter of 2012, general and administrative expenses increased 15% to $355,303 from $310,239 in the same period of 2011. The increase in general and administrative expenses was a result of increased in professional fees relating to the valuation of the Company's properties and higher salary and wage costs for employees between periods.

The overhead recoveries from partners, related to Forent operated projects, increased slightly by 1% to $26,403 in the three months ended March 31, 2012, compared to $26,045 in the same period of 2011. Overhead recoveries from partners are earned at the Huxley area gas wells, plant and gas gathering system that the Company operates, along with any operated capital projects, of which there were none in 2011. The stable overhead recoveries are the result of the Huxley gas property being a coal bed methane gas property with a relatively stable cost structure and production base.

Stock Based Compensation

During the first quarter of 2012 the stock-based compensation expense decreased 24% to $90,024 from $118,122 in the first quarter of 2011. The decrease in stock based compensation between the periods was a result of a greater amortization base for stock options in 2011 and that the large portion of outstanding options that fully vested prior to 2012. The total number of options outstanding as at March 31, 2012 is 10,202,687 with a weighted average exercise price of $0.24 and life of 3.99 years.

Operating Netbacks per boe

	Three Months Ended March 31,		
	2012	2011	Change
	($/boe)	*($/boe)*	*(%)*
Sales price	**41.09**	46.62	(12)
Royalties	**(6.64)**	(6.17)	8
Operating	**(17.23)**	(31.16)	(45)
Operating netback	**17.22**	9.29	85
G&A (net of non-cash items)	**(15.28)**	(13.67)	12
Interest and other (net of non- cash items)	**(0.41)**	(0.31)	32
Corporate netback (loss)	**1.53**	(4.69)	(133)

During the first quarter of 2012 the Company's operating netback on a per boe basis increased to $17.22/boe from $9.29/boe in same period of 2011. The increase in the netback was primarily related to the significant decrease in water hauling costs at Mervin as a result of the water disposal facility becoming fully functional in 2012, which of which were somewhat offset by a lower selling price for crude oil and natural gas.

In the three months ended March 31, 2012, the Company's corporate netback increased to $1.53/boe from negative $4.69/boe in the same period of 2011. The improvement was a result of the increased operating netback, which was marginally offset by the increased G&A expense, all on a per boe basis between the periods.

In February 2012 the Company eliminated infield water hauling for the Mervin wells through the completion of a pipeline and a water handling facility to transport produced water to its water disposal well. The Company estimates that about $60,000 per month was saved as a result of the tie-in, along with generating approximately $40,000 monthly, in third party revenues by permitting other companies to dispose of their water at the Forent facility.

Depletion and Depreciation

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
DD&A provision	**396,655**	450,194	(12)
Oil and gas asset Impairment	**88,655**	-	-
Total DD&A and impairment	**485,310**	450,194	8
DD&A provision *($/boe)*	**22.55**	21.66	4

The DD&A provision decreased 12% to $396,655 in the first quarter of 2012, as compared to $450,194 in the same period of 2011. Depletion is determined by a unit of production rate for each cost generating unit based on reserve levels. The decrease in the quarterly provision was attributed to the lower net book value of the Company's production and development assets in 2012, as a result of the 2011 impairment booked on a number of natural gas properties. The lower base was partially offset by the increase capital invested to develop the Mervin water disposal facility and the related depletion recorded on that property.

The Company evaluates the carrying value of its assets relative to fair value at each balance sheet date. In the first quarter of 2012 the Company recorded an impairment of $88,655. The impairments in 2012 reflected the continued trend of decreasing natural gas prices and decreased future expectations of natural gas pricing that significantly reduced the forecasted cash flows of the Company's natural gas properties. The Company's Mervin area, its primarily crude oil property, did not have impairments recorded.

On a per boe basis, the DD&A provision increased 4% to $22.55/boe from $21.66/boe between the first quarters of 2012 and 2011, respectively, as explained above.

Income Taxes

During the three months ended March 31, 2012 a future income tax expense of $655,283 was recorded, as compared to an expense of $420,455 in the same quarter of 2011. The changes in this non-cash item are due to the anticipated future tax effect of the period's activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period. The majority of the expense is attributed to the renunciation of the Company's flow-through shares of $4.7 million in the first quarter of 2012 and the associated reduction of the Company's tax oil and gas tax pools.

As at March 31, 2012, the Company had approximately $7.8 million in tax pools available to shelter taxable income in future years.

Funds from Operations

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Cash flow (used in) from operating activities	**112,606**	(165,654)	(168)
Change in non-cash working capital	**73,501**	110,649	(34)
Funds from (used in) operations	**186,107**	(55,005)	(438)

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

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Funds from (used in) operations	**186,107**	(55,005)	(438)
Per share – basic and diluted	**-**	-	-

Funds from operations increased to $186,107 for the three months ended March 31, 2012 compared to negative $55,005 in the comparable period of 2011. The significant increase was related to the tie-in of the Company's Mervin wells to its water disposal well in 2012, through cost savings from significantly reduced water hauling charges and increased third party disposal revenues.

Net earnings

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Net loss	**(1,049,559)**	(1,056,483)	(1)
Per share – basic and diluted	**(0.01)**	(0.01)	-

In the first quarter of 2012, the Company recorded a net loss of $1,049,559 ($0.01 per basic and diluted share) versus a net loss of $1,056,486 ($nil per basic and diluted share) in the same quarter of 2011. The Company's net loss in 2012 is primarily a result of the deferred income tax expense related to the flow-through share expenditure renouncement made during the first quarter of 2012, along with the depletion and impairment expenses recorded on its natural gas properties, which was offset by greater operating income in the quarter.

Capital Expenditures

During the three months ended March 31, 2012, the Company spent $0.1 million on development and production activities related to the completion of the Mervin water disposal facility and the pipelining of its six Mervin wells to that facility. The water disposal facility is designed handle all the produced water from the Company's six Mervin wells and also has considerable capacity to accept third-party volumes, thereby allowing Forent to enjoy significant cost savings and a new revenue source.

Additionally, the Company invested $1.5 million in exploration and evaluation activities on its Alton exploration block. The expenditures involved drilling and casing its Alton #1 location in its core exploration area of Nova Scotia.

Working Capital

	Three Months Ended March 31,		
	2012	2011	Change
	($)	*($)*	*(%)*
Working capital, beginning of year	**2,022,555**	888,092	128
Funds from operations	**186,107**	(55,005)	(438)
Issue of capital stock (net)	**384,634**	141,100	173
Decommissioning costs incurred	**-**	-	-
Capital expenditures (net)	**(1,547,756)**	(696,841)	122
Working capital, end of period	**1,045,540**	277,346	277

Forent opened 2012 with a working capital surplus of $2.0 million. The change in the Company's net working capital resulted from funds from operations of $0.2 million, net equity of $0.4 million from a share financing, net capital expenditures totalling $1.6 million, thereby leaving the Company with a working capital surplus of $1.0 million at March 31, 2012. For the purposes of the working capital calculation the Company does not include the flow-through share deferred liability, which was $176,493 and $627,950, as at March 31, 2012 and December 31, 2011, respectively. The flow-through share deferred liability is extinguished at the time the Company fulfills its flow-through share commitments and renounces the flow-through expenditures to investors.

The Company's remaining 2012 capital budget includes $1.0 million to drill a second exploration wells on the Alton Block in Nova Scotia in the second quarter of 2012, of which approximately $0.02 million was expended during the first quarter. The anticipated expenditure will be applied towards the Alton Block commitment Forent made under its three year exploration license requiring $6.3 million to be expended over the three year term ending April 8, 2014.

The Montgomery program was established as an early stage exploration program with the intent of farming out a portion of the Company's interest to receive a carried interest in the drilling of the first three wells in the project. The Company continues to market the property and anticipates forming a joint venture partnership to drill several wells by the end of 2012. Additionally, the Company will be required to raise additional funds to meet the total commitment under its Alton Block exploration agreement, although after completing the two exploration wells in 2012 its spending commitments will be completely fulfilled to the middle of 2013. To meet the commitment the Company may raise funds through additional equity offers or utilize other alternative means such as joint venturing. However, there is no certainty that the equity financing activities or alternative mentioned above will be successful.

Share Capital

The Company has authorized an unlimited number of common and preferred shares with no par value. At March 31, 2012, the Company had 135,515,715 common shares outstanding and no preferred shares outstanding.

Quarterly Data

The following summarizes key financial and operating information on a quarterly basis for the two most recently completed financial years.

	Three months ended Jun. 30, 2011	Three months ended Sep. 30, 2011	Three months ended Dec. 31, 2011	Three months ended Mar. 31, 2012
	($)	*($)*	*($)*	*($)*
Oil and gas revenue, net of royalties	1,289,580	905,854	887,191	890,456
Funds from (used in) operations (1)	297,380	140,878	(305,467)	186,107
Per share – basic and diluted	-	-	-	-
Net loss	(112,748)	(684,298)	(2,886,461)	(799,388)
Per share – basic and diluted	-	(0.01)	(0.03)	(0.01)
Capital expenditures	778,976	851,361	1,283,429	1,547,756
Total assets	16,156,956	15,161,949	15,083,077	14,997,915
Working capital	2,207,420	1,604,379	2,022,555	1,045,540
Total non-current financial liabilities	-	-	-	-
Average daily production				
Natural gas *(mcf/d)*	465	452	421	552
Crude oil and NGLs *(bbls/d)*	202	146	140	144
Total *(boe/d)*	280	221	210	237

	Three months ended Jun. 30, 2010	Three months ended Sep. 30, 2010	Three months ended Dec. 31, 2010	Three months ended Mar. 31, 2011
	($)	*($)*	*($)*	*($)*
Oil and gas revenue, net of royalties	435,054	773,448	1,233,596	877,064
Funds from (used in) operations (1)	(97,849)	49,173	261,397	(55,005)
Per share – basic and diluted	-	-	-	-
Net loss	(457,497)	(495,550)	(453,832)	(1,056,483)
Per share – basic and diluted	(0.01)	(0.01)	-	(0.01)
Capital expenditures	2,248,333	1,662,840	2,083,359	696,841
Total assets	13,516,902	13,663,980	15,006,270	13,852,012
Working capital	2,689,732	1,076,066	888,092	277,346
Total non-current financial liabilities	-	-	-	-
Average daily production				
Natural gas *(mcf/d)*	698	604	736	559
Crude oil and NGLs *(bbls/d)*	33	116	211	138
Total *(boe/d)*	149	216	333	231

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

(2) As a result of changes in interpretations of the conversion to IFRS prior quarter comparative information has been restated.

Related Party Transactions

The Company enters into various transactions with related parties from time to time. These transactions are entered into under the normal course of operations, non-secured and are to be settled in cash, at mutually agreed upon amounts. No provisions for doubtful accounts have been made during the three months ended March 31, 2012 and 2011 in regards to related parties.

During the three months ended March 31, 2012 and 2011, the Company had the following related party transactions:

During the three months ended March 31, 2012, the Company incurred $60,550 (March 31, 2011 - $72,392) of operating costs relating to pipeline compressor rental fees, respectively, from a company controlled by a board member. As at March 31, 2012, there was no outstanding balance (December 31, 2011 – $3,755) owed to the related company. The pipeline and facility rental fees and outstanding balance were incurred on facilities that the Company operates with approximately an average 20% working interest. As such, 80% of the gross operating costs and outstanding balances are directly attributed to the Company's joint venture partner, being a large and well-funded petroleum producer.

During the three months ended March 31, 2012 the Company incurred $12,374 (March 31, 2011 - $17,754) for legal services with a law firm of which a board member is a partner. As at March 31, 2012, there was an outstanding balance of $13,428 (December 31, 2011 – $7,951) owed for legal services.

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions during the three months ended March 31, 2012.

Contractual Obligations

On February 22, 2012, the Company issued flow-through shares requiring that $84,000 in qualifying exploration expenditures be expended by December 31, 2013. The Company intends to satisfy this remaining commitment through the drilling of its second exploration well on the Alton Block during the second quarter of 2012.

On December 29, 2011, the Company issued flow-through shares requiring that $2,426,026 in qualifying exploration expenditures be expended by December 31, 2012. As at March 31, 2012 the Company has incurred approximately $1.3 million of qualifying expenditures with approximately $1.1 million remaining to be expended. The Company intends to satisfy this remaining commitment through the drilling of its first and second exploration wells on its Alton Block in the first and second quarters of 2012.

On June 1, 2011, the Company issued flow-through shares requiring that $2,251,000 in qualifying exploration expenditures be expended by December 31, 2012. As at March 31, 2012 the Company has incurred the full amount of qualifying expenditures to be expended.

The Company is committed to expend a minimum of $6,300,000 on the Alton Block over a three year period, ending April 8, 2014, in a work program consisting of initiation and interpretation of geological, geophysical, geomagnetic and geochemical data and culminating in an exploration and well testing program within the boundaries of the Alton Block. The Company's capital 2011/2012 budget includes up to $5.0 million to conduct a 2D seismic program and to drill two exploration wells on the Alton Block in Nova Scotia, which will be applied towards the commitment. The seismic program was completed in the first half of 2011 and the first of the two exploration wells was drilled in the first quarter, with the second well drilled in April 2012.

The Company relinquished its Beech Hill Block exploration agreement on September 19, 2011, which removed the commitment to expend a minimum of $2,070,000 over a three year period, ending May 1, 2011 and any future commitments. As a result of the Company not continuing its exploration of oil and natural gas within the block the Company forfeited $59,400 of an $110,000 deposit that was held by the government of Nova Scotia, with $50,600 being returned to the Company.

Alton Commitment	
	($)
2012	1,350,000
2013	1,800,000
2014	3,150,000
	6,300,000

The Company entered into an office lease effective September 1, 2011. The lease is for a three year term ending August 31, 2014 and requires the following payments, which are paid on a monthly basis, as shown below:

Office lease	
	($)
2012	94,725
2013	130,592
2014	89,208
	314,525

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas. These risks and uncertainties include but are not limited to, the following:

- risk of finding and producing reserves economically;
- uncertainty associated with obtaining drilling licenses and other consents and approvals;
- production risk associated with sour hydrocarbons;
- marketing reserves at acceptable prices;
- cost of capital risk associated with securing the needed capital to carry out the Company's operations;
- risk of fluctuating foreign currency exchange rates;
- risk of governmental policies, social instability or other political, economic or diplomatic developments in its operations;
- market risks associated with investing the Company's cash reserves in interest bearing depository instruments; and
- environmental risks related to its oil and gas properties.

Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. As at March 31, 2012 the Company had no derivative instruments to hedge its commodity price, foreign currency exchange or interest rate risks in place. The Company may enter into such risk management contracts from time to time as appropriate.

Forent strives to minimize and manage these risks in a number of ways including:

- Employing qualified professional technical staff;
- Communicating openly with members of the public regarding its activities;
- Concentrating in a limited number of operation areas;
- Utilizing the latest technology for finding and developing reserves;
- Constructing high-quality, environmentally sensitive, safe production facilities; and
- Maximizing operational control of drilling and producing operations;

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

The CEO and CFO of Forent is responsible for designing internal controls or causing them to be designed under his supervision, in order to provide reasonable assurance regarding disclosure controls and procedures that: (1) ensures information required to be disclosed by the Company is assembled and communicated to management; and (2) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The Company’s CEO and CFO has concluded based on his evaluation that disclosure controls and procedures are effective as at March 31, 2012.

Design and Evaluation of Internal Controls Related to Financial Reporting

The CEO and CFO of Forent is responsible for designing internal controls over financial reporting or causing them to be designed under his supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated the Company’s internal control over financial reporting at the latest financial year-end of the Company and concluded that the Company’s internal controls over financial reporting are effective and includes those policies and procedures that:

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

No material changes in the Corporation's internal controls over financial reporting were identified during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Despite the CEO and CFO certifying that the Company’s internal controls over financial reporting and disclosure controls and procedures are effective to provide a reasonable level of assurance, he is not able to conclude that the controls and procedures are capable of preventing all frauds and errors. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

FORENT ENERGY

DIRECTORS
W. Brett Wilson[1,2]
Robert S. Crosbie
John A. Forgeron[3]
Thomas E. Lester
Douglas Porter[1]
Scott Reeves
Wayne Rousch[1,3]

[1] *Member of the Audit Committee*
[2] *Chairman of the Board*
[3] *Technical Committee*

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

LEGAL COUNSEL
TingleMerrett LLP

BANKERS
National Bank of Canada

AUDITORS
PricewaterhouseCoopers LLP

EVALUATION ENGINEERS
Sproule Associates Limited
Calgary, Alberta

EXECUTIVE OFFICE
Forent Energy Ltd.
Suite 200, 340 – 12th Ave SW
Calgary, Alberta, Canada T2R 1L5

Telephone: (403) 262-9444
Facsimile: (403) 262-4651

HALIFAX OFFICE
Forent Energy Ltd.
Suite 404, 5150 Salter St.
Halifax, Nova Scotia, Canada B3J 0A1

Telephone: (902) 446-4471