FORENT ENERGY

Management's Discussion and Analysis
Three and Six Months Ended June 30, 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 June 30, 2012 and 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of August 27, 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 and six months ended June 30, 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 year 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 – Second Quarter 2012

The Company had an active second quarter in Nova Scotia drilling South Branch #1, the second well on the Alton Block in Nova Scotia. Forent enjoyed stable oil and gas production over the second quarter, however, third party water volumes at its Mervin, Saskatchewan, salt water disposal facility declined significantly part way through the quarter. Cash flow in the second quarter increased from that received in the first three months of the year, although it was lower than the same quarter of 2011. The Company's share price declined considerably, falling by about 50% by the end of the second quarter, after the results of the South Branch #1 well were announced.

Nova Scotia

Forent spudded its second exploration well (South Branch #1) on April 19th and completed drilling on April 25th. The well was drilled ahead of schedule resulting in significant cost savings of approximately $300,000 relative to the original budget. The well was positioned on a geophysically determined basement high anomaly 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. As a result, the Company has abandoned the well and recently completed the surface reclamation.

While disappointing, the Company is using this information to refine its geological and geophysical models as it continues its exploration endeavors on the Alton Block. It should be recognized that all of the 10 to 15 geophysical anomalies 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.

Montgomery, Alberta

During the second quarter the Company continued its efforts to maintain the excellent relationships that it has fostered with the surface rights owners in Montgomery. Forent continues to actively pursue a joint venture partner to share the cost of drilling the initial wells in its highly prospective 29 sections of land.

Mervin, Saskatchewan

During the second quarter of 2012 production averaged slightly more than 140 bbls per day from the Mervin property or about 10 bbls per day greater than the first quarter of 2012. In addition to the oil production, the Company received about 70,000 bbls of third party water for disposal and earned approximately $40,000 in water disposal revenue. We expect production from Mervin to remain relatively stable over the balance of 2012 and for water disposal revenues to increase. We continue to ship most of our production to the US Gulf Coast via rail car and have seen additional revenues of as much as $15 per bbl, as a result of the premium price being offered.

Financial and operating highlights – Second Quarter 2012

- the Company continued to generate positive cash flow in the period amounting to $238,269;
- annual average oil and gas production decreased by 19 percent compared to 2011;
- general and administrative expenses decreased 34 percent overall, and fell on a per boe basis by 19 percent to $12.80 per boe;
- operating expenses decreased 34 percent to $15.39 per boe; and,
- operating netbacks for the period decreased by 7% to $22.03 per boe.

Outlook for the balance of 2012

Management believes that there is considerable upside in the value of the Company's common shares with successful exploration of its interests at Montgomery, Alberta. The Company has identified more than a dozen conventional drilling locations, including multi-zone, three-way structural closures of significant areal extent, as well as, a number of conventional and unconventional resource play Second White Specs prospects. The Company anticipates completing a farmout agreement in the near future and the drilling of an initial well on the Montgomery lands before the end of 2012.

In Nova Scotia, the Company believes that the next step for the Alton Block is a surface geochemical study that can be conducted for approximately $200,000. We are continuing our review of the geological and geophysical data related to the Alton Block, factoring in the results of the two wells drilled earlier this year, in an effort to identify distinctions between the Alton and South Branch locations in order to determine the potential of the three anomalies between the two wells. We intend to look at all alternatives to continue our exploration efforts in Nova Scotia.

At Mervin, the Company is continuing its efforts to optimize production and attract additional third party water volumes. The Company is canvasing producers in the area in order to attract additional water volumes and expects that third party water volumes will increase over the coming months. 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.

As part of our ongoing corporate operations, the board of directors will complete a strategic review, including the potential for the rationalization of assets and where possible, reductions in G&A, in order to maximize shareholder value.

Financial Results

Production

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
						(%)
Daily Production						
Natural gas *(mcf/d)*	**451**	465	(3)	**434**	512	(15)
Crude oil and NGLs *(bbls/d)*	**152**	202	(25)	**144**	170	(15)
Boe/d	**227**	280	(19)	**217**	256	(15)
				(%)	*(%)*	*(%)*
Production Mix						
Natural gas	**33**	28	18	**33**	33	-
Crude oil and NGLs	**67**	72	(7)	**67**	67	-
	100	100		**100**	100	

The Company's overall production for the second quarter of 2012 averaged 227 boe/d, a decrease of 19% from the Company's peak production performance of 280 boe/d during the same period of 2011. Natural gas production decreased in the second quarter of 2012 to 451 mcf/d vs. 465 mcf/d in the second quarter of 2011. Crude oil and natural gas liquids ("NGLs") production decreased to 152 bbls/d during the three months ended June 30, 2012 from 202 bbls/d in the same period of 2011. The Mervin, Saskatchewan heavy oil wells accounted for the majority of the crude oil and NGLs decrease, as a result of lower crude oil production rates between the periods, with the second quarter of 2011 being the Company's highest level of crude oil production in its history. In addition, the Company's Lloydminster well was not on production in 2012 and Forent sold its interest in two oil producing wells at Provost, Alberta effective June 1, 2011 representing a loss of approximately 14 bbls/d of oil.

In the first half of 2012, the Company's total production decreased 15% to 217 boe/d from 256 boe/d in the first half of 2011. Natural gas production decreased in the six months ended June 30, 2012, to 434 mcf/d from 512 mcf/d in the same period of 2011. Crude oil and NGL production decreased to 144 bbls/d during the six months ended June 30, 2012 from 170 bbls/d in the same period of 2011. The decrease in crude oil production was the result of the sale of the Company's Provost, Alberta oil wells, operational issues at its Lloydminster well and a decrease in production in the Mervin area.

Natural gas production represented 33% and 28% of the Company's total production during the three months ended June 30, 2012 and 2011, respectively. Crude oil and NGL production represented 67% of production in the second quarter of 2012, as compared to 72% in the same period of 2011.

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 three months ended June 30, 2012, the AECO natural gas price averaged $1.90/mcf compared to $3.87/mcf in the same period of 2011. In the six months ended June 30, 2012, the AECO natural gas price averaged $2.03/mcf compared to $3.82/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.

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. Edmonton par price for the three months ended June 30, 2012 was $84.39/bbl and $102.6/bbl in the same quarter of 2011. The average Edmonton par price for the first six months of 2012 was $88.54/bbl and $95.25/bbl in the first half of 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 decreased from the levels witnessed in 2011, with the result that the Company did not experience as much of a price decrease as producers of lighter oil. In addition, the sale of a majority of Forent's oil by rail to the U.S. Gulf Coast helped increase crude oil selling prices up to $15/bbl for Forent. Oil prices decreased in the six month period ended June 30, 2012, compared to the same period of 2011, largely as a result of decreased global political risk that negatively affected prices by decreasing the risk premium to international prices.

Pricing

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Selling Prices						
Natural gas *($/mcf)*	**2.02**	4.15	(51)	**2.09**	4.20	(50)
Crude oil and NGLs *($/bbl)* [(1)]	**64.92**	71.90	(10)	**64.62**	67.47	(4)
Average weighted selling price *($/boe)*	**47.44**	58.88	(19)	**47.23**	53.37	(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 51% in second quarter of 2012 to $2.02/mcf from $4.15/mcf received during the same quarter of 2011. The decrease in the natural gas price received by Forent in the second quarter, in excess of the change in AECO pricing, was related to the Company selling a portion of its gas on the spot market that resulted in a greater price in the second quarter of 2011 as compared to the AECO price. Crude oil and NGLs prices decreased 10% during the second quarter of 2012 to $64.92/bbl as compared to $71.90/bbl in the same quarter of 2011. The decrease in the crude oil and NGL pricing received by the Company was less than the change in the Edmonton par pricing as a result of the decreasing of the heavy oil differential during the quarter.

Selling prices for the first half of June 30, 2012 averaged $2.09/mcf for natural gas and $64.62/bbl for crude oil and NGLs compared to $4.20/mcf and $67.47/bbl, respectively, during 2011. The Company's selling prices of natural gas decreased 50% between the periods, reflecting the oversupply of natural gas in North America. The slight decrease in crude oil and NGL selling prices between the periods reflect the narrowing price differential for heavy oil as the decrease was less than the Edmonton par pricing decrease between the periods.

Oil and Gas Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Revenue						
Natural gas sales	**82,684**	175,507	(53)	**165,647**	389,036	(57)
Crude oil and NGLs sales	**897,054**	1,324,435	(32)	**1,698,390**	2,080,104	(18)
Total petroleum sales	**979,738**	1,499,942	(35)	**1,864,037**	2,469,140	(25)
Less: Crown and freehold royalties	**(207,014)**	(260,250)	(20)	**(349,934)**	(388,418)	(10)
Net oil, NGLs and natural gas sales	**772,724**	1,239,692	(38)	**1,514,103**	2,080,722	(27)
Other oil and natural gas operating revenues	**51,434**	49,888	3	**200,511**	85,922	133
Total oil and natural gas revenues	**824,158**	1,289,580	(36)	**1,714,614**	2,166,644	(21)

The Company's total crude oil and NGLs and natural gas sales for the three months ended June 30, 2012, was $979,738, a decrease of 35% from the same period of 2011, when revenue totalled $1,499,942. Gross natural gas revenues decreased 53%, to $82,684 in the second quarter of 2012 from $175,507 in 2011, largely as a result of lower natural gas prices. Crude oil and NGL revenues decreased 32% between the second quarters of 2012 and 2011, to $897,054 from $1,324,435, as a result of a 25% decrease in volumes attributed to the sale of the Company's two Provost wells and the operational issues at its Lloydminster well, along with the 10% decrease in selling prices.

During the first half of 2012, the Company's total crude oil and NGLs and natural gas revenues decreased 25% to $1,864,037 from $2,469,140 in the same period of 2011. Gross natural gas revenues decreased 57% to $165,647 in the second quarter of 2012 from $389,036 in 2011, largely as a result of significantly lower natural gas prices and a 15% decrease in production. Crude oil and NGL revenues decreased 18% the first six months of 2012 to $1,698,390 from $2,080,104 in the first six months of 2011, as a result of a 15% decrease in crude oil and NGL volumes and a 4% decrease in pricing. The Company's crude oil and NGL production levels are down from their peak in the second quarter of 2011, although they have remained relatively stable since the third quarter of 2011.

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 second quarter of 2012 the other oil and natural gas operating revenues increased 3% to $51,434 from $49,888 in the same period of 2011. During the first half of 2012, other oil and natural gas operating revenues increased 133% to $200,511 from $85,922 in the same period of 2011. The increase in other revenues was primarily attributable to the water disposal facility at Mervin that became fully operational in February of 2012. Water disposal revenues steadily increased from the activation in the first quarter of 2011 to the first quarter of 2012 and then saw a significant decrease in the second quarter of 2012. This decrease was the result of Forent's primarily customer disposing of their water disposal internally. Forent has been successful at bringing in some new third party volumes subsequent to June 30, 2012 and continues to aggressively market the facility.

Royalty Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Total royalties	**207,014**	260,250	(20)	**349,934**	388,418	(10)
As a % of oil and gas sales	**21%**	17%	24	**19%**	16%	19
$/boe	**10.02**	10.22	(2)	**8.87**	8.40	6

During the three months ended June 30, 2012, the Company's royalty expense decreased 20% to $207,014 from $260,250 in the same period of 2011. In the first half of 2012, the royalty expense decreased 10% to $349,934 from $388,418 in the same period of 2011. The decrease in the royalty expense is primarily related to the decrease in oil and natural gas production and selling prices, which were offset by a claw-back in the Alberta gas cost allowance realized in the second quarter of 2012. The decrease in natural gas pricing was the driving factor in the reduction of the Alberta gas cost allowance.

Royalties as a percentage of sales for the second quarter of 2012 increased to 21% of oil and natural gas sales, which was a 24% increase from 17% in the same period of 2011. During the first six months of 2012, royalties as a percentage of sales increased to 19% of oil and natural gas sales, which was a 19% increase from 17% in the same period of 2011. The overall increase in the royalty rates between the periods as a percentage of sales is mainly a result of a higher portion of revenues being derived by crude oil and NGLs that generally have a greater royalty rate, in addition to the claw-back of the Alberta gas cost allowance in the second quarter of 2012.

Operating Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Operating expenses	**317,893**	591,071	(46)	**688,783**	1,238,843	(44)
Operating expenses *($/boe)*	**15.39**	23.20	(34)	**17.45**	26.78	(35)

Operating expenses decreased 46% to $317,893 in the three months ended June 30, 2012 compared to $591,071 in same period of 2011. During the six months ended June 30, 2012, operating costs decreased 44% to $688,783 from $1,238,843, in the same period of 2011. The decrease in operating expenses between the periods 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 from the associated water produced at Forent's six heavy oil wells at the Mervin field. In addition, the Company sold its two wells at Provost, thereby reducing the costs associated with the 14 boe/d oil production from the property.

On a per boe basis, operating expenses decreased 34% to $15.39 per boe in the three months ended June 30, 2012 from $23.20 per boe in the second quarter of 2011. During the first half of 2012 operating expenses decreased 35% to $17.45 per boe from $26.78 per boe in the first half of 2011. The decrease in boe costs was a predominantly the result of reduction of water hauling costs at Mervin.

General and Administrative ("G&A") Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Gross expenses	**290,737**	428,328	(32)	**646,040**	738,567	(13)
Overhead recoveries	**(26,515)**	(27,200)	(3)	**(52,918)**	(53,245)	(1)
Total G&A expense	**264,222**	401,128	(34)	**593,122**	685,322	(13)
$/boe	**12.80**	15.75	(19)	**15.03**	14.81	1

During the second quarter of 2012, general and administrative expenses decreased 34% to $264,222 from $401,128 in the same period of 2011. The significant decrease was related to added professional fees incurred in the second quarter of 2011 and that Forent has been aggressively reducing its general and administrative costs in 2012. In the first half of 2012, general and administrative expenses decreased 13% to $593,122 from $685,322 in the same period of 2011. The decrease was related to added professional fees incurred in the second quarter of 2011 regarding the conversion of the Company's accounting standards to IFRS combined with Forent's cost saving efforts in 2012.

The overhead recoveries from partners, related to Forent operated projects, decreased slightly to $26,515 in the three months ended June 30, 2012, compared to $27,200 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 2012. 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 second quarter of 2012, the stock-based compensation expense decreased 11% to $40,024 from $44,915 in the second 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 a large portion of options fully vested prior to 2012. The total number of options outstanding as at June 30, 2012 is 10,202,687 with a weighted average exercise price of $0.25 and life of 3.74 years.

Operating Netbacks per boe

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($/boe)	*($/boe)*	*(%)*
Sales price	**47.44**	58.88	(19)	**47.23**	53.37	(12)
Royalties	**(10.02)**	(10.22)	(2)	**(8.87)**	(8.40)	6
Operating	**(15.39)**	(23.20)	(34)	**(17.45)**	(26.78)	(35)
Operating netback	**22.03**	25.46	(13)	**20.91**	18.19	15
G&A (net of non-cash items)	**(12.80)**	(15.75)	(19)	**(15.03)**	(14.81)	1
Interest and other (net of non- cash items)	**(0.43)**	(0.25)	72	**(0.45)**	(0.27)	67
Corporate netback (loss)	**8.80**	9.46	(7)	**5.43**	3.11	75

During the second quarter of 2012, the Company's operating netback on a per boe basis decreased to $22.03/boe from $25.46/boe in same period of 2011. The decrease in the netback was primarily related to the decrease in the sales price between the quarters, which was partially offset by the significant decrease in water hauling costs at Mervin as a result of the water disposal facility becoming fully functional in 2012, all on a per boe basis. During the first half of 2012, the operating netback improved to $20.91/boe, a 15% increase from the operating netback of $18.19/boe in the same period of 2011. The changes in the operating netback included the decrease in the selling price for crude oil and NGLs and natural gas, an increase in the average royalty rate, which were more than offset by the decrease in operating costs at Mervin, all on a per boe basis.

In the three months ended June 30, 2012, the Company's corporate netback decreased to $8.80/boe from $9.46/boe in the same period of 2011. The 7% decrease was a result of the reduced operating netback that was marginally offset by a decreased G&A expense, all on a per boe basis, between the periods. In the six months ended June 30, 2012, the Company's corporate netback improved to $5.43/boe from $3.11/boe in the same period of 2011. The improvement was primarily a result of the increase in the operating netback that was partially offset by the 1% increase in general and administrative costs, all on a per boe basis.

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 has been saved as a result of the tie-in, along with generating third party revenues by permitting other companies to dispose of their water at the Forent facility.

Depletion and Depreciation

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
DD&A provision	**426,091**	424,455	-	**822,746**	839,482	(2)
Oil and gas asset Impairment	**-**	3,288	(100)	**88,655**	38,455	131
Total DD&A and impairment	**426,091**	427,743	-	**911,401**	877,937	4
DD&A provision *($/boe)*	**20.63**	16.79	23	**23.09**	18.98	22

The DD&A provision remained relatively constant between the second quarters of 2012 and 2011, decreasing to $426,091 from $424,455, respectively. Depletion is determined by a unit of production rate for each cost generating unit based on reserve levels and the net book value of those cost generating units.

On a per boe basis, the DD&A provision increased 23% to $20.63/boe from $16.79/boe between the second quarters of 2012 and 2011, respectively. During the six months ended June 30, 2012, the DD&A provision increased 22% to $23.09/boe from $18.98/boe in the six months ended June 30, 2011. In 2011 the Company incurred significant write-downs on the reserves of a number of its producing natural gas properties that led to significant depletion and impairments being recorded at the end of 2011. In 2012 the significantly lower natural gas reserve base resulted in a greater depletion rate on a per boe basis because production levels were only modestly lower on natural gas compared to the prior period.

The Company evaluates the carrying value of its assets relative to fair value at each balance sheet date. During the six months ended June 30, 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.

Income Taxes

During the three months ended June 30, 2012, a future income tax recovery of $497,590 was realized, as compared to a recovery of $68,847 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 recovery is attributed to the extinguishing of the December 29, 2011 flow-through share issuance liability in the second quarter upon incurring the required eligible exploration expenses, in addition to the South Branch #1 well being fully expensed as an exploration and evaluation cost during the quarter.

As at June 30, 2012, the Company had approximately $7.6 million in tax pools available to shelter taxable income in future years.

Funds from Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Cash flow from operating activities	**334,867**	228,307	47	**447,473**	62,653	614
Change in non-cash working capital	**(96,598)**	69,074	(240)	**(23,097)**	179,723	(113)
Funds from operations	**238,269**	297,381	(20)	**424,376**	242,376	75

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Funds from operations	**238,269**	297,381	(20)	**424,376**	242,376	75
Per share – basic and diluted	**-**	-	-	**-**	-	-

Funds from operations decreased to $238,269 for the three months ended June 30, 2012 compared to $297,381 in the same period of 2011. The decrease was related to the significant Company revenues in the second quarter of 2011 as a result of higher production levels and selling prices at that time, which was partially offset by the cost savings achieved in the second quarter of 2012 from the tie-in of the Company's Mervin wells to its water disposal.

The increase in funds from operations for the six months ended June 30, 2012 to $424,376 from $242,376 in the same period of 2011, was primarily as a result of operating cost savings on water hauling derived from the tie-in of the Company's Mervin wells to its water disposal, along with the reduction in general and administrative costs in the period and higher relative oil netbacks as a result of proactive marketing efforts.

Net earnings

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Net loss	**(692,730)**	(112,747)	514	**(1,742,289)**	(1,169,230)	49
Per share – basic and diluted	**(0.01)**	-	-	**(0.01)**	(0.01)	-

In the second quarter of 2012, the Company recorded a net loss of $692,730 ($0.01 per basic and diluted share) versus a net loss of $112,747 ($nil per basic and diluted share) in the same quarter of 2011. During the six months ended June 30, 2012 the net loss was $1,742,289, which was 49% greater than the $1,169,230 loss in the same period of 2011. The increase in the Company's net losses for the three and six month periods in 2012 is primarily a result of the exploration and evaluation expense related to the drilling of the South Branch #1 well on the Alton Block, which was partially offset by a deferred tax recovery and positive operating results.

Capital Expenditures

During the three months ended June 30, 2012, the Company spent $0.1 million on development and production activities related to the completion of the Mervin water disposal facility and upgrading the pumps at a number of its Mervin wells. 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 $1.2 million in exploration and evaluation activities on its Alton exploration block. The expenditures involved drilling and casing its South Branch #1 location in its core exploration area of Nova Scotia.

Working Capital

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	**2012**	2011	Change
				($)	*($)*	*(%)*
Working capital, beginning of year	**1,045,540**	277,346	277	**2,022,555**	888,092	128
Funds from operations	**238,269**	297,381	(20)	**424,376**	242,376	75
Issue of capital stock (net)	**-**	2,411,669	(100)	**384,634**	2,552,769	(85)
Capital expenditures (net)	**(1,266,796)**	(778,976)	63	**(2,814,552)**	(1,475,817)	91
Working capital, end of period	**17,013**	2,207,420	(99)	**17,013**	2,207,420	(99)

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 $0.4 million, net equity of $0.4 million from a share financing, net capital expenditures totalling $2.8 million, thereby leaving the Company with a working capital surplus of $17,013 at June 30, 2012. For the purposes of the working capital calculation the Company does not include the flow-through share deferred liability, which was $10,500, as at June 30, 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 2012 capital budget included the drilling of the two Alton Block wells and the subsequent reprocessing of information acquired from those exploration wells. As a result of the tight working capital going into the second half of 2012, the Company has scaled back its capital budget until funds can be raised or other alternatives identified to support continued exploration and development expenditures. The Company intends to raise funds through the potential sale of assets during the remainder of 2012 and by generating positive operating cash flow to fund its capital budget to the end of the year. To meet the additional $2.2 million spending requirements in Nova Scotia the Company will be required to raise additional equity or establish a joint venture partnership to continue drilling wells in the area.

The Montgomery program is an early stage exploration program for which Forent has identified more than a dozen conventional drilling locations, including multi-zone, three-way structural closures of significant areal extent, as well as, a number of Second White Specs prospects. Forent is actively pursuing a strategic joint venture partnership to drill at least one Montgomery, Alberta exploration well by the end 2012. The Company is targeting light crude oil in its exploration of the area.

Share Capital

The Company has authorized an unlimited number of common and preferred shares with no par value. At June 30, 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 Sep. 30, 2011	Three months ended Dec. 31, 2011	Three months ended Mar. 31, 2012	Three months ended Jun. 30, 2012
	($)	*($)*	*($)*	*($)*
Oil and gas revenue, net of royalties	905,854	887,191	890,456	1,714,614
Funds from (used in) operations (1)	140,878	(305,467)	186,107	238,269
Per share – basic and diluted	-	-	-	-
Net loss	(684,298)	(2,886,461)	(799,388)	(692,730)
Per share – basic and diluted	(0.01)	(0.03)	(0.01)	(0.01)
Capital expenditures	851,361	1,283,429	1,547,756	2,814,552
Total assets	15,161,949	15,083,077	14,997,915	13,667,848
Working capital	1,604,379	2,022,555	1,045,540	17,013
Total non-current financial liabilities	-	-	-	-
Average daily production				
Natural gas *(mcf/d)*	452	421	418	451
Crude oil and NGLs *(bbls/d)*	146	140	137	152
Total *(boe/d)*	221	210	207	227

	Three months ended Sep. 30, 2010	Three months ended Dec. 31, 2010	Three months ended Mar. 31, 2011	Three months ended Jun. 30, 2011
	($)	*($)*	*($)*	*($)*
Oil and gas revenue, net of royalties	773,448	1,233,596	877,064	1,289,580
Funds from (used in) operations (1)	49,173	261,397	(55,005)	297,380
Per share – basic and diluted	-	-	-	-
Net loss	(495,550)	(453,832)	(1,056,483)	(112,748)
Per share – basic and diluted	(0.01)	-	(0.01)	-
Capital expenditures	1,662,840	2,083,359	696,841	778,976
Total assets	13,663,980	15,006,270	13,852,012	16,156,956
Working capital	1,076,066	888,092	277,346	2,207,420
Total non-current financial liabilities	-	-	-	-
Average daily production				
Natural gas *(mcf/d)*	604	736	559	465
Crude oil and NGLs *(bbls/d)*	116	211	138	202
Total *(boe/d)*	216	333	231	280

(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 and six months ended June 30, 2012 and 2011 in regards to related parties.

During the three months ended June 30, 2012 and 2011, the Company had the following related party transactions.

During the three and six months ended June 30, 2012, the Company incurred $60,800 and $121,349 (June 30, 2011 - $80,277 and $152,669), respectively, of operating costs relating to pipeline compressor rental fees, from a company controlled by a board member. As at June 30, 2012, there was an outstanding balance of $20,288 (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 and six months ended June 30, 2012 the Company incurred $4,829 and $17,203 (June 30, 2011 - $8,214 and $25,968) for legal services with a law firm of which a board member is a partner. As at June 30, 2012, there was an outstanding balance of $7,951 (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 June 30, 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 continued geophysical study of the Alton Block during the third quarter of 2012.

On December 29, 2011 and June 1, 2011 the Company issued flow-through shares requiring that $2,426,026 and $2,251,000, respectively, in qualifying exploration expenditures be expended by December 31, 2012. As at June 30, 2012 the Company has incurred the full amount of qualifying expenditures to be expended.

The Company is committed to expend a minimum of $6.3 million on the Alton Block, in Nova Scotia, 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. As at June 30, 2012 the Company has incurred approximately $4.1 million of the commitment. The Company is continuing to evaluate the results of the two exploration wells it drilled on the Alton Block in Nova Scotia. The results of those wells are being compared to the 2D seismic and gravity differential to develop a greater understanding of the Alton Block's geology. As the next step the Company intends to conduct a geochemical study.

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 annual payments as at June 30, 2012, which are paid on a monthly basis.

Office lease	
	($)
2012	63,686
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 June 30, 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 June 30, 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 June 30, 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.

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