FORENT ENERGY

Management's Discussion and Analysis

For the three months ended March 31, 2013 and 2012
(unaudited)

Notice of No Auditor Review

The accompanying unaudited condensed interim financial statements of the Company have been prepared by Management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these unaudited condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 29, 2013 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, 2013 and 2012. This MD&A should be read in conjunction with the Corporation's audited financial statements and notes thereto for the year ended December 31, 2012. 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, which has been fully adopted by the Company.

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 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 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 been 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.

Exploration and evaluation assets

Exploration and evaluation assets are initially capitalized with the intent to establish commercially viable reserves. Exploration and evaluation assets included undeveloped land, geophysical and geological activities, and costs related to exploratory wells. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets that are classified as property, plant, and equipment.

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 annual 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 is 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 of 2013

During the first quarter of 2013, Forent undertook significant positive changes for the Company in regards to the closing of the sale of its Mervin property, changes in senior management and a $1.5 million private placement.

On February 1, 2013, the Company closed the sale of all its interests in its Mervin, Saskatchewan property for $5.5 million plus customary adjustments, resulting in a gain of $2.9 million over the carrying amount of the property and related liabilities, net of deferred taxes. The disposition of the property allowed Forent to realize a value that was comparable to the fair market value of the asset prior to the impairment in September of 2012 and in excess of the independently assigned proved plus probable value as of December 31, 2011. The proceeds of the sale have been allocated to ongoing capital requirements.

On February 22, 2013 Forent appointed Richard Wade as the new President and Chief Executive Officer to lead the Company into its next phase of growth. This change came as a result of the resignation of Thomas Lester the former interim President, CEO and CFO. Mr. Wade is a registered Professional Engineer in Alberta & Saskatchewan and brings to Forent a broad range of experience in drilling, completions, reserve evaluations and production operations. He also has a strong background in asset acquisitions and divestitures. Mr. Wade will be a key asset to the Company as Forent moves to acquire a base level of cash flow while exploiting both the Montgomery and Alton assets.

In March of 2013, Timothy Laska, P.Geol, joined Forent as Vice-President of Geology. Mr. Laska is a registered Professional Geologist with over 25 years of exploration and development experience across the Western Canada Sedimentary Basin. He has worked with Mr. Wade previously at Elk Point Resources, Western Gas Canada and Lario Oil and Gas. Mr. Laska has also previously worked with Forent's Vice-President of Exploration, Ian Shook, at PanCanadian Petroleum during a very successful exploration and development growth phase in PanCanadian's Drumheller district. The addition of Mr. Laska adds a key element to Forent's management team.

As a result of the production and cash flow impairment of the Mervin asset, Forent opened the year with a $1.2 million working capital deficiency, not including long-term assets and liabilities held for sale. In order to ensure adequate short term working capital and due to uncertainty regarding the ability and potential timing to close the Mervin sale, Forent initiated a financing transaction in earlier 2013 and completed the non-brokered financing of $1,500,000 on February 20, 2013.

Nova Scotia

Forent reached a significant milestone in 2012 with the drilling of two exploration wells for Gays River reefs on the Alton Block. Forent Alton #1 and Forent South Branch #1 were both drilled through the zones of interest to basement. These wells provided confirmation regarding the presence of hydrocarbons in the system and reef development at depth. They also reduced the Company's three year $6.3 million exploration agreement commitment to $1.8 million, as at Mach 31, 2013. Under the current terms of the Alton Block exploration agreement, the balance of the work commitment is required to be spent by April 8, 2014.

Forent is actively looking for a joint venture partner to assist with capital expenditures and share risk and upside potential on the Alton Block. In addition to 8 geophysical anomalies targeting Gays River reef locations, Forent sees large potential for gas reserves in the Horton shale on the northern portion of the Alton bock. Data obtained from operators offsets Forent acreage; indicate significant shale gas potential on these lands. During 2013, Forent will continue geological evaluation of the Horton Shale potential while seeking a joint venture partner to evaluate both Gays River reef and Horton Shale potential.

Montgomery, Alberta

During the second quarter of 2012, at Montgomery, Forent entered into a joint venture partnership with BlackShale Resources Inc. ("BlackShale"), a wholly owned subsidiary of Houston based Kerogen Energy Holdings LLC. BlackShale is a private company specializing in identifying and exploiting unconventional oil and gas opportunities in Canada. After an extensive assessment of the regional light oil resource opportunities in Western Canada, BlackShale identified Forent's Montgomery lands for one of its initial projects and committed to drill up to two exploration wells on a pay 100% of cost to earn 70% working interest basis. BlackShale will earn a 70% interest on 4 sections of land per well drilled.

In December of 2012 the first earning well, BlackShale Montgomery 01-16-012-29W4/00, was drilled and cased to the base of the Mannville formation at 3,227 meters. Although the well is still being evaluated, indications to date are that it will achieve its intended objectives. Extensive core was cut and a full suite of conventional and specialized petrophysical logs were run over the entire well bore in order to analyze both the unconventional and conventional hydrocarbon potential. During the first quarter of 2013, the Second White Specs formation was perforated and stimulated in order to obtain rock mechanical properties, pressure and flow data. Subsequent to the stimulation, the well was flowed for a partial clean up, shut-in for an extended reservoir pressure build up and remains in this state today. Tight reservoirs typically require extended shut-in periods to fully build up to initial reservoir conditions in order to adequately analyze the data and calculate the stimulated permeability. Additional evaluations of the well, core and log data will occur over the next several months.

Mervin, Saskatchewan

On February 1, 2013, the Company closed the sale of all of its interests in the Mervin, Saskatchewan property for proceeds of $5.5 million, resulting in a gain of $2.9 million over the carrying amount of the assets and liabilities related to the property, net of deferred taxes. The disposition of this property allowed Forent to realize a value comparable to the fair market value of the asset prior to the impairment and in excess of the independently assigned proved plus probable value as of December 31, 2011.

Outlook for 2013

Forent has made significant progress in evaluating both asset and corporate merger opportunities during the first quarter of 2013. Several assets were evaluated however only a few were of sufficient quality to warrant an offer. While unsuccessful in securing any of these asset packages, Forents offers were competitive but other circumstances prevented closing of the deals. During the first quarter, Forent also evaluated a number of companies as potential merger candidates. Focus was directed towards companies with quality assets and strong balance sheets. We will continue to evaluate and submit proposals to replace the production loss from the sale of the Mervin property and restore operating cash flows. The cash flows generated from new operations will provide a foundation of steady operating funds and reserve base while Forent continues to advance our core projects in Montgomery, Alberta and Alton, Nova Scotia.

While the first well in the Montgomery block was intended as a regional test well, Forent anticipates that a longer term production test will occur after the reservoir recorders are removed and the pressure build up has been analyzed. We anticipate the reservoir recorders will be pulled from the wellbore in early June 2013 and the data will be analyzed to evaluate the effectiveness of the stimulation. This will provide valuable input for development of a production model and assist in the planning of future wells. In Montgomery, we will continue to work closely with our joint venture partner’s technical team on analyzing the results of the 01-16-12-29W4 well and evaluate future drilling locations. We will continue to communicate with the landowners in the area and remain a good neighbor and joint venture partner.

In Nova Scotia it is anticipated the Alton # 1 standing wellbore will be abandoned in the second quarter of 2013 in order to ensure the capital expended on the well is fully qualified as flow through expenditures. The wellbore will be left in a state that future re-entry will be easily accommodated should further testing be warranted. Forent is actively seeking a joint venture partner to accelerate the drilling of the balance of the Gays River Reef structures identified and assist in further quantification of the shale gas potential of the area.

Financial Results

Operations results comparative period notice

As a result of the Mervin, Saskatchewan property being classified as discontinued operations held for sale effective November 16, 2012, the financial statements and management discussion and analysis have been prepared to reflect only continuing operations for comparison purposes, unless otherwise disclosed. The sale of discontinued assets closed on February 1, 2013.

All revenues, expenses and depletion and depreciation related to the discontinued operations held for sale for the current and prior periods have been reclassified and presented as a single line item in the statement of operations and comprehensive income as profit from discontinued operations.

Production from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
			(%)
Daily Production			
Natural gas *(mcf/d)*	**338**	418	(19)
Crude oil and NGLs *(bbls/d)*	**5**	2	150
Boe/d	**62**	72	(14)
	(%)	*(%)*	*(%)*
Production Mix			
Natural gas	**91**	97	(6)
Crude oil and NGLs	**9**	3	200
	100	100	

During the first quarter of 2013, the Company's total production from continuing operations decreased 14% to 62 boe/d, compared to 72 boe/d in the same quarter of 2012. Natural gas production decreased 19% during the first quarter of 2013 to 338 mcf/d from 418 mcf/d in 2012. The decrease in natural gas production was primarily the result of production declines at the Ferrybank and Richdale wells with the remainder of the Company's natural gas production holding relatively steady. Crude oil and natural gas liquids ("NGLs") production increased to 5 bbls/d during the three months ended March 31, 2013 from 2 bbls/d in 2012.

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. Forent sells virtually all of its natural gas production on prices based on the AECO spot rate. During the three months ended March 31, 2013, the AECO natural gas price averaged $3.19/mcf compared to $2.17/mcf in the same quarters of 2012, being an increase of 47%. Natural gas prices have improved significantly between the quarters as a result of increased demand and stagnate supplies in North America.

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 March 31, 2013 was $88.60/bbl and $92.70/bbl in the same quarter of 2012, representing a decrease of 4% in pricing. The pricing remained relatively stable between the quarters reflecting only minor changes in supply and demand between the periods.

Pricing from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Selling Prices			
Natural gas *($/mcf)*	**3.19**	2.18	46
Crude oil and NGLs *($/bbl)*	**67.52**	85.30	(21)
Total combined *($/boe)*	**23.33**	15.17	54

(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.

Selling prices for the three months ended March 31, 2013 averaged $3.19/mcf for natural gas compared to $2.18/mcf during the same quarter of 2012. The Company's selling prices of natural gas increased 46% between the quarters, reflecting the recovery in natural gas prices that started in late 2012 and continued into 2013, as the demand for natural gas in North America increased relative to supply. The change was consistent with the 47% increase in the annual AECO average price. Crude oil and NGLs prices decreased 21% during the first quarter of 2013, to $67.52/bbl as compared to $85.30/bbl in the same quarter of 2012. The decrease in the crude oil and NGL pricing received by the Company was a combination of the modest decrease in Edmonton par pricing and a decrease in the proportion of higher priced NGLs delivered in the first quarter of 2013, as compared to 2012.

Oil and Gas Revenue from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Revenue			
Natural gas sales	**96,981**	82,963	17
Crude oil and NGLs sales	**32,340**	16,173	100
Total petroleum sales	**129,321**	99,136	30
Less: Crown, freehold and gross over riding royalties	**(1,133)**	(1,313)	(14)
Net petroleum sales	**128,188**	97,823	31
Other petroleum operating revenues	**18,346**	20,238	(9)
Total revenues from crude oil, NLGs and natural gas operations	**146,534**	118,061	54

During the first quarter of 2013, the Company's total revenues from crude oil, NGLs and natural gas operations increased 54% to $146,534 from $18,061 in the same quarter of 2012. Quarterly gross natural gas sales increased 17% to $96,981 in 2013 from $82,963 in 2012, largely as a result of significantly higher average natural gas prices that was partially offset by a decrease in production between the quarters. Gross crude oil and NGL sales increased 100% in the first quarter of 2013 to $32,340 from $16,173 in the first quarter of 2012, primarily as a result of an increase in crude oil and NGL volumes.

Other petroleum operating revenues consist of third party processing charges at natural gas facilities operated by Forent. During the first quarter 2013 other petroleum operating revenues decreased 9% to $18,346 from $20,238 in the first quarter of 2012. The decrease in other petroleum operating revenues between the quarters was primarily attributed to lower natural gas volumes handled by the Huxley gas gathering system and compression facilities that charges based on processed volumes.

Royalty Expense from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Total royalties	**1,133**	1,313	(14)
As a % of oil and NGLs and gas sales	**1%**	1%	-
$/boe	**0.20**	0.20	-

During the three months ended March 31, 2013, the Company's royalty expense was $1,133 as opposed to an expense of $1,313 in the same quarter of 2012. The decrease in the royalty expense between the quarters even with an increase in sales revenues was a result of an increase in Forent's Alberta natural gas royalty allowances from the capital cost, operating cost and processing fees, in respect to qualifying Alberta natural gas crown production between the quarters.

Royalties as a percentage of sales for the first quarter of 2013 was 1% of oil and NGLs and natural gas sales and 1% for the first quarter of 2012. The seemingly low rate is the result of the Alberta natural gas crown rebate adjustments for capital cost, operating cost and processing fees being recognized in the first quarter of each year with a portion relating to prior periods. The average royalty rate for the year including crown and freehold is expected to be approximately 12% of oil and NGLs and natural gas sales.

Operating Expenses from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Operating expenses	**93,168**	78,254	19
Operating expenses *($/boe)*	**16.81**	11.97	40

During the first quarter 2013, operating costs increased 19% to $93,168 from $78,254 in 2012. On a per boe basis the operating expenses increased 40% to $16.81/boe in the first quarter of 2013 compared to $11.97/boe in first quarter of 2012. The increase in the operating costs were primarily a result of lower production and a minor increase repairs and maintenance costs between the quarters, with ongoing costs operating costs expected for the remainder of 2013 to be comparable to 2012.

General and Administrative ("G&A") Expenses

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Gross expenses	**564,643**	355,303	59
Overhead recoveries	**(24,434)**	(26,403)	(7)
Total G&A expense	**540,209**	328,900	64
$/boe	**97.4**	50.32	94

In the first quarter 2013, general and administrative expenses increased 64% to $540,209 from $328,900 in 2012. The increase between the quarters was mainly a result of increased compensation payments related to a severance, which were partially offset by reduced audit fees and other professional service costs.

The overhead recoveries from partners, related to Forent operated projects, resulted in $24,434 being recovered in the first quarter of 2013, as compared to a similar amount of $26,403 being recovered in the same quarter of 2012. Overhead recoveries from joint venture 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 2013 or 2012. The relatively stable amount of overhead recoveries are due to the Huxley gas property being a coal bed methane gas field with a fairly stable cost structure and production base.

Stock Based Compensation

During the first quarter of 2013 stock-based compensation resulted in a recovery of $13,895, as opposed to an expense of $90,024 in the first quarter of 2012. The significant decrease in stock based compensation between the quarters was a result of 2,704,167 options being forfeited, resulting in the recovery of previous amounts expensed on the unvested portion at the time of forfeiture. The forfeiture was partially offset by the issuance of 1,000,000 options to new Company executives appointed during the quarter. In addition, the Company had a net recovery in the capitalized stock based compensation of $8,393 during the quarter, as a result of the forfeiture of stock options. The capitalization of stock option expense is attributed to exploration and evaluation assets.

The total number of options outstanding as at March 31, 2013 is 10,958,335, with a weighted average exercise price of $0.20 and life of 3.49 years.

Operating Netbacks per boe from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($/boe)	*($/boe)*	*(%)*
Sales price	**23.33**	15.17	54
Royalties	**(0.20)**	(0.20)	-
Operating	**(16.81)**	(11.97)	40
Operating netback	**6.32**	3.00	111
G&A (net of non-cash items)	**(97.44)**	(50.32)	94
Interest and other (net of non-cash items)	**(4.59)**	(2.18)	111
Corporate netback (loss)	**(95.71)**	(49.50)	93

During the three months ended March 31, 2013, the operating netback increased to $6.32/boe, a 111% increase from the operating netback of $3.00/boe in the same quarter of 2012. The improvement in the first quarter netback was primarily related to the substantial increase in the natural gas sales price, which was partially offset by an increase in operating expenses between the quarters, all on a per boe basis.

In the first quarter of 2013, the Company's corporate netback was negative $95.71/boe and negative $49.50/boe in the first quarter of 2012. The decrease between the quarters was predominantly a result of the increase in general and administrative costs, all on a per boe basis.

Prior to the disposal of the Company's Mervin property, Forent had both a positive operating netback and corporate netback that generated positive cash flow to the Company. Management is committed to returning to a positive corporate netback position by adding value enhancing production through an asset acquisition or corporate merger in 2013, along with achieving success in its ongoing capital projects.

Depletion and Depreciation from Continuing Operations

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
DD&A provision	**46,697**	86,213	(46)
Oil and gas asset Impairment	**-**	88,655	(100)
Total DD&A and impairment	**46,697**	174,868	(73)
DD&A provision *($/boe)*	**8.42**	26.79	(69)

In the first quarter of 2013, the depletion, depreciation and amortization expense ("DD&A") decreased by 46% to $46,697 from $86,213 in the first quarter of 2012. 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. The significant reduction in the amount of DD&A recorded in 2013 is a result of the impairments recognized in 2012 that reduced the net book value of depletable assets to be depleted in 2013.

The Company evaluates the carrying value of its assets relative to fair value at each balance sheet date. During the three months ended March 31, 2012, the Company recorded an impairment of $88,655, with no impaired being recorded in 2013. The impairments in 2012 reflected depressed natural gas prices and decreased future expectations of natural gas pricing, which significantly reduced the forecasted future cash flows of the Company's natural gas properties. Moving into the first quarter of 2013 the Company observed an increasing trend in natural gas pricing that started near the end of 2012 that will likely have a positive effect on the value of Forent's natural gas reserves if the rising trend continues.

On a per boe basis, the DD&A and impairment provision decreased 69% to $8.42/boe from $26.79/boe between the first quarters of 2013 and 2012, respectively. In 2012 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 in 2012. These impairment write-downs resulted in lower net carrying amounts to be depleted, which lead to a lower DD&A provision, on a per boe basis, being recorded in the first quarter of 2013, as compared to the first quarter of 2012.

Income Taxes

During the first quarter of 2013, a future income tax recovery on continuing operations of $40,053 was realized, as compared to an expense of $605,460 in the same quarter of 2012. The significant decrease was primarily related to two private placements of flow-through shares conducted in 2011 being expensed in the first quarter of 2012 and only one minor issuance of flow-through shares that related to a 2012 private placement being expensed in the first quarter of 2013. The deferred tax expense on the flow-through shares relates to the flowing through the deductibility of eligible expenditures to the participating shareholders at the time the expenditures are both incurred and renounced. The changes in this non-cash item are due to the anticipated future tax effect of the period's activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period.

As at March 31, 2013, the Company had approximately $3.6 million in tax pools available to shelter taxable income in future years. Within the tax pools the non-capital losses carried forward will begin to expire in 2026.

Funds from Operations

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

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Cash flow from continuing operating activities	**(517,333)**	(367,153)	41
Change in non-cash working capital	**45,860**	73,501	(38)
Funds from continuing operations	**(471,473)**	(293,652)	61

Funds from continuing operations decreased to a deficit of $471,473 for the first quarter of 2013 compared to a deficit of $293,652 in the same quarter of 2012. The decrease was primarily related to a significant increase in general and administrative expenses resulting from a severance payment made during the first quarter of 2013.

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Funds from continuing operations	**(471,473)**	(293,652)	61
Funds from discontinued operations	**-**	479,759	(100)
Combined funds from operations	**(471,473)**	186,107	(353)
Per share – basic and diluted			
From continuing operations	**-**	-	-
From discontinued operations	**-**	-	-
Funds from operations for the period	**-**	-	-

The reclassification of the Mervin property as a discontinued operation held for sale has had a significant impact on the quarter to quarter comparisons of 2013 and 2012. The Mervin property was the primary cash flow contributor of the Company prior to the property being sold in the first quarter of 2013, with an effective date of December 31, 2012. The sale of the Mervin property crystallized the future cash flows of that property and has allowed Forent the flexibility to redeploy that capital. The funds from continuing operations in the first quarter of 2013 were negative $471,473, as compared to negative $293,652 in the first quarter of 2012, with the reduction primarily related to the severance paid in the first quarter of 2013, which was partially offset by the increased operating netback on oil and natural gas sales between the periods.

Net Earnings

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Loss from continuing operations for the period	**(468,451)**	(1,169,053)	(60)
Earnings from discontinued operations for the period	**2,864,283**	119,494	2,297
Net loss for the period	**2,395,832**	(1,049,559)	(328)
Per share – basic and diluted			
From continuing operations	**-**	(0.01)	(100)
From discontinued operations	**0.02**	-	-
Net loss for the period	**0.02**	(0.01)	(300)

During the first quarter of 2013 Forent incurred a loss from continuing operations of $468,451 ($nil per basic and diluted share), as compared to a loss from continuing operations of $1,169,053 ($0.01 per basic and diluted share) in the same quarter of 2012. The significant improvement in the amount of the loss from continuing operations was due to the substantial amount of income tax expense of $605,460 being recorded in the first quarter of 2012 related to prior period flow-through shares, as opposed to the income tax recovery of $40,053 in the first quarter of 2013.

The Mervin, Saskatchewan property classified as discontinued operations resulted in an accounting gain of $2,864,283 over the carrying value of the property, net of tax, during the first quarter of 2013. The property was sold as a result of field being impaired from both a production and financial perspective due to infiltration of sour (presence of H2S) water from another operator's activities. The sale of the property resulted in a significant gain to Forent and shored up the Company's balance sheet.

During the first quarter of 2013, Forent incurred a net gain from continuing and discontinued operations of $2,395,832 ($0.02 per basic and diluted share), as compared to the loss of $1,049,559 ($0.01 per basic and diluted share) in the first quarter of 2012. The noteworthy increase in net income was primarily influenced by the gain recognized on the sale of the discontinued operation of the Mervin field.

Capital Expenditures

During the first quarter of 2013, the Company capitalized $0.2 million in wages related to exploration activities associated to the held land blocks in Alton, Nova Scotia and Montgomery, Alberta. Minimum capital activities were conducted to conserve capital because of the working capital issues that resulted from the problems at the Mervin facility in late 2012.

On February 1, 2013 the Company closed the sale of the Mervin wells and water disposal facility for $5.5 million plus customary adjustments, realizing a gain of $2.9 million, net of tax, which also included the removal of the Mervin decommissioning and restoration liability transferred to the purchaser at close. With the proceeds from the sale the Company is actively attempting to identify the purchase of a new property with existing production and significant development upside to generate new cash flow.

As a result of the tight working capital prior to the sale of the Mervin property the Company had scaled back its Nova Scotia capital budget until funds were raised or other alternatives identified to support continued exploration and development expenditures. Forent is currently looking for a partner to assist in the exploration of the Alton Block.

The Montgomery program is an exciting exploration program on approximately 29 net sections of mineral rights that Forent regards as its core medium-term growth strategy. The land block encompasses multi zone potential in both conventional and unconventional prospects. In 2011 Forent acquired a proprietary 3D seismic data on the majority of the lands and over analogous wells nearby, including the prolific 6-6 Second White Speck well that produced 1.5 million bbls of oil and 2.6 million mcf of natural gas to date.

The Company has identified numerous drilling locations, including multi-zone, three-way structural closures of significant areal extent, and a number of fractured Second White Specs prospects analogous to the offsetting 06-06 well. Forent has partnered with BlackShale Resources ("BSR") to fund the drilling and completion of test wells at 100% capital expenditure on behalf of BlackShale to earn a 70% interest to the base of the deepest formation penetrated in four contiguous sections of land for each earning well drilled and completed. Upon drilling the first well and having evaluated all of the formations in the borehole, BSR may exercise a rolling option to drill additional vertical or horizontal wells under similar earning conditions. Forent will retain 30% of its pre-farmout interest within the partners' earning sections. In December 2012 BSR spud its first well and completion activities have continued up to the date of this report. Additional wells are anticipated to be funded by BlackShale in the second half of 2013 as the exploration and evaluation program continues.

Share Capital

On February 20, 2013, the Company closed a non-brokered private placement consisting of 30,000,000 common shares and raised $1.5 million, less $17,402 in legal and regulatory costs. The transaction was carried out at the time to ensure adequate short-term working capital due to uncertainty regarding the potential timing to close the Mervin sale.

The Company has authorized an unlimited number of common and preferred shares with no par value. At March 31, 2013, the Company had 165,515,715 common shares outstanding and no preferred shares outstanding.

Working Capital

	Three Months Ended March 31,		
	2013	2012	Change
	($)	*($)*	*(%)*
Working capital, beginning of period	**791,412**	2,022,555	(61)
Funds from continuing operations	**(471,473)**	(293,652)	61
Funds from discontinued operations	**-**	479,759	(100)
Issue of capital stock, net	**1,482,598**	384,634	285
Capital expenditures from continuing operations, net	**(180,853)**	(1,505,799)	(88)
Capital expenditures from discontinued operations, net	**5,352,664**	(41,957)	-
Transfer out of discontinued operations for held for sale, net	**(1,468,469)**	-	-
Working capital, end of period	**5,505,879**	1,045,540	427

Forent opened 2013 with a working capital surplus of $0.8 million. Within the surplus of $0.8 million, there was $1.5 million related to long-term assets and liabilities of the Mervin property being reclassified from long-term to short-term under the provision of discontinued operations held for sale. Without the reclassification of those assets and liabilities Forent would have had a working capital deficit of $0.7 million. The significant improvement in the March 31, 2013 working capital was the result of eventual sale of the Mervin property for net proceeds of $5.4 million and a private place the raised $1.5 million, which was offset by funds from continuing operations of negative $0.5 million and exploration expenditures of $0.2 million. Forent exited the first quarter of 2013 with no long-term debt and working capital of $5.5 million.

With the strengthening of natural gas prices continuing into 2013 management anticipates that its cash flows from its continuing operations, which are weighted towards natural gas, will be approximately $15,000 per month, not including general and administrative costs. As this amount is not sufficient to offset Forent's general and administrative costs, the Company is actively engaged in finding new sources of cash flow generation through the acquisition of oil and gas production and the development and optimization of its currently inventory of properties. The sale of the Mervin property and the resulting $5.5 million working capital balance at March 31, 2013, will be the catalyst to seek out new projects and potential strategic mergers and acquisitions to strengthen the position of the Company for continued growth.

Quarterly Data from Continuing Operations

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

	Three months ended Jun. 30, 2012	Three months ended Sep. 30, 2012	Three months ended Dec. 31, 2012	**Three months ended Mar. 31, 2013**
	($)	*($)*	*($)*	***($)***
Oil and gas revenue, net of royalties	99,713	136,284	163,064	**146,534**
Funds from (used in) operations [(1)]	(280,835)	(296,349)	(308,056)	**(471,473)**
Per share – basic and diluted	-	-	-	**-**
Loss from continuing operations	(800,237)	(315,537)	(456,848)	**(468,451)**
Per share – basic and diluted	(0.01)	-	-	**-**
Capital expenditures	1,178,607	323,404	129,526	**(5,352,664)**
Total assets	13,667,848	13,557,844	12,806,290	**16,474,284**
Working capital	17,013	(426,728)	791,412	**5,505,879**
Total non-current financial liabilities	-	-		
Average daily production				
Natural gas *(mcf/d)*	451	341	380	**338**
Crude oil and NGLs *(bbls/d)*	13	7	7	**5**
Total *(boe/d)*	88	63	71	**62**

	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	342,578	219,036	138,376	118,061
Funds from (used in) operations [(1)]	(317,157)	(29,646)	(483,779)	(293,652)
Per share – basic and diluted	-	-	-	-
Loss from continuing operations	(375,726)	(643,880)	(2,668,681)	(1,049,559)
Per share – basic and diluted	-	-	(0.03)	(0.01)
Capital expenditures	668,212	237,499	392,646	1,505,799
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	418
Crude oil and NGLs *(bbls/d)*	18	6	9	2
Total *(boe/d)*	96	81	79	72

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

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions during the quarter ended March 31, 2013.

Contractual Obligations

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 March 31, 2013 the Company has incurred approximately $4.5 million of the commitment. The Company intends to satisfy the commitments to retain the block as part of its long-term high impact exploration strategy. In obtaining the funds to continue this exploration Forent is actively pursuing joint venture partners to assist in the project.

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 March 31, 2013, which are paid on a monthly basis.

Office lease	
	($)
2013	104,612
2014	84,777
	199,389

Risks and Uncertainties

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

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

Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. As at December 31, 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.

FORENT ENERGY

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