FORENT ENERGY

Management's Discussion and Analysis
For the three and six months ended June 30, 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 interim 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 August 27, 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 and six months ended June 30, 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, petroleum resource estimates, 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 in Alberta and onshore in Nova Scotia.

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

The Company has identified clear short, mid and long term goals to increase shareholder value. By executing on opportunistic asset acquisitions and merger opportunities, continued exploration of the Montgomery lands and by securing a partner to assist with the onshore Nova Scotia exploration, Forent provides shareholders with a well-balanced business plan with extensive opportunity for value creation.

EXECUTIVE SUMMARY & OUTLOOK

Second Quarter Results

Total revenue from petroleum sales and operations increased 21% to $264k for the first six months of 2013 compared to $218k for the same time period of 2012 due to higher natural gas price realization and decreased royalty expenses. Daily production decreased 26% to 58 boe/d from 78 boe/d over the first six months of 2012, as a result of normal production declines of the Ferrybank and Huxley pools. Operating netbacks improved to $2.03/boe from negative $0.32/boe for the same time period. The operating results of the Mervin field and the resulting gain from the divestiture of the property in the first quarter of 2013 have been recorded in discontinued operations for the periods presented. As a result this material change in Forent's operating properties, year over year comparative analysis of the reserves, production and financial statements may not yield meaningful results.

During the first six months of 2013, the Company spent $389k on operations associated with the Alton Block in Nova Scotia and the Montgomery Block in Alberta. These expenditures included the abandonment of the Alton #1 exploration well, extending the mineral rights tenure of our lands in Montgomery.

Alton Update

At Alton in Nova Scotia, Forent successfully completed the abandonment of the Alton #1 well in June 2013, to ensure the capital expenditures on the well qualified as eligible flow-through share tax expenditures. The wellbore was left in a state that future re-entry could be easily accommodated should further testing be warranted. While the Alton #1 well encountered several significant natural gas shows during the drilling of the well and live oil was found in the mud tank during drilling through the main Gays River Reef target, due to mineralization of the reef pore space it was determined that the well would not be able to produce economically. The costs to abandon the well will be applied against the Company's outstanding work commitment on the Block.

Forent has invested $10.6 million on the Alton Block since 2007 and we remain excited by the potential these lands offer. In addition to 8 geophysical anomalies targeting Gays River reef locations on the northern portion of the Alton Block, Forent sees significant potential for gas reserves in the Horton Shale. Data obtained from operators offsetting Forent's acreage indicates significant shale gas potential exists on these lands. Forent is actively looking for a joint venture partner to assist with the continued exploration on the Alton Block.

Montgomery Oil Discovery

At Montgomery in southern Alberta, in June 2013, the 01-16 wellbore was swab tested for two days recovering 25.4 m^3 (160 bbls) of 38^o API light sweet crude. Forent is very encouraged by the recovery of oil in the centre of the Montgomery Block and remains optimistic about the resource potential of the Second White Specks ("2WS"). This discovery is the first critical step in validating our view of a regional resource play on the Montgomery Block.

The 2WS formation is an organic rich, proven source rock, which is to date economically productive from naturally fractured portions of the reservoir. This pervasive formation has produced light oil in Alberta from the Montana border as far north as township 60 (600 km fairway) and is estimated to contain nearly 460 billion barrels of oil in place (*Source: Geological Survey of Canada*).

In December 2012, the 01-16-12-029W4M well was drilled and rig released. This was the first well drilled within this township and, as anticipated, provided valuable data with respect to the hydrocarbon potential in the area. The 01-16 well was perforated and stimulated in the 2WS formation to determine if hydrocarbon recovery could be achieved from a vertical test well in an area that is interpreted to be not naturally fractured. After approximately 50% of the stimulation fluid was recovered the well started to produce trace amounts of oil, which steadily increased during the well clean up period. Bottom-hole recorders were placed in the well and the well was shut-in to obtain pressure build-up and initial reservoir pressure data.

In June 2013, the recorders were recovered and over two days of swab testing the well recovered 25.4 m^3 (160 bbls) of oil and 18.8 m^3 (118 bbls) of water (stimulation fluid). During this swabbing period the flowing bottom-hole pressure continued to decline and the well started to co-produce volumes of natural gas. Forent internally estimates that the 2WS formation contains over 7 million bbls of light sweet oil in place per section and 27.5 bcf per section of associated gas in place. While Forent is very encouraged by the recovery of oil from the 2WS interval in the 01-16 well there is no certainty of commercial viability of the resources and early test data should not be considered representative of the production capabilities. Forent is considering additional inflow testing of the 2WS formation in due course.

Recently, Forent has re-processed and re-interpreted its proprietary 3D seismic survey, incorporating the result of the 01-16 wellbore. This has refined our interpretation to better identify areas of enhanced fracturing within the 2WS analogous to the offsetting 06-06 producing well. Forent anticipates that the next phase of drilling on the Montgomery Block will target a location in an area of enhanced natural fracturing.

In addition to further evaluation of the 2WS potential in 01-16, Forent anticipates re-completing the wellbore in a Lower Mannville sand. This sand is interpreted to be regionally pervasive and charged with sweet natural gas. Based on the 01-16 well log parameters and the interpreted pressure gradient, this sand could contain up to 23 bcf per section of natural gas; however it has not been tested or completed and there is no certainty of classification as an undiscovered resource or that it will be commercially viable to produce.

Montgomery Land Extension

Over the last several months Forent has successfully completed a mineral rights acquisition program on our Montgomery Block in southern Alberta. This program was critical to facilitating our continued exploration at Montgomery and we are pleased to announce that we have extended our mineral rights tenure for time frames ranging from 3 to 4 years. Specifically, Forent maintained all mineral rights on the majority of the Block and acquired new leases over lands that we deemed to be more prospective based on our 3D seismic interpretation. Certain lands within our original Block that were deemed to be less prospective were allowed to expire. Our gross mineral position on this contiguous Montgomery Block is currently 6,658 ha (5,941 ha net).

Financial Results

Operations results comparative period notice

The sale of the Company's Mervin, Saskatchewan property resulted in the 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 the Mervin, Saskatchewan discontinued operation 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 June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Daily Production						
Natural gas *(mcf/d)*	**308**	451	(32)	**323**	434	(26)
Crude oil and NGLs *(bbls/d)*	**3**	10	(70)	**4**	6	(33)
Boe/d	**54**	85	(36)	**58**	78	(26)
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
Production Mix						
Natural gas	**95**	89	7	**93**	92	1
Crude oil and NGLs	**5**	11	(55)	**7**	8	(13)
	100	100		**100**	100	

During the second quarter of 2013, the Company's total production from continuing operations decreased 36% to 54 boe/d, compared to 85 boe/d in the same quarter of 2012. Natural gas production decreased 32% during the second quarter of 2013 to 308 mcf/d from 451 mcf/d in 2012. The decrease in natural gas production was primarily the result of production declines at the Ferrybank and Huxley properties, with the remainder of the Company's natural gas production holding relatively steady. Crude oil and natural gas liquids ("NGLs") production decreased to 3 bbls/d during the three months ended June 30, 2013 from 10 bbls/d in 2012, as a result of production declines at Forent's Caroline well.

In the six months ended June 30, 2013, the Company's total production decreased 26% to 58 boe/d from 78 boe/d in the same period of 2012. Natural gas production decreased 26% in the six months ended June 30, 2013, to 323 mcf/d from 434 mcf/d in the same period of 2012. The decrease in natural gas production was mainly related to production declines at the Ferrybank and Huxley properties, along with the shutting in of the uneconomic Bruce well, with the remainder of the Company's natural gas production holding relatively steady. Crude oil and NGL production decreased to 4 bbls/d during the first half of 2013 from 6 bbls/d in the same period of 2012. The decrease in crude oil production was primarily the result of production declines at the Company's Caroline well.

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 second quarter of 2013, the AECO natural gas price averaged $3.49/mcf compared to $1.90/mcf in the same quarter of 2012, being an increase of 84%. In the first half of 2013, the AECO natural gas price averaged $3.34/mcf compared to $2.03/mcf in the same period of 2012, being an increase of 64%. 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 June 30, 2013 was $92.94/bbl and $84.39/bbl in the same quarter of 2012, representing an increase of 10% in pricing. During the first half of 2013 the Edmonton par pricing was $90.77/bbl and $88.54/bbl in the same period of 2012, representing an increase of 3% in pricing. The pricing remained relatively stable between 2013 and 2013, reflecting only minor changes in supply and demand between the periods.

Pricing from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Selling Prices						
Natural gas *($/mcf)*	**3.55**	2.02	76	**3.36**	2.09	61
Crude oil and NGLs *($/bbl)*	**45.39**	56.08	(19)	**60.09**	61.26	(2)
Total combined *($/boe)*	**22.49**	17.12	31	**22.93**	16.23	41

(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 second quarter of 2013 averaged $3.55/mcf for natural gas compared to $2.02/mcf during the second quarter of 2012, representing an increase of 76% between the quarters. During the six months ended June 30, 2013 the average selling prices of natural gas increased 61% to $3.36/mcf from $2.09/mcf during the same period of 2012. The increase in selling prices reflects 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.

Crude oil and NGLs prices decreased 19% during the second quarter of 2013 to $45.39/bbl as compared to $56.08/bbl in the same quarter of 2012. During the six months ended June 30, 2013 the average selling prices of crude oil and NGLs decreased 2% to $60.09/mcf from $61.26/mcf during the same period 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 2013, as compared to 2012.

Oil and Gas Revenue from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Revenue						
Natural gas sales	**99,528**	82,684	20	**196,509**	165,647	19
Crude oil and NGLs sales	**10,984**	49,408	(78)	**43,324**	65,581	(34)
Total petroleum sales	**110,512**	132,092	(16)	**239,833**	231,228	4
Less: Crown, freehold and gross over riding royalties	**(9,551)**	(43,766)	(78)	**(10,684)**	(45,079)	(76)
Net petroleum sales	**100,961**	88,326	14	**229,149**	186,149	23
Other petroleum operating revenues	**16,834**	11,387	48	**35,180**	31,625	11
Total revenues from crude oil, NLGs and natural gas operations	**117,795**	99,713	18	**264,329**	217,774	21

During the second quarter of 2013, the Company's total revenues from crude oil, NGLs and natural gas operations increased 18% to $117,795 from $99,713 in the same quarter of 2012. In the second quarter gross natural gas sales increased 20% to $99,528 in 2013 from $82,684 in 2012, largely as a result of significantly higher average natural gas prices that were partially offset by decreased production between the quarters. Gross crude oil and NGL sales decreased 78% in the second quarter of 2013 to $10,984 from $49,408 in the second quarter of 2012, primarily as a result of decreased crude oil and NGL production from the Caroline well.

During the six months ended June 30, 2013, the Company's total revenue from crude oil and NGLs and natural gas operations increased 21% to $264,329 from $217,774 in the same period of 2012. Gross natural gas revenues increased 19% to $196,509 in the six months ended June 30, 2013 from $165,647 in the same period of 2012, largely as a result of significantly higher natural gas prices that were partly offset by decreased production. Crude oil and NGL revenues decreased 34% the six months ended June 30, 2013 to $43,324 from $65,581 in the same period of 2012, as a result of decreased crude oil and NGL volumes.

Other petroleum operating revenues consist of third party processing charges at natural gas facilities operated by Forent. During the second quarter of 2013 other petroleum operating revenues increased 48% to $16,834 from $11,387 in the second quarter of 2012. In the first half of 2013 other petroleum operating revenues increased 11% to $35,180 from $31,625 in the same period of 2012. The increase in other petroleum operating revenues between the periods was due to an increase in the rate of facility fees charged, which were partially offset by lower natural gas volumes handled by the Huxley gas gathering system and compression facilities.

Royalty Expense from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Total royalties	**9,551**	43,766	(78)	**10,684**	45,079	(76)
As a % of oil and NGLs and gas sales	**9%**	33%	(73)	**4%**	19%	(79)
$/boe	**1.94**	5.67	(66)	**1.02**	3.16	(68)

During the three months ended June 30, 2013, the Company's royalty expense was $9,551 as compared to an expense of $43,766 in the same quarter of 2012. In the six months ended June 30, 2013, the Company's royalty expense was $10,684 as compared to an expense of $45,079 in the same period of 2012. The significant decrease in the royalty expense between the quarters 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 combined with lower revenues between the periods of 2013 and 2012.

Royalties as a percentage of sales for the second quarter of 2013 was 9% of oil and NGLs and natural gas sales and 33% for the second quarter of 2012. Royalties as a percentage of sales for the first half of 2013 was 4% of oil and NGLs and natural gas sales as compared to 19% for the first half of 2012. The large decrease is the result of increased Alberta natural gas royalty allowances received in 2013 as compared to 2012, with those adjustments occurring in the first half of the year.

Operating Expenses from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Operating expenses	**114,783**	112,552	2	**207,951**	190,806	9
Operating expenses *($/boe)*	**23.36**	14.59	60	**19.88**	13.39	48

During the second quarter of 2013 the operating expenses increased 2% to $114,783 from $112,552 in the second quarter of 2012. In the six months ended June 30, 2013 the operating expenses increased 9% to $207,951 from $190,806 in the first half of 2012. On a per boe basis the operating expenses increased 60% to $23.36/boe in the second quarter of 2013 compared to $14.59/boe in second quarter of 2012. During the first half of 2013 the operating expenses increased 48% to $19.88/boe compared to $13.39/boe in second half of 2012. The increase in the operating costs on a boe basis were primarily a result of lower production and a minor increase in total operating costs between the periods, 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 June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Gross expenses	**258,141**	290,737	(11)	**822,784**	646,040	27
Overhead recoveries	**(24,720)**	(26,515)	(7)	**(49,154)**	(52,918)	(7)
Total G&A expense	**233,421**	264,222	(12)	**773,630**	593,122	30
$/boe	**47.50**	34.25	39	**73.97**	41.62	78

In the second quarter of 2013, gross general and administrative expenses decreased 11% to $258,141 from $290,737 in the second quarter of 2012. The decrease between the quarters was mainly attributed to lower professional fees relating to audit and reserve evaluations between the periods. During the six months ended June 30, 2013, gross general and administrative expenses increased 27% to $822,784 from $646,040 in the same period of 2012. The increase in the six month period of 2013 was primarily a result of increased compensation payments related to a severance, which was partially offset by reduced audit fees and other professional service costs.

The overhead recoveries from partners, related to Forent operated projects, resulted in $24,720 being recovered in the second quarter of 2013, as compared to a similar amount of $26,515 being recovered in the second quarter of 2012. In the six months ended June 30, 2013 the overhead recoveries decreased to $49,154 from $52,918 in the six months ended June 30, 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 second quarter of 2013 stock-based compensation expense was $19,956, as compared to $40,024 in the second quarter of 2012. In the first half of 2013 stock-based compensation expense was $6,061, as compared to $130,048 in the first half of 2012. The significant decrease in stock based compensation between the periods was a result of 2,704,167 options being forfeited in the first quarter of 2013, resulting in the recovery of previous amounts expensed on the unvested portion at the time of forfeiture. The income recovery from forfeitures was partially offset by the issuance of 1,000,000 options to new Company executives appointed during the first quarter of 2013 and its related expense. In addition, the Company had a capitalized stock based compensation recovery of $2,677 during the six months ended June 30, 2013 due to the forfeited stock-based compensation. The capitalization of stock option expense is attributed to exploration and evaluation assets.

The total number of options outstanding as at June 30, 2013 is 10,958,335, with a weighted average exercise price of $0.20 and life of 3.24 years.

Operating Netbacks per boe from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Sales price	**22.49**	17.12	31	**22.93**	16.23	41
Royalties	**(1.94)**	(5.67)	(66)	**(1.02)**	(3.16)	(68)
Operating	**(23.36)**	(14.59)	60	**(19.88)**	(13.39)	48
Operating netback	**(2.81)**	(3.14)	(11)	**2.03**	(0.32)	(734)
G&A (net of non-cash items)	**(47.50)**	(34.25)	39	**(73.97)**	(41.62)	78
Interest and other (net of non-cash items)	**3.70**	(0.49)	(855)	**3.21**	(0.58)	(653)
Corporate netback (loss)	**(46.61)**	(37.88)	23	**(68.73)**	(42.52)	62

During the three months ended June 30, 2013, the operating netback improved to negative $2.81/boe, a 11% decrease from the negative operating netback of $3.14/boe in the same quarter of 2012. In the six months ended June 30, 2013, the operating netback improved to $2.03/boe from the operating netback of negative $0.32/boe in the same period of 2012. The improvement in the operating netbacks was primarily related to the decreased royalties and higher selling prices, which was partial offset by higher operating expense, all on a per boe basis.

In the second quarter of 2013, the Company's corporate netback was negative $46.61/boe and negative $37.88/boe in the same quarter of 2012. During the six months ended June 30, 2013, the Company's corporate netback was negative $68.73/boe and negative $42.52/boe in the same period of 2012. The decrease between the periods was predominantly a result of the increase in general and administrative costs and lower operating netback, all on a per boe basis.

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

Depletion and Depreciation from Continuing Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
DD&A provision	**42,531**	90,021	(53)	**89,228**	176,234	(49)
Oil and gas asset Impairment	**-**	-	-	**-**	88,655	(100)
Total DD&A and impairment	**42,531**	90,021	(53)	**89,228**	264,889	(66)
DD&A provision *($/boe)*	**8.66**	11.67	(26)	**8.53**	18.59	(54)

In the second quarter of 2013, the depletion, depreciation and amortization expense ("DD&A") decreased by 53% to $42,531 from $90,021 in the second quarter of 2012. During the first half of 2013, the DD&A decreased by 49% to $89,228 from $176,234 in the same period 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 assesses for indications of impairment each balance sheet date and if indicators are identified, an impairment test is performed. During the six months ended June 30, 2012, the Company recorded an impairment of $88,655, with no impairment 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 at that time. Moving into the second 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 54% to $8.53/boe from $18.59/boe between the first six months 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, leading to a lower DD&A provision, on a per boe basis, being recorded in 2013, as compared to 2012.

Income Taxes

During the six months ended June 30, 2013, a future income tax recovery on continuing operations of $291,604 was recognized, as compared to an expense of $66,474 in the same period of 2012. The recovery 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, which was partially offset by the gain on the sale of the Mervin property. The deferred tax expense on flow-through shares results from directly flowing through the deductibility of eligible expenditures from Forent directly 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 June 30, 2013, the Company had approximately $4.1 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 June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Cash flow from continuing operating activities	**(251,934)**	(184,237)	37	**(769,267)**	(551,390)	40
Decommissioning costs incurred	**61,587**	-	-	**61,587**	-	-
Change in non-cash working capital	**(21,862)**	(96,598)	(77)	**23,998**	(23,097)	(204)
Funds from continuing operations	**(212,209)**	(280,835)	(24)	**(683,682)**	(574,487)	19

During the second quarter of 2013 the funds from continuing operations improved to a deficit of $212,209 for the second quarter of 2013 compared to a deficit of $280,835 in the same quarter of 2012. The improvement in the funds from continuing operations was the result of lower professional fees of audit and reserve evaluation costs. In the six months ended June 30, 2013, the funds from continuing operations decreased to a deficit of $683,682 as compared to a deficit of $574,487 in the same period 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 June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Funds from continuing operations	**(212,209)**	(280,835)	(24)	**(683,682)**	(574,487)	19
Funds from discontinued operations	**(25,643)**	519,104	(105)	**(25,643)**	998,863	(103)
Combined funds from operations	**(237,852)**	238,269	(200)	**(709,325)**	424,376	(267)
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 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.

Net Earnings

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Loss from continuing operations for the period	**(1,474,961)**	(834,368)	77	**(1,943,412)**	(2,003,421)	(3)
Earnings from discontinued operations for the period	**(19,233)**	141,638	(114)	**2,845,050**	261,132	990
Net earnings (loss) for the period	**(1,494,194)**	(692,730)	116	**901,638**	(1,742,289)	(152)
Per share – basic and diluted						
From continuing operations	**(0.01)**	(0.01)	-	**(0.01)**	(0.01)	-
From discontinued operations	**-**	-	-	**0.02**	-	-
Net loss for the period	**(0.01)**	(0.01)	-	**0.01**	(0.01)	(200)

During the second quarter of 2013 Forent incurred a loss from continuing operations of $1,474,961 ($0.01 per basic and diluted share), as compared to a loss from continuing operations of $834,368 ($0.01 per basic and diluted share) in the same quarter of 2012. During the first half of 2013 the Company realized a loss of $1,943,412 as compared to a loss of $2,003,421 in the first half of 2012. The increase in the loss from continuing operations was due to the exploration and evaluation expense recorded on the Nova Scotia Alton #1 well, which was offset by a significant income tax recovery recognized in the quarter.

The Mervin, Saskatchewan property that was classified as discontinued operations realized a loss of $19,233 in the second quarter, net of tax, related to prior period costs. During the six months ended June 30, 2013, Forent earned $2,845,050 from the selling price exceeding the carrying amount of the property and through operations, net of tax. 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 H_2S) water from another operator's activities. The sale of the property resulted in a significant gain to Forent and improved the working capital situation the Company's balance sheet.

Capital Expenditures

During the first six months of 2013, the Company spent $0.3 million in exploration activities associated with its held land blocks in Alton, Nova Scotia and Montgomery, Alberta. The expenditures included re-leasing a number of sections in Montgomery and capitalized exploration wages for both the Montgomery and Alton exploration programs.

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.

Without a current cash flow generating property the Company has scaled back its Nova Scotia capital budget to conserve capital until additional funds are 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.

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 $17,350 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 June 30, 2013, the Company had 165,515,715 common shares outstanding and no preferred shares outstanding.

Working Capital

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	**2013**	2012	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Working capital, beginning of period	**5,505,879**	1,045,540	427	**791,412**	2,022,555	(61)
Funds from continuing operations	**(212,209)**	(280,835)	(24)	**(683,682)**	(574,487)	19
Funds from discontinued operations	**(25,643)**	519,104	(105)	**(25,643)**	998,863	(103)
Issue of capital stock, net	**52**	-	-	**1,482,650**	384,634	285
Decommissioning costs incurred	**(61,587)**	-	-	**(61,587)**	-	-
Capital expenditures from continuing operations, net	**(147,787)**	(1,178,607)	(87)	**(328,640)**	(2,684,406)	(88)
Capital expenditures from discontinued operations, net	**-**	(88,189)	(100)	**5,352,664**	(130,146)	-
Transfer out of discontinued operations for held for sale, net	**-**	-		**(1,468,469)**	-	-
Working capital, end of period	**5,058,705**	17,013	-	**5,058,705**	17,013	-

Forent opened 2013 with a working capital surplus of $0.8 million. Within the opening 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 June 30, 2013 working capital was the result of the first quarter 2013 sale of Mervin property for net proceeds of $5.4 million and a private placement that raised $1.5 million, which was offset by funds from continuing operations of negative $0.7 million and decommissioning and exploration expenditures of $0.4 million. Forent exited the second quarter of 2013 with no long-term debt and working capital of $5.1 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 $5.1 million working capital balance at June 30, 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 Sep. 30, 2012	Three months ended Dec. 31, 2012	Three months ended Mar. 31, 2013	**Three months ended Jun. 30, 2013**
	($)	*($)*	*($)*	***($)***
Oil and gas revenue, net of royalties	136,284	163,064	146,534	**117,795**
Funds from (used in) operations [(1)]	(296,349)	(308,056)	(471,473)	**(212,209)**
Per share – basic and diluted	-	-	-	**-**
Loss from continuing operations	(352,828)	(498,185)	(468,451)	**(1,474,961)**
Per share – basic and diluted	(0.01)	-	-	**(0.01)**
Capital expenditures	323,404	129,526	(5,171,811)	**147,787**
Total assets	13,557,844	12,806,290	16,474,284	**14,421,349**
Working capital	(426,728)	791,412	5,505,879	**5,058,705**
Total non-current financial liabilities	-			
Average daily production				
Natural gas *(mcf/d)*	341	380	338	**308**
Crude oil and NGLs *(bbls/d)*	7	7	5	**3**
Total *(boe/d)*	63	71	62	**54**

	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	219,036	138,376	118,061	99,713
Funds from (used in) operations [(1)]	(29,646)	(483,779)	(293,652)	(280,835)
Per share – basic and diluted	-	-	-	-
Loss from continuing operations	(713,190)	(2,677,210)	(1,169,053)	(834,368)
Per share – basic and diluted	-	(0.03)	(0.01)	(0.01)
Capital expenditures	237,499	392,646	1,505,799	1,178,607
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)*	6	9	2	10
Total *(boe/d)*	81	79	72	85

(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 June 30, 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 June 30, 2013 the Company has incurred approximately $4.7 million of the commitment, with approximately $1.6 million remaining. 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 June 30, 2013, which are paid on a monthly basis.

Office lease	
	($)
2013	70,278
2014	94,777
	165,055

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, 2013 and 2012 in regards to related parties.

During the three and six months ended June 30, 2013 and 2012, the Company had the following related party transactions recorded at the exchange amount.

During the three and six months ended June 30, 2013, the Company incurred $56,642 and $105,290 (June 30, 2012 - $60,800 and $121,350), respectively, of operating costs relating to pipeline compressor rental fees, from a company controlled by a board member. As at June 30, 2013, there was an outstanding balance of $30,074 (December 31, 2012 – $40,407) owed to the related company. The pipeline and facility rental fees were incurred on facilities that the Company operates with a working interest of approximately 20%. As such, 80% of the gross operating costs, as disclosed above, are directly attributed to the interest of the Company's joint venture partner, being a large and well-funded petroleum producer.

During the three and six months ended June 30, 2013 the Company incurred $nil and $35,329 (June 30, 2012 - $4,829 and $17,203) for legal services with a law firm of which a board member is a partner. As at June 30, 2013 there was an outstanding balance of $5,705 (December 31, 2012 – $11,965) owed for legal services.

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 tested for impairment and the unimpaired balance is 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.

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.

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