FORENT ENERGY

2013 ANNUAL REPORT

Corporate Profile

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

Corporate Summary

HIGHLIGHTS

	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Financial *($'s, except as indicated)*						
Petroleum and natural gas sales, net of royalties	**755,018**	125,493	502%	**1,125,704**	479,551	135%
Funds flow[1]	**(128,627)**	(345,627)	-63%	**(1,088,211)**	(1,216,463)	-11%
per share, basic and diluted	**-**	-		**(0.01)**	0.01	-200%
Net loss, from continuing operations	**(1,734,300)**	(535,756)	224%	**(3,967,758)**	(2,892,005)	37%
per share, basic and diluted	**(0.01)**	-		**(0.02)**	(0.02)	0%
Capital expenditures	**12,582**	130	9578%	**12,600,686**	433,348	2808%
Net debt (surplus)[2]	**1,909,172**	743,897	157%	**1,909,172**	743,897	157%
Shares outstanding (millions)	**181.57**	135.52	34%	**181.57**	135.52	34%
Operations						
Production						
Oil (Bopd)	**120**	7	1614%	**33**	7	371%
Gas (Mcfd)	**496**	380	31%	**371**	397	-7%
BOEd (6 Mcf = 1 Bbl)	**204**	71	187%	**96**	73	32%
Product Prices						
Oil ($/Bbl)	**67.60**	$78.03	-13%	**62.66**	$51.32	22%
Gas ($/Mcf)	**3.62**	$3.18	14%	**3.25**	$2.41	35%
$ BOE	**$ 49.71**	$25.17	97%	**35.81**	$17.97	99%
Reserves (proved plus probable, forecast costs and prices)						
Gas (MMcf)				**2,054.2**	839.0	145%
Oil (Mbbl)				**1,227.2**	3.2	38250%
MBOE				**1,569.6**	143.1	997%
Net present value of future net revenue, before tax, of 2P reserves, discounted at 10% ($ millions) See "Oil and Gas Reserves"				**$ 21.4**	$ 1.1	1845%

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

(2) Net debt (surplus) is a non-GAAP measure representing the total from continuing operations of bank indebtedness, accounts payables and accrued liabilities, less accounts receivables, deposits and prepaids.

REPORT TO SHAREHOLDERS

2013 represented a significant transition year for Forent Energy. During the first quarter, we successfully concluded the sale of our Mervin heavy oil asset. This resulted in the elimination of the significant working capital deficiency that had accumulated due to impaired production at Mervin.

In the second quarter, the first well at Montgomery was completed in both the Second White Specs and Lower Mannville. Both intervals recovered hydrocarbons and provided additional data to high-grade future exploration potential on this significant land holding. Also during the second quarter, Forent successfully abandoned our final standing wellbore in Nova Scotia, completing all of our operational obligations on the Alton Block.

During the third quarter, we successfully identified, negotiated, and conducted economic and environmental due diligence on our most significant asset acquisition to-date. The acquired producing properties are low decline oil weighted assets, with favorable netbacks and significant development opportunities. These production assets will provide a solid basis for our near term growth. The acquisition closed in October 2013.

In the fourth quarter, Forent was also successful in acquiring 26 sections of mineral rights in an area of central Alberta with proven hydrocarbon potential. This new land block represents an opportunity for intermediate term growth through exploration in an area with existing infrastructure and multi-zone potential at depths of less than 1500m.

Over the course of 2013, Forent has continued to evaluate our longer-term, high-impact exploration prospects and has cleaned up our existing asset base. More importantly, the Company has increased proven plus probable reserves by over 10 times, added the oil production and reserves necessary to provide corporate cash flow and is now well positioned for steady future growth.

Q4 ACQUISITION

As mentioned above, in October of 2013, Forent closed on the acquisition of predominately oil producing assets in central Alberta for consideration of $6,700,000 cash and 10,000,000 common shares valued at $0.09 per share. The acquired properties exhibit low declines, have long reserve life indexes, and are largely operated. Significant development potential exists on all of these properties, including both horizontal and vertical oil development drilling locations and facility upgrades and optimization. Activity in these areas will continue to be a focus for Forent during 2014.

OPERATIONS

Q4 2013 saw the successful integration of our newly acquired properties into Forent. Forent now has four main producing areas, of which three are oil and one natural gas, and all are within 400 km of our corporate head office. The Company operates two main central oil treating facilities and one central gas gathering, compression and dehydration facility.

FINANCING

In February 2013, Forent closed a $1,500,000 non-brokered private placement. Forent issued 30,000,000 common shares in the capital of the Company at a price of $0.05 per Common Share. 74% of the Offering (22,300,000 common shares) was purchased by directors, officers, employees, consultants and affiliates of the Company.

In December 2013, Forent also closed on a non-brokered private placement basis the issue of 6,050,000 flow-through common shares, sold at a price of $0.10 per common share, for gross proceeds of $605,000. Insiders, including W. Brett Wilson, the Company’s Chairman, purchased 3,850,000 flow-through shares in the private placement (64% of the offering).

PRODUCTION

For the first three quarters of 2013, Forent's legacy production averaged 58 boe/d of predominately dry gas. In Q4 2013, our total production more than tripled to 204 boe/d with the majority of the increase resulting from the addition of three oil producing properties that were acquired on October 4, 2013.

ONGOING EXPLORATION

In 2013, the first well on the Montgomery block was completed and produced light sweet oil from the Second White Speckled Shale formation (2WS). The Lower Mannville group was also completed and tested sweet natural gas after stimulation. While it is not anticipated that this initial test well will come on production in the near future, two play types that Forent had identified on the lands were validated with these hydrocarbon recoveries. Forent intends to continue to evaluate both of these plays in addition to other geophysical anomalies identified on our proprietary 3-D seismic survey at Montgomery.

In Q4 2013, Forent was successful in acquiring 26 sections of Crown land within our south central Alberta core area. We hold all petroleum and natural gas rights from surface to basement for a term of 5 years. These lands are prospective for Cretaceous oil and gas at depths of less than 1200m and Mississippian targets at less than 1500m. During 2014, Forent intends to further evaluate these lands both geophysically and geologically.

In Q1 2014, the second exploration well "Forent et al DD14-12-012-29W4", was spud and was successfully drilled to the base of the 2WS. The well was completed with a small acid job, in an attempt to clean up drilling damage that may have occurred, swabbed down to formation depth and bottom hole recorders were run in order to measure the formation pressure build up. No formation inflow was noted into the wellbore while swabbing operations were occurring. The recorders have been recovered and the reservoir pressure build up is currently being analyzed to determine the production potential of this wellbore.

In April 2014, Forent elected not to submit a work commitment to renew the Alton block in Nova Scotia. Once the regulatory requirements around hydrocarbon resource stimulation in the province are better identified and a joint venture partner has been identified, Forent will have the opportunity to re-nominate these lands and make a meaningful work commitment that will enable the development of the block

OUTLOOK

Forent will be executing a 3 well infill development drilling program at Twining, immediately after local road bans have been removed from access roads. We are planning to grow our oil and associated gas production to over 300 boe/d by the end of 2014 through the drilling of low risk, development wells within our current asset base.

Several development strategies for the Wayne property are under review with Forent's partner in the area, Forent hopes to be able to firm up a drilling schedule with its partner during the second half of 2014 for up to three new horizontal wells.

At Provost, the Company has identified a number of infill horizontal heavy oil development locations. Currently the facilities at Provost are restricted by water handling capacity. Forent has proposed an expansion of water handling capabilities at the battery to facilitate increased oil production with our working interest partners. Once approvals have been obtained from our partners, Forent will proceed with equipment installation.

Forent also continues to evaluate oil and natural gas acquisition opportunities and potential corporate mergers in order to provide increased per share growth for our Shareholders.

On behalf of the Board,

Richard Wade,
President and Chief Executive Officer

May 4, 2014

OIL AND GAS RESERVES

An independent evaluation of the Company's oil and gas reserves, conducted by McDaniel & Associates Consultants Ltd. dated February 27, 2014 and effective December 31, 2013 (the "McDaniel Report") has assigned proved plus probable reserves of 1,569.6 MBOE (78% oil and liquids) to the Company's properties, with an estimate of the net present value of future net revenue attributable thereto, discounted at 10%, before income tax, of $21.4 million, compared with $1.1 million at December 31, 2012. **Such estimate does not represent the fair market value of the reserves or the future net revenue attributable thereto.**

The increase in reserves resulted from the acquisition of oil and gas properties during Q4 2013.

Forent is scheduled to drill up to four wells at its Twining property during Q2 2014, with additional development activities at the Wayne and Provost properties planned for the second half of 2014.

Summary of total Company Reserves

	Forecast Prices and Costs									
	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids		Total BOE	
Reserves Category	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBOE)	Net (MBOE)
Proved										
Producing	430.8	315.7	68.6	67.3	969.4	810.2	24.3	18.6	685.3	536.6
Non-producing	0.3	0.2	-	-	22.9	21.8	0.2	0.2	4.3	4.0
Undeveloped	234.3	162.9	105.5	97.5	233.4	163.7	12.8	9.6	391.5	297.3
Total Proved	665.4	478.8	174.1	164.8	1,225.7	995.7	37.3	28.4	1,081.1	837.9
Probable	133.4	96.6	206.5	187.1	828.5	703.4	10.5	7.6	488.5	408.5
Total Proved Plus Probable	**798.8**	**575.4**	**380.6**	**351.9**	**2,054.2**	**1,699.1**	**47.8**	**36.0**	**1,569.6**	**1,246.4**

Company Gross [(1)] Reserves (Before Royalty)

Comparison of Reserves as at December 31, 2013 and 2012

Forecast Prices and Costs

	Oil and Natural Gas Liquids			Natural Gas			BOE (6:1)			Btax NPV_{10} [(2)]		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)	Gross Proved (MM$)	Gross Probable (MM$)	Gross Proved Plus Probable (MM$)
December 31, 2012	2.6	0.6	3.2	649	190	839	110.8	32.3	143.0	0.8	0.3	1.1
December 31, 2013	876.8	350.4	1,227.1	1,226	829	2,054	1,081.1	488.6	1,569.4	15.2	6.2	21.4
Change	874.2	349.8	1,223.9	577	639	1,215	970.3	456.3	1,426.4	14.4	5.9	20.3
% increase							**876%**	**1413%**	**997%**	**1800%**	**1967%**	**1845%**

(1) Gross reserves are the Company's working interest reserves before calculation of royalties, and before the consideration of the Company's royalty interest.

(2) The estimated values disclosed do not represent fair market value

(3) Totals may not add due to rounding.

Summary of Net Present Value of Future Net Revenue

As at December 31, 2013	Before Income Taxes Discounted At (% Per Year)					After Income Taxes Discounted At (% Per Year)				
	0	5	10	15	20	0	5	10	15	20
Reserves Category	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)	(MM$)
Proved										
Producing	19.1	13.3	10.2	8.4	7.1	17.3	12.4	9.7	8.0	6.9
Non-producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	8.7	6.6	5.0	3.8	2.9	6.5	4.8	3.5	2.6	1.8
Total Proved	27.8	19.9	15.2	12.2	10.0	23.8	17.2	13.2	10.6	8.7
Probable	15.5	9.2	6.2	4.4	3.4	11.7	6.9	4.5	3.2	2.4
Total Proved Plus Probable	**43.3**	**29.1**	**21.4**	**16.6**	**13.4**	**35.5**	**24.1**	**17.7**	**13.8**	**11.1**

More detailed information with respect to the McDaniel Report, including reserve classifications, can be found in the Company's Reserves Data and Other Oil and Gas Information report filed on SEDAR.

The following sets forth the benchmark reference prices, as at December 31, 2013, reflected in the Reserves Data. These price assumptions were provided to the Corporation by McDaniel & Associates Consultants Ltd., the Corporation's independent qualified evaluator.

Summary of Pricing and Inflation Rate Assumptions

Forecast Prices and Costs

As of December 31, 2013

			Oil			Natural Gas	NGLs	
	Inflation Rate	Exchange Rate	WTI Cushing Oklahoma	Edmonton Light Par Price	Western Canada select	AECO Gas Price	Edmonton Par Price Butane	Edmonton Par Price Condensate
Year	%/Yr.	$US/$CAN	($US/bbl)	($Cdn/bbl)	($Cdn/bbl)	($Cdn/MMbtu)	($Cdn/bbl)	($Cdn/bbl)
Historical								
2008	2.4%	0.943	99.60	102.20	82.94	8.15	75.25	104.75
2009	2.0%	0.880	61.80	65.90	58.58	4.20	49.25	68.15
2010	2.0%	0.971	79.50	77.50	67.23	4.15	66.05	84.25
2011	2.0%	1.012	95.10	95.00	77.10	3.70	76.50	104.20
2012	2.0%	1.000	94.20	86.10	73.08	2.45	69.55	100.80
2013	2.0%	0.971	97.90	92.70	75.15	3.20	68.60	104.35
Forecast								
2014	2.0%	0.950	95.00	95.00	76.50	4.00	76.60	102.50
2015	2.0%	0.950	95.00	96.50	79.60	4.25	77.80	101.60
2016	2.0%	0.950	95.00	97.50	80.40	4.55	78.60	100.60
2017	2.0%	0.950	95.00	98.00	80.90	4.75	79.00	101.20
2018	2.0%	0.950	95.30	98.30	81.10	5.00	79.20	101.50
2019	2.0%	0.950	96.60	99.60	82.20	5.25	80.30	102.90
2020	2.0%	0.950	98.50	101.60	83.80	5.35	81.90	105.00
2021	2.0%	0.950	100.50	103.60	85.50	5.45	83.50	107.00
2022	2.0%	0.950	102.50	105.70	87.20	5.55	85.20	109.20
2023	2.0%	0.950	104.60	107.90	89.00	5.65	87.00	111.50
After	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr

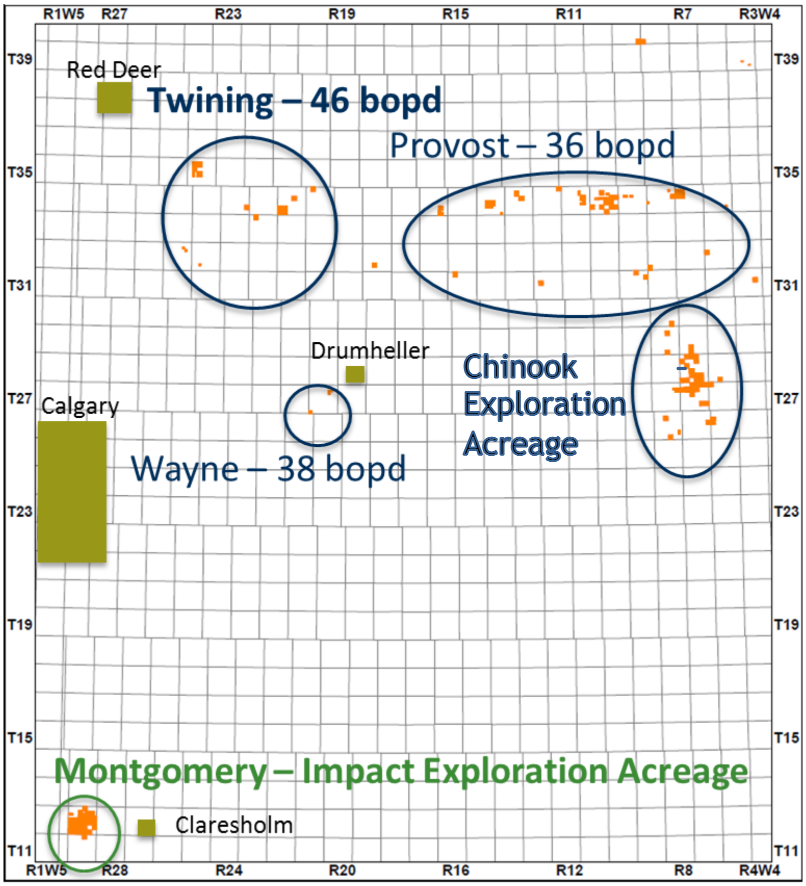
OPERATIONS REVIEW

In the following description of Forent's principal oil properties, reserves and production amounts stated are the Company's working interest in gross reserves based on forecast costs and prices, as evaluated by McDaniel and Associates Consultants Ltd. effective as of December 31, 2013. The estimates of reserves and future net revenue for the individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

Forent did not participate in the drilling of any new wells during the year ended December 31, 2013.

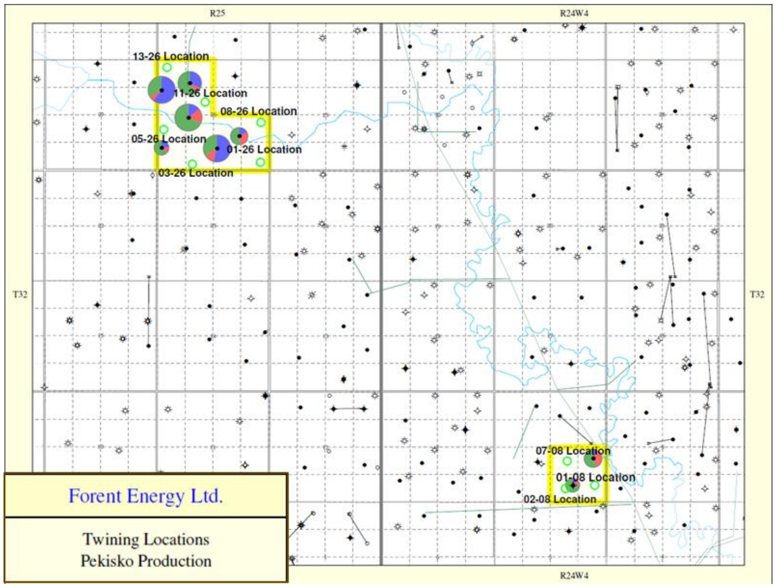
The Twining, Provost and Wayne properties were acquired in Q4 2013 from Zargon Oil and Gas Partnership. These properties can be described as low decline, long life assets that will underpin the Company's operations for years to come. Production numbers shown below represent Q4 2013 production results.

The Company also acquired a significant new exploration area in 2013 – Chinook. Forent holds a 100% WI in all rights on 26 sections until Nov 2018. The regional area is characterized as having shallow, multi-zone potential including Banff, Detrital, Glauconite, Lithic Mannville Channels, Colony, Viking, 2WS, and Belly River. Forent considers the area to be under explored, with only 15 wells that have penetrated the Mannville formation on Forent lands. There is no 3D seismic data over Forent lands and minimal available in the area. Additional upside potential may be seen by using horizontal drilling techniques for Banff Sandstones, Detrital and Lithic Mannville Channels. 3D seismic is required to identify drilling locations and to steer horizontals wells. This land holding is an excellent complement to Forent's production acquisition and development strategy through the adding of small "E" organic growth opportunities.



Twining, Alberta – Working Interest 100%, approximate 31° API oil

After the property was acquired in Q4 2013, Forent was successful in obtaining down spacing approval from the AER which allows for up to eight infill opportunities. Forent plans to drill up to four infill vertical wells on the Twining property during Q2 2014.



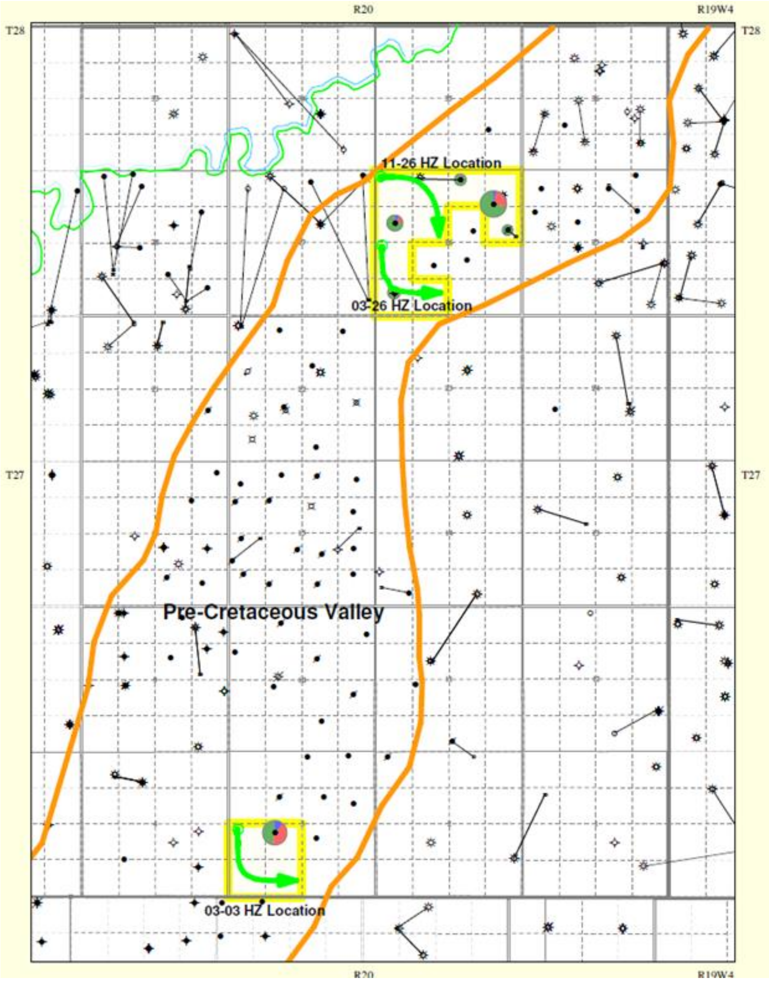
Reserves at December 31, 2013

Twining	Oil and NGLs	Natural Gas
Reserves		
Proved producing	267.5 MBbl	253.2 MMcf
Proved undeveloped	163.3 MBbl	157.2 MMcf
Probable	84.5 MBbl	239.5 MMcf
Total proved plus probable	515.3 MBbl	649.9 MMcf
Q4 2013 average production	46.0 Bopd	44.0 Mcfd

Twining Proved plus Probable reserves totalled 624 MBOE, (39.8% of Total Company Reserves)

Wayne, Alberta – Working Interest 60% - 100%, approximate 31° API oil

Several development strategies for the Wayne property are under review with Forent's partner in the area. Forent hopes to be able to firm up a drilling schedule with its partner during 2H 2014 for up to three new horizontal wells.



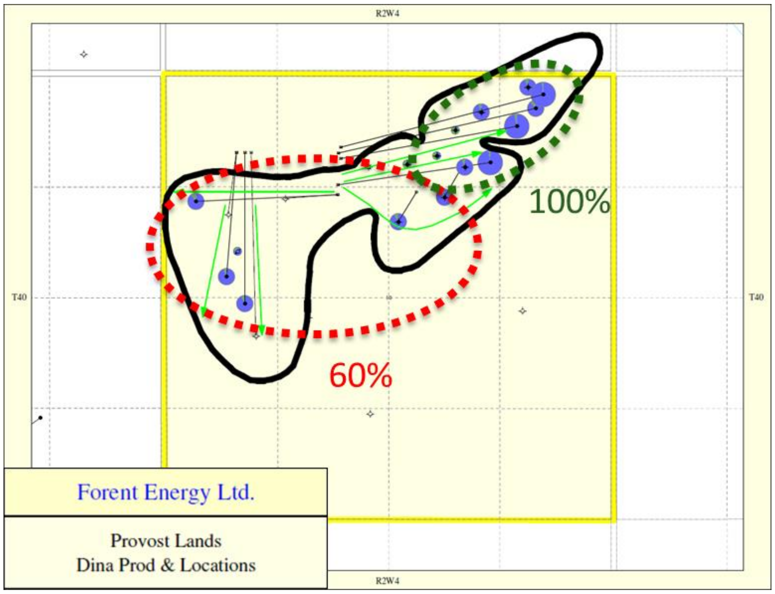
Reserves at December 31, 2013

Wayne	Oil and NGLs		Natural Gas	
Reserves				
Proved producing	174.3	MBbl	158.5	MMcf
Proved undeveloped	98.0	MBbl	76.3	MMcf
Probable	55.8	MBbl	55.3	MMcf
Total proved plus probable	328.1	MBbl	290.1	MMcf
Q4 2013 average production	32.0	Bopd	26.0	Mcfd

Wayne Proved plus Probable reserves totalled 376 MBOE, (24.0% of Total Company Reserves)

Provost, Alberta – Working Interest 60% - 100%, approximate 17° API oil

At Provost, the Company has identified a number of infill horizontal heavy oil development locations. Currently the facilities at Provost are restricted by water handling capacity. Forent has proposed an expansion of water handling capabilities at the battery to facilitate increased oil production with our working interest partners. Once approvals have been obtained from our partners, Forent will proceed with equipment installation.



Reserves at December 31, 2013

Provost	Oil and NGLs		Natural Gas	
Reserves				
Proved producing	78.0	MBbl	14.4	MMcf
Proved undeveloped	105.5	MBbl	-	MMcf
Probable	100.4	MBbl	1.9	MMcf
Total proved plus probable	283.9	MBbl	16.3	MMcf
Q4 2013 average production	38.0	Bopd	26.0	Mcfd

Provost Proved plus Probable reserves totalled 287 MBOE, (18.3% of Total Company Reserves)

READER ADVISORY

Forward-Looking Statements

In providing Forent Energy Ltd.'s shareholders and potential investors with information regarding Forent, including management's assessment of the future plans and operations of Forent, certain statements contained in this annual report constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this annual report contains forward-looking statements pertaining to the following: drilling plans and property developments planned for 2014; funds flow and cash flow forecasts; the volume and product mix of Forent's oil and natural gas production; future oil and natural gas prices; future operational activities; future results from operations and operating metrics, including future production growth and other matters herein. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

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

Barrels of Oil Equivalent

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2014

This Management's Discussion and Analysis ("MD&A") for Forent Energy Ltd. ("Forent" or the "Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2013, as well as the audited financial statements and MD&A for the year ended December 31, 2012.

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

The three months ended December 31, 2013, have not been audited nor reviewed by the Company's auditor.

IFRS

The audited consolidated financial statements for the year ended December 31, 2013 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. In Canada, public companies that prepare their financial statements using IFRS are also considered to be following generally accepted accounting principles ("GAAP").

CORPORATE SUMMARY

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

NON-GAAP FINANCIAL MEASURES

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

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

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

	Twelve months ended December 31	
(Cdn $)	**2013**	2012
Cash provided by (Used in) operating activities	**(1,664,747)**	(886,499)
Expenditures on abandonments and reclamation	**106,362**	60,478
Change in non-cash working capital	**470,174**	(390,442)
FUNDS FLOW	**(1,088,211)**	(1,216,463)

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

BOE PRESENTATION

The term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

FORWARD LOOKING STATEMENTS

Certain of the statements contained herein including, without limitation, management's assessment of future plans and operations, plans to increase production at Macklin, drilling plans and the timing thereof, timing of completion of new facilities and the effect thereof, reserve estimates and the net present value of the future net revenue attributable to such reserves, expected commodity prices, expected trend in management fee allocations and plans to finance capital expenditures may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's beliefs at the date of the report and are based on information available to management at that time. Forward-looking statements involve significant risk and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and other risk factors as outlined elsewhere herein. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Forent's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at Forent's website (www.forentenergy.com). Although the forward-looking statements contained herein are based upon what Management believes to be reasonable assumptions, including but not limited to assumptions as to the price of oil and natural gas, interest rates, exchange rates and the regulatory and legal environment in which Forent operates, the recoverability and production characteristics of Forent's reserves, Forent's capital expenditures program and future operations and other matters, Management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry is based on estimates prepared by Management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

SUMMARY OF RESULTS

The following table provides selected financial data derived from the Company’s financial statements for the past three years for continuing operations:

	Twelve months ended December 31		
Cnd$, except per BOE, BOEd and per share amounts)	**2013**	2012	2011
Petroleum and natural gas sales, net of royalties	**1,125,704**	479,551	1,012,958
Funds flow*	**(1,088,211)**	(1,216,463)	(998,093)
per share, basic and diluted *	**(0.01)**	0.01	(0.01)
Net loss, from continuing operations	**(3,967,758)**	(2,892,005)	(4,781,595)
per share, basic and diluted *	**(0.02)**	(0.02)	(0.04)
Exploration expense	**6,149,313**	1,027,088	253,443
Property, plant & equipment impairment	**-**	314,537	1,896,329
Total assets	**18,756,880**	12,806,290	15,083,077
General and administrative	**1,441,824**	1,157,388	1,256,640
Net debt (surplus)*	**1,909,172**	743,897	(1,394,605)
Production (BOEd)	**96**	74	96
Oil and gas average pice ($ per BOE)	**35.81**	17.97	26.88

*see “Non-GAAP financial measures”

During Q1 2013, the Company completed the sale of its Mervin oil property for approximately $5,500,000. Proceeds from the sale were later used to partially finance an oil and gas asset acquisition in Q4 2013.

During Q4 2013, the Company completed the acquisition of key oil producing assets at Twining, Wayne, and Provost. The asset acquisition has resulted in increased oil production and revenues which are reflected in the 2013 petroleum and natural gas sales improvement compared with 2012. During 2011, the Company disposed of a number of non-core oil producing assets which resulted in lower revenue in 2012.

During 2013, the Company reclassified exploration and evaluation assets to exploration expense resulting in a higher net loss from continuing operations in 2013 compared with previous years. The reclassification is related to Nova Scotia activity as the Company no longer has mineral holdings in the Province.

General and administrative expenses were up slightly in 2013 compared with 2012 resulting primarily from severance costs incurred in early 2013.

SELECTED QUARTERLY INFORMATION

	Three months ended							
	2013				2012			
Cdn$ Thousands, except as indicated	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Oil & liquids production (bopd)	121	2	3	5	7	3	10	4
Natural gas production (mcfd)	496	344	308	338	380	341	451	418
Production (BOEd)	204	59	54	61	70	60	85	74
Oil $ per barrel	67.60	89.17	45.39	67.52	78.03	61.33	56.08	85.30
Oil and gas average price ($/BOE)	49.71	16.91	22.49	23.33	25.17	16.49	17.12	15.17
Total revenue	755	106	118	147	163	136	100	80
Operating and transport cost	389	124	115	93	145	203	112	78
$/BOE	20.69	22.81	23.36	16.81	20.40	36.86	14.59	11.97
Funds flow*	(129)	(276)	(212)	(471)	(308)	(296)	(281)	(331)
per share (basic and diluted)*	-	-	-	-	-	-	-	-
Net loss, from continuing operations	(1,734)	(290)	(1,494)	(468)	(457)	(315)	(692)	(1,156)
per share (basic and diluted)*	(0.01)	-	(0.01)	-	-	-	(0.01)	(0.01)
Overhead	411	257	233	540	337	227	264	329
Exploration expense	4,410	35	1,703	2	35	34	957	1
Property, plant & equipment impairment	-	-	-	-	226	-	-	89
Net capital expenditures	12,582	19	1	(1)	130	323	1,179	1,506
Total assets	18,757	13,922	14,421	16,474	12,806	13,558	13,668	14,998
Net debt (working capital) *	1,909	(4,433)	(5,059)	(5,506)	744	427	(17)	(1,046)

* See non-GAAP measures.

Oil and liquid production increased dramatically in Q4 2013 compared with all prior periods due to the addition of new oil producing assets on October 4, 2013. Natural gas production also increased as a result of the acquisition of new assets.

Total operating and transportation costs increased in Q4 2013 compared with prior quarters due to increased production. However, the cost per BOE were reduced due to the increased oil and gas production.

The Company has had successive net losses from operations for the eight quarter period; however, the loss in Q4 2013 resulted from the reclassification of exploration expenses to income due to relinquishing the Nova Scotia exploration licence.

Net debt increased in Q4 2013 resulting from the use of bank debt, combined with cash and common stock to complete the acquisition of the new assets.

RESULTS OF OPERATIONS

For the year ended December 31, 2013, Forent's production averaged 96 BOEd consisting of 35% crude oil. During Q4 2013, oil production was 59% of total production resulting from an asset acquisition.

Oil & Gas Production

	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Oil & Liquids (Bopd)						
Twining	**46**	-		**12**	-	
Wayne	**32**	-		**8**	-	
Provost	**38**	-		**10**	-	
Other	**5**	14	-64%	**4**	8	-50%
Oil & Liquids (Bopd)	**121**	14	764%	**34**	8	325%
Gas (Mcfd)						
Huxley	**72**	75	-4%	**71**	87	-18%
Twining	**44**	-		**11**	-	
Wayne	**26**	-		**7**	-	
Provost	**26**	-		**6**	-	
Other	**328**	305	8%	**276**	311	-11%
Gas (Mcfd)	**496**	380	31%	**371**	398	-7%
Total (BOEd)	**204**	77	165%	**96**	74	30%
Oil, percentage of total	**59%**	18%		**35%**	11%	

During 2013, Forent's average oil and liquids sales increased 325% to 34 bopd compared with 8 bopd in 2012. The acquisition of three producing properties in Q4 2013 had a significant and positive impact on production and operating results. In Q4 2013, production results of 204 BOEd were 165% higher than in Q4 2012 and are indicative of the anticipated production performance of the Company in future periods.

Gas production in 2013 represents 65% of the Company's total production for the period and declined by 7% compared with the prior year as a significant portion of Forent's gas production is from low decline CBM natural gas wells.

Product prices	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Oil ($/Bbl)	$ 67.60	$ 78.03	-13%	$ 62.66	$ 51.32	22%
Natural Gas ($/Mcf)	$ 3.62	$ 3.18	14%	$ 3.25	$ 2.41	35%
NGL's ($/Bbl)	$ 65.87	$ 51.32	28%	$ 64.55	$ 51.32	26%
$/BOE - Company	$ 49.71	$ 25.17	97%	$ 35.81	$ 17.97	99%

During Q4 2013, natural gas prices increased by 14% and liquids prices were 28% higher while oil prices were 13% lower compared with Q4 2012. The Company has a financial instrument that secures pricing for 50 barrels of oil a day through 2014.

The details of this financial instrument are:

Daily barrel (bbl) quantity	Term of contract	WTI[1] Fixed price per bbl ($CAD)	Fair market value
50	January 1, 2014 to December 31, 2014	96.92	(94,938)
Crude oil fair value position			$ (94,938)

[1] WTI represents the posting price of Western Texas Intermediate oil

Revenue from oil and gas production, before royalties	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Oil	$ 723,878	$ (12,634)	-5830%	$ 736,580	$ 6,411	11389%
Natural Gas	164,843	111,118	48%	440,240	350,396	26%
NGL's	23,123	18,485	25%	59,963	84,418	-29%
Royalties and other	18,009	28,611	-37%	79,946	110,526	-28%
	$ 929,853	$ 145,580	539%	$ 1,316,729	$ 551,751	139%

Due to the asset acquisition, revenues from oil sales increased significantly for the three months ended December 31, 2013, compared with Q4 2012. Results for the full year reflect the results in Q4 2013.

Royalty	Three months ended December 31					Twelve months ended December 31				
		2013		2012	% Change		**2013**		2012	% Change
Crown	$	25,537	$	14,044	82%	$	26,646	$	50,822	-48%
Freehold		149,298		6,043	2371%		164,379		21,378	669%
Royalties	$	174,835	$	20,087	770%	$	191,025	$	72,200	165%
per BOE	$	9.31	$	2.83	229%	$	5.50	$	2.64	108%
Royalties as a percentage of revenue		18.8%		13.8%			14.5%		13.1%	

Total royalty expense for Q4 2013 and for the full year increased over the prior year periods due to the nature of the mineral leases acquired in the asset acquisition which are mostly freehold leases. Freehold royalties tend to be fixed rate royalties payable compared with crown royalties which use a sliding scale rate that increases with production rates.

Operating	Three months ended December 31					Twelve months ended December 31				
		2013		2012	% Change		**2013**		2012	% Change
Operating and transportation cost	$	388,557	$	144,714	168%	$	720,033	$	538,431	34%
per BOE	$	20.69	$	20.40	1%	$	20.73	$	19.67	5%

Total operating and transportation costs increased in Q4 2013 compared with Q4 2012 due to increased production; however, the cost per BOE was largely unaffected. For the twelve months ended December 31, 2013, operating costs increased primarily due to the fourth quarter impacts; however, the cost per BOE was largely unchanged.

Summary of operating netback	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Oil	$ 723,878	$ (12,634)	-5830%	$ 736,580	$ 6,411	11389%
Natural Gas	164,843	111,118	48%	440,240	350,396	26%
NGL's	23,123	18,485	25%	59,963	84,418	-29%
Royalties and other	18,009	28,611	-37%	79,946	110,526	-28%
Total oil, gas, liquids & other revenue	929,853	145,580	539%	1,316,729	551,751	139%
Royalties	(174,835)	(20,087)	770%	(191,025)	(72,200)	165%
Oil and gas revenue, net of royalties	755,018	125,493	502%	1,125,704	479,551	135%
Operating expenses	(388,557)	(144,714)	168%	(720,033)	(538,431)	34%
Operating netback	$ 366,461	$ (19,221)	-2007%	$ 405,671	$ (58,880)	-789%
$/BOE						
Total Gas, Oil & Liquids	$ 49.50	$ 20.52	141%	$ 37.91	$ 20.15	88%
Royalties	$ (9.31)	$ (2.83)	229%	$ (5.50)	$ (2.64)	108%
Operating expenses	$ (20.69)	$ (20.40)	1%	$ (20.73)	$ (19.67)	5%
Operating netback	$ 19.50	$ (2.71)	-820%	$ 11.68	$ (2.16)	-641%

Operating netbacks during Q4 2013 reflect the impact of the oil weighted asset acquisition completed during the quarter. Production and revenues have increased considerably and have resulted in an operating netback for the quarter of $19.50 compared with a loss of $2.71 per BOE in Q4 2012, when the Company was heavily gas weighted. Netbacks also increased for 2013 compared with 2012 as a result of the fourth quarter 2013 improvement.

General and administrative	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Salaries & benefits	$ 229,051	$ 226,389	1%	$ 1,158,380	$ 940,347	23%
Office	19,214	58,649	-67%	369,489	253,015	46%
Corporate	305,896	205,929	49%	435,003	507,497	-14%
Gross expenses	554,161	490,967	13%	1,962,872	1,700,859	15%
Recovered from third parties	(30,316)	(104,629)	-71%	(103,152)	(104,629)	-1%
Capitalized	(112,813)	(49,146)	130%	(417,896)	(438,842)	-5%
Net Overhead	$ 411,032	$ 337,192	22%	$ 1,441,824	$ 1,157,388	25%
per BOE	$ 21.88	$ 47.53	-54%	$ 41.51	$ 42.28	-2%

Corporate general and administrative expenses for Q4 modestly increased as compared to 2012, primarily due to the administrative setup of the acquired assets. For the twelve months ending December 31, 2013, salaries & benefits were up slightly chiefly due to an executive severance payment in Q1, as compared with the previous year.

In 2013, total gross general and administrative costs before recoveries were up 15% compared with the prior year with the severance costs incurred in Q1 2013 being the only notable change.

Finance expense, except per BOE	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Bank loan - interest	$ 30,734	$ (3,707)	-929%	$ 30,734	$ (3,707)	-929%
Bank loan - fees	7,875	-		7,875	-	
Accretion of decommissioning liability	20,415	(6,267)	-426%	28,442	19,225	48%
Finance expense	$ 59,024	$ (9,974)	-692%	$ 67,051	$ 15,518	332%
per BOE	$ 3.14	$ (1.41)	-323%	$ 1.93	$ 0.57	239%

Finance expense for the year ended December 31, 2013 was higher than the previous year and on a quarterly basis as the Company had bank debt during Q4 for the first time in the last two years. Accretion expense is also up in the quarter versus the prior year as a result of additional decommissioning obligations from the oil and gas asset acquisitions in the quarter.

Depletion and depreciation	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Depletion and depreciation expense	$ 227,768	$ 179,442	27%	$ 366,425	$ 423,575	-13%
per BOE	$ 12.13	$ 25.29	-52%	$ 10.55	$ 15.47	-32%

Depletion charges are calculated on a unit of production basis. The charge per unit is based on total development costs of a cash-generating-unit ("CGU") divided by total proved and probable reserves of a CGU. For the year ended December 31, 2013, depletion and depreciation expense decreased to $366,000 compared with $424,000 for 2012. The Company added low cost per barrel reserves in Q4 2013 which has resulted in a lower depletion rate than historically realized.

Capital additions, continuing operations	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% Change	**2013**	2012	% Change
Land	$ -	$ -		$ -	$ -	
Geological and geophysical	278,494	-		278,494	-	
Drilling and completions	1,697	-		1,697	168,099	-99%
Equipment, facilities and pipelines	17,269	-		34,907	-	
Asset acquisition	11,233,307	-		11,233,307	-	
Decommissioning obligation	1,047,514	-		1,047,514	-	
Total	$ 12,578,281	$ -		$ 12,595,919	$ 168,099	7393%

In Q4 2013, the Company paid approximately $7,600,000 in cash and common shares to acquire assets with a fair value of $11,233,000 less decommissioning obligations. As the consideration paid was less than the fair value of the acquired assets, the Company calculates a gain on bargain purchase on the statement of loss and comprehensive loss of $2,352,000.

LIQUIDITY AND CAPITAL RESOURCES

Forent incurred $12.6 million of capital expenditures for the year ended December 31, 2013 compared with $168,000 for 2012. Capital expenditures were financed from working capital, an increase in bank debt and property dispositions. At December 31, 2013, Forent had net debt of $1.9 million compared with net debt of $744,000 at the beginning of the year.

Forent has a $7.0 million production loan facility with a Canadian financial institution, payable on demand and subject to an annual review by the lender. The next review is scheduled to be completed by May 31, 2014. At December 31, 2013, the Company had drawn $2.8 million of the loan facility (2012 – nil). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2013. The loan facility is charged interest at prime plus 1.6% per annum. The Company had no outstanding letters of credit.

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

During the year the Company completed the following transactions:

- Sale of the Mervin field on February 1, 2013, for approximately $5.5 million, resulting in a gain of $2,864,283, net of taxes.
- In February 2013, the Company issued 30,000,000 common shares at $0.05 per common share for gross proceeds of $1,500,000.
- On October 4, 2013, Forent completed a transaction with Zargon Oil and Gas Partnership, acquiring Zargon's oil and gas working interests in the Twining, Wayne and Provost, Alberta areas, for 10,000,000 common shares of Forent and cash of $6,700,000 before closing adjustments for total consideration of $7.6 million. The new fields acquired in Q4 2013 provide positive cash flow to support the operations of the Company.
- In December 2013, the Company issued 6,050,000 common shares at $0.10 per common share for gross proceeds of $605,000. The common shares were issued on a flow-through basis and $605,000 in Canadian Exploration Expenditures were renounced to the purchasers of the shares.

As of May 4, 2014, Forent had 188,643,215 common shares outstanding and 12,463,335 options outstanding to purchase 12,463,335 additional common shares.

SUBSEQUENT EVENTS

In January 2014, the Company completed a financing, raising gross proceeds of $485,000, consisting of $124,000 from the issuance of flow-through shares at $0.10 per common share and $361,000 from the issuance of common shares at $0.08 per share. A total of 7,077,500 common shares were issued.

In April 2014, Forent's oil & gas exploration licence with the Government of Nova Scotia was due for renewal. Forent did not exercise the option to renew and has relinquished this licence. Forent expects to receive the Alton Land deposit of $175,600 from the Government of Nova Scotia during 2014 (see exploration deposit, Note 10).

BUSINESS RISK

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

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

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

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

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENT

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2014, for a total of $108,000.

The Company is required to spend $605,000 in qualifying Canadian Exploration Expense (CEE) by December 31, 2014, as a result of a flow-through financing completed in December 2013.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

During the twelve months ended December 31, 2013 and 2012, the Company had the following related party transactions recorded at the exchange amount.

The Company incurred $193,000 and $218,000 respectively, of operating costs relating to compressor rental fees, from a company controlled by a board member.

During the twelve months ended December 31, 2013 and 2012 the Company incurred $90,000 and $36,000 respectively for legal services with a law firm of which a board member is a partner.

These transactions are entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Forent's financial statements have been prepared in accordance with IFRS. The significant accounting policies used by Forent are disclosed in Note 3 to the Financial Statements of the Company's annual report for the year ended December 31, 2013. Certain accounting policies require that Management make appropriate estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discusses such accounting policies and is included in Management's Discussion and Analysis to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Forent's Management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

Upstream Assets and Reserves

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

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

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

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

Decommission Obligations

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

Increases in the estimated decommission obligation and costs increase the corresponding charges of accretion and depletion and depreciation to earnings. A decrease in discount rates decreases the obligation, which decreases the accretion charged to earnings. Actual expenditures incurred are charged against the accumulated decommissioning obligation.

Income Tax Accounting

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

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial instruments

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

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

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

The Company's financial instruments that are currently included in the balance sheet are comprised of cash, accounts receivable, accounts payable, bank debt and derivative liabilities.

Fair value is determined following a three level hierarchy:

> Level 1: Quoted prices in active markets for identical assets and liabilities. The Company does not have any financial assets or liabilities that require level 1 inputs.
>
> Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. Forent uses Level 2 inputs in the determination of the fair value of oil and gas derivative assets and liabilities.
>
> Level 3: Fair value is determined using inputs that are not observable. Forent uses Level 3 inputs in the determination of fair value less costs of disposal used in determining the recoverable amount of a Cash Generating Unit (CGU) for the purpose of impairment testing.

Crude Oil Sales Price Derivatives

Daily barrel (bbl) quantity	Term of contract	WTI[1] Fixed price per bbl ($CAD)	Fair market value
50	January 1, 2014 to December 31, 2014	96.92	(94,938)
Crude oil fair value position			$ (94,938)

[1] WTI represents the posting price of Western Texas Intermediate oil

Derivative liabilities are carried at fair value and are measured on a recurring basis. The fair values of oil and gas commodity derivatives are determined using a Level 2 valuation model and inputs include quoted forward prices for commodities, foreign exchange rates, volatility and discounting, all of which can be observed or corroborated in the marketplace.

At December 31, 2013, a $5.00 increase in the 2014 forward price strip for WTI would result in an additional liability of approximately $97,000. A $5.00 decrease in the forward price strip would result in a $97,000 reduction of the liability.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its accounts receivable and cash to a maximum of the carrying value. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. Approximately $162,000 (2012 – $130,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company made an allowance for doubtful accounts of $56,000 during the year relating to balances that were deemed unrecoverable. The Company's trade receivable balance at December 31, 2013, was approximately $343,000 (2012 – $223,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in 2013 by approximately $8,000 (2012 – nil).

Liquidity risk

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

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

During 2013, the Company completed two equity financings raising over $2.0 million and sold one oil producing property for approximately $5.5 million dollars.

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

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,051,012	$ -	$ -
Bank indebtedness	2,809,872		
Derivative liabilities	94,938		
Flow-through shares, deferred liability	60,500	-	-
	$ 4,016,322	$ -	$ -

Foreign Currency Exchange Risk

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

i. ***The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.***

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities.

IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. Adoption did not result in any change in consolidation status, as the Company does not have subsidiaries or investees.

IFRS 11 Joint Arrangements requires a company to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the Company will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The Company does not have any joint ventures.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers. The Company has analyzed its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 12 Disclosure of Interest in Other Entities replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. It sets out the extensive disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company assessed its interests in other entities on January 1, 2013 and determined that no additional disclosure was necessary.

IFRS 13 Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Company has complied with the new disclosure requirements of IFRS 13 in Note 6 – Financial Instruments, as applicable to financial statements in accordance with IAS 34.

IAS 36 Impairment of Assets was amended in May 2013, effective retrospectively for annual periods beginning on or after January 1, 2014. The amendment removes certain disclosures of the recoverable amount of a CGU containing goodwill, and adds disclosures of the recoverable amount of a CGU with impairment.

ii. The following are standards issued but not yet effective up to the date of issuance of these financial statements. The Company reasonably expects these standards to be applicable at a future time and intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments contains three phases, of which phase one, relating to accounting for financial assets and financial liabilities, and phase two, relating to hedge accounting, have been published. The third phase will address impairment of financial instruments. For financial assets, IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. IFRS 9 also introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Forent does not currently apply hedge accounting. A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

IFRS 32 Financial Instruments: Presentation was amended in December 2011 to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The amendments to IAS 32 were effective for annual periods beginning on or after January 1, 2014, requiring retrospective application. IAS 32 will not have a significant impact on Forent.

DISCLOSURE CONTROLS AND PROCEDURES (DC&P)

The Chief Executive Officer and Chief Financial Officer of Forent (the "Certifying Officers") have designed disclosure controls and procedures or caused them to be designed under our supervision, to provide reasonable assurance that:

> (i) Material information relating to the issuer is made known to the Certifying Officers by others, particularly during the period in which the annual filings are being prepared; and
>
> (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have evaluated the disclosure controls and procedures and have determined that the DC&P are effective as at December 31, 2013.

BUSINESS OUTLOOK

Forent anticipates oil demand to remain high which should provide for strong oil prices in 2014. Low natural gas storage volumes coming out of winter should help provide for a reasonable gas pricing environment over the upcoming year.

Forent will be executing a 3 well infill development drilling program at Twining immediately after local road bans have been removed from access roads. We are planning to grow our oil and associated gas production to over 300 boe/d by the end of 2014 through the drilling of low risk, development wells within our current asset base.

Several development strategies for the Wayne property are under review with Forent's partner in the area, Forent hopes to be able to firm up a drilling schedule with its partner during the second half of 2014 for up to three new horizontal wells.

At Provost, the Company has identified a number of infill horizontal heavy oil development locations. Currently the facilities at Provost are restricted by water handling capacity. Forent has proposed an expansion of water handling capabilities at the battery to facilitate increased oil production with our working interest partners. Once approvals have been obtained from our partners, Forent will proceed with equipment installation.

Forent also continues to evaluate oil and natural gas acquisition opportunities and potential corporate mergers in order to provide increased per share growth for our shareholders.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Forent Energy Ltd. for the years ended December 31, 2013 and 2012 are the responsibility of Management and have been prepared by Management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments. Financial information contained throughout the annual report is consistent with these financial statements.

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

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

("Signed") Richard Wade

President and Chief Executive Officer

("Signed") Brad R. Perry, CMA

Chief Financial Officer

May 4, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Forent Energy Ltd.

We have audited the accompanying financial statements of Forent Energy Ltd., which comprise the balance sheet as at December 31, 2013 and December 31, 2012 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Forent Energy Ltd. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
May 4, 2014
Calgary, Canada

BALANCE SHEET

(Cdn $)	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	3	$ 637,186	$ 152,052
Accounts receivable	6	1,215,332	376,423
Prepaids and other assets		79,032	60,814
Exploration deposit	10	175,600	-
Assets held for sale	9	-	2,001,746
		2,107,150	2,591,035
Non-current assets			
Property, plant and equipment	3f), 11	13,173,946	939,685
Exploration and evaluation assets	10	3,475,784	8,915,570
Exploration deposit	10	-	360,000
		$ 18,756,880	$ 12,806,290
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 1,051,012	$ 1,322,686
Bank indebtedness	4	2,809,872	-
Derivative liabilities	6	94,938	-
Flow-through shares, deferred liability	3 e)	60,500	10,500
Liabilities held for sale	9	-	476,937
		4,016,322	1,810,123
Non-current liabilities			
Decommission obligation	12	2,933,938	565,775
Deferred income tax liability	3 l), 17	69,553	552,894
		7,019,813	2,928,792
SHAREHOLDERS' EQUITY			
Share capital	13	23,893,520	20,975,549
Contributed surplus		3,194,051	3,081,226
Warrants	13	-	71,284
Deficit		(15,350,504)	(14,250,561)
		11,737,067	9,877,498
		$ 18,756,880	$ 12,806,290

Commitments and subsequent events (note 14, 18)

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

On Behalf of the Board of Directors:

(Signed) "W.B. Wilson" Director

(Signed) "D. Porter" Director

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

		Twelve months ended December 31	
(Cdn $ except per share amounts)	*Note*	**2013**	2012
Revenues			
Petroleum and natural gas sales, net of royalties	*16*	**$ 1,125,704**	$ 479,551
Expenses			
Operating		**720,033**	538,431
General and administrative	*16*	**1,441,824**	1,157,388
Transaction costs	*8*	**48,959**	-
Share based compensation	*13*	**43,328**	232,704
Finance income		**(35,510)**	3,902
Finance expense	*16*	**67,051**	15,518
Unrealized loss on derivatives	*6*	**94,938**	-
Exploration and evaluation expense	*10*	**6,149,313**	1,027,088
Gain on bargain purchase	*8*	**(2,351,517)**	-
Depletion and depreciation	*11*	**366,425**	423,575
Loss from abandonment and reclamation expenditure	*12*	**61,907**	-
Impairment	*11*	**-**	314,537
		6,606,751	3,713,143
Loss before income taxes		**(5,481,047)**	(3,233,592)
Deferred tax recovery	*17*	**1,513,289**	341,587
Loss from continuing operations		**(3,967,758)**	(2,892,005)
Income from discontinued operations	9	**2,867,815**	371,380
Net loss and comprehensive loss		**$ (1,099,943)**	$ (2,520,625)
Income (loss) per share, basic and diluted:			
From continuing operations		**$ (0.02)**	$ (0.02)
From discontinued operations		**$ 0.02**	$ -
	13	**$ (0.01)**	$ (0.02)

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Twelve months ended December 31	
(Cdn $)	*Note*	**2013**	2012
Share Capital			
Balance, beginning of period		**$ 20,975,549**	$ 20,637,399
Common shares issued pursuant to subscription receipts		**2,044,500**	345,769
Common shares issued for Zargon asset acquisition	*8*	**900,000**	(7,619)
Share issue costs, net of deferred tax		**(26,529)**	-
Balance, end of period		**$ 23,893,520**	$ 20,975,549
Contributed surplus			
Balance, beginning of period		**$ 3,081,226**	$ 2,174,068
Share-based payments for awards granted		**50,452**	292,574
Expiry of warrants		**62,373**	614,584
Balance, end of period		**$ 3,194,051**	$ 3,081,226
Warrants			
Balance, beginning of period		**$ 71,284**	$ 793,729
Issue of warrants		**-**	43,731
Expiry of warrants		**(71,284)**	(766,176)
Balance, end of period		**$ -**	$ 71,284
Deficit			
Balance, beginning of period		**$ (14,250,561)**	$ (11,729,936)
Net loss and comprehensive loss		**(1,099,943)**	(2,520,625)
Balance, end of period		**$ (15,350,504)**	$ (14,250,561)

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

STATEMENT OF CASH FLOWS

		Twelve months ended December 31	
(Cdn $)	*Note*	**2013**	2012
Cash provided by (Used in):			
OPERATING ACTIVITIES			
Loss from continuing operations		**$ (3,967,758)**	$ (2,892,005)
Adjustments for items not involving cash:			
Share based compensation		**43,328**	232,704
Finance expense, accretion portion reversed		**28,442**	19,225
Unrealized loss on derivatives		**94,938**	-
Exploration and evaluation expense	*10*	**6,149,313**	1,027,088
Gain on bargain purchase	*8*	**(2,351,517)**	-
Depletion and depreciation		**366,425**	423,575
Loss from abandonment and reclamation expenditure		**61,907**	-
Impairment		**-**	314,537
Deferred tax recovery		**(1,513,289)**	(341,587)
Expenditures on abandonments and reclamation		**(106,362)**	(60,478)
Change in non-cash working capital	*16*	**(470,174)**	390,442
		(1,664,747)	(886,499)
FINANCING			
Increase in bank indebtedness		**2,809,872**	-
Share capital issued for cash, net of issue costs		**2,012,258**	345,803
Warrants issued		**-**	43,731
		4,822,130	389,534
INVESTING			
Expenditures on property acquisitions	*8*	**(6,700,000)**	-
Expenditures on property and equipment	*11*	**(319,866)**	(165,383)
Expenditures on exploration and evaluation assets	*12*	**(702,403)**	(2,971,953)
Change in non-cash working capital	*16*	**(311,287)**	(126,944)
		(8,033,556)	(3,264,280)
Cash from discontinued operations		**5,361,307**	1,415,131
CHANGE IN CASH		**$ 485,134**	$ (2,346,114)
Cash, beginning of year		**152,052**	2,498,166
CASH, END OF YEAR		**$ 637,186**	$ 152,052

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

For the years ended December 31, 2013 and 2012

Amounts in Canadian dollars unless otherwise indicated.

1. Corporate Information

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

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

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

2. Basis of Presentation

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all years presented in these financial statements, except as identified in Note 3(n).

These financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3. They are presented in Canadian dollars, which is the Company's functional currency.

These financial statements were approved and authorized for issue by the Board of Directors on May 4, 2014.

3. Significant Accounting Policies

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

a) Cash and cash equivalents

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

b) Joint arrangements

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

c) Financial Instruments

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

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

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

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

d) Significant accounting judgments and estimation uncertainties

The amounts recorded for depletion and depreciation of petroleum and natural gas properties and equipment and the provision for asset retirement obligation are based on estimates. Development and production assets are aggregated into “cash generating units” (CGU’s) based on a number of factors including geography, existence of shared infrastructure, and the ability to generate largely independent cash inflows. The impairment test of CGU’s is based on estimates of proved and probable reserves, production rates, oil and gas prices, future costs and other relevant assumptions, see Note 5.

The Black-Scholes option pricing model is used to estimate share option values based on estimates of the current risk free interest rate, expected life of the options, and expected volatility of the underlying common share price. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The determination of the Company’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by Management.

The discount rates used to determine the net present value of asset retirement obligations are risk-free rates relevant to the expected time remaining until abandonment on a property by property basis.

e) Share capital and flow-through shares

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

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

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

f) Property and equipment and exploration and evaluation assets

i. Exploration and evaluation (E&E) expenditures

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

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

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

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

ii. Development and production expenditures

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

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

iii. Subsequent costs

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

iv. Depletion and depreciation

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

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

v. Assets held for sale

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probably and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal, with impairments recognized in net earnings in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities within the Balance Sheet. Assets held for sale are not depreciated, depleted or amortized.

g) Impairments

i. Financial assets

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

ii. Non-financial assets

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

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

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

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

h) Share Based Compensation Plan

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

i) Asset Retirement Obligation

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

Amortization of asset retirement costs are included in finance expense in the consolidated statement of operations.

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

j) Revenue Recognition

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

k) Finance expense

Finance expense comprises interest expense on borrowings, and accretion of the discount on the decommissioning provision.

l) Income Taxes

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

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

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

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

m) Earnings Per Share

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

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

n) New standards and interpretations not yet adopted

i. The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities.

IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. Adoption did not result in any change in consolidation status, as the Company does not have subsidiaries or investees.

IFRS 11 Joint Arrangements requires a company to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the Company will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The Company does not have any joint ventures.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers. The Company has analyzed its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 12 Disclosure of Interest in Other Entities replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. It sets out the extensive disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company assessed its interests in other entities on January 1, 2013 and determined that no additional disclosure was necessary.

IFRS 13 Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Company has complied with the new disclosure requirements of IFRS 13 in Note 6 – Financial Instruments, as applicable to financial statements in accordance with IAS 34.

IAS 36 Impairment of Assets was amended in May 2013, effective retrospectively for annual periods beginning on or after January 1, 2014. The amendment removes certain disclosures of the recoverable amount of a CGU containing goodwill, and adds disclosures of the recoverable amount of a CGU with impairment.

ii. The following are standards issued but not yet effective up to the date of issuance of these financial statements. The Company reasonably expects these standards to be applicable at a future time and intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments contains three phases, of which phase one, relating to accounting for financial assets and financial liabilities, and phase two, relating to hedge accounting, have been published. The third phase will address impairment of financial instruments. For financial assets, IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. IFRS 9 also introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Forent does not currently apply hedge accounting. A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

IFRS 32 Financial Instruments: Presentation was amended in December 2011 to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The amendments to IAS 32 were effective for annual periods beginning on or after January 1, 2014, requiring retrospective application. IAS 32 will not have a significant impact on Forent.

4. Bank Indebtness

Forent has a $7.0 million production loan facility with a Canadian financial institution, payable on demand and subject to an annual review by the lender. The next review is scheduled to be completed by May 31, 2014.

At December 31, 2013, the Company had drawn $2.8 million of the loan facility (2012 – nil). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2013. The loan facility is charged interest at prime plus 1.6% per annum. The Company had no outstanding letters of credit at December 31, 2013 (2012 – nil).

5. Significant Accounting Estimates and Assumptions

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

Estimates and assumptions

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

- Note 6 – valuation of financial instruments;
- Note 11 – valuation of property and equipment;
- Note 12 – measurement of decommissioning provision;
- Note 13 – measurement of share-based compensation; and
- Note 17 – income tax expense.

Judgements

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

a) Exploration and evaluation assets

The decision to transfer assets from exploration and evaluation to property and equipment is based on the estimated proved and probable reserves used in the determination of an area's technical feasibility and commercial viability (Note 8).

b) Reserves base

The oil and gas development and production properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs (Note 11).

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

c) Depletion of oil and gas assets

Oil and gas properties are depleted using the UOP method over proved plus probable reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved plus probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves (Note 11).

d) Determination of cash generating units

Oil and gas properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil and gas properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure (Note 11).

e) Impairment indicators and calculation of impairment

At each reporting date, Forent assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. At December 31, 2013, Management exercised judgement and determined that there were impairment indicators present for certain CGUs (Note 11). When management judges that circumstances clearly indicate impairment, property and equipment and exploration and evaluation assets are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs (Note 11).

6. Financial Instruments and Risk Management

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

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

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

The Company’s financial instruments that are currently included in the balance sheet are comprised of cash, accounts receivable, accounts payable, bank debt and derivative liabilities.

Fair value is determined following a three level hierarchy:

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

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

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

Crude Oil Sales Price Derivatives

Daily barrel (bbl) quantity	Term of contract	WTI[1] Fixed price per bbl ($CAD)	Fair market value
50	January 1, 2014 to December 31, 2014	96.92	(94,938)
Crude oil fair value position			$ (94,938)

[1] WTI represents the posting price of Western Texas Intermediate oil

Derivative liabilities are carried at fair value and are measured on a recurring basis. The fair values of oil and gas commodity derivatives are determined using a Level 2 valuation model and inputs include quoted forward prices for commodities, foreign exchange rates, volatility and discounting, all of which can be observed or corroborated in the marketplace.

At December 31, 2013, a $5.00 increase in the 2014 forward price strip for WTI would result in an additional liability of approximately $97,000. A $5.00 decrease in the forward price strip would result in a $97,000 reduction of the liability.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its accounts receivable and cash to a maximum of the carrying value. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. Approximately $162,000 (2012 – $130,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company made an allowance for doubtful accounts of $56,000 during the year relating to balances that were deemed unrecoverable. The Company's trade receivable balance at December 31, 2013, was approximately $343,000 (2012 – $223,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in 2013 by approximately $8,000 (2012 – nil).

Liquidity risk

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

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

During 2013, the Company completed two equity financings raising over $2.0 million and sold one oil producing property for approximately $5.5 million dollars.

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

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,051,012	$ -	$ -
Bank indebtedness	2,809,872		
Derivative liabilities	94,938		
Flow-through shares, deferred liability	60,500	-	-
	$ 4,016,322	$ -	$ -

Foreign Currency Exchange Risk

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

7. Capital Management

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

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

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

Net debt repayability is a calculation to determine the number of years required to repay net debt(1) from the most recent quarter's annualized funds flow from operations(2). The ratio is calculated as follows:

Net Debt Repayability	Twelve months ended December 31	
(*Cdn* $, except for years)	**2013**	2012
Current liabilities	$ 4,016,322	$ 1,333,186
Less current assets	(2,107,150)	(589,289)
Net debt (surplus)(1)	1,909,172	743,897
Annualized funds flow(2)	$ (514,508)	$ (1,382,508)
Years estimated to repay net debt	N/A	N/A

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

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

The Company's share capital is not subject to external restrictions; however, its credit facility value is based primarily on its petroleum and natural gas reserves. There are covenants Forent must comply with (see Note 4) and the Company was in compliance with all of its financial covenants at the end of the reporting period.

8. Oil and Gas Asset Acquisition

On October 4, 2013, Forent acquired oil and gas assets from Zargon Oil and Gas Partnership ("Zargon") which provided for the acquisition by Forent of Zargon's working interests in the Twining, Wayne and Provost, Alberta areas, for 10,000,000 common shares of Forent and cash of $6,700,000 before closing adjustments for total consideration of $7.6 million. The value of the common shares issued as consideration was determined based on the trading value of Forent's common shares on the date of acquisition. The purpose of the acquisition was to acquire low decline, high netback, medium gravity oil (22 to 29 degree API) producing properties in central Alberta to underpin the operating activities of the Company with a predictable and sustainable cash flow.

The following are the estimated fair values of the assets acquired from Zargon Oil and Gas Partnership:

		Total
Petroleum and natural gas properties		11,233,307
Decommisioning obligation		(1,359,917)
Gain on bargain purchase, net of tax		(1,763,638)
Deferred tax liability related to gain on bargain purchase		(587,879)
Working capital		78,127
	$	7,600,000

Consideration

		Total
Cash		6,700,000
Common shares (10,000,000 at $0.09 per share)		900,000
	$	7,600,000

The recognized identifiable assets and liabilities acquired were based on estimates by Forent's management. The decommissioning obligation was fair valued using the credit-adjusted rate of 8%. The final accounting for the acquisition remains subject to further refinement as a final statement of adjustments with Zargon is expected to be received in Q2 2014.

Transaction costs related to the acquisition amounted to $49,000 and were expensed in the statement of loss and comprehensive loss. In the period from October 4, 2013 to December 31, 2013, the acquisition contributed revenues of $589,000 and net operating income of $200,000 which are included in the statement of loss and comprehensive loss. Management estimates that Forent's revenue would have increased by $3.0 million and operating income would have increased by $1.3 million, had this transaction been completed on January 1, 2013. This pro-forma information would not necessarily be indicative of results had the acquisition occurred on January 1, 2013.

9. Oil and Gas Asset Disposition – Mervin Property

The Company closed the sale of the Mervin field on February 1, 2013, for $5.5 million plus customary adjustments, resulting in a gain of $2,864,283 over the carrying cost of the property, net of taxes. The Company had previously reclassified all of its interest in the Mervin, Saskatchewan property as a discontinued business and classified the related assets and liabilities as held for sale, effective November 16, 2012.

The carrying amount at the time of reclassification and the amount transferred to discontinued assets held for sale as at December 31, 2012, within the statement of financial position are presented below.

Discontinued assets		December 31, 2012
Crude oil inventory	$	56,340
Property, plant and equipment, net		1,945,406
	$	2,001,746

The carrying amount for the non-current liabilities associated with the Mervin property that were reclassified as current liabilities of disposal group held for sale in the statement of financial position is presented below.

Non-current liabilities		December 31, 2012
Decommissioning and restoration liabilities	$	476,937
Liabilities of disposal group held for sale	$	476,937

The results of the Mervin operations have been reclassified and presented separately as income from discontinued operations on the statement of loss and comprehensive loss. At the time of reclassification the Company ceased any depletion and depreciation of the assets held for sale. The adjustments made to the statement of loss and comprehensive loss related to discontinued operations are presented below.

Income from discontinued operations	Twelve months ended December 31			
		2013		2012
Crude oil and natural gas liquids	**$**	**-**	$	2,758,292
Royalties		**-**		(236,654)
Other oil and natural gas operating revenues		**-**		219,459
Disposal group oil and natural gas revenue		**-**		2,741,097
Production and operating expenses		**-**		(1,066,795)
Operating profit from discontinued operations		**-**		1,674,302
Depletion and depreciation		**-**		(1,185,136)
Gain on sale of discontinued assets, before tax		**3,884,195**		-
Income before tax from discontinued operations		**3,884,195**		489,166
Deferred income tax expense		**1,016,380**		117,786
Income from discontinued operations	**$**	**2,867,815**	$	371,380

The gain on the sale of discontinued operations on the statement of loss is summarized below.

Gain on sale		December 31, 2013
Selling price	$	5,513,000
Transaction costs		(21,697)
Carry amount of oil and natural gas assets		(2,084,045)
Decommissioning liability		476,937
Gain on sale of discontinued assets, before tax		3,884,195
Deferred income tax expense from gain		(1,016,380)
	$	2,867,815

The cash effects of the discontinued operations on the statement of cash flows are summarized below.

Cash flow	Twelve months ended December 31			
		2013		2012
Operating	**$**	**-**	$	1,674,302
Financing		**-**		-
Investing		**5,361,307**		(259,171)
	$	**5,361,307**	$	1,415,131

10. Exploration and Evaluation Assets

Balance, January 1, 2012	$	6,750,358
Additions		3,192,300
Exploration and evaluation expense		(1,027,088)
Balance December 31, 2012	$	8,915,570
Additions		709,527
Exploration and evaluation expense		(6,149,313)
Balance, December 31, 2013	**$**	**3,475,784**

Exploration and evaluation ("E&E") assets consist of the Company's land and exploration projects which are pending the determination of technical feasibility and commercial viability. In the year ended December 31, 2013, exploration expense of $6.1 million was recognized ($1.0 million – December 31, 2012) for the Alton Block in Nova Scotia for which the licence has subsequently expired and management has neither budgeted nor planned further exploration.

	Year ended December 31	
Exploration and evaluation assets, by project	**2013**	2012
Alton Block, Nova Scotia	**$ -**	$ 6,112,021
Montgomery, Alberta	**3,375,524**	2,803,549
Chinook, Alberta	**100,260**	-
	$ 3,475,784	$ 8,915,570

During 2013, $425,019 (2012 - $542,847) was capitalized to E&E for related overhead and stock based compensation expenses.

Exploration deposit

The Nova Scotia Government required a deposit of 20% of the outstanding work commitments on exploration licences issued to Forent. At December 31, 2013, the Nova Scotia Government held deposits related to Forent's exploration licence in the amount of $175,600 (2012 - $360,000). This deposit should be refunded to Forent after all regulatory filings are completed for the licence.

11. PROPERTY, PLANT AND EQUIPMENT

Cost:		Oil & gas properties		Office equipment		Total
Balance, December 31, 2011	$	10,240,956	$	85,559	$	10,326,515
Additions from continuing operations		168,099		1,904		170,003
Additions from discontinued operations		263,345		-		263,345
Transferred to discontinued assets held for sale		(4,546,077)		-		(4,546,077)
Balance, December 31, 2012	$	6,126,323	$	87,463	$	6,213,786
Additions from continuing operations		315,099		4,767		319,866
Acquisitions		11,233,307		-		11,233,307
Changes in decommisioning provision		1,047,513		-		1,047,513
Balance, December 31, 2013	**$**	**18,722,242**	**$**	**92,230**	**$**	**18,814,472**

Accumulated depletion, depreciation and impairment losses						
Balance, December 31, 2011	$	5,890,052	$	61,472	$	5,951,524
Depletion and depreciation, continuing operations		412,318		11,257		423,575
Depletion and depreciation, discontinued operations		1,185,136		-		1,185,136
Impairment loss		314,537		-		314,537
Transferred to discontinued assets		(2,600,671)		-		(2,600,671)
Balance, December 31, 2012	$	5,201,372	$	72,729	$	5,274,101
Depletion and depreciation, continuing operations		359,251		7,174		366,425
Balance, December 31, 2013	**$**	**5,560,623**	**$**	**79,903**	**$**	**5,640,526**

Net carrying value:						
At December 31, 2012	$	924,951	$	14,734	$	939,685
At December 31, 2013	**$**	**13,161,619**	**$**	**12,327**	**$**	**13,173,946**

For the calculation of depletion expense, estimated future costs required to develop the proved and probable reserves were added to the cost base of property, plant and equipment. At December 31, 2013, future costs were $9.2 million (2012 - $117,000).

The carrying value of long-term assets is reviewed quarterly for indicators that the carrying value of an asset or CGU may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in earnings. No indicators were noted for 2013; however, indicators of impairment were noted for the year ended December 31, 2012 and an impairment of $315,000 was recorded. The impairments relate to specific natural gas weighted cash-generating units and were based on the higher of fair value less costs of disposal and value in use. These key judgments include estimates about recoverable reserves (see Note 5 – Significant accounting estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates.

In 2012, the Company reclassified its Mervin, Saskatchewan, property as discontinued operations held for sale, transferring $4,546,077 in original costs less $2,600,671 in related depletion, resulting in net assets of $1,945,406 being presented as assets held for sale. The sale of the disposal group subsequently closed on February 1, 2013, for $5.5 million plus customary adjustments, resulting in a gain after deferred income tax of 2,867,815 (see Note 9).

During 2013, nil (2012 - $40,146) was capitalized to property, plant and equipment for related overhead expenses. During 2012, capitalized overhead expenses consisted of $20,442 for continuing operations and $19,704 for discontinued operations.

12. Decommissioning Provision

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

The Company has estimated the present value of its total decommissioning provision to be $2.9 million at December 31, 2013 ($566,000 – December 31, 2012), based on a total future undiscounted liability of $3.3 million ($1.2 million – December 31, 2012). Payments to settle the obligations occur over the operating lives of the underlying assets and are estimated to be from 2 to 25 years, with the majority of costs to be incurred after 2019. The risk free rate used to calculate the present value of the decommissioning liability used average risk free rates of 1.9% to 3.2%. The estimated inflation rate remained unchanged at 2.08% (2.08% – December 31, 2012).

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

	Year ended December 31	
Changes to the decommisioning provision are:	**2013**	2012
Decommissioning provision, beginning of period	**$ 565,775**	$ 914,694
Liabilities incurred	**-**	160,511
Liabilities settled	**(44,455)**	(60,478)
Liabilities related to assets held for sale	**-**	(476,937)
Liabilities acquired from acquisitions	**1,359,917**	-
Effect of change in risk free rate(1)	**919,965**	-
Revisions in estimated cash outflows	**104,294**	8,760
Accretion expense	**28,442**	19,225
Decommissioning provision, end of period	**$ 2,933,938**	$ 565,775

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

13. Shareholders' Equity

Authorized

The Company has authorized an unlimited number of voting common shares and an unlimited number of preferred shares without nominal or par value.

	Number of common shares		Amount
Balance, January 1, 2012	132,559,946	$	20,637,399
Common shares issued pursuant to private placements	2,955,769		345,769
Share issue costs, net of deferred tax	-		(7,619)
Balance, December 31, 2012	135,515,715	$	20,975,549
Common shares issued pursuant to private placements	36,050,000		2,044,500
Common shares issued for Zargon asset acquisition	10,000,000		900,000
Share issue costs, net of deferred tax	-		(26,529)
Balance, December 31, 2013	**181,565,715**	**$**	**23,893,520**

The Company issued 10,000,000 common shares to Zargon Oil and Gas Partnership through the acquisition of certain properties. The acquisition closed on October 4, 2013 (Note 8).

In February 2013, the Company issued 30,000,000 common shares at $0.05 per common share for gross proceeds of $1,500,000. In December 2013, the Company issued 6,050,000 common shares at $0.10 per common share for gross proceeds of $605,000. The December shares were issued on a flow-through basis and $605,000 in Canadian Exploration Expenditures were renounced to the purchasers of the shares.

Share Option Plan

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

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

1/3 on grant date

1/3 on first anniversary of grant date

1/3 on second anniversary of grant date

As at December 31, 2013, there are a total of 11,208,335 options granted and outstanding under the Share Option Plan with a weighted average exercise price of $0.20 per share. A total of 8,925,000 options with a weighted average exercise price of $0.21 are exercisable at December 31, 2013.

Years ended December 31,		2013		2012
		Weighted		Weighted
		Average		Average
Stock Options	Options	Exercise Price	Options	Exercise Price
Outstanding, beginning of period	12,662,502	$ 0.21	7,142,687	$ 0.25
Granted	1,250,000	$ 0.10	5,550,000	$ 0.16
Cancelled	(2,704,167)	$ 0.22	(30,185)	$ 0.27
Outstanding, end of period	11,208,335	$ 0.20	12,662,502	$ 0.21
Options exercisable, end of period	8,925,000	$ 0.21	7,577,782	$ 0.23

Exercise price	Outstanding Dec 31, 2013	Remaining (years)	Exercisable Dec 31, 2013
$0.10 - $0.19	3,390,000	3.79	1,843,334
$0.20 - $0.29	7,000,003	2.15	6,263,334
$0.30 - $0.39	795,000	1.30	795,000
$0.40 - $0.49	-	-	-
$0.50 - $0.59	23,332	2.99	23,332
	11,208,335	-	8,925,000

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

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Forfeitures	Expected Volatility	Weighted Average Future Value Per Option
2012	1.20	4.2	5.3% - 6.79%	0.97	$ 0.16
2013	1.31	4.5	10.00%	1.19	$ 0.10

The Company accounts for its options and warrants granted using the fair value method whereby costs have been recognized for share options granted, resulting in share based compensation expense for the year ended December 31, 2013 of $43,000 (2012 - $233,000). The calculated value of warrants is charged to equity and then transferred to contributed surplus if the warrants expire.

Warrants

Warrants were issued combined with private placements of common shares during 2011 and 2012. All warrants have now expired.

Years ended December 31,		2013		2012
		Weighted		Weighted
		Average		Average
Warrants	Warrants	Exercise Price	Warrants	Exercise Price
Outstanding, beginning of period	2,142,449	$ 0.20	9,224,204	$ 0.26
Granted	-	$ -	1,215,385	$ 0.20
Expired	(2,142,449)	$ 0.20	(8,297,140)	$ 0.26
Outstanding, end of period	-	$ -	2,142,449	$ 0.20

Net loss per share

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

Common shares outstanding	Twelve months ended December 31 2013	2012
Weighted average shares outstanding	163,751,468	135,087,693
Dilutive effect of stock options	-	-
Dilutive effect of convertible debentures	-	-
Diluted weighted average shares outstanding	163,751,468	135,087,693

14. Commitments

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2014, for a total of $108,000.

As a result of a flow-through financing undertaken in December 2013, the Company is required to spend $605,000 in qualifying Canadian Exploration Expense (CEE) by December 31, 2014.

15. Related Party Transactions

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

During the twelve months ended December 31, 2013 and 2012, the Company had the following related party transactions recorded at the exchange amount.

The Company incurred $193,000 and $218,000 respectively, of operating costs relating to compressor rental fees, from a company controlled by a board member.

During the twelve months ended December 31, 2013 and 2012 the Company incurred $90,000 and $36,000 respectively for legal services with a law firm of which a board member is a partner.

These transactions are entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Remuneration of Directors' and Senior Management	Twelve months ended December 31 2013	2012
Salaries & benefits	$ 770,802	$ 421,840
Share-based compensation	83,682	189,553
Gross expenses	854,484	611,393

16. SUPPLEMENTAL INFORMATION

Supplemental Cash Flow Information		Twelve months ended December 31		
(Cdn $)		**2013**		2012
Interest and bank fees paid during the period	$	**51,734**	$	-
Taxes paid during the period	$	**-**	$	-

Changes in non-cash working capital balances				
Accounts receivable	$	**(838,909)**	$	708,492
Prepaid expenses		**(18,218)**		6,262
Exploration deposit		**184,400**		(90,000)
Accounts payable and accrued liabilities		**(271,674)**		(342,487)
Other		**162,940**		108,175
	$	**(781,461)**	$	390,442

Changes in non-cash working capital balances				
Operating activity	$	**(470,174)**	$	390,442
Investing activity		**(311,287)**		(126,944)
	$	**(781,461)**	$	263,498

Expenses by nature:

General and administrative		Twelve months ended December 31		
		2013		2012
Salaries & benefits	$	**1,158,380**	$	940,347
Office		**369,489**		253,015
Corporate		**435,003**		507,497
Gross expenses		**1,962,872**		1,700,859
Recovered from third parties		**(103,152)**		(104,629)
Capitalized		**(417,896)**		(438,842)
Net Overhead	$	**1,441,824**	$	1,157,388

Finance expense		Twelve months ended December 31		
		2013		2012
Bank loan - interest	$	**30,734**	$	(3,707)
Bank loan - fees		**7,875**		-
Accretion of ARO		**28,442**		19,225
Finance expense	$	**67,051**	$	15,518

Revenue from oil and gas production, after royalties	Twelve months ended December 31			
		2013		2012
Oil	$	736,580	$	6,411
Natural Gas		440,240		350,396
NGL's		59,963		84,418
Royalties and other		79,946		110,526
		1,316,729		551,751
Crown		(26,646)		(50,822)
Freehold		(164,379)		(21,378)
Royalties		(191,025)		(72,200)
	$	1,125,704	$	479,551

17. TAXES

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

Rate reconciliation	Twelve months ended December 31	
	2013	2012
Expected Rate	**25.81%**	25.83%
Loss before taxes- continuing operations	**(5,481,047)**	(3,233,592)
Earnings before taxes- assets held for sale	**3,884,195**	489,166
Loss before taxes	**(1,596,852)**	$ (2,744,426)
Expected income tax (recovery)	**(412,148)**	(708,885)
Tax effect of non-deductible and non-taxable amounts related to:		
Non-deductible expenses	**11,223**	1,284
Stock based compensation	**11,182**	60,105
Effect of tax rate changes and temporary differences recorded at future rates	**(124,238)**	(27,761)
Flow-through share expense	**(10,500)**	600,145
Unrecognized tax benefits	**-**	(138,258)
Other	**27,572**	(10,431)
Provision for deferred income taxes	**$ (496,909)**	$ (223,801)
Effective tax rate	**31.1%**	8.2%
Composition of deferred income recovery		
Deferred income tax expense (recovery) from continuing operations	**(1,513,289)**	(341,587)
Deferred income tax expense (recovery) from discontinued operations	**1,016,380**	117,786
Deferred income tax recovery	**(496,909)**	(223,801)

The statutory tax rate decreased to 25.81% in 2013 from 25.83% in 2012 as a result of a slightly higher weighting of Alberta versus Saskatchewan revenues for 2013.

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

	2013	2012
Deferred income tax liabilities		
Deferred tax liabilities to be settled within 12 months	$ -	$ -
Deferred tax liabilities to be settled after more than 12 months	(2,838,084)	(2,186,843)
	(2,838,084)	(2,186,843)
Deferred income tax assets		
Deferred tax assets to be settled within 12 months	230,934	293,695
Deferred tax assets to be settled after more than 12 months	2,537,597	1,340,254
	2,768,531	1,633,949
Total	$ (69,553)	$ (552,894)

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

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

Deferred income tax liability	Property, plant and equipment
Balance December 31, 2011	$ 1,553,869
Charged (credited) to earnings	632,974
Balance December 31, 2012	2,186,843
Charged (credited) to earnings	651,242
Balance, December 31, 2013	**$ 2,838,085**

Deferred income tax assets	Decommissioning liabilities	Tax Losses	Other	Total
Balance December 31, 2011	$ (259,773)	$ (1,102,966)	$ (191,130)	$ (1,553,869)
Charged (credited) to earnings	(19,674)	(138,952)	(698,149)	(856,775)
Credited to share capital	-	-	776,695	776,695
Balance December 31, 2012	(279,447)	(1,241,918)	(112,584)	(1,633,949)
Charged (credited) to earnings	(454,038)	(733,254)	39,141	(1,148,151)
Credited to share capital			13,568	13,568
Balance, December 31, 2013	**$ (733,485)**	**$ (1,975,172)**	**$ (59,875)**	**$ (2,768,532)**

Net deferred income tax liability	
Balance December 31, 2012	$ 552,894
Balance, December 31, 2013	$ 69,553

At December 31, 2013, the Company had the following tax deductions available to reduce future taxable income:

Tax Pools

Years ended December 31,	2013	2012
Canadian exploration expense	$ 548,531	$ 499,994
Canadian development expense	297,444	156,156
Canadian oil and gas property expense	2,200,766	810,439
Undepreciated capital cost	2,063,572	2,073,638
Share issue costs	239,501	434,853
Loss carry forwards	7,900,688	5,000,863
Total	$ 13,250,502	$ 8,975,943

Tax pools have no expiry except for loss carry forwards which expire during the years of 2026 to 2033.

18. SUBSEQUENT EVENTS

In January 2014, the Company completed a financing, raising gross proceeds of $485,000, consisting of $124,000 from the issuance of flow-through shares at $0.10 per common share and $361,000 from the issuance of common shares at $0.08 per share. A total of 7,077,500 common shares were issued.

In April 2014, Forent's oil & gas exploration licence with the Government of Nova Scotia was due for renewal. Forent did not exercise the option to renew and has relinquished this licence. Forent expects to receive the Alton Land deposit of $175,600 from the Government of Nova Scotia during 2014 (see exploration deposit, Note 10).

CORPORATE INFORMATION

DIRECTORS

W. Brett Wilson [1]
Chairman of the Board

Robert S. Crosbie

John A. Forgeron [2]

Douglas Porter [1]

Scott Reeves [3]

Wayne Rousch [1, 2, 3]

Richard Wade [3]

(1) Member of the Audit Committee
(2) Member of the Technical Committee
(3) Member of the Compensation Committee

OFFICERS

Richard Wade
President & Chief Executive Officer

Brad R. Perry
Chief Financial Officer

Ian Shook
Vice President Exploration

Tim Laska
Vice President Geology

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ATB Financial
Calgary, AB

SOLICITORS

TingleMerrett LLP
Calgary, AB

ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, AB

REGISTRAR & TRANSFER AGENT

Valiant Trust Company
Calgary, AB

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol “FEN”