FORENT ENERGY

Q1 2014 INTERIM REPORT

For the three months ended March 31, 2014

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, Provost and Wayne. The majority of Forent's production and revenue is generated from these properties.

Corporate Summary

HIGHLIGHTS

	Three months ended March 31		
	2014	2013	% Change
Financial *($'s, except as indicated, unaudited)*			
Petroleum and natural gas sales, net of royalties	**858,509**	146,534	486%
Funds flow[1]	**149,746**	(471,473)	132%
per share, basic and diluted	**-**	-	
Net loss, from continuing operations	**(361,989)**	(468,451)	23%
per share, basic and diluted	**-**	-	
Capital expenditures	**280,653**	(912)	-
Net debt (surplus)[2]	**1,589,273**	(5,505,879)	129%
Shares outstanding (millions)	**188.64**	165.52	14%
Operations			
Production			
Oil & Liquids (Bopd)	**107**	6	1683%
Gas (Mcfd)	**520**	338	54%
BOEd (6 Mcf = 1 Bbl)	**194**	62	213%
Product Prices			
Oil ($/Bbl)	**83.35**	86.02	-3%
Gas ($/Mcf)	**5.35**	3.19	68%
$ BOE	**60.97**	23.55	159%

(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

The first quarter of 2014 was very active for Forent Energy. During the quarter, Forent completed a non-brokered private placement, identified and licensed three development wells at the Twining Property, and a second well was drilled at Montgomery on Forent lands.

FINANCIAL

In early February, Forent concluded the second tranche of a non-brokered private placement financing supporting the development drilling program planned for the Twining property. Forent issued 7,077,500 common shares of the Company for gross proceeds of $591,000.

During the first quarter, Forent's revenues increased to $859,000 compared with $147,000 in the first quarter of the prior year. Funds flow from operations for Q1 2014 was a positive $150,000 compared with an outflow of $40,000 in Q1 2013. Capital spending for Q1 2014 was $280,000 compared with $nil in Q1 2013. Forent's net debt at March 31, 2014, was $1.6 million compared to net debt of $1.9 million at the beginning of the year. The Company has access to a credit facility of $7.0 million.

PRODUCTION

Forent's oil and natural gas sales during the first quarter averaged 194 BOEd compared with 62 BOEd in Q1 2013. Oil production was 107 bopd in Q1 2014 compared with 6 bopd for Q1 2013. Extended time-periods of extremely low temperatures along with significant snow accumulations challenged the operational staff during the first quarter but Forent is pleased to report that field staff did an excellent job of minimizing operation downtime.

OPERATIONS

During the first quarter, Forent identified eight infill drilling locations based on a purchased 3-D seismic survey at Twining. Three infill development locations were acquired, surveyed and licensed in preparation for drilling in Q2. Drilling will commence once the local road restrictions are removed, anticipated before the end of May.

ONGOING EXPLORATION

Forent reached a milestone at Montgomery, AB, with the drilling of the second well on Forent lands, and the first well drilled in an area interpreted to be naturally fractured. Our joint venture partner spudded the Montgomery 14-12 well in February and after significant drilling challenges with up-hole zones, the Second White Speckled Shale Formation (2WS) was penetrated and the well was cased for completion. Prior to casing the well, an ultrasonic imaging log was run over the 2WS interval. This log revealed multiple fractures in the 2WS formation across the interval equivalent to the producing zone in the offsetting 06-06 well. After cleaning the drilling fluid from the wellbore, the well was acidized. During swabbing no inflow from the formation was noted. Bottom hole pressure recorders were run to evaluate the reservoir quality. The build-up pressure measured was significantly below expected formation pressure. Forent is currently awaiting our joint venture partners decision on future operations for this wellbore.

In April 2014, Forent elected not to submit a work commitment to renew the Alton block in Nova Scotia. Once regulatory requirements around hydrocarbon resource stimulation are clarified by the Province and a joint venture partner has been identified, Forent can re-nominate these lands and submit a work commitment for further exploration.

OUTLOOK

Forent will begin an initial three well infill development drilling program at Twining immediately after local road bans have been lifted. This is the first significant step in our plan to increase our oil and associated gas production to over 300 BOEd by the end of 2014. Additional drilling of low risk, development wells within our current portfolio has the potential to far exceed that goal.

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

At Provost, oil production is restricted by the water handling capacity of the facilities. Forent has proposed an expansion of the water handling equipment at the battery to enable increased oil production. Once approvals have been obtained from our partners, we will proceed with equipment installation which will increase fluid handling capacity. The Company has identified a number of infill horizontal oil development locations that will be considered for drilling once the battery is capable of processing increased fluid volumes.

Forent continues to evaluate oil and natural gas acquisitions to provide additional per share growth opportunities for our Shareholders.

On behalf of the Board,

"Signed"
Richard Wade,
President and Chief Executive Officer

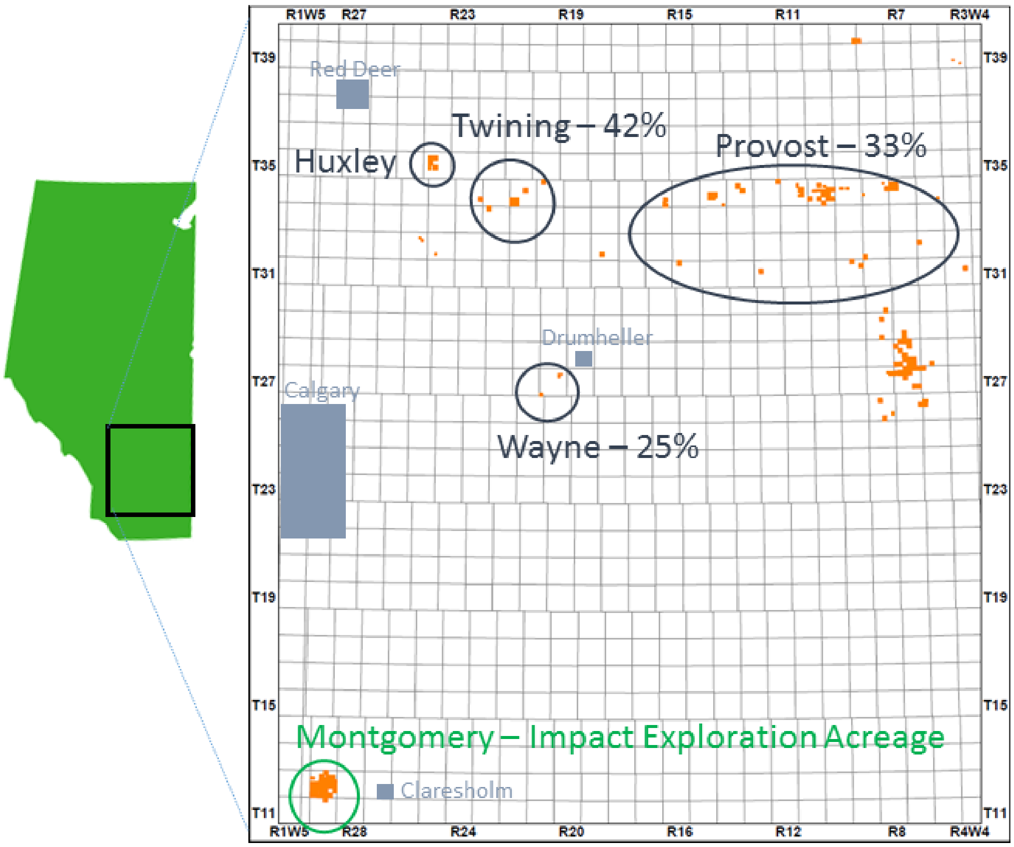
May 29, 2014

OPERATIONS REVIEW

Forent participated in the drilling of one exploration well at Montgomery during the first quarter of 2014.

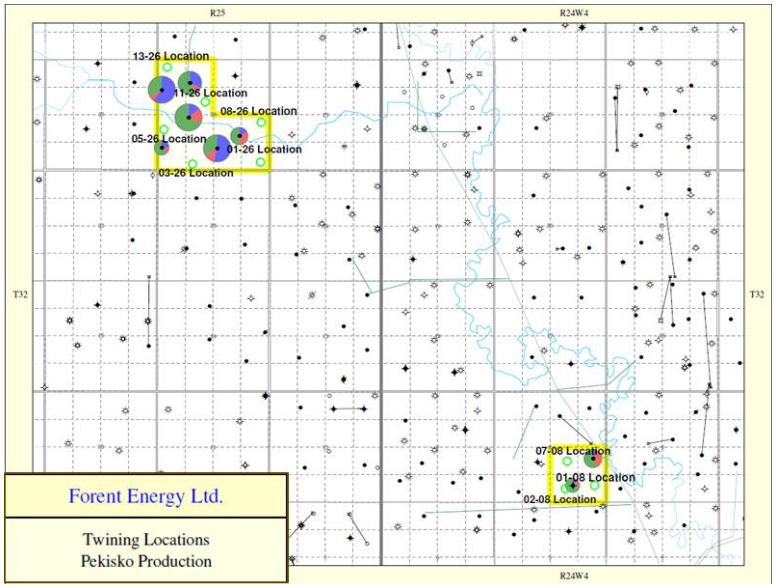
The Twining, Provost and Wayne properties were acquired in Q4 2013. These properties can be described as low decline, long life assets that will be the focus of the Company's operations, and underpin growth during 2014.

Operational Areas with Percentage of Corporate Oil Production



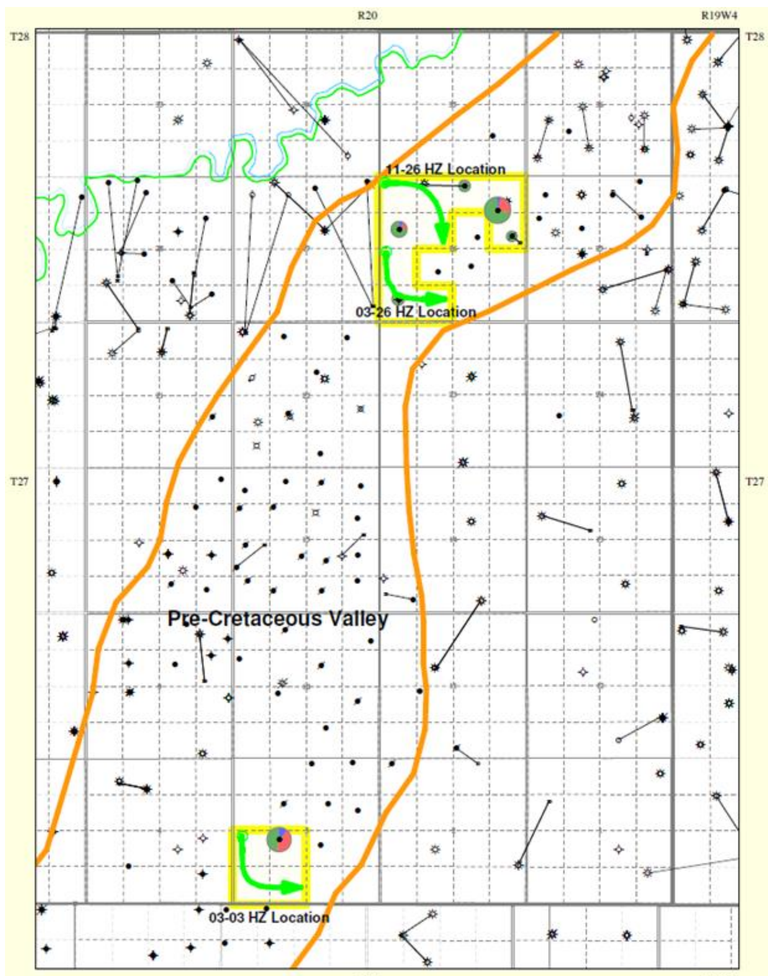
Twining, Alberta – Working Interest 100%, approximate 31º API oil

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.



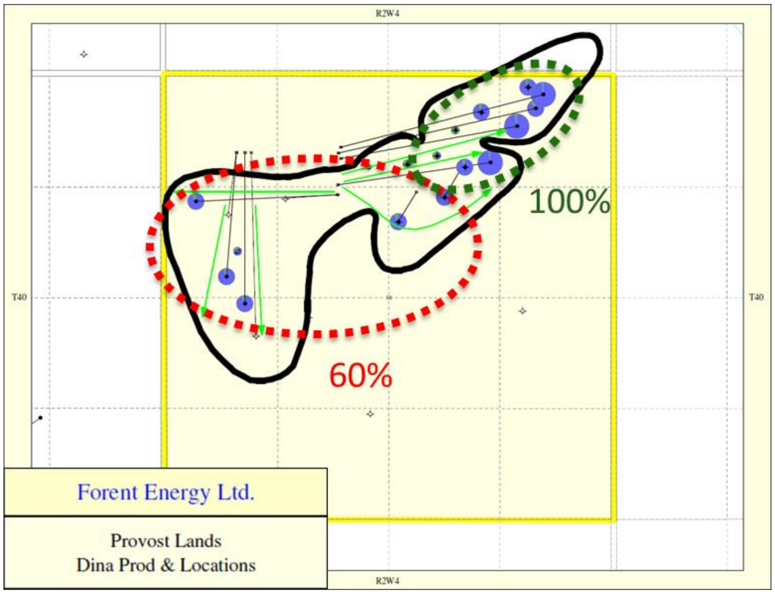
Wayne, Alberta – Working Interest 60% - 100%, approximate 31º API oil

Several development strategies for the Wayne property are under review. Forent hopes to be able to firm up a drilling schedule with our working interest partner during 2H 2014 for up to three new horizontal wells.



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

At Provost, the Company has identified a number of infill horizontal oil development locations. Currently the production at Provost is 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 partner. Once partner approval has been obtained, Forent will proceed with equipment installation.



Dated as of May 29, 2014

The following Management Discussion and Analysis ("MD&A") for Forent Energy Ltd. ("Forent" or the "Company") is management's assessment of the Company's financial and operations results and should be read in conjunction with the interim financial statements of the Company for the three months ended March 31, 2014, and the audited financial statements and MD&A for the year ended December 31, 2013.

The Company's principal activity is the acquisition of, exploration for and the development and production of petroleum and natural gas properties in Alberta, Canada.

The three months ended March 31, 2014, have not been audited nor reviewed by the Company's auditor.

IFRS

The interim financial statements for the three months ended March 31, 2014 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" or "funds flow" 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:

	Three months ended March 31	
(Cdn $)	**2013**	2012
Cash provided by (Used in) operating activities	**398,911**	(517,333)
Expenditures on abandonments and reclamation	**-**	-
Change in non-cash working capital	**(249,165)**	45,860
FUNDS FLOW	**149,746**	(471,473)

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

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.

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 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 report contains forward-looking statements pertaining to the following: drilling plans and property developments planned for 2014 and beyond; 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 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 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 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 that may be 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 report speak only as of the date of this 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.

SELECTED QUARTERLY INFORMATION

	Three months ended							
	2014	2013				2012		
Cdn$ Thousands, except as indicated	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30
Oil & liquids production (bopd)	107	121	2	3	6	7	3	10
Natural gas production (mcfd)	520	496	344	308	338	380	341	451
Production (BOEd)	194	204	59	54	62	70	60	85
Oil $ per barrel	83.35	67.60	89.17	45.39	67.52	86.02	61.33	56.08
Oil and gas average price ($/BOE)	60.97	49.71	16.91	22.49	23.33	23.55	16.49	17.12
Total revenue	859	755	106	118	147	163	136	100
Operating and transport cost	350	389	124	115	93	93	203	112
$/BOE	20.08	20.69	22.81	23.36	16.81	16.81	36.86	14.59
Funds flow *	150	(129)	(276)	(212)	(471)	(308)	(296)	(281)
per share (basic and diluted) *	-	-	-	-	-	-	-	-
Net loss, from continuing operations	(362)	(1,734)	(290)	(1,494)	(468)	(457)	(315)	(692)
per share (basic and diluted) *	-	(0.01)	-	(0.01)	-	-	-	(0.01)
Overhead	303	411	257	233	540	540	227	264
Exploration expense	-	4,410	35	1,703	2	35	34	957
Property, plant & equipment impairment	-	-	-	-	-	226	-	-
Net capital expenditures	281	12,582	19	1	(1)	130	323	1,179
Total assets	18,185	18,757	13,922	14,421	16,474	18,757	13,558	13,668
Net debt (working capital) *	1,589	1,909	(4,433)	(5,059)	(5,506)	1,909	427	(17)

* See non-GAAP measures.

Oil and liquid production has increased dramatically for the last two quarters compared with 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 also increased during the last two quarters compared with prior periods due to increased production. However, costs 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, partially offset by a gain on bargain purchase related to the new assets acquired.

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. Net debt decreased in Q1 2014 as funds flow from operations combined with an equity financing offset capital spending for the quarter.

RESULTS OF OPERATIONS

For the three months ended March 31, 2014, Forent's production averaged 194 BOEd consisting of 55% crude oil.

Oil & Gas Production

	Three months ended March 31		
	2014	2013	% Change
Oil & Liquids (Bopd)			
Twining	**41**	-	
Provost	**35**	-	
Wayne	**27**	-	
Other	**4**	6	-33%
Oil & Liquids (Bopd)	**107**	6	1683%
Gas (Mcfd)			
Ferrybank	**153**	172	-11%
Ghost Pine	**93**	-	
Huxley	**68**	81	-16%
Twining	**56**	-	
Wayne	**30**	-	
Provost	**26**	-	
Other	**94**	85	11%
Gas (Mcfd)	**520**	338	54%
Total (BOEd)	**194**	62	213%
Oil, percentage of total	**55%**	10%	

During Q1 2014, Forent's average oil and liquids sales increased significantly to 107 bopd compared with 6 bopd in Q1 2013. Gas production in Q1 2014 increased by 54% to 520 Mcfd compared with Q1 2013 resulting from new properties acquired in Q4 2013. The acquisition of three oil producing properties in Q4 2013 had a significant and positive impact on oil and natural gas production and operating results.

Product prices	Three months ended March 31		
	2014	2013	% Change
Oil ($/Bbl)	$ 83.35	$ 86.02	-3%
Natural Gas ($/Mcf)	$ 5.35	$ 3.19	68%
NGL's ($/Bbl)	$ 70.96	$ 65.06	9%
$/BOE - Company	$ 60.97	$ 23.55	159%

During Q1 2014, natural gas prices increased by 68% and liquids prices were 9% higher while oil prices were 3% lower compared with Q1 2013. 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	April 1, 2014 to December 31, 2014	96.92	(180,390)
Crude oil fair value position			$ (180,390)

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

Revenue from oil and gas production, before royalties	Three months ended March 31		
	2014	2013	% Change
Oil	$ 766,325	$ 12,645	-
Natural Gas	250,295	96,981	158%
NGL's	31,082	16,395	90%
Royalties and other	15,173	21,646	-30%
	$ 1,062,875	$ 147,667	620%

Due to the asset acquisition, revenues from oil sales increased significantly for the three months ended March 31, 2014, compared with Q1 2013. Natural gas sales were also higher in the quarter, resulting from increased production and prices.

Royalty	Three months ended March 31		
	2014	2013	% Change
Crown	$ 30,523	$ (4,505)	778%
Freehold	173,843	5,638	2983%
Royalties	$ 204,366	$ 1,133	-
per BOE	$ 11.72	$ 0.20	-
Royalties as a percentage of revenue	19.2%	0.8%	

Total royalty expense for Q1 2014 increased over the comparative prior year period 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 March 31		
	2014	2013	% Change
Operating and transportation cost	$ 350,074	$ 93,168	276%
per BOE	$ 20.08	$ 16.81	19%

Total operating and transportation costs in Q1 2014 of $350,000 increased 276% compared with Q1 2013 due to increased production; however, the cost per BOE only increased 19% for the same period. Winter conditions contributed to a portion of the increase but primarily the increase resulted from a new group of properties acquired in Q4 2013 that have higher operating costs than the legacy properties of Forent.

Summary of operating netback	Three months ended March 31				
		2014		2013	% Change
Oil	$	766,325	$	12,645	-
Natural Gas		250,295		96,981	158%
NGL's		31,082		16,395	90%
Royalties and other		15,173		21,646	-30%
Total oil, gas, liquids & other revenue		1,062,875		147,667	620%
Royalties		(204,366)		(1,133)	-
Oil and gas revenue, net of royalties		858,509		146,534	486%
Operating expenses		(350,074)		(93,168)	-276%
Operating netback	$	508,435	$	53,366	853%
$/BOE					
Total Gas, Oil & Liquids	$	60.97	$	26.64	129%
Royalties	$	(11.72)	$	(0.20)	-
Operating expenses	$	(20.08)	$	(16.81)	-19%
Operating netback	$	29.17	$	9.63	203%

Operating netbacks during Q1 2014 reflect the impact of the oil weighted asset acquisition completed during the previous quarter. Production and revenues have increased considerably compared with the same quarter in the prior year and have resulted in an operating netback for the quarter of $29.17 per BOE compared with $9.63 per BOE in Q1 2013, when the Company was heavily gas weighted.

General and administrative	Three months ended March 31				
		2014		2013	% Change
Salaries & benefits	$	261,225	$	460,751	-43%
Office		91,011		109,701	-17%
Corporate		102,063		103,602	-1%
Gross expenses		454,299		674,054	-33%
Recovered from third parties		(28,079)		(24,434)	-15%
Capitalized		(122,875)		(109,411)	-12%
Net Overhead	$	303,345	$	540,209	-44%
per BOE	$	17.40	$	97.44	-82%

Corporate general and administrative expenses for Q1 2014 decreased compared with Q1 2013, primarily due a reduction of overall salary costs. In the prior year comparative quarter, the Company made a severance payment to one employee and paid the balance of deferred 2011 salaries to several staff.

In Q1 2014, total gross general and administrative costs before recoveries were down 33% 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 March 31		
	2014	2013	% Change
Bank loan - interest	$ 24,540	$ (15,369)	260%
Bank loan - fees	7,875	-	
Accretion of decommissioning liability	20,071	2,603	671%
Finance expense	$ 52,486	$ (12,766)	511%
per BOE	$ 3.01	$ (2.30)	231%

Finance expense for the three months ended March 31, 2014 was higher than the same quarter in the previous year as the Company had bank debt during the current quarter and a cash surplus during Q1 2013. 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 Q4 2013.

Depletion and depreciation	Three months ended March 31		
	2014	2013	% Change
Depletion and depreciation expense	$ 196,253	$ 46,697	320%
per BOE	$ 11.26	$ 8.42	34%

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 three months ended March 31, 2014, depletion and depreciation expense increased to $196,000 compared with $47,000 for Q1 2013.

LIQUIDITY AND CAPITAL RESOURCES

Forent incurred $281,000 of capital expenditures for the three months ended March 31, 2014 compared with $Nil Q1 2013. Capital expenditures were financed from working capital, funds flow from operations and a property dispositions. At March 31, 2014, Forent had net debt of $1.6 million compared with net debt of $1.9 million 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. A review is ongoing and is scheduled to be completed by May 31, 2014 – the Company expects the line to be renewed at $7.0 million.

At March 31, 2014, the Company had drawn $1.6 million of the loan facility (2013 – nil). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at March 31, 2014. 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 quarter year the Company completed the following transaction:

- In February 2014, the Company issued 7,077,500 common shares for gross proceeds of $591,000. Some of the common shares were issued on a flow-through basis and $124,000 in Canadian Exploration Expenditures will be renounced to the purchasers of the shares on December 31, 2014.

As of May 29, 2014, Forent had 188,643,215 common shares outstanding and 12,087,409 options outstanding to purchase 12,087,409 additional common shares.

SUBSEQUENT EVENT

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 8).

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 $60,000.

The Company is required to spend a further $454,000 in qualifying Canadian Exploration Expense (CEE) by December 31, 2014, as a result of a flow-through financing completed in December 2013. Note that

Forent qualifies, under CRA rules, to convert up to $1,000,000 of 2014 development spending (CDE) into CEE for flow through purposes.

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 three months ended March 31, 2014 and 2013, the Company had the following related party transactions recorded at the exchange amount.

The Company incurred $14,000 and $49,000 respectively, of operating costs relating to compressor rental fees, from a company controlled by a board member.

During the three months ended March 31, 2014 and 2013 the Company incurred $9,000 and $35,000 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.

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.

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 March 31, 2014.

BUSINESS OUTLOOK

Forent will begin an initial three well infill development drilling program at Twining immediately after local road bans have been lifted. This is the first significant step in our plan to increase our oil and associated gas production to over 300 BOEd by the end of 2014. Additional drilling of low risk, development wells within our current portfolio has the potential to far exceed that goal.

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

At Provost, oil production is restricted by the water handling capacity of the facilities. Forent has proposed an expansion of the water handling equipment at the battery to enable increased oil production. Once approvals have been obtained from our partners, we will proceed with equipment installation which will increase fluid handling capacity. The Company has identified a number of infill horizontal oil development locations that will be considered for drilling once the battery is capable of processing increased fluid volumes.

Forent continues to evaluate oil and natural gas acquisitions to provide additional per share growth opportunities for our Shareholders.

CONDENSED BALANCE SHEET

(Cdn $)	*Note*	**March 31, 2014 (unaudited)**	Dec 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 12,102**	$ 637,186
Accounts receivable	*6*	**1,078,957**	1,215,332
Prepaids and other assets		**95,045**	79,032
Exploration deposit	*8*	**175,600**	175,600
		1,361,704	2,107,150
Non-current assets			
Property, plant and equipment	*9*	**13,259,044**	13,173,946
Exploration and evaluation assets	*8*	**3,564,684**	3,475,784
		$ 18,185,432	$ 18,756,880
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*6*	**$ 1,120,897**	$ 1,051,012
Bank indebtedness	*4*	**1,589,190**	2,809,872
Derivative liabilities	*6*	**180,390**	94,938
Flow-through shares, deferred liability		**60,500**	60,500
		2,950,977	4,016,322
Non-current liabilities			
Decommission obligation	*10*	**3,023,670**	2,933,938
Deferred income tax liability		**174,011**	69,553
		6,148,658	7,019,813
SHAREHOLDERS' EQUITY			
Share capital	*7*	**24,459,495**	23,893,520
Contributed surplus		**3,289,772**	3,194,051
Deficit		**(15,712,493)**	(15,350,504)
		12,036,774	11,737,067
		$ 18,185,432	$ 18,756,880

Commitments and subsequent events (note 12, 15)

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

CONDENSED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Cdn $ except per share amounts, unaudited)	*Note*	Three months ended March 31 **2014**	2013
Revenues			
Petroleum and natural gas sales, net of royalties	*14*	**$ 858,509**	$ 146,534
Expenses			
Operating		**350,074**	93,168
General and administrative	*14*	**303,345**	540,209
Share based compensation	*11*	**72,303**	(13,895)
Finance expense (income)	*14*	**52,486**	(12,766)
Loss on derivatives	*6*	**139,063**	-
Exploration and evaluation expense		**-**	1,625
Depletion and depreciation	*9*	**196,253**	46,697
		1,113,524	655,038
Loss before income taxes		**(255,015)**	(508,504)
Deferred tax recovery (expense)		**(106,974)**	40,053
Loss from continuing operations		**(361,989)**	(468,451)
Income from discontinued operations		**-**	2,864,283
Net income (loss) and comprehensive income (loss)		**$ (361,989)**	$ 2,395,832
Income (loss) per share, basic and diluted:			
From continuing operations		**$ -**	$ -
From discontinued operations		**$ -**	$ 0.02
	11	**$ -**	$ 0.02

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

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Three months ended March 31	
(Cdn $, unaudited)	*Note*	**2014**	2013
Share Capital			
Balance, beginning of period		**$ 23,893,520**	$ 20,975,549
Common shares issued pursuant to subscription receipts		**591,000**	1,500,000
Share issue costs, net of deferred tax		**(25,025)**	(12,669)
Balance, end of period		**$ 24,459,495**	$ 22,462,880
Contributed surplus			
Balance, beginning of period		**$ 3,194,051**	$ 3,081,226
Share-based payments for awards granted		**95,721**	(22,289)
Balance, end of period		**$ 3,289,772**	$ 3,058,937
Warrants			
Balance, beginning of period		**$ -**	$ 71,284
Issue of warrants		**-**	-
Expiry of warrants		**-**	-
Balance, end of period		**$ -**	$ 71,284
Deficit			
Balance, beginning of period		**$ (15,350,504)**	$ (14,250,561)
Net loss and comprehensive loss		**(361,989)**	2,395,832
Balance, end of period		**$ (15,712,493)**	$ (11,854,729)

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

CONDENSED STATEMENT OF CASH FLOWS

		Three months ended March 31	
(Cdn $, unaudited)	*Note*	**2014**	2013
Cash provided by (Used in):			
OPERATING ACTIVITIES			
Loss from continuing operations		**$ (361,989)**	$ (468,451)
Adjustments for items not involving cash:			
Share based compensation		**72,303**	(13,895)
Finance expense (income), accretion portion reversed		**27,946**	2,604
Loss on derivatives, unrealized		**108,259**	-
Exploration and evaluation expense	*8*	**-**	1,625
Depletion and depreciation		**196,253**	46,697
Deferred tax expense (recovery)		**106,974**	(40,053)
Change in non-cash working capital	*14*	**249,165**	(45,860)
		398,911	(517,333)
FINANCING			
Decrease in bank indebtedness		**(1,220,682)**	-
Share capital issued for cash, net of issue costs		**567,876**	1,482,598
		(652,806)	1,482,598
INVESTING			
Expenditures on property and equipment	*9*	**(201,668)**	912
Expenditures on exploration and evaluation assets	*8*	**(75,504)**	(181,765)
Change in non-cash working capital	*14*	**(94,017)**	(607,308)
		(371,189)	(788,161)
Cash from discontinued operations		**-**	5,352,664
CHANGE IN CASH		**$ (625,084)**	$ 5,529,768
Cash, beginning of period		**637,186**	152,052
CASH, END OF PERIOD		**$ 12,102**	$ 5,681,820

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

NOTES TO FINANCIAL STATEMENTS

For the three months ended March 31, 2014 and 2013, unaudited.

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, Provost 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") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The Company has applied the same accounting policies throughout all periods presented as those disclosed in the notes to the audited financial statements for the year ended December 31, 2013, except as identified in note 3. Certain disclosures included in the notes to the audited annual financial statements have been condensed in the note disclosures that follow or are disclosed on an annual basis only.

These condensed interim financial statements should only be read in conjunction with the annual financial statements for the year ended December 31, 2013. These financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2013. They are presented in Canadian dollars, which is the Company's functional currency.

The three months ended March 31, 2014, have not been audited nor reviewed by the Company's auditor.

These financial statements were approved and authorized for issue by the Board of Directors on May 29, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these condensed interim financial statements are consistent with those of the previous year.

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 March 31, 2014, the Company had drawn $1.6 million of the loan facility (2013 – nil). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at March 31, 2014. The loan facility is charged interest at prime plus 1.6% per annum. The Company had no outstanding letters of credit at March 31, 2014 (2013 – 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.

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 9).

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 9).

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 9).

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 9).

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	April 1, 2014 to December 31, 2014	96.92	(180,390)
Crude oil fair value position			$ (180,390)

[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 March 31, 2014, a $5.00 increase in the 2014 forward price strip for WTI would result in an additional liability of approximately $69,000. A $5.00 decrease in the forward price strip would result in a $69,000 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 $392,000 (2013 – $174,000) 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's trade receivable balance at March 31, 2014, was approximately $481,000 (2013 – $288,000).

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 Q1 2014 by approximately $6,000 (2013 – 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 Q1 2014, the Company completed one equity financing raising $591,000.

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

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,120,897	$ -	$ -
Bank indebtedness	1,589,190		
Derivative liabilities	180,390		
Flow-through shares, deferred liability	60,500	-	-
	$ 2,950,977	$ -	$ -

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	Three months ended March 31	
(*Cdn*$, except for years)	**2014**	2013
Current liabilities	$ 2,950,977	$ 629,013
Less current assets	(1,361,704)	(6,134,892)
Net debt (surplus)[(1)]	1,589,273	(5,505,879)
Annualized funds flow[(2)]	$ 598,984	$ (1,885,892)
Years estimated to repay net debt	2.65	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. EXPLORATION AND EVALUATION ASSETS

Balance December 31, 2012	$	8,915,570
Additions		709,527
Exploration and evaluation expense		(6,149,313)
Balance, December 31, 2013	$	3,475,784
Additions		88,900
Exploration and evaluation expense		-
Balance, March 31, 2014	**$**	**3,564,684**

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.

During Q1 2014, $86,000 (2013 - $213,000) 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 March 31, 2014, 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.

9. PROPERTY, PLANT AND EQUIPMENT

Cost:		Oil & gas properties		Office equipment		Total
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
Additions from continuing operations		210,992		698		211,690
Acquisitions		-		-		-
Changes in decommisioning provision		69,661		-		69,661
Balance, March 31, 2014	**$**	**19,002,895**	**$**	**92,928**	**$**	**19,095,823**

Accumulated depletion, depreciation and impairment losses						
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
Depletion and depreciation, continuing operations		194,817		1,436		196,253
Balance, March 31, 2014	**$**	**5,755,440**	**$**	**81,339**	**$**	**5,836,779**

Net carrying value:						
At December 31, 2013	$	13,161,619	$	12,327	$	13,173,946
Balance, March 31, 2014	**$**	**13,247,455**	**$**	**11,589**	**$**	**13,259,044**

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 March 31, 2014, future costs were $9.16 million (2013 - $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 Q1 2014 nor Q1 2013. 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.

During Q1 2014, $20,000 (2013 - $nil) was capitalized to property, plant and equipment for related overhead expenses.

10. 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 $3.2 million at March 31, 2014 ($794,000 million – March 31, 2013), 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 1.69% to 2.96%. The estimated inflation rate was 2.00% (2.08% – March 31, 2013).

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.

Changes to the decommisioning provision are:		**Period ended March 31, 2014**		Year ended December 31, 2013
Decommissioning provision, beginning of period	**$**	**2,933,938**	$	565,775
Liabilities incurred		**-**		-
Liabilities settled		**-**		(44,455)
Liabilities acquired from acquisitions		**-**		1,359,917
Effect of change in risk free rate(1)		**42,850**		919,965
Revisions in estimated cash outflows		**26,811**		104,294
Accretion expense		**20,071**		28,442
Decommissioning provision, end of period	**$**	**3,023,670**	$	2,933,938

(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.

11. 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, 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 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
Common shares issued pursuant to private placements	7,077,500		591,000
Share issue costs, net of deferred tax	-		(25,025)
Balance, December 31, 2013	**188,643,215**	**$**	**24,459,495**

The Company issued 10,000,000 common shares to an oil and gas company through the acquisition of certain properties. The acquisition closed on October 4, 2013.

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.

In February 2014, the Company issued 7,077,500 common shares for gross proceeds of $591,000.

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 March 31, 2014, there are a total of 13,502,409 options granted and outstanding under the Share Option Plan with a weighted average exercise price of $0.18 per share. A total of 10,700,743 options with a weighted average exercise price of $0.20 are exercisable at March 31, 2014.

	March 31, 2014		December 31, 2013	
Stock Options	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	11,208,335	$ 0.20	12,662,502	$ 0.21
Granted	2,420,000	$ 0.10	1,250,000	$ 0.10
Cancelled	(125,926)	$ 0.16	(2,704,167)	$ 0.22
Outstanding, end of period	13,502,409	$ 0.18	11,208,335	$ 0.20
Options exercisable, end of period	10,700,743	$ 0.20	8,925,000	$ 0.21

Exercise price	Outstanding Mar 31, 2014	Remaining (years)	Exercisable Mar 31, 2014
$0.10 - $0.19	5,735,000	4.11	2,933,334
$0.20 - $0.29	6,949,077	1.90	6,949,077
$0.30 - $0.39	795,000	1.05	795,000
$0.40 - $0.49	-	-	-
$0.50 - $0.59	23,332	2.75	23,332
	13,502,409	-	10,700,743

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
2013	1.31	4.5	10.00%	1.19	$ 0.04
2014	1.40	4.5	10.00%	1.21	$ 0.09

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 three months ended March 31, 2014 of $96,000 (2013 – CR $14,000). 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 2012. All warrants have now expired.

	March 31, 2014		December 31, 2013	
Warrants	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	2,142,449	$ 0.20
Granted	-	$ -	-	$ -
Expired	-	$ -	(2,142,449)	$ 0.20
Outstanding, end of period	-	$ -	-	$ -

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	Three months ended March 31 **2014**	2013
Weighted average shares outstanding	186,362,687	148,515,715
Dilutive effect of stock options	5,453	-
Diluted weighted average shares outstanding	186,368,140	148,515,715

12. 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 $60,000.

As a result of a flow-through financing undertaken in December 2013, the Company is required to spend an additional $454,000 in qualifying Canadian Exploration Expense (CEE) by December 31, 2014.

13. RELATED PARTY TRANSACTIONS

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

During the three months ended March 31, 2014 and 2013, the Company had the following related party transactions recorded at the exchange amount.

The Company incurred $14,000 and $49,000 respectively, of operating costs relating to compressor rental fees, from a company controlled by a board member.

During the three months ended March 31, 2014 and 2013 the Company incurred $9,000 and $35,000 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.

14. SUPPLEMENTAL INFORMATION

Supplemental Cash Flow Information	Three months ended March 31			
(Cdn $)		**2014**		2013
Interest and bank fees paid during the period	**$**	**24,540**	$	-
Taxes paid during the period	**$**	**-**	$	-
Changes in non-cash working capital balances				
Accounts receivable	**$**	**136,375**	$	(13,689)
Prepaid expenses		**(16,013)**		(2,146)
Exploration deposit		**-**		-
Accounts payable and accrued liabilities		**69,885**		(693,673)
Other		**(35,099)**		56,340
	$	**155,148**	$	(653,168)
Changes in non-cash working capital balances				
Operating activity	**$**	**249,165**	$	(45,860)
Investing activity		**(94,017)**		(607,308)
	$	**155,148**	$	(653,168)

Expenses by nature:

General and administrative	Three months ended March 31	
	2014	2013
Salaries & benefits	**$ 261,225**	$ 460,751
Office	**91,011**	109,701
Corporate	**102,063**	103,602
Gross expenses	**454,299**	674,054
Recovered from third parties	**(28,079)**	(24,434)
Capitalized	**(122,875)**	(109,411)
Net Overhead	**$ 303,345**	$ 540,209

Finance expense	Three months ended March 31	
	2014	2013
Bank loan - interest	**$ 24,540**	$ (15,369)
Bank loan - fees	**7,875**	-
Accretion of ARO	**20,071**	2,603
Finance expense	**$ 52,486**	$ (12,766)

Revenue from oil and gas production, after royalties	Three months ended March 31	
	2014	2013
Oil	$ 766,325	$ 12,645
Natural Gas	250,295	96,981
NGL's	31,082	16,395
Royalties and other	15,173	21,646
	1,062,875	147,667
Crown	(30,523)	4,505
Freehold	(173,843)	(5,638)
Royalties	(204,366)	(1,133)
	$ 858,509	$ 146,534

15. SUBSEQUENT EVENT

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 8).

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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AUDITORS

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Chartered Accountants
Calgary, AB

BANKERS

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”