



2014 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, Provost and Wayne. The majority of Forent's production and revenue is generated from these properties.

CORPORATE SUMMARY

HIGHLIGHTS

	Three months ended December 31			Year ended December 31		
	2014	2013	% Change	2014	2013	% Change
Financial (\$'s, except as indicated)						
Petroleum and natural gas sales, net of royalties	903,274	755,018	20%	3,504,902	1,125,704	211%
Funds (out)flow ⁽¹⁾	(129,354)	(128,627)	-1%	131,725	(1,088,211)	112%
per share, basic and diluted	-	-		-	(0.01)	100%
Net loss, from continuing operations	(327,726)	(4,085,817)	92%	(867,117)	(3,967,758)	78%
per share, basic and diluted	-	(0.02)	100%	-	-	
Capital expenditures	1,481,389	12,578,281	-88%	5,994,302	12,595,919	-52%
Net debt ⁽²⁾	5,845,148	1,909,172	206%	5,845,148	1,909,172	206%
Shares outstanding (millions)	188.64	181.57	4%	188.64	181.57	4%
Operations						
Production						
Oil & Liquids (Bopd)	154	121	27%	126	34	271%
Gas (Mcf)	580	496	17%	503	371	36%
BOEd (6 Mcf = 1 Bbl)	251	204	23%	210	96	119%
Product Prices						
Oil (\$/Bbl)	62.58	\$67.60	-7%	78.04	62.66	25%
Gas (\$/Mcf)	3.98	\$3.62	10%	4.66	3.25	43%
\$ BOE	\$ 47.61	\$49.71	-4%	57.63	35.81	61%
Reserves (proved plus probable, forecast costs and prices)						
Gas (MMcf)				2,354.1	2,054.2	15%
Oil (Mbbbl)				1,223.5	1,227.2	0%
MBOE				1,615.9	1,569.6	3%
Net present value of future net revenue, before tax, of 2P reserves, discounted at 10% (\$ millions) See "Oil and Gas Reserves"				\$ 22.8	\$ 21.4	7%

⁽¹⁾ Funds flow from operations is a non-GAAP measure that represents 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 is a non-GAAP measure which is the aggregate of bank indebtedness, accounts payable and accrued liabilities, less accounts receivables, deposits and prepaids.

2014 HIGHLIGHTS

2014 was a significant year in the evolution of Forent Energy as the Company increased oil & gas production to our highest levels to date by drilling 3 infill wells at Twining. Forent also drilled the first Second White Specked Shale well in Montgomery targeting a naturally fractured reservoir, and concluded its acquisition efforts to amass a significant land holding in an emerging oil play in the Heathdale area of Alberta.

FINANCIAL

Forent's revenues, net of royalties, for the three months ended December 31, 2014 increased to \$903,000 compared with \$755,000 in the prior year quarter. For 2014, revenues increased to \$3.5 million compared with \$1.1 million in 2013. Q4 2014 funds outflow from operations was a negative \$129,000 compared with negative \$129,000 in Q4 2013. Funds flow for 2014 was \$132,000 compared with funds outflow of \$1.1 million in 2013.

Capital spending during the fourth quarter and year-to-date was \$1.5 million and \$6.0 million respectively. The majority of the costs for the year were to drill, complete and tie-in three wells at Twining, conduct a workover at Wayne, change out a water disposal pump at Provost and mineral rights acquisitions in the Heathdale area.

Forent's net debt (calculated as current liabilities less current assets) at December 31, 2014, was \$5.8 million compared with net debt of \$1.9 million at the beginning of the year. The Company has access to a credit facility of \$7.0 million (scheduled for review in May 2015) of which \$6.0 million was drawn at the end of 2014.

PRODUCTION

Forent's oil and natural gas sales during Q4 2014 averaged 251 BOEd compared with 204 BOEd in Q4 2013. For 2014, oil and gas sales averaged 210 BOEd vs 96 BOEd in 2013. The Company drilled three oil wells in the second and third quarters of 2014 which contributed to the overall production increase during 2014.

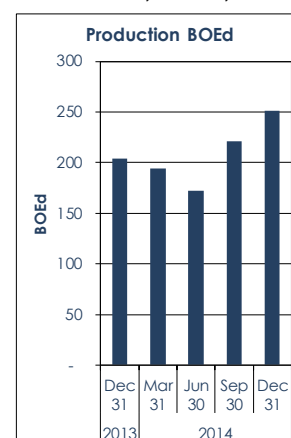
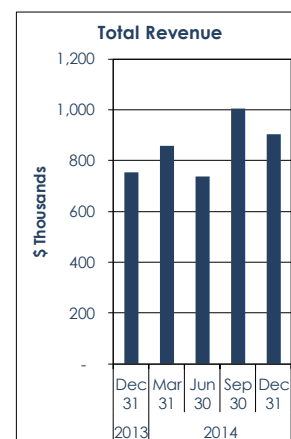
OPERATIONS

Forent drilled three wells on the Twining field during the second quarter. During the third quarter the wells were completed and tied-in for production. Field optimization efforts were conducted on the new 05-26 well to seal off a lower interval that was producing excess water, resulting in significantly decreased water production and associated handling costs.

In the Provost area, Forent's oil production was restricted in the third quarter due to a failing water disposal pump. The pump has subsequently been replaced, resulting in a 20% increase in water disposal capacity.

ONGOING EXPLORATION

At Montgomery, our joint venture partner drilled and cased the 14-12-012-09W4 well in March of last year. Prior to casing the well, an ultrasonic imaging log was run over the Second White Speckled Shale Formation (2WS) interval. This log indicated multiple fractures in the 2WS interval equivalent to the producing zone in the offsetting 06-06-012-08W4 well. Completion of the 14-12 well indicated the 2WS interval had been significantly depleted through production from the offsetting 06-06 well. Although the 14-12 well will not be commercially productive, it does validate the fractured shale model and proves



that our proprietary 3-D seismic data can identify and target areas of natural fracturing that possess enhanced permeability.

Forent has identified four separate naturally fractured trends at Montgomery. One of these trends has been drained by the 06-06 well which produced over 1.5 million barrels of light sweet crude. Based on our proprietary 3D seismic, we have identified twelve vertical drilling locations along the remaining three undrilled trends.

Forent's joint venture partner did not elect to drill an additional option well and their ability to continue to earn additional lands has now expired. We are actively seeking a potential partner to drill the next exploration well at Montgomery.

At Heathdale, Forent now holds a 100% working interest in 54.0 sections of land with mostly P&NG rights from surface to basement and an additional 19.5 sections of land of varying working interests. The area has shallow multi-zone oil and natural gas potential in multiple formations. The Company has identified two locations on its land, targeting bypassed oil pay in each of the Glauconitic and the Detrital formations with multi-well follow-up potential. Forent has mapped eight sections of land with infill horizontal drilling potential for the Detrital prospect and four sections of land for Glauconitic potential.

OUTLOOK

At Twining, additional oil and natural gas production from three new wells have provided incremental funds flow and have strengthened the Company's asset base. These wells were all drilled in the same reservoir but had varied results. The best wells are 05-26 and 12-26-025-32W4M, located adjacent to our operated battery.

Offsetting horizontal well production in the Pekisko formation is providing superior production rates to vertical wells. Forent is now examining a horizontal well program at Twining as the next phase to the development of this property.

At Wayne, based on offsetting horizontal well success, Forent has identified three (two net) horizontal development wells on held lands. We anticipate firming up plans with our 50% working interest partner for a horizontal development well once commodity prices reach higher levels to provide adequate rates of return.

Within Forent's southeastern Alberta core area, during the third quarter we purchased an additional six sections of mineral rights and have now acquired more than a Township of contiguous petroleum and natural gas mineral rights at Crown land sales over the last year. These lands have multi-zone potential for oil and natural gas from relatively shallow horizons (less than 1,300 metres).

With the recent decline in oil prices the Company is reevaluating the timing of its capital deployment program. The initial development phase of our Twining property was the first step in our plan to materially increase oil and associated gas production during 2014. Within our portfolio we have several additional low risk exploitation opportunities. The recent commodity price shift has provided Forent with an opportunity to actively pursue its mandate of growth through asset acquisitions and corporate mergers.

On behalf of the Board,

"Signed"

Richard Wade
President and Chief Executive Officer

April 29, 2015

OIL AND GAS RESERVES

An independent evaluation of the Company's oil and gas reserves, conducted by McDaniel & Associates Consultants Ltd. dated February 18, 2015 and effective December 31, 2014 (the "McDaniel Report") has assigned proved plus probable reserves of 1,615.9 MBOE (76% 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 \$22.8 million, compared with \$21.4 million at December 31, 2013. Such estimates does not represent the fair market value of the reserves or the future net revenue attributable thereto.

The increase in reserves in 2014 resulted primarily from the drilling of three wells at the Company's Twining property during 2014.

Forecast Prices and Costs										
Summary of Total Company Reserves, Dec. 31, 2014	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids		Total BOE	
	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBOE)	Net (MBOE)
Reserves Category										
Proved										
Producing	496.7	361.1	53.4	52.1	1,244.8	1,133.2	27.3	19.5	784.9	621.6
Non-producing	0.3	0.2	-	-	76.2	66.9	0.8	0.5	13.8	11.9
Undeveloped	165.0	121.8	105.5	96.0	174.0	132.3	9.3	7.5	308.8	247.4
Total Proved	662.0	483.1	158.9	148.1	1,495.0	1,332.4	37.4	27.5	1,107.5	880.9
Probable	151.5	110.5	201.7	178.4	859.1	736.8	12.0	8.5	508.4	420.2
Total Proved Plus Probable	813.5	593.6	360.6	326.5	2,354.1	2,069.2	49.4	36.0	1,615.9	1,301.1

Net Present Values of Future Net Revenue

(based on forecast prices and cost assumptions)

As at December 31, 2014	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	23.4	15.3	11.3	9.0	7.5	21.8	14.8	11.1	8.9	7.5
Non-producing	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1	-	-
Undeveloped	8.3	6.0	4.4	3.2	2.3	6.2	4.6	3.5	2.5	1.8
Total Proved	31.8	21.4	15.8	12.3	9.8	28.1	19.5	14.7	11.4	9.3
Probable	20.1	11.1	7.0	4.8	3.5	15.1	8.3	5.3	3.6	2.6
Total Proved Plus Probable	51.9	32.5	22.8	17.1	13.3	43.2	27.8	20.0	15.0	11.9

Company Gross ⁽¹⁾ Reserves (Before Royalty)

Comparison of Reserves as at December 31, 2014 and 2013

Forecast Prices and Costs

	Oil and Natural Gas Liquids			Natural Gas			BOE (6:1)			Btax NPV ₁₀ ⁽²⁾		
	Gross Proved			Gross Proved			Gross Proved			Gross Proved		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Plus Probable (Mbbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Plus Probable (Mboe)	Gross Proved (MM\$)	Gross Probable (MM\$)	Plus Probable (MM\$)
December 31, 2013	876.8	350.4	1,227.2	1,226	829	2,055	1,081.1	488.6	1,569.7	15.2	6.2	21.4
December 31, 2014	858.3	365.2	1,223.5	1,495	859	2,354.0	1,107.5	508.4	1,615.9	15.8	7.0	22.8
Change	(18.5)	14.8	(3.7)	269	30	299	26.4	19.8	46.2	0.6	0.8	1.4
% increase							2%	4%	3%	4%	13%	7%

(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 Pricing and Inflation Rate Assumptions

Forecast Prices and Costs

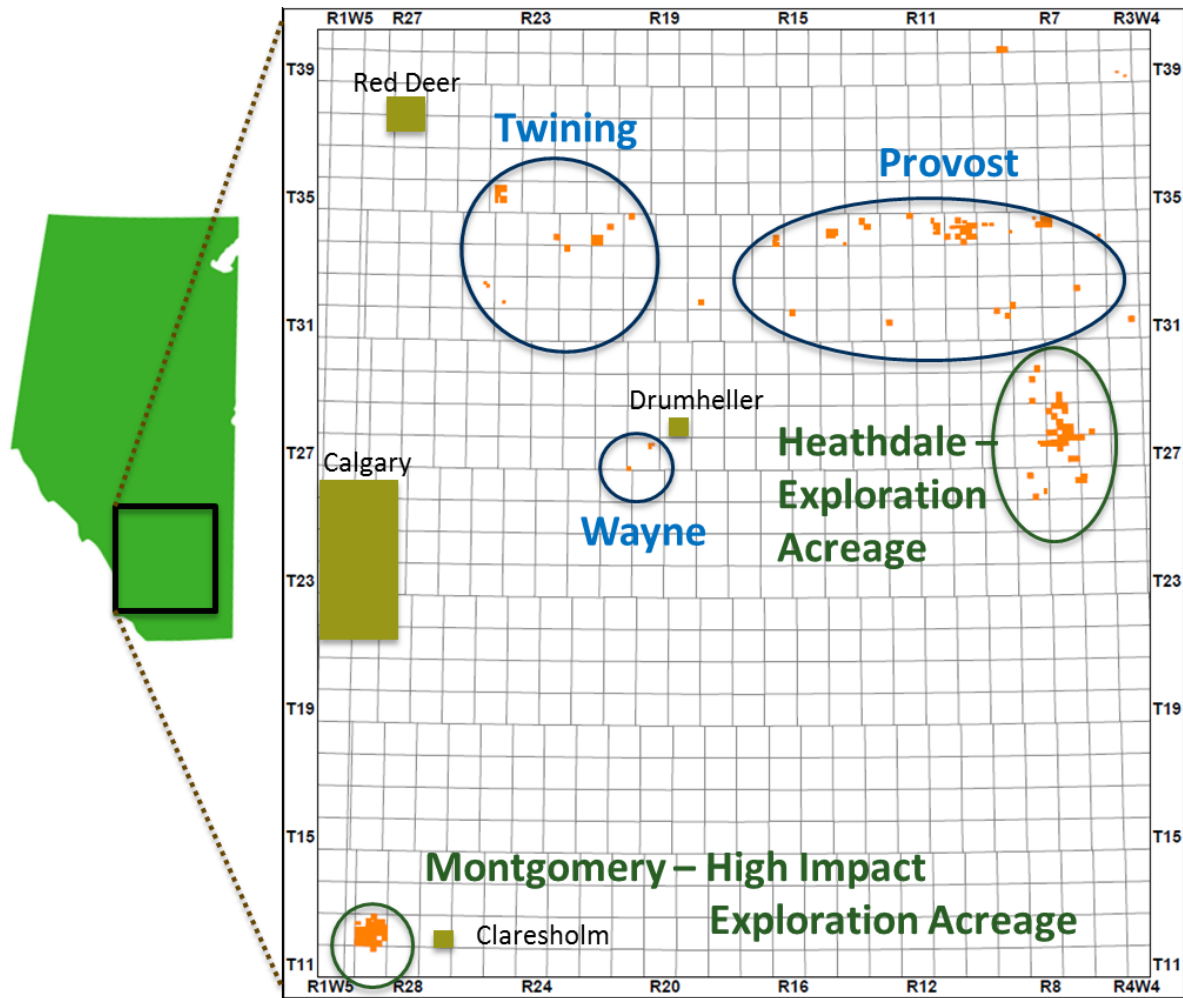
As of December 31, 2014

Year	Inflation Rate %/Yr.	Exchange Rate \$US/\$CAN	Oil		Natural Gas		NGLs	
			WTI	Edmonton	Western	AECO Gas Price (\$Cdn/MMbtu)	Edmonton Par Butane (\$Cdn/bbl)	Price Condensate (\$Cdn/bbl)
			Cushing	Light	Canada			
			Oklahoma	Par Price	select			
Year	%/Yr.	\$US/\$CAN	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/MMbtu)	(\$Cdn/bbl)	(\$Cdn/bbl)
Historical								
2012	2.0%	1.000	94.20	86.10	73.08	2.45	69.55	100.80
2013	2.0%	0.971	97.95	93.05	75.25	3.20	69.40	104.65
2014	2.0%	0.905	93.05	93.95	78.45	4.40	68.80	102.50
Forecast								
2015	2.0%	0.860	65.00	68.60	57.60	3.50	52.80	72.60
2016	2.0%	0.860	75.00	83.20	69.90	4.00	67.00	87.30
2017	2.0%	0.860	80.00	88.90	74.70	4.25	71.60	93.10
2018	2.0%	0.860	84.90	94.60	79.50	4.50	76.20	98.80
2019	2.0%	0.860	89.30	99.60	83.70	4.70	80.30	103.90
2020	2.0%	0.860	93.80	104.70	87.90	5.00	84.40	109.10
2021	2.0%	0.860	95.70	106.90	89.80	5.30	86.10	111.40
2022	2.0%	0.860	97.60	109.00	91.60	5.50	87.80	113.60
2023	2.0%	0.860	99.60	111.20	93.40	5.70	89.60	115.90
2024	2.0%	0.860	101.60	113.50	95.30	5.90	91.50	118.30
2025	2.0%	0.860	103.60	115.70	97.20	6.00	93.20	120.60
2026	2.0%	0.860	105.70	118.00	99.10	6.10	95.10	123.00
2027	2.0%	0.860	107.80	120.40	101.10	6.25	97.00	125.50
2028	2.0%	0.860	110.00	122.80	103.20	6.35	99.00	128.00
2029	2.0%	0.860	112.20	125.30	105.30	6.50	101.00	130.60
After	+2%/yr	0.860	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr

OPERATIONS REVIEW

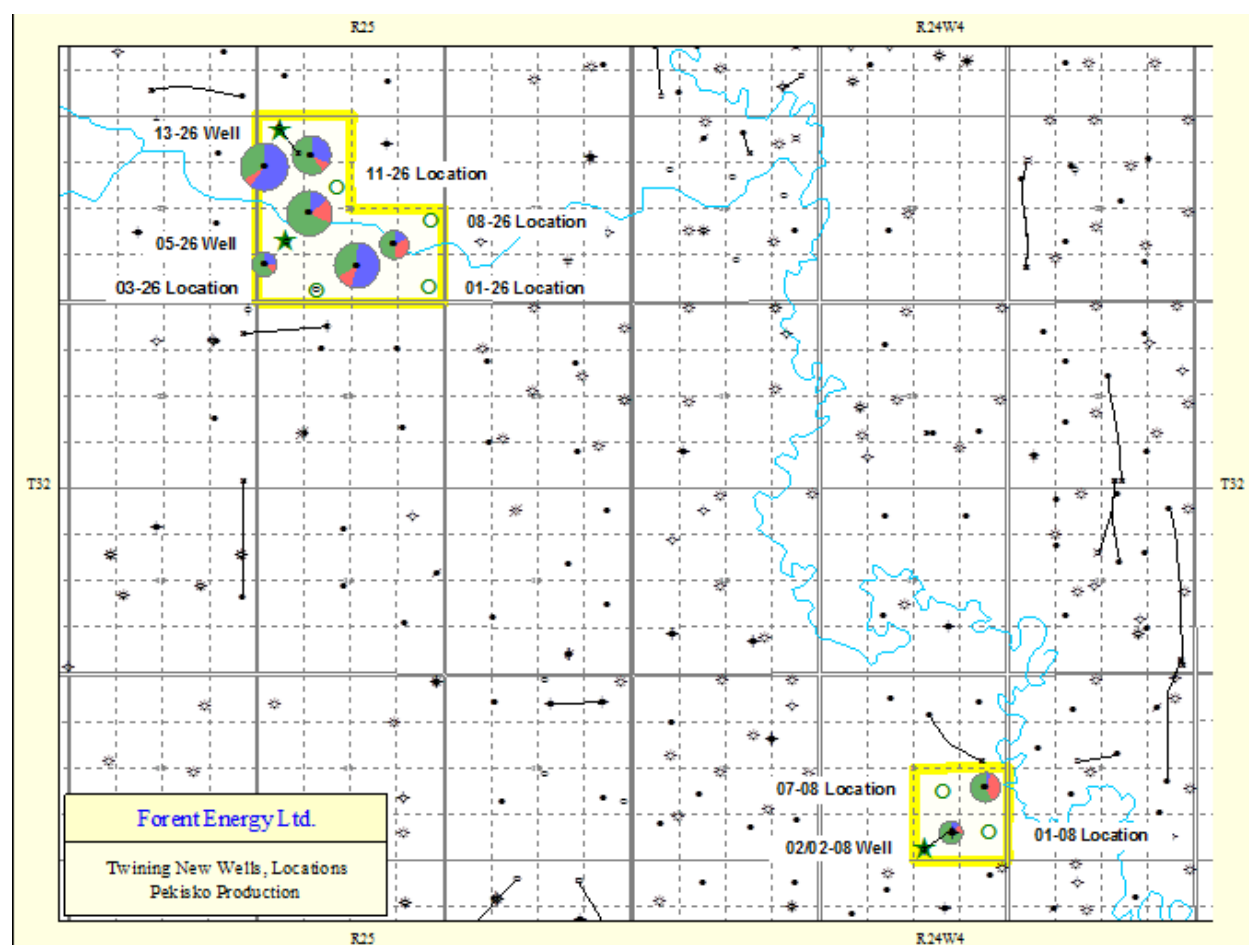
The Twining, Provost and Wayne properties were acquired in Q4 2013. These properties can be described as low decline, long life assets that are the focus of the Company's operations.

OPERATIONAL AREAS



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

During 2014, Forent was successful in obtaining down spacing approval from the AER which allows for up to eight infill opportunities. Forent drilled three infill vertical wells on the Twining property during Q2/Q3 2014 (see the solid stars on map below).



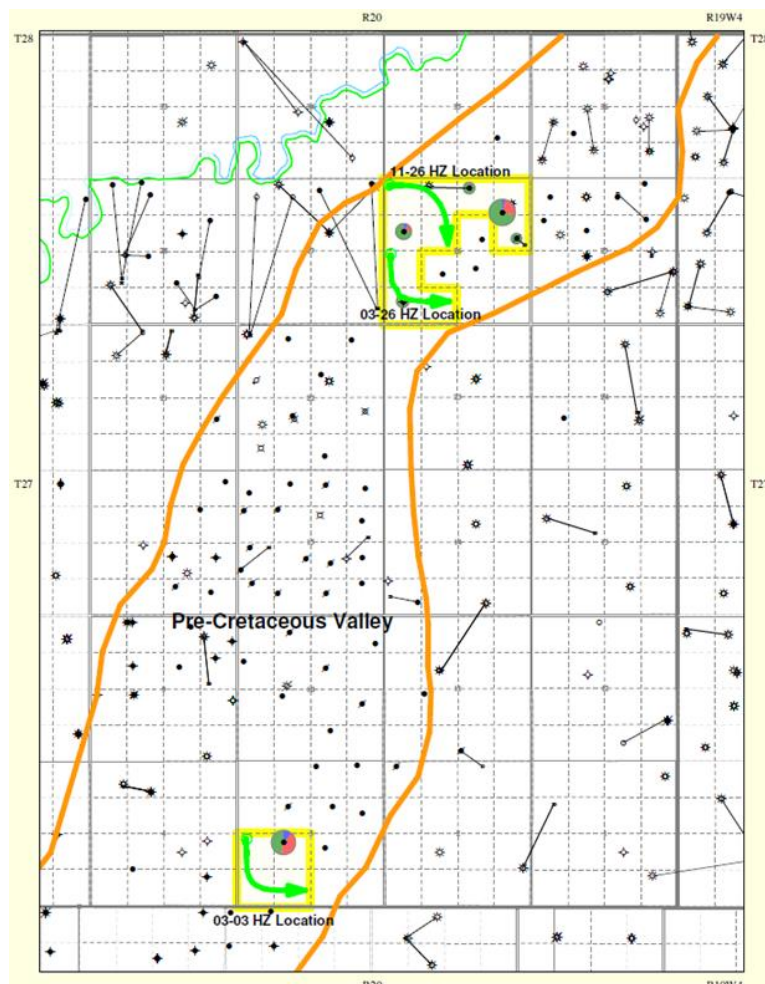
Two of the three wells drilled exhibited excellent initial inflow upon completion and significant remaining reservoir pressure. The third well drilled exhibited reduced initial inflow as compared with the other two wells, and subsequent reservoir pressure analysis indicates a more advanced stage of depletion. All wells have now stabilized in their production profiles and are anticipated to exhibit the same predictable, low decline as the offsetting wells.

Twining	Oil and NGLs	Natural Gas
Reserves		
Proved producing	342.2 MBbl	358.3 MMcf
Proved undeveloped	93.1 MBbl	87.8 MMcf
Probable	102.7 MBbl	284.9 MMcf
Total proved plus probable	538.0 MBbl	731.0 MMcf
Q4 2014 average production	75.0 Bopd	98.0 Mcfd

Twining Proved plus Probable reserves totalled 660 MBOE, (40.8% of Total Company Reserves)

**Wayne, Alberta - Working Interest
50% / 100%, approximate 31° API oil**

During 2014, Forent was successful in obtaining down spacing approval from the AER which allows for up to nine infill vertical drilling locations or three deviated wells. Recent success by offsetting operators indicates horizontal wells appear to be economically superior to vertical wells. Forent hopes to be able to firm up drilling plans with our working interest partner for up to three new horizontal wells on joint and 100% interest lands in conjunction with increasing commodity pricing.

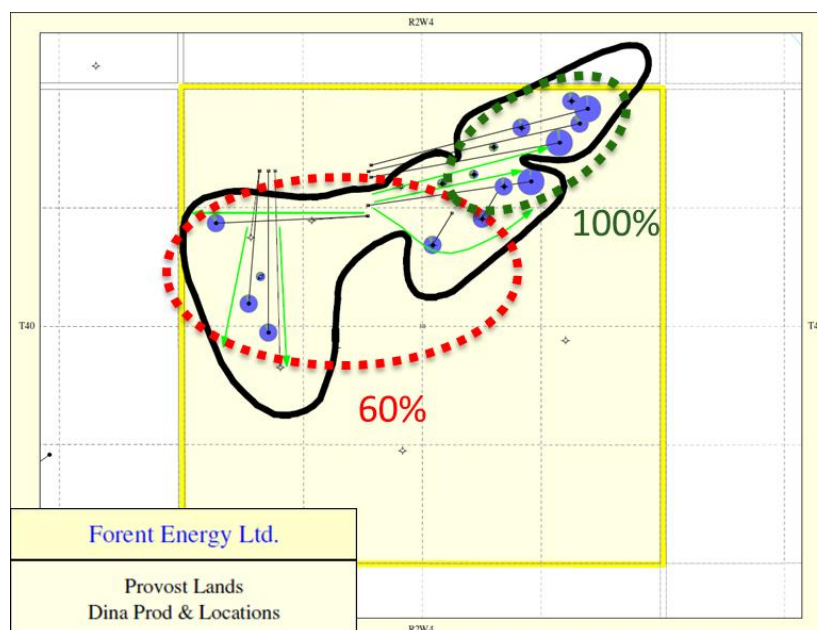


Wayne	Oil and NGLs	Natural Gas
Reserves		
Proved producing	167.9 MBbl	171.6 MMcf
Proved undeveloped	81.3 MBbl	86.3 MMcf
Probable	56.9 MBbl	58.3 MMcf
Total proved plus probable	306.1 MBbl	316.2 MMcf
Q4 2014 average production	33.0 Bopd	29.0 Mcfd

Wayne Proved plus Probable reserves totalled 359 MBOE, (22.2% 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 oil development locations. Currently the production at Provost is restricted by water handling capacity. Forent has proposed to our working interest partner an expansion of water handling capabilities at the battery to facilitate increased oil production. Once partner approval has been obtained, Forent will proceed with equipment installation.



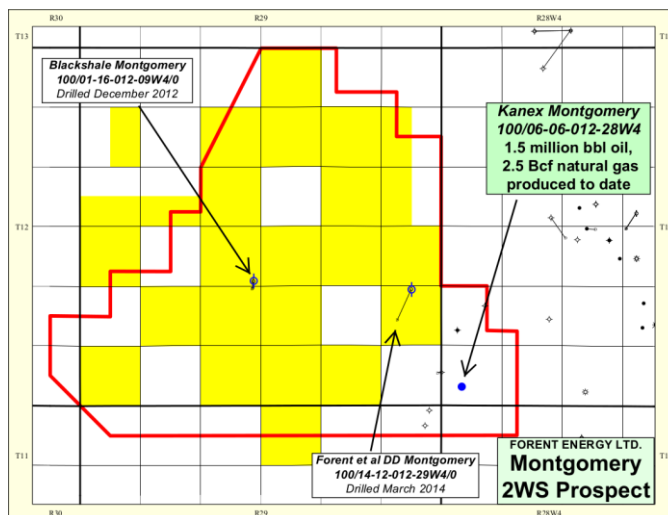
Provost	Oil and NGLs	Natural Gas
Reserves		
Proved producing	61.6 MBbl	22.3 MMcf
Proved undeveloped	105.5 MBbl	- MMcf
Probable	204.4 MBbl	1.4 MMcf
Total proved plus probable	371.5 MBbl	23.7 MMcf
Q4 2014 average production	41.0 Bopd	13.0 Mcfd

Provost Proved plus Probable reserves totalled 375 MBOE, (23.2% of Total Company Reserves)

MONTGOMERY

At Montgomery, Forent has integrated the 2WS geology with its proprietary 3D seismic to generate a fractured shale 2WS exploration model. In addition to faulting, seismic has indicated a number of structural hinges exist, which have been identified as areas of fracturing.

It is believed that this fracturing is responsible for the superior performance of the 06-06 well. This model was validated through the drilling results of the 01-16 and the 14-12-012-29W4M exploration wells.

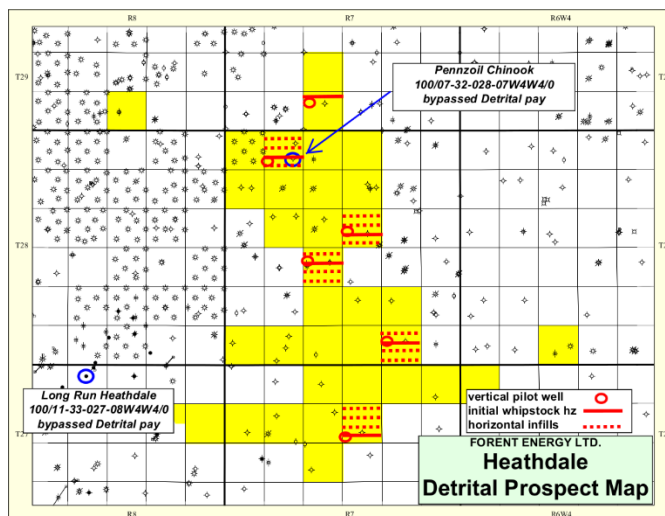


Forent has identified four separate naturally fractured trends at Montgomery. The completion results of the 14-12 well indicate one of these trends was drained by the 06-06 well which produced over 1.5 million barrels of light sweet crude. The remaining three trends are undrilled and the Company has identified twelve analogue locations with similar geophysical characteristics as the 06-06 well.

HEATHDALE

Forent holds a 100% working interest in 54 sections of land in the Heathdale area, holding the P&NG rights from surface to basement, as well as an additional 19.5 sections of land with varying working interests.

The area has shallow multi-zone oil potential in the Banff, Detrital, Glauconitic Sandstone and Lithic Mannville Channels, and natural gas potential in the Colony, Viking, 2WS and Belly River Formations.



Recent drilling activity at Heathdale has focused on horizontal wells in the Glauconitic and Detrital Formations. The Company has identified two locations on its land, targeting bypassed oil pay in each of the Glauconitic and the Detrital formations with multi-well follow-up potential. Forent has mapped eight sections of land with infill horizontal drilling potential for the Detrital prospect and four sections of land for Glauconitic potential.

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 2015; 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

Dated as of April 29, 2015

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, 2014, as well as the audited financial statements and MD&A for the year ended December 31, 2013.

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, 2014, have not been audited nor reviewed by the Company's auditor.

IFRS

The audited financial statements for the year ended December 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 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 "net 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:

	Year ended December 31	
(Cdn \$)	2014	2013
Cash provided by (Used in) operating activities	578,315	(1,664,747)
Expenditures on abandonments and reclamation	-	106,362
Change in non-cash working capital	(446,590)	470,174
FUNDS (OUT)FLOW	131,725	(1,088,211)

Net debt (surplus) is reconciled to the balance sheet accounts as follows:

	As at	
(\$ Thousands)	Dec 31, 2014	Dec 31, 2013
Current liabilities	\$ 7,356,035	\$ 4,016,322
Current assets	(1,510,887)	(2,107,150)
NET DEBT	\$ 5,845,148	\$ 1,909,172

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 2015 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.

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		
<i>Cnd\$, except per BOE, BOEd and per share amounts)</i>	2014	2013	2012
Petroleum and natural gas sales, net of royalties	3,504,902	1,125,704	479,551
Funds (out)flow*	131,725	(1,088,211)	(1,216,463)
per share, basic and diluted *	0.00	(0.01)	0.01
Net loss, from continuing operations	(867,117)	(3,967,758)	(2,892,005)
per share, basic and diluted	-	(0.02)	(0.02)
Exploration expense	22,965	6,149,313	1,027,088
Property, plant & equipment impairment	-	-	314,537
Total assets	23,738,247	18,756,880	12,806,290
General and administrative	1,240,612	1,441,824	1,157,388
Net debt*	5,845,148	1,909,172	743,897
Production (BOEd)	210	96	74
Oil and gas average price (\$ per BOE)	57.63	35.81	17.97

*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 2014 and 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 and 2014 resulting primarily from severance costs incurred in early 2013.

SELECTED QUARTERLY INFORMATION

<i>Cdn\$ Thousands, except as indicated</i>	Three months ended							
	2014				2013			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Oil & liquids production (bopd)	154	138	96	107	121	2	3	6
Natural gas production (mcf/d)	580	499	458	520	496	344	308	338
Production (BOEd)	251	221	172	194	204	59	54	62
Oil \$ per barrel	62.58	82.67	89.30	83.35	67.60	89.17	45.39	67.52
Oil and gas average price (\$/BOE)	47.61	60.06	62.73	60.97	49.71	16.91	22.49	23.33
Total revenue	903	1,005	738	859	755	106	118	147
Operating and transport cost	676	485	356	350	389	124	115	93
\$/BOE	29.20	23.04	22.67	20.08	20.69	22.81	23.36	16.81
Funds (out)flow *	(129)	111	(16)	150	(129)	(276)	(212)	(471)
per share (basic and diluted) *	-	-	-	-	-	-	-	-
Net loss, from continuing operations	(328)	(38)	(140)	(362)	(1,734)	(290)	(1,494)	(468)
per share (basic and diluted)	-	-	-	-	(0.01)	-	(0.01)	-
Overhead	377	275	285	303	411	257	233	540
Exploration expense	-	23	-	-	4,410	35	1,703	2
Property, plant & equipment impairment	-	-	-	-	-	-	-	-
Net capital expenditures	1,481	1,159	3,074	281	12,582	19	1	(1)
Total assets	23,738	22,537	21,239	18,185	18,757	13,922	14,421	16,474
Net debt (working capital) *	5,845	5,581	4,522	1,589	1,909	(4,433)	(5,059)	(5,506)

* See non-GAAP measures.

The Company acquired significant producing assets in Q4 2013 which declined slightly over the next two quarters as the Company incurred production downtime resulting from overdue maintenance. New wells brought onto production during Q3 2014 have increased the average production rates. Average oil and natural gas prices increased during the first half of 2014 but declined slightly in Q3 2014 and then significantly in Q4 2014. Total operating and transportation costs have increased over the last four quarters due to increased production activity while the operating cost per BOE has remained flat except for Q4 2014 operating costs and rates that were higher due to several 13 month adjustments charges received from joint venture partners and annual municipal taxes.

The Company has had successive net losses from operations for the last eight quarters; 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. Debt has increased in Q2 and Q3 2014 to fund the Twining drilling program.

RESULTS OF OPERATIONS

For the three months ended December 31, 2014, Forent's production averaged 251 BOEd consisting of 61% crude oil.

Oil & Gas Production

	Three months ended December 31			Twelve months ended December 31		
	2014	2013	% Change	2014	2013	% Change
Oil & Liquids (Bopd)						
Twining	75	46	63%	59	12	392%
Provost	41	38	8%	36	10	260%
Wayne	33	32	3%	27	8	238%
Other	5	5	0%	4	4	0%
Oil & Liquids (Bopd)	154	121	27%	126	34	271%
Gas (Mcf)						
Ferrybank	129	144	-10%	138	160	-14%
Ghost Pine	123	102	21%	96	26	269%
Twining	98	44	123%	77	11	600%
Huxley	73	72	1%	72	71	1%
Wayne	29	26	12%	29	7	314%
Provost	13	26	-50%	8	6	33%
Other	115	82	40%	83	90	-8%
Gas (Mcf)	580	496	17%	503	371	36%
Total (BOEd)	251	204	23%	210	96	119%
Oil, percentage of total	61%	59%		60%	35%	

During Q4 2014, Forent's average oil and liquids sales increased 27% to 154 bopd compared with 121 bopd in Q4 2013. Gas production in Q4 2014 increased to 580 Mcf compared with 496 Mcf in Q4 2013 resulting from three new wells at the Twining field combined with several reactivations of gas wells.

For 2014, average oil and liquids sales increased to 126 bopd compared with 34 bopd in 2013. Gas production increased by 36% to 503 Mcf compared with 2013.

The acquisition of three oil producing properties in Q4 2013 and the drilling of three new oil wells in Q2 / Q3 2014 had a significant and positive impact on oil and natural gas production and operating results for the three and twelve months ended December 31, 2014.

Product prices	Three months ended			Twelve months ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Oil (\$/Bbl)	\$ 62.58	\$ 67.60	-7%	\$ 78.04	\$ 62.66	25%
Natural Gas (\$/Mcf)	\$ 3.98	\$ 3.62	10%	\$ 4.66	\$ 3.25	43%
NGL's (\$/Bbl)	\$ 58.90	\$ 65.87	-11%	\$ 64.21	\$ 64.55	-1%
\$/BOE - Company	\$ 47.61	\$ 49.71	-4%	\$ 57.63	\$ 35.81	61%

During 2014, average natural gas and oil prices were considerably higher than for 2013. During Q4 2014, oil and liquids prices decreased compared with Q4 2013, while natural gas prices remained higher than in the prior year period.

The Company had a financial instrument that secures pricing for 50 barrels of oil a day through 2014. The Company recorded a minor loss from this financial instrument of \$5,000 for 2014.

The Company has a fixed price physical delivery contract for a portion of its natural gas production for 2015 as follows:

		Fixed price
Daily GJ quantity	Term of contract	per GJ (\$CAD)
250	January 3, 2015 to December 31, 2015	2.61

Revenue from oil and gas production, before royalties	Three months ended			Twelve months ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Oil	\$ 812,322	\$ 723,878	12%	\$ 3,332,266	\$ 736,580	352%
Natural Gas	205,478	164,843	25%	837,945	440,240	90%
NGL's	49,687	23,123	115%	138,257	59,963	131%
Royalties and other	24,698	18,009	37%	92,829	79,946	16%
	\$ 1,092,185	\$ 929,853	17%	\$ 4,401,297	\$ 1,316,729	234%

Due to production increases resulting from an asset acquisition in Q4 2013 and new wells drilled in Q2 2014, revenues from oil and natural gas sales increased significantly for the three and twelve months ended December 31, 2014, compared with the prior year periods.

Royalty	Three months ended			Twelve months ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Crown	\$ 32,397	\$ 25,537	27%	\$ 122,923	\$ 26,646	361%
Freehold	156,514	149,298	5%	773,472	164,379	371%
Royalties	\$ 188,911	\$ 174,835	8%	\$ 896,395	\$ 191,025	369%
per BOE	\$ 8.16	\$ 9.31	-12%	\$ 11.69	\$ 5.50	113%
Royalties as a percentage of revenue	17.3%	18.8%		20.4%	14.5%	

Royalty expense for the three and twelve month periods ended December 31, 2014, increased over the comparative prior year periods due to the nature of the mineral leases acquired in the asset acquisition - mostly freehold royalties. Freehold royalties tend to be fixed rate compared with crown royalties which use a sliding scale rate that increases with production rates.

Operating	Three months ended			Twelve months ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Operating and transportation cost	\$ 675,972	\$ 388,557	74%	\$ 1,866,975	\$ 720,033	159%
per BOE	\$ 29.20	\$ 20.69	41%	\$ 24.35	\$ 20.73	17%

Total operating and transportation costs for the three and twelve month periods ended December 31, 2014, were significantly higher than the prior year comparable periods resulting from increased production activity.

Total operating cost per BOE for 2014 has increased 17% compared with 2013 as Q4 2014 operating costs and rates included several 13 month adjustments charges received from joint venture partners combined with increased annual municipal taxes.

Summary of operating netback	Three months ended			Year ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Oil	\$ 812,322	\$ 723,878	12%	\$ 3,332,266	\$ 736,580	352%
Natural Gas	205,478	164,843	25%	837,945	440,240	90%
NGL's	49,687	23,123	115%	138,257	59,963	131%
Royalties and other	24,698	18,009	37%	92,829	79,946	16%
Total oil, gas, liquids & other revenue	1,092,185	929,853	17%	4,401,297	1,316,729	234%
Royalties	(188,911)	(174,835)	-8%	(896,395)	(191,025)	-369%
Oil and gas revenue, net of royalties	903,274	755,018	20%	3,504,902	1,125,704	211%
Operating expenses	(675,972)	(388,557)	-74%	(1,866,975)	(720,033)	-159%
Operating netback	\$ 227,302	\$ 366,461	-38%	\$ 1,637,927	\$ 405,671	304%
\$/BOE						
Total Gas, Oil & Liquids	\$ 47.17	\$ 49.50	-5%	\$ 57.40	\$ 37.91	51%
Royalties	\$ (8.16)	\$ (9.31)	12%	\$ (11.69)	\$ (5.50)	-113%
Operating expenses	\$ (29.20)	\$ (20.69)	-41%	\$ (24.35)	\$ (20.73)	-17%
Operating netback	\$ 9.81	\$ 19.50	-50%	\$ 21.36	\$ 11.68	83%

Operating netbacks during the three and twelve month periods ended December 31, 2014 reflect the impact of the oil weighted asset acquisition completed during Q4 2013. Production and revenues have increased compared with the prior year periods but were offset by a Q4 2014 increase in operating costs. The resulting operating netback for Q4 2014 of \$9.81 per BOE and \$21.36 per BOE for 2014 compared with marginal results in the prior year periods when the Company was almost 100% natural gas weighted.

General and administrative	Three months ended			Twelve months ended		
	December 31			December 31		
	2014	2013	% Change	2014	2013	% Change
Salaries & benefits	\$ 265,238	\$ 229,051	16%	\$ 1,062,359	\$ 1,158,380	-8%
Office	76,793	136,584	-44%	285,573	369,489	-23%
Corporate	172,254	188,526	-9%	434,265	435,003	0%
Gross expenses	514,285	554,161	-7%	1,782,197	1,962,872	-9%
Recovered from third parties	(30,665)	(30,316)	-1%	(115,886)	(103,152)	-12%
Capitalized	(106,370)	(112,813)	6%	(425,699)	(417,896)	-2%
Net Overhead	\$ 377,250	\$ 411,032	-8%	\$ 1,240,612	\$ 1,441,824	-14%
per BOE	\$ 16.29	\$ 21.88	-26%	\$ 16.18	\$ 41.51	-61%

Gross general and administrative expenses for 2014 decreased 9% compared with the prior year primarily due to extra payments in the prior year relating to a severance payment to one employee and the settling of deferred 2011 salaries of several other employees. Net overhead costs for 2014 were 14% less than in the prior year.

Finance expense (income), except per BOE	Three months ended December 31			Twelve months ended December 31		
	2014	2013	% Change	2014	2013	% Change
Bank loan - interest	\$ 70,672	\$ 27,686	155%	\$ 171,295	\$ (4,776)	3687%
Bank loan - fees	(1,750)	7,875	-122%	19,250	7,875	144%
Accretion of decommissioning liability	23,940	20,415	17%	78,991	28,442	178%
Finance expense	\$ 92,862	\$ 55,976	66%	\$ 269,536	\$ 31,541	755%
per BOE	\$ 4.01	\$ 2.98	35%	\$ 3.52	\$ 0.91	287%

Finance expenses for the three and twelve months ended December 31, 2014 were higher than the comparable prior year periods as the Company had bank debt during the current year periods and a cash surplus during Q2 and Q3 of 2013. Accretion expense is higher in the current year compared with the prior year resulting from additional decommissioning obligations from the oil and gas asset acquisitions in Q4 2013. This is consistent with expectations when the properties were acquired.

Depletion and depreciation	Three months ended December 31			Year ended December 31		
	2014	2013	% Change	2014	2013	% Change
Depletion and depreciation expense	\$ 328,925	\$ 227,768	44%	\$ 980,975	\$ 366,425	168%
per BOE	\$ 14.21	\$ 12.13	17%	\$ 12.79	\$ 10.55	21%

Depletion charges are calculated on a unit of production basis. The charge per unit is based on the total development costs of a cash-generating-unit (“CGU”) divided by total proved and probable reserves of a CGU. For the three and twelve month periods ended December 31, 2014, depletion and depreciation expense was higher than in the comparable prior year periods, both in total and on a per BOE basis, reflecting the change in assets that occurred in Q4 2013.

Capital additions, continuing operations	Three months ended December 31			Twelve months ended December 31		
	2014	2013	% Change	2014	2013	% Change
Geological and geophysical	\$ 62,862	\$ 278,494	-77%	\$ 311,681	\$ 278,494	12%
Drilling and completions	732,374	1,697	-	3,287,684	1,697	-
Equipment, facilities and pipelines	(586,913)	17,269	-3499%	835,885	34,907	2295%
Asset acquisition	-	11,233,307	-100%	(21,345)	11,233,307	-100%
Decommissioning obligation	1,273,066	1,047,514	22%	1,580,397	1,047,514	51%
Total	\$ 1,481,389	\$12,578,281	-88%	\$ 5,994,302	\$12,595,919	-52%

Capital additions for 2014 resulted primarily from costs related to the drilling and completion of three vertical oil wells at the Company’s Twining field and workover operations at the Company’s Wayne and Provost fields. During Q4 2014 the Company revised its ARO obligations resulting in a charge to capital additions of \$1.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Forent incurred \$6.0 million of capital expenditures for 2014 compared with \$12.6 million in 2013. Capital expenditures were financed from working capital and funds flow from operations. At December 31, 2014, Forent had net debt of \$5.8 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 in May 2015.

At December 31, 2014, the Company had drawn \$6.0 million of the loan facility (2013 - 2.8 million). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2014. The loan facility is charged interest at prime plus 1.6% per annum. The Company has no outstanding letters of credit at December 31, 2014 (2013 - nil).

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 spending in light of changes in economic conditions and risk characteristics of the underlying assets.

In Q1 2014, 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 April 29, 2015, Forent had 188,643,215 common shares outstanding and 11,422,409 options outstanding to purchase 11,422,409 additional common shares.

The continued exploration and development of the Company's properties is, in part, dependent upon the renewal of the Company's credit facility and/or its ability to arrange additional equity financing. In addition, as a consequence of the significant decline in commodity prices in Q4 2014 the Company's revenues, cash flow and earnings have been significantly reduced, despite higher production levels.

There can be no assurance that the Company will be successful in its efforts to renew the credit facility at acceptable levels, or to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

See note 1, Going Concern, in the notes to the financial statements for the three and twelve months ended December 31, 2014.

SUBSEQUENT EVENT

In March 2015, the Company entered into a \$150,000 short term loan with Prairie Merchant Corporation to advance funds against a pending GST refund. Prairie Merchant Corporation is owned by the Company's Chairman. The interest rate on the loan was 5% per annum and the loan was repaid in full during April 2015.

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 an experienced staff of petroleum and natural gas professionals to further minimize the business risk.

Please refer to note 7 - Financial Instruments and Risk Management in the notes to the financial statements for the three and twelve months ended December 31, 2014.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2017, as follows:

Commitments as at December 31, 2014	
2015	\$ 180,704
2016	180,704
2017	125,835
	<u>\$ 487,243</u>

The Company was 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. 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 and has satisfied this spending commitment. Additionally, the Company spent \$124,000 during the year to satisfy a flow through spending requirement related to a financing in January 2014.

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.

The following transactions were entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties recorded at the exchange amount.

During the years ended December 31, 2014 and 2013, the Company incurred \$233,000 and \$203,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. During the same periods, Forent also incurred \$34,000 and \$113,000 respectively for legal services with a law firm of which a board member is a partner.

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 4 to the Financial Statements of the Company's annual report for the year ended December 31, 2014. 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.

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 assets and 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 assets and 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.

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 \$340,000 (2013 - \$162,000) 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 in 2013 relating to balances that were deemed unrecoverable. The Company's trade receivable balance at December 31, 2014, was approximately \$921,000 (2013 - \$1.1 million).

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 2014 by approximately \$43,000 (2013 - \$8,000).

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. During 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	\$	1,369,613	\$	-	\$	-
Bank indebtedness		5,986,422				
	\$	7,356,035	\$	-	\$	-

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

- i. ***The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.***

IAS 32 Financial Instruments: Presentation – The Company adopted, as required, amendments to IAS 32. The amendments clarify that the right to offset financial assets and liabilities must

be available on the current date and cannot be contingent on a future event. IAS 32 did not impact the Company's financial statements.

IFRIC 21 Levies – The International Financial Reporting Interpretation Committee clarified in IFRIC 21 that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarified that no liability should be anticipated before the minimum threshold is reached. The adoption of this interpretation did not have an impact to the company's financial statements.

ii. *During the year ended December 31, 2014, the following standards were issued and are applicable to the Company in future years:*

IFRS 15 Revenue from Contracts with Customers – In May 2014, the IASB issued this standard which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the financial statements.

IFRS 9 Financial Instruments – In July 2014, the IASB issued this standard to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the financial statements.

BUSINESS OUTLOOK

At Twining, additional oil and natural gas production from three new wells have provided incremental funds flow and have strengthened the Company's asset base. These wells were all drilled in the same reservoir but had varied results. The best wells are 05-26 and 12-26-025-32W4M, located adjacent to our operated battery.

Offsetting horizontal well production in the Pekisko formation is providing superior production rates to vertical wells. Forent is now examining a horizontal well program at Twining as the next phase to the development of this property.

At Wayne, based on offsetting horizontal well success, Forent has identified three (two net) horizontal development wells on held lands. We anticipate firming up plans with our 50% working interest partner for a horizontal development well once commodity prices reach higher levels to provide adequate rates of return.

Within Forent's southeastern Alberta core area, during the third quarter we purchased an additional six sections of mineral rights and have now acquired more than a Township of contiguous petroleum and natural gas mineral rights at Crown land sales over the last year. These lands have multi-zone potential for oil and natural gas from relatively shallow horizons (less than 1,300 metres).

With the recent decline in oil prices the Company is reevaluating the timing of its capital deployment program. The initial development phase of our Twining property was the first step in our plan to materially increase oil and associated gas production during 2014. Within our portfolio we have several additional low risk exploitation opportunities. The recent commodity price shift has provided Forent with an opportunity to actively pursue its mandate of growth through asset acquisitions and corporate mergers.

MANAGEMENT'S REPORT

The accompanying financial statements of Forent Energy Ltd. for the years ended December 31, 2014 and 2013 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 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

April 29, 2015

("Signed") Brad R. Perry, CMA

Chief Financial Officer

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, 2014 and December 31, 2013 and the statements of loss and comprehensive loss, changes in shareholder's 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 audit 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, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Forent Energy Ltd.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants
April 29, 2015
Calgary, Canada

BALANCE SHEET

(Cdn \$)	Note	Dec 31, 2014	Dec 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		\$ 18,926	\$ 637,186
Accounts receivable	7	1,147,274	1,215,332
Prepays and other assets		121,147	79,032
Exploration deposit	9	223,540	175,600
		1,510,887	2,107,150
Non-current assets			
Property, plant and equipment	10	18,200,798	13,173,946
Exploration and evaluation assets	9	4,026,562	3,475,784
		\$ 23,738,247	\$ 18,756,880
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,369,613	\$ 1,051,012
Bank indebtedness	5	5,986,422	2,809,872
Derivative liabilities	7	-	94,938
Flow-through shares, deferred liability		-	60,500
		7,356,035	4,016,322
Non-current liabilities			
Decommission obligation	11	4,593,326	2,933,938
Deferred income tax liability	16	65,962	69,553
		12,015,323	7,019,813
SHAREHOLDERS' EQUITY			
Share capital	12	24,459,495	23,893,520
Contributed surplus		3,387,647	3,194,051
Deficit		(16,124,218)	(15,350,504)
		11,722,924	11,737,067
		\$ 23,738,247	\$ 18,756,880

Going concern (note 1)

Commitments (note 13)

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

On Behalf of the Board of Directors:

(Signed) "W.B. Wilson" Director

(Signed) "W. Rousch" Director

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

		Year ended December 31	
(Cdn \$ except per share amounts)	Note	2014	2013
Revenues			
Petroleum and natural gas sales, net of royalties	15	\$ 3,504,902	\$ 1,125,704
Expenses			
Operating		1,866,975	720,033
General and administrative	15	1,240,612	1,441,824
Transaction costs		-	48,959
Share based compensation	12	150,223	43,328
Finance expense	15	269,536	31,541
Loss on derivatives	7	5,082	94,938
Exploration and evaluation expense	9	22,965	6,149,313
Gain on bargain purchase		(23,699)	(2,351,517)
Depletion and depreciation	10	980,975	366,425
Loss from abandonment and reclamation expenditure		-	61,907
Other income		(47,940)	-
		4,464,729	6,606,751
Loss before income taxes		(959,827)	(5,481,047)
Deferred tax recovery		92,710	1,513,289
Loss from continuing operations		(867,117)	(3,967,758)
Income from discontinued operations	10	93,403	2,867,815
Net loss and comprehensive loss		\$ (773,714)	\$ (1,099,943)
Loss per share, basic and diluted:			
From continuing operations		\$ -	\$ (0.02)
From discontinued operations		\$ -	\$ 0.02
	12	\$ -	\$ (0.01)

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Year ended December 31	
(Cdn \$)	Note	2014	2013
Share Capital			
Balance, beginning of year		\$ 23,893,520	\$ 20,975,549
Common shares issued pursuant to private placement		591,000	2,044,500
Common shares issued for Zargon asset acquisition	10	-	900,000
Share issue costs, net of deferred tax		(25,025)	(26,529)
Balance, end of year		\$ 24,459,495	\$ 23,893,520
Contributed surplus			
Balance, beginning of year		\$ 3,194,051	\$ 3,081,226
Share-based payments for awards granted		193,596	50,452
Expiry of warrants		-	62,373
Balance, end of year		\$ 3,387,647	\$ 3,194,051
Warrants			
Balance, beginning of year		\$ -	\$ 71,284
Issue of warrants		-	-
Expiry of warrants		-	(71,284)
Balance, end of year		\$ -	\$ -
Deficit			
Balance, beginning of year		\$ (15,350,504)	\$ (14,250,561)
Net loss and comprehensive loss		(773,714)	(1,099,943)
Balance, end of year		\$ (16,124,218)	\$ (15,350,504)
Shareholders equity, end of year		\$ 11,722,924	\$ 11,737,067

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

STATEMENT OF CASH FLOWS

		Year ended December 31	
(Cdn \$)	Note	2014	2013
Cash provided by (Used in):			
OPERATING ACTIVITIES			
Loss from continuing operations		\$ (867,117)	\$ (3,967,758)
Adjustments for items not involving cash:			
Share based compensation		150,223	43,328
Finance expense, accretion portion		78,991	28,442
Loss (gain) on derivatives, unrealized		(94,938)	94,938
Exploration and evaluation expense	9	-	6,149,313
Gain on bargain purchase		(23,699)	(2,351,517)
Depletion and depreciation		980,975	366,425
Loss from abandonment and reclamation expenditure		-	61,907
Deferred tax recovery		(92,710)	(1,513,289)
Expenditures on abandonments and reclamation		-	(106,362)
Change in non-cash working capital	15	446,590	(470,174)
		578,315	(1,664,747)
FINANCING			
Increase in bank indebtedness		3,176,550	2,809,872
Share capital issued for cash, net of issue costs		565,975	2,012,258
		3,742,525	4,822,130
INVESTING			
Expenditures on property acquisitions		47,398	(6,700,000)
Expenditures on property and equipment	10	(4,402,127)	(319,866)
Expenditures on exploration and evaluation assets	9	(555,673)	(702,403)
Change in non-cash working capital	15	(122,374)	(311,287)
		(5,032,776)	(8,033,556)
Cash from discontinued operations		93,676	5,361,307
CHANGE IN CASH		\$ (618,260)	\$ 485,134
Cash, beginning of year		637,186	152,052
CASH, END OF YEAR		\$ 18,926	\$ 637,186

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

Amounts in Canadian dollars unless otherwise indicated.

1. GOING CONCERN

The accompanying financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At December 31, 2014, the Company had a working capital deficit of \$5.8 million, including amounts drawn on its credit facility of \$6.0 million. The Company currently has a credit facility with a Canadian financial institution of \$7.0 million, which is repayable on demand and subject to an annual review by May 31, 2015. Also, the Company has had net losses from continuing operations for the last eight quarters and has an accumulated deficit of \$16.1 million.

The continued exploration and development of the Company’s properties is, in part, dependent upon the renewal of the Company’s credit facility and/or its ability to arrange additional financing. The necessary financing may be secured through the issue of new equity or debt instruments, or entering into new joint venture arrangements. In addition, as a consequence of the significant decline in commodity prices in Q4 2014 the Company’s revenues, cash flow and earnings have been significantly reduced, despite higher production levels. The Company has taken steps to reduce operating and overhead costs where possible.

These conditions give rise to material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

There can be no assurance that the Company will be successful in its efforts to sufficiently reduce operating and overhead costs, to renew the credit facility at acceptable levels, or to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

These financial statements do not reflect adjustments in the carrying values of the assets and liabilities, or expenses and revenues and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. 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”.

3. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with 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 4(n).

These financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 4. 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 April 29, 2015.

4. 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 6.

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. See note 12.

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. See note 16.

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. See note 11.

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 to the Company's cash-generating units and are tested for impairment at the operating segment level.

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 probable 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 statement of loss.

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

- i. ***The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.***

IAS 32 Financial Instruments: Presentation – The Company adopted, as required, amendments to IAS 32. The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 did not impact the Company's financial statements.

IFRIC 21 Levies – The International Financial Reporting Interpretation Committee clarified in IFRIC 21 that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarified that no liability should be anticipated before the minimum threshold is reached. The adoption of this interpretation did not have an impact to the Company's financial statements.

- ii. ***During the year ended December 31, 2014, the following standards were issued and are applicable to the Company in future years:***

IFRS 15 Revenue from Contracts with Customers – In May 2014, the IASB issued this standard which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the financial statements.

IFRS 9 Financial Instruments – In July 2014, the IASB issued this standard to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the financial statements.

5. BANK INDEBTEDNESS

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 in May 2015.

At December 31, 2014, the Company had drawn \$6.0 million of the loan facility (2013 - 2.8 million). The Company is required by the financial institution to maintain a working capital ratio greater than 1. The ratio is calculated as current assets plus undrawn facility to current liabilities less any amount drawn under the facility. The Company is in compliance with this covenant as at December 31, 2014. The loan facility is charged interest at prime plus 1.6% per annum. The Company has no outstanding letters of credit at December 31, 2014 (2013 - nil).

6. 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 7 - valuation of financial instruments;
- Note 10 - valuation of exploration and evaluation assets and property and equipment;
- Note 11 - measurement of decommissioning provision;
- Note 12 - measurement of share-based compensation; and
- Note 16 - 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 9).

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 10).

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 10).

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 10).

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, 2014, Management exercised judgement and determined that there were impairment indicators present for certain CGUs (Note 10). 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 10).

7. 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 assets and liabilities are held for trading.

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

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 \$340,000 (2013 - \$162,000) 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 in 2013 relating to balances that were deemed unrecoverable. The Company's trade receivable balance at December 31, 2014, was approximately \$921,000 (2013 - \$1.1 million).

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 2014 by approximately \$43,000 (2013 - \$8,000).

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. During 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	\$	1,369,613	\$ -	\$ -
Bank indebtedness		5,986,422		
	\$	7,356,035	\$ -	\$ -

See note 1, going concern.

Foreign Currency Exchange Risk

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

Derivative assets and liabilities

The Company has a financial instrument that secures pricing for 50 barrels of oil a day through 2014. The Company recorded a loss from this financial instrument of \$5,000 for 2014. While the

financial instrument expired at December 31, 2014, an oil price increase of \$5.00 WTI would result in an increase in the derivative expense of \$23,000.

8. 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 target for this ratio is to be less than 2 years net debt repayability.

The ratio is calculated as follows:

Net Debt Repayability (Cdn\$, except for years)	Three months ended December 31	
	2014	2013
Current liabilities	\$ 7,356,035	\$ 4,016,322
Less current assets	(1,510,887)	(2,107,150)
Net debt ⁽¹⁾	5,845,148	1,909,172
Annualized funds flow ⁽²⁾	\$ (517,416)	\$ (514,508)
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 net debt repayability ratio is unacceptably high. The Company expects this ratio to improve in subsequent quarters. Additional incremental funds flow is needed or a reduction of the net debt position must occur for the ratio to improve to an acceptable level. 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 5) and the Company was in compliance with all of its financial covenants at the end of the reporting period.

9. 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		573,743
Exploration and evaluation expense		(22,965)
Balance, December 31, 2014	\$	4,026,562

	Year ended December 31	
Exploration and evaluation assets, by project	2014	2013
Montgomery, Alberta	3,676,959	3,375,524
Heathdale, Alberta	349,603	100,260
	\$ 4,026,562	\$ 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. Projects not deemed to be feasible are charged to the statement of income as exploration and evaluation expense. The majority of the additions for the year were for oil and gas licences.

During 2014, \$161,000 (2013 - \$425,000) 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 December 31, 2014, the Nova Scotia Government held deposits related to Forent’s exploration licence in the amount of \$223,540 (2012 - \$175,600). This deposit should be refunded to Forent in 2015.

10. PROPERTY, PLANT AND EQUIPMENT

Cost:	Oil & gas properties	Office equipment	Total
Balance, December 31, 2012	\$ 6,126,323	\$ 87,463	\$ 6,213,786
Additions	315,099	4,767	319,866
Acquisitions	11,233,307	-	11,233,307
Changes in decommissioning provision	1,047,513	-	1,047,513
Balance, December 31, 2013	\$ 18,722,242	\$ 92,230	\$ 18,814,472
Additions	4,413,905	13,525	4,427,430
Changes in decommissioning provision	1,580,397	-	1,580,397
Balance, December 31, 2014	\$ 24,716,544	\$ 105,755	\$ 24,822,299

Accumulated depletion, depreciation and impairment losses

Balance, December 31, 2012	\$ 5,201,372	\$ 72,729	\$ 5,274,101
Depletion and depreciation	359,251	7,174	366,425
Balance, December 31, 2013	\$ 5,560,623	\$ 79,903	\$ 5,640,526
Depletion and depreciation	972,037	8,938	980,975
Balance, December 31, 2014	\$ 6,532,660	\$ 88,841	\$ 6,621,501

Net carrying value:

At December 31, 2013	\$ 13,161,619	\$ 12,327	\$ 13,173,946
Balance, December 31, 2014	\$ 18,183,884	\$ 16,914	\$ 18,200,798

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, 2014, future costs were \$9.0 million (December 31, 2013 - \$9.2 million).

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. Key judgments include estimates about recoverable reserves (see Note 6 - Significant accounting estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates. There were indicators of impairment noted for Q4 2014, however, no impairment was required. The Company used a discount rate of 10% when determining the value of recoverable reserves and used the price forecast from the Company's December 31, 2014, reserve evaluation.

For the three and twelve month period of 2014, \$308,000 (2013 - \$nil) was capitalized to property, plant and equipment for related overhead and stock based compensation expenses.

During Q3 2014, the Company received the final statement of adjustments related to the property acquisition in Q4 2013. This resulted in an additional gain on bargain purchase of \$24,000.

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

	Q4 2013	Final
Petroleum and natural gas properties	11,233,307	11,233,307
Decommissioning obligation	(1,359,917)	(1,359,917)
Gain on bargain purchase, net of tax	(1,763,638)	(1,781,412)
Deferred tax liability related to gain on bargain purchase	(587,879)	(593,804)
Working capital	78,127	101,826
	\$ 7,600,000	\$ 7,600,000

Consideration

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

Also, the final completion of the sale of the Company's discontinued operations identified and sold during 2013 resulted in an adjustment to income, net of tax, from discontinued operations of \$93,000 related to investing activities..

11. 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 \$4.6 million at December 31, 2014 (\$2.9 million - December 31, 2013), based on a total future undiscounted liability of \$4.5 million (\$3.3 million - December 31, 2013). 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 1.34% to 2.33% (1.9% - 3.2% - December 31, 2013). The estimated inflation rate was 2.00% (2.08% - December 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.

The Company completed a review of its decommissioning liability at December 31, 2014, using estimates consistent with the Alberta Energy Regulator. This review, combined with the addition of some abandonment liabilities not previously identified, resulted in an increase in the overall decommissioning provision of \$1.0 million.

	Year ended December 31, 2014	Year ended December 31, 2013
Changes to the decommissioning provision are:		
Decommissioning provision, beginning of period	\$ 2,933,938	\$ 565,775
Liabilities incurred	168,239	-
Liabilities settled	-	(44,455)
Liabilities acquired from acquisitions	-	1,359,917
Effect of change in risk free rate ⁽¹⁾	402,597	919,965
Revisions in estimated cash outflows	1,009,561	104,294
Accretion expense	78,991	28,442
Decommissioning provision, end of period	\$ 4,593,326	\$ 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.

12. 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, 2014	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 December 31, 2014, there are a total of 11,422,409 options granted and outstanding under the Share Option Plan with a weighted average exercise price of \$0.17 per share. A total of 9,225,743 options with a weighted average exercise price of \$0.19 are exercisable at December 31, 2014.

	December 31, 2014		December 31, 2013	
		Weighted Average		Weighted Average
Stock Options	Options	Exercise Price	Options	Exercise Price
Outstanding, beginning of period	11,208,335	\$ 0.20	12,662,502	\$ 0.21
Granted	2,670,000	\$ 0.10	1,250,000	\$ 0.10
Expired	(565,000)	\$ 0.25	-	\$ -
Cancelled	(1,890,926)	\$ 0.19	(2,704,167)	\$ 0.22
Outstanding, end of period	11,422,409	\$ 0.17	11,208,335	\$ 0.20
Options exercisable, end of period	9,225,743	\$ 0.19	8,925,000	\$ 0.21

	Outstanding Dec 31, 2014	Remaining (years)	Exercisable Dec 31, 2014
Exercise price			
\$0.01 - \$0.09	250,000	4.46	83,333
\$0.10 - \$0.19	5,195,000	3.55	3,165,001
\$0.20 - \$0.29	5,294,077	1.48	5,294,077
\$0.30 - \$0.39	660,000	0.36	660,000
\$0.40 - \$0.49	-	-	-
\$0.50 - \$0.59	23,332	1.99	23,332
	11,422,409	-	9,225,743

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	\$ 0.10
2014	1.39	4.5	10.00%	1.20	\$ 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 2014 of \$150,000 (2013 - \$43,000). Share based compensation of \$43,000 (2013 - \$7,000) was capitalized for 2014.

Warrants

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

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

The calculated value of warrants is charged to equity and then transferred to contributed surplus if the warrants expire.

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 December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Weighted average shares outstanding	188,643,215	175,146,693	188,080,893	163,751,468
Dilutive effect of stock options	-	-	-	-
Diluted weighted average shares outstanding	188,643,215	175,146,693	188,080,893	163,751,468

13. COMMITMENTS

The Company has committed to future minimum payments under an operating base lease covering office facilities, expiring August 31, 2017, as follows:

Commitments as at December 31, 2014	
2015	\$ 180,704
2016	180,704
2017	125,835
	\$ 487,243

The Company was 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. 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 and has satisfied this spending commitment. Additionally, the Company spent \$124,000 during the year to satisfy a flow through spending requirement related to a financing in January 2014.

14. RELATED PARTY TRANSACTIONS

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

The following transactions were entered into under the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties recorded at the exchange amount.

During the years ended December 31, 2014 and 2013, the Company incurred \$233,000 and \$203,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. During the same periods, Forent also incurred \$34,000 and \$113,000 respectively for legal services with a law firm of which a board member is a partner.

15. SUPPLEMENTAL INFORMATION

Supplemental Cash Flow Information (Cdn \$)	Year ended December 31	
	2014	2013
Interest paid during the period	\$ 171,295	\$ 51,734
Taxes paid during the period	\$ -	\$ -
Changes in non-cash working capital balances		
Accounts receivable	\$ 68,058	\$ (838,909)
Prepaid expenses	(42,115)	(18,218)
Exploration deposit	(47,940)	184,400
Accounts payable and accrued liabilities	318,601	(271,674)
Flow-through shares, deferred liability	(60,500)	50,000
Other	88,112	112,940
	\$ 324,216	\$ (781,461)
Changes in non-cash working capital balances		
Operating activity	\$ 446,590	\$ (470,174)
Investing activity	(122,374)	(311,287)
	\$ 324,216	\$ (781,461)

Expenses by nature:

General and administrative	Year ended December 31	
	2014	2013
Salaries & benefits	\$ 1,062,359	\$ 1,158,380
Office	285,573	369,489
Corporate	434,265	435,003
Gross expenses	1,782,197	1,962,872
Recovered from third parties	(115,886)	(103,152)
Capitalized	(425,699)	(417,896)
Net Overhead	\$ 1,240,612	\$ 1,441,824

Finance expense	Year ended December 31	
	2014	2013
Bank loan - interest	\$ 171,295	\$ (4,776)
Bank loan - fees	19,250	7,875
Accretion of ARO	78,991	28,442
Finance expense	\$ 269,536	\$ 31,541

Revenue from oil and gas production, net of royalties	Year ended December 31	
	2014	2013
Oil	\$ 3,332,266	\$ 736,580
Natural Gas	837,945	440,240
NGL's	138,257	59,963
Royalties and other	92,829	79,946
	4,401,297	1,316,729
Crown	(122,923)	(26,646)
Freehold	(773,472)	(164,379)
Royalties	(896,395)	(191,025)
	\$ 3,504,902	\$ 1,125,704

Remuneration of Directors' and Senior Management	Year ended December 31	
	2014	2013
Salaries & benefits	\$ 748,516	\$ 770,802
Share-based compensation	135,330	83,682
Gross expenses	883,846	854,484

16. 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	Years ended December 31	
	2014	2013
Expected Rate	25.00%	25.81%
Loss before taxes- continuing operations	(959,827)	(5,481,047)
Earnings before taxes- assets held for sale	124,538	3,884,195
Loss before taxes	(835,289)	\$ (1,596,852)
Expected income tax (recovery)	(208,822)	(412,148)
Tax effect of non-deductible and non-taxable amounts related to:		
Non-deductible expenses	1,719	11,223
Stock based compensation	37,556	11,182
Effect of tax rate changes and temporary differences recorded at future rates	-	(124,238)
Reconciliation from assessed taxes	(5,322)	(27,800)
Flow-through share expense	-	(10,500)
CEE Renounced for flow-through shares	121,750	-
Other	(8,456)	55,372
Provision for deferred income taxes (recovery)	\$ (61,575)	\$ (496,909)
Effective tax rate	7.4%	31.1%
Composition of deferred income recovery		
Deferred income tax expense (recovery) from continuing operations	(92,710)	(1,513,289)
Deferred income tax expense (recovery) from discontinued operations	31,135	1,016,380
Deferred income tax recovery	(61,575)	(496,909)

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

	2014	2013
Deferred income tax liabilities		
Deferred tax liabilities to be settled within 12 months	\$ -	\$ -
Deferred tax liabilities to be settled after more than 12 months	(3,808,894)	(2,838,084)
	(3,808,894)	(2,838,084)
Deferred income tax assets		
Deferred tax assets to be settled within 12 months	122,246	230,934
Deferred tax assets to be settled after more than 12 months	3,620,686	2,537,597
	3,742,932	2,768,531
Total	\$ (65,962)	\$ (69,553)

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:

	Property, plant and equipment			
Deferred income tax liability				
Balance December 31, 2012			\$	2,186,843
Charged (credited) to earnings				651,242
Balance December 31, 2013				2,838,085
Charged (credited) to earnings				910,309
Charged (credited) to balancesheet				60,500
Balance, December 31, 2014			\$	3,808,894

	Decommissioning liabilities				Tax Losses	Other	Total
Deferred income tax assets							
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)
Charged (credited) to earnings		(414,847)		(583,858)		30,561	(968,144)
Charged (credited) to balancesheet		-		-		(6,256)	(6,256)
Balance, December 31, 2014	\$	(1,148,332)	\$	(2,559,030)	\$	(35,570)	\$ (3,742,932)

Net deferred income tax liability		
Balance December 31, 2013	\$	69,553
Balance, December 31, 2014	\$	65,962

At December 31, 2014, the Company had the following tax deductions available to reduce future taxable income:

Tax Pools

Years ended December 31,	2014	2013
Canadian exploration expense	\$ 546,234	\$ 548,531
Canadian development expense	1,798,915	297,444
Canadian oil and gas property expense	2,407,813	2,200,766
Undepreciated capital cost	2,013,213	2,063,572
Share issue costs	142,279	239,501
Loss carry forwards	10,236,118	7,900,688
Total	\$ 17,144,572	\$ 13,250,502

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

17. SUBSEQUENT EVENT

In March 2015, the Company entered into a \$150,000 short term loan with Prairie Merchant Corporation to advance funds against a pending GST refund. Prairie Merchant Corporation is owned by the Company's Chairman. The interest rate on the loan was 5% per annum and the loan was repaid in full during April 2015.

DIRECTORS

W. Brett Wilson ¹
Chairman of the Board

Robert S. Crosbie ¹

John A. Forgeron ²

Scott Reeves ³

Wayne Rousch ^{1, 3}

Richard Wade ^{2, 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

Tim Laska
Vice President Exploration

Ian Shook
Vice President Geophysics

FORENT ENERGY LTD.

Suite 200, 340 - 12 Avenue SW
Calgary, Alberta T2R 1L5

Telephone: (403) 262-9444

Fax: (403) 262-4351

Website: www.forentenergy.com

AUDITORS

PricewaterhouseCoopers LLP
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"