FORENT ENERGY

Management's Discussion and Analysis ("MD&A")

For the year ended December 31, 2015

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 Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Financial *($'s, except as indicated)*						
Petroleum and natural gas sales, net of royalties	**539,040**	903,274	-40%	**2,264,974**	3,504,902	-35%
Funds (out) flow[1]	**(552,365)**	(129,354)	-327%	**(1,618,909)**	131,725	-1329%
per share, basic and diluted	**(0.04)**	(0.01)	-300%	**(0.13)**	0.01	-1400%
Net loss	**(2,873,616)**	(327,726)	-777%	**(5,030,934)**	(867,117)	-480%
per share, basic and diluted	**(0.19)**	(0.03)	-533%	**(0.41)**	(0.08)	-413%
Capital expenditures	**123,371**	1,481,389	-92%	**531,428**	5,994,302	-91%
Net debt[2]	**5,833,068**	5,845,148	0%	**5,833,068**	5,845,148	0%
Shares outstanding (millions)	**14.93**	9.43	58%	**14.93**	9.43	58%
Operations						
Production						
Oil & Liquids (Bopd)	**125**	154	-19%	**127**	126	1%
Gas (Mcfd)	**575**	580	-1%	**542**	503	8%
BOEd (6 Mcf = 1 Bbl)	**221**	251	-12%	**217**	210	3%
Product Prices						
Oil ($/Bbl)	**40.37**	$62.58	-35%	**45.38**	78.04	-42%
Gas ($/Mcf)	**3.18**	$3.98	-20%	**3.06**	4.66	-34%
$ BOE	**$ 30.99**	$47.61	-35%	**34.02**	57.63	-41%
Reserves (proved plus probable, forecast costs and prices)						
Gas (MMcf)				**2,182.9**	2,354.1	-7%
Oil (Mbbl)				**1,059.2**	1,223.5	-13%
MBOE				**1,423.0**	1,615.9	-12%
Net present value of future net revenue, before tax, of 2P reserves, discounted at 10% ($ millions) See "Oil and Gas Reserves"				**$ 13.8**	$ 22.8	-39%

(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.

READER ADVISORY

Forward-Looking Statements

In providing Forent Energy Ltd.'s shareholders and potential investors with information regarding Forent, including management's assessment of the future plans and operations of Forent, certain statements contained in this annual report constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this report contains forward-looking statements pertaining to the following: drilling plans and property developments planned for 2016 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 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 13, 2016

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, 2015, as well as the audited financial statements and MD&A for the year ended December 31, 2014.The Company's principal activity is the acquisition of, exploration for and the development and production of petroleum and natural gas in Alberta, Canada.

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.

IFRS

The audited financial statements for the year ended December 31, 2015 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 consolidated financial statements. In addition, the Company presents "working capital", "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:

	Years ended Dec 31	
(Cdn $)	**2015**	2014
Cash provided by (Used in) operating activities	**(1,830,027)**	578,315
Change in non-cash working capital	**211,118**	(446,590)
FUNDS (OUT) FLOW	**(1,618,909)**	131,725

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

	As at	
	Dec 31, 2015	Dec 31, 2014
Current liabilities	$ 7,321,582	$ 7,356,035
Current assets	(1,488,514)	(1,510,887)
NET DEBT	$ 5,833,068	$ 5,845,148

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 2016 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.

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SUMMARY OF RESULTS

	Twelve months ended December 31		
Cnd$, except per BOE, BOEd and per share amounts)	**2015**	2014	2013
Petroleum and natural gas sales, net of royalties	**2,264,974**	3,504,902	1,125,704
Funds (out)flow*	**(1,618,909)**	131,725	(1,088,211)
per share, basic and diluted *	**(0.13)**	0.00	(0.01)
Net loss, from continuing operations	**(5,030,934)**	(867,117)	(3,967,758)
per share, basic and diluted	**(0.41)**	-	(0.02)
Exploration expense	**117,000**	22,965	6,149,313
Property, plant & equipment impairment	**1,838,000**	-	-
Total assets	**21,344,169**	23,738,247	18,756,880
General and administrative	**1,460,921**	1,240,612	1,441,824
Net debt*	**5,833,068**	5,845,148	1,909,172
Production (BOEd)	**217**	210	96
Oil and gas average price ($ per BOE)	**34.02**	57.63	35.81

*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. The asset acquisition has resulted in increased oil production and revenues which are reflected in the 2015 and 2014 petroleum and natural gas sales improvement compared with 2013.

Oil prices began to drop during Q4 2014 and continued falling throughout most of 2015 resulting in reduced petroleum and natural gas sales and funds outflow during 2015 compared with 2014. Production held fairly constant across the three years as production additions from three oil wells drilled by the Company in the summer of 2014 offset naturally declining production.

General and administrative expenses were up slightly in 2015 compared with 2014 resulting from severance costs incurred in Q1 2015 and the addition of two additional staff at mid-year, partially offset by wage reductions taken by some officers of the Company.

SELECTED QUARTERLY INFORMATION

	Three months ended							
	2015				2014			
Cdn $ Thousands, except as indicated	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Oil & liquids production (bopd)	125	125	130	129	154	138	96	107
Natural gas production (mcfd)	575	509	543	542	580	499	458	520
Production (BOEd)	221	210	221	219	251	221	172	194
Oil $ per barrel	40.37	44.05	56.74	40.29	62.58	82.67	89.30	83.35
Oil and gas average price ($/BOE)	30.99	33.73	39.92	31.47	47.61	60.06	62.73	60.97
Total revenue	539	523	700	503	903	1,005	738	859
Operating and transport cost	492	493	426	463	676	485	356	350
$/BOE	24.11	25.45	21.30	23.36	29.20	23.04	22.67	20.08
General and administrative	386	274	433	368	377	275	285	303
Funds (out) flow *	(552)	(362)	(255)	(449)	(129)	111	(16)	150
per share (basic and diluted) *	(0.04)	(0.02)	(0.03)	(0.05)	(0.01)	0.01	-	0.02
Net loss	(2,874)	(737)	(718)	(702)	(328)	(38)	(140)	(362)
per share (basic and diluted)	(0.19)	(0.05)	(0.08)	(0.07)	(0.04)	-	(0.01)	(0.04)
Net capital expenditures	123	(105)	264	249	1,481	1,159	3,074	281
Total assets	21,344	22,596	23,409	23,532	23,738	22,537	21,239	18,185
Net debt (working capital) *	5,833	5,153	4,679	6,327	5,845	5,581	4,522	1,589

* See non-GAAP measures.

New wells brought onto production during Q3 2014 increased the average production rates which have now been flat for the last four quarters. Average oil and natural gas prices increased during the first half of 2014 weakened slightly in Q3 2014 and then significantly in Q4 2014 and for most of 2015. Total operating and transportation costs and costs per BOE have been relatively flat for five of the last six quarters. Q4 2014 operating costs and rates 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 2015 included an oil and gas asset impairment of $1.9 million.

Net debt decreased in Q1 2014 as funds flow from operations combined with an equity financing offset capital spending for the quarter. Debt increased in Q2 and Q3 2014 to fund the Twining drilling program. An equity financing and a corporate acquisition in Q2 2015 helped reduce net debt but continued operating funds outflow has caused an increase in net debt for the last two quarters.

RESULTS OF OPERATIONS

For the three months ended December 31, 2015, Forent's production averaged 221 boe/d consisting of 125 bopd of crude oil and 575 Mcfd of natural gas.

Oil & Gas Production

	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Oil & Liquids (Bopd)						
Twining	**63**	75	-16%	**63**	59	7%
Provost	**32**	41	-22%	**32**	36	-11%
Wayne	**28**	33	-15%	**28**	27	4%
Other	**2**	5	-60%	**4**	4	0%
Oil & Liquids (Bopd)	**125**	154	-19%	**127**	126	1%
Gas (Mcfd)						
Ferrybank	**123**	129	-5%	**126**	138	-9%
Ghost Pine	**37**	123	-70%	**104**	96	8%
Twining	**112**	98	14%	**85**	77	10%
Huxley	**73**	73	0%	**73**	72	1%
Wayne	**33**	29	14%	**31**	29	7%
Provost	**7**	13	-46%	**10**	8	25%
Other	**190**	115	65%	**113**	83	36%
Gas (Mcfd)	**575**	580	-1%	**542**	503	8%
Total (BOEd)	**221**	251	-12%	**217**	210	3%
Oil, percentage of total	**57%**	61%		**59%**	60%	

During Q4 2015, Forent's average oil and liquids sales decreased to 125 bopd compared with 154 bopd in Q4 2014. Gas production in Q4 2015 decreased slightly to 575 Mcfd compared with 580 Mcfd in Q4 2014.

During 2015, Forent's average oil and liquids sales were 127 bopd compared with 126 bopd for 2014. Average gas production in 2015 increased to 542 Mcfd compared with 503 Mcf for 2014.

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. Production rates have declined slightly through 2015.

Product prices	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Oil ($/Bbl)	$ 40.37	$ 62.58	-35%	$ 45.38	$ 78.04	-42%
Natural Gas ($/Mcf)	$ 3.18	$ 3.98	-20%	$ 3.06	$ 4.66	-34%
NGL's ($/Bbl)	$ 26.34	$ 58.90	-55%	$ 30.53	$ 64.21	-52%
$/BOE - Company	$ 30.99	$ 47.61	-35%	$ 34.02	$ 57.63	-41%

During Q4 2015, average natural gas, oil and NGL prices were 35% lower than for Q4 2014. For 2015, average natural gas and oil prices were 34% and 42% lower respectively than for 2014.

Revenue from oil and gas production, before royalties	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Oil	$ 420,112	$ 812,322	-48%	$ 1,928,068	$ 3,332,266	-42%
Natural Gas	168,106	205,478	-18%	606,204	837,945	-28%
NGL's	17,723	49,687	-64%	75,920	138,257	-45%
Royalties and other	26,008	24,698	5%	97,650	92,829	5%
	$ 631,949	$ 1,092,185	-42%	$ 2,707,842	$ 4,401,297	-38%

The significant reduction in oil and natural gas prices during 2015 negatively affected revenues. Q4 2015 revenues of $632,000 were 42% lower than for Q4 2014. Revenues of $2.7 million for 2015 were 38% lower than for 2014.

Royalty	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Crown	$ 2,179	$ 32,397	-93%	$ (20,648)	$ 122,923	-117%
Freehold	90,730	156,514	-42%	463,516	773,472	-40%
Royalties	$ 92,909	$ 188,911	-51%	$ 442,868	$ 896,395	-51%
per BOE	$ 4.56	$ 8.16	-44%	$ 5.56	$ 11.69	-52%
Royalties as a percentage of revenue	14.7%	17.3%		16.4%	20.4%	

Royalty expense dropped during 2015 compared with the same periods of 2014 as revenues were down throughout 2015. Royalties as a percentage of revenue remained within the expected 19%-20% range; however, an adjustment to the Company’s gas cost allowance resulted in a refund of $39,000 from the Alberta Government in the second quarter, exceeding the current years’ crown royalties paid.

Operating	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Operating and transportation cost	$ 491,737	$ 675,972	-27%	$ 1,874,000	$ 1,866,975	0%
per BOE	$ 24.11	$ 29.20	-17%	$ 23.54	$ 24.35	-3%

Total operating and transportation costs and operating costs per BOE for 2015 were almost the same as 2014 as production volumes and related costs have remained essentially flat over the two years. However, Q4 2014 operating costs were unusually high due to several 13 month adjustment charges received from joint venture partners.

Summary of operating netback	Three months ended Dec 31			Years ended Dec 31		
	2015	2014	% Change	**2015**	2014	% Change
Oil	$ 420,112	$ 812,322	-48%	$ 1,928,068	$ 3,332,266	-42%
Natural Gas	168,106	205,478	-18%	606,204	837,945	-28%
NGL's	17,723	49,687	-64%	75,920	138,257	-45%
Royalties and other	26,008	24,698	5%	97,650	92,829	5%
Total oil, gas, liquids & other revenue	631,949	1,092,185	-42%	2,707,842	4,401,297	-38%
Royalties	(92,909)	(188,911)	51%	(442,868)	(896,395)	51%
Oil and gas revenue, net of royalties	539,040	903,274	-40%	2,264,974	3,504,902	-35%
Operating expenses	(491,737)	(675,972)	27%	(1,874,000)	(1,866,975)	0%
Operating netback	$ 47,303	$ 227,302	-79%	$ 390,974	$ 1,637,927	-76%
$/BOE						
Total Gas, Oil & Liquids	$ 30.99	$ 47.17	-34%	$ 34.02	$ 57.40	-41%
Royalties	$ (4.56)	$ (8.16)	44%	$ (5.56)	$ (11.69)	52%
Operating expenses	$ (24.11)	$ (29.20)	17%	$ (23.54)	$ (24.35)	3%
Operating netback	$ 2.32	$ 9.81	-76%	$ 4.92	$ 21.36	-77%

For the three and twelve month periods, production was stable while revenues decreased compared with the prior year periods due to the substantial reduction in oil and natural gas realized prices. The resulting operating netback for three and twelve month period of 2015 of $2.32 and $4.92 per BOE respectively compared with $9.81 and 21.36 per BOE in the prior year periods reflects the drop in realized prices offset partially by a reduction in royalties.

General and administrative	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Salaries & benefits	$ 220,672	$ 265,238	-17%	$ 1,015,171	$ 1,062,359	-4%
Office	70,136	76,793	-9%	317,788	285,573	11%
Corporate	159,170	172,254	-8%	391,464	434,265	-10%
Gross expenses	449,978	514,285	-13%	1,724,423	1,782,197	-3%
Recovered from third parties	(30,873)	(30,665)	-1%	(110,791)	(115,886)	4%
Capitalized	(33,000)	(106,370)	69%	(152,711)	(425,699)	64%
Net Overhead	$ 386,105	$ 377,250	2%	$ 1,460,921	$ 1,240,612	18%
per BOE	$ 18.93	$ 16.29	16%	$ 18.35	$ 16.18	13%

Gross expenses for the three months ended December 31, 2015 decreased 13% compared with the prior year period as salary reductions taken in Q1 2015 start to show a meaningful affect. Also, $26,000 in salary for the quarter and $83,000 for the year were re-classed to "costs associated with potential acquisitions" reflecting the significant corporate effort in that regard and partially offsetting the addition of two staff members in June who are focused on acquisitions. For 2015, gross expenses are down slightly compared with the prior year as salary reductions offset severance payments made related to a staff reduction. Net overhead costs for the fourth quarter and the year were slightly higher than the prior year periods as a reduction in corporate costs and salary were offset by a larger reduction in capitalized overhead.

Finance expense, except per BOE	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Bank loan - interest	$ 65,109	$ 70,672	-8%	$ 264,651	$ 171,295	55%
Bank loan - fees	(2,750)	(1,750)	-57%	11,125	19,250	-42%
Accretion of decommissioning liability	17,913	23,940	-25%	74,513	78,991	-6%
Finance expense	$ 80,272	$ 92,862	-14%	$ 350,289	$ 269,536	30%
per BOE	$ 3.94	$ 4.01	-2%	$ 4.40	$ 3.52	25%

Finance expenses for 2015 were higher than for 2014 as the Company had on average higher levels of bank debt during the year. During Q4 2015 we identified that bank loan fees had been overestimated in earlier periods resulting in a credit for the quarter.

Depletion and depreciation	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Depletion and depreciation expense	$ 316,317	$ 328,925	-4%	$ 1,156,553	$ 980,975	18%
per BOE	$ 15.51	$ 14.21	9%	$ 14.53	$ 12.79	14%

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.

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 in the audited financial statements of the Company for the year ended December 31, 2015 – Significant accounting estimates and assumptions), forecast benchmark commodity prices, royalties, operating costs and discount rates. There were indicators of impairment noted for Q4 2015, and an impairment of $1.9 million was calculated. The Company used a discount rate of 10% for oil assets and 11% for gas assets when determining the value of recoverable reserves and used the price forecast from the Company’s reserve evaluator as at January 1, 2016.

Capital additions	Three months ended Dec 31 2015	2014	% Change	Years ended Dec 31 2015	2014	% Change
Geological and geophysical	$ 19,674	$ 62,862	-69%	$ 102,699	$ 311,681	-67%
Drilling and completions	9,241	732,374	-99%	24,649	3,287,684	-99%
Equipment, facilities and pipelines	61,613	(586,913)	110%	77,020	835,885	-91%
Asset acquisition[(1)]	-	-		179,961	(21,345)	943%
Decommissioning obligation	32,843	1,273,066	-97%	147,099	1,580,397	-91%
Total	$ 123,371	$ 1,481,389	-92%	$ 531,428	$ 5,994,302	-91%

(1) See note 11, corporate acquisition in the audited financial statements of the Company for the year ended December 31, 2015.

Capital additions for the three and twelve months periods of 2015 resulted from capitalized overhead, changes to the Company’s decommissioning obligation and an asset acquisition. Capitalized overhead is 100% of the geological and geophysical category above.

Costs associated with potential acquisitions on the statement of loss and comprehensive loss of $237,000 for the 2015 year include allocated salaries, and direct legal, consulting and other third party charges related to acquisitions and also include $22,000 related to the asset acquisition noted above.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, Forent had net debt of $5.8 million compared with net debt of $5.8 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 2016.

At December 31, 2015, the Company had drawn $6.2 million of the loan facility (2014 – $6.0 million). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at December 31, 2015. The financial covenant is: adjusted working capital (being current assets plus unused bank line) divided by current liabilities less bank loans and derivatives, must be greater than 1. The loan facility is charged interest at prime plus 1.6% per annum. The Company has no outstanding letters of credit at December 31, 2015 (Q4 2014 – 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.

On June 30, 2015, the Company completed two transactions:

- The Company issued 2,800,500 common shares to acquire 1883222 Alberta Inc. which included $870,000 of cash, some minor assets and no debt; and
- The Company issued 2,700,000 common shares for gross proceeds of $1.08 million.

As of April 12, 2016, Forent had 14,932,660 common shares outstanding and 1,344,916 options outstanding to purchase 1,344,916 additional common shares (1,778 options expired after December 31st).

The continued exploration and development of the Company's properties is, in part, dependent upon the maintenance 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 during 2015 the Company's revenues, cash flow and earnings have been materially reduced, despite steady production levels.

There can be no assurance that the Company will be successful in its efforts 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 consolidated financial statements for the year ended December 31, 2015.

SUBSEQUENT EVENTS

On February 16, 2016, Forent was informed by the Court of Queen's Bench of Alberta that the Vendor in respect of which the Company had previously announced a purchase and sale agreement to acquire oil and gas properties in the Twining area, had appointed a Receiver, pursuant to section 243 of the Bankruptcy and Insolvency Act. Forent has made a revised offer to purchase the Twining properties from the Receiver.

On March 7, 2016, Forent and Perisson Petroleum Corporation (CSE: POG) ("Perisson") announced that they had entered into a definitive agreement pursuant to which Perisson and Forent have agreed to amalgamate under the Business Corporations Act (Alberta) (the "Amalgamation"). Further details regarding the transaction shall be provided in the joint information circular which will be mailed to shareholders of Forent and shareholders of Perisson in connection with their special shareholders' meetings to approve the Amalgamation.

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 consolidated financial statements for the year ended December 31, 2015.

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, 2015		
2016	$	180,704
2017		125,835
	$	306,539

The Company's subsidiary has an obligation to spend $870,000 in qualifying development and exploration expenditures by December 31, 2016.

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, 2015 and 2014, the Company incurred $173,000 and $233,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. Forent also incurred $37,000 in the first half of 2015 and $34,000 in 2014 for legal services with a law firm of which a board member was a partner.

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 a Board member. The interest rate on the loan was 5% per annum and the loan was repaid in full during April 2015.

In June 2015, related to the acquisition of 1883222 Alberta Inc., officers of Forent held 120,000 shares in 1883222 Alberta Inc. (10.7% of total) prior to the acquisition closing (see Note 11, Corporate Acquisition, in the notes to the consolidated financial statements for the year ended December 31, 2015).

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, 2015. 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 obligations where the Company will be required to retire tangible 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 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.

Amortization of decommissioning obligations are included in finance expense in the statement of loss.

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

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 currently included in the balance sheet are comprised of cash, accounts receivable, deposits, accounts payable, and bank debt. Derivative assets and liabilities are periodically used.

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 $159,000 (2014 – $340,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company's trade receivable balance at December 31, 2015, was approximately $581,000 (2014 – $921,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in 2014 by approximately $66,000 (2014 – $43,000).

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 2014, the Company completed one equity financing raising $591,000. In 2015, the Company completed two transactions raising a combined $1.95 million.

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

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 1,084,209	$ -	$ -
Bank indebtedness	6,237,373		
	$ 7,321,582	$ -	$ -

Foreign Currency Exchange Risk

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

SIGNIFICANT ACCOUNTING POLICIES

During the twelve months ended December 31, 2015, the Company did not adopt any new or revised standards. New accounting standards, amendments to accounting standards and interpretations effective for annual periods beginning on or after January 1, 2016 are as follows:

Leases

On January 13, 2016, the IASB issued IFRS 16 - Leases, which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on the Financial Statements.

Revenue Recognition

On September 11, 2015 the IASB published an amendment to IFRS 15 – Revenue from Contracts with Customers, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018. IFRS 15, replaces IAS 11 – Construction Contracts, IAS 18 - Revenue and several revenue-related interpretations, establishing a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The Company is currently evaluating the impact of adopting IFRS 15 on the Financial Statements.

Financial Instruments

IFRS 9 – Financial Instruments was issued in 2014 and is effective for years beginning on or after January 1, 2018 with earlier adoption permitted. The standard introduces multiple changes from IAS 39 – Financial Instruments: Recognition and Measurement, including introducing a principle-based approach for classification and measurement of financial assets, a single expected loss impairment model and a substantially-reformed approach to hedge accounting. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements. The accounting policies followed in the audited financial statements are consistent with those of the previous year ended December 31, 2014.

CORPORATE INFORMATION

DIRECTORS

Robyn Lore
Chairman of the Board

John A. Forgeron [2]

Curtis Hartzler

Martin Hislop [1, 3]

John G.F. McLeod [2, 3]

Wayne Rousch [1, 2, 3]

W. Brett Wilson [1]

Member of:
(1) Audit Committee
(2) Reserves Committee
(3) Compensation Committee

OFFICERS

Robyn Lore
President & Chief Executive Officer

Brad R. Perry
Chief Financial Officer

Richard Wade
Chief Operating Officer

Tim Laska
Vice President Exploration

Curtis Hartzler
Vice President Business Development

Ian Shook
Vice President Geophysics

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AUDITORS

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Chartered Professional Accountants
Calgary, AB

BANKERS

ATB Financial
Calgary, AB

SOLICITORS

McLeod Law LLP
Calgary, AB

ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, AB

REGISTRAR & TRANSFER AGENT

Computershare Canada
Calgary, AB

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol “FEN”