FORENT ENERGY

Interim Consolidated Financial Statements

For the three months ended March 31, 2016

CONSOLIDATED BALANCE SHEET

(Cdn $, unaudited)	Note	Mar 31, 2016	Dec 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 7,236	$ 49,467
Accounts receivable	7	735,308	840,117
Prepaids and other assets	16	592,456	598,930
		1,335,000	1,488,514
Non-current assets			
Property, plant and equipment	10	15,542,206	15,739,920
Exploration and evaluation assets	9	4,135,351	4,115,735
		$ 21,012,557	$ 21,344,169
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 838,395	$ 1,084,209
Bank indebtedness	5	6,831,670	6,237,373
		7,670,065	7,321,582
Non-current liabilities			
Decommission obligation	11	4,914,786	4,814,938
		12,584,851	12,136,520
SHAREHOLDERS' EQUITY			
Share capital	12	26,649,441	26,649,441
Contributed surplus		3,747,324	3,713,360
Deficit		(21,969,059)	(21,155,152)
		8,427,706	9,207,649
		$ 21,012,557	$ 21,344,169

Going concern (note 1)
Commitments (note 13)

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

On Behalf of the Board of Directors:

(Signed) "Robyn Lore" Director (Signed) "W. Rousch" Director

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Cdn $, except per share amounts, unaudited)	Note	Three months ended Mar 31 2016	2015
Revenues			
Petroleum and natural gas sales, net of royalties	*15*	$ 314,128	$ 503,071
Expenses			
Operating		398,174	463,133
General and administrative	*15*	313,128	367,864
Costs associated with potential acquisitions		52,886	-
Share based compensation	*12*	32,292	18,248
Finance expense	*15*	90,941	94,621
Depletion and depreciation	*10*	240,614	279,176
Other (income) expense		-	47,940
		1,128,035	1,270,982
Loss before income taxes		(813,907)	(767,911)
Deferred tax recovery		-	65,962
Net loss and comprehensive loss		$ (813,907)	$ (701,949)
Loss per share, basic and diluted	*12*	$ (0.05)	$ (0.07)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Cdn $, unaudited)	*Note*	Period ended Mar 31 2016	 2015
Share Capital			
Balance, end of period		$ 26,649,441	$ 24,459,495
Contributed surplus			
Balance, beginning of year		$ 3,713,360	$ 3,387,647
Share-based payments for awards granted		33,964	21,587
Balance, end of period		$ 3,747,324	$ 3,409,234
Deficit			
Balance, beginning of year		$ (21,155,152)	$ (16,124,218)
Net loss and comprehensive loss		(813,907)	(701,949)
Balance, end of period		$ (21,969,059)	$ (16,826,167)
Shareholders equity, end of period		$ 8,427,706	$ 11,042,562

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Three months ended Mar 31	
(Cdn $, unaudited)	*Note*	2016	2015
Cash provided by (Used in):			
OPERATING ACTIVITIES			
Loss from continuing operations		$ (813,907)	$ (701,949)
Adjustments for items not involving cash:			
Share based compensation		32,292	18,248
Finance expense, accretion portion		16,842	21,045
Depletion and depreciation		240,614	279,176
Deferred tax (recovery) expense		-	(65,962)
Change in non-cash working capital	*15*	(112,006)	(352,342)
Cash used in Operating Activities:		(636,165)	(801,784)
FINANCING			
Increase in bank indebtedness		594,297	729,143
Increase in shareholder loan		-	150,000
Cash provided by Financing Activities:		594,297	879,143
INVESTING			
Property dispositions	*10*	49,942	-
Expenditures on property and equipment	*10*	(9,000)	(28,907)
Expenditures on exploration and evaluation assets	*9*	(18,780)	(3,490)
Change in non-cash working capital	*15*	(22,525)	(63,888)
Cash used in Investing Activities:		(363)	(96,285)
Change in cash		$ (42,231)	$ (18,926)
Cash, beginning of period		49,467	18,926
Cash, end of period		$ 7,236	$ -

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

NOTES TO FINANCIAL STATEMENTS

For the three months ended March 31, 2016 and 2015.

Amounts in Canadian dollars unless otherwise indicated.

1. GOING CONCERN

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting. The Company has applied the same accounting policies throughout all periods presented as those disclosed in the notes to the audited consolidated financial statements for the year ended December 31, 2015, except as identified in Note 4, Significant Accounting Policies. These consolidated interim financial statements have been prepared on the historical cost basis, except as identified in Note 4 of the annual financial statements for the year ended December 31, 2015. They are presented in Canadian dollars, which is the Company’s functional currency.

At March 31, 2016, the Company had a working capital deficit of $6.3 million, including amounts drawn on its credit facility of $6.8 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 review by July 31, 2016. Also, the Company has had net losses from continuing operations for the last eight quarters and has an accumulated deficit of $22.0 million.

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 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 decline in commodity prices since Q4 2014, the Company’s revenues, cash flow and earnings have been significantly reduced, despite steady production levels. The Company has taken steps to reduce operating and overhead costs where possible. The Company has entered into a definitive amalgamation agreement that is anticipated to close in July 2016, see Note 17.

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, or to arrange additional financing, if needed, on terms satisfactory to the Company or at all.

These interim consolidated 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 production 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.

The interim consolidated financial statements of the Company include Forent’s wholly owned subsidiary, 1883222 Alberta Inc.

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

3. BASIS OF PRESENTATION

The Company prepares its consolidated interim 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 periods presented in these consolidated interim financial statements.

These consolidated interim 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 consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 26, 2016.

The three months ended March 31, 2016, have not been audited nor reviewed by the Company's auditor.

4. SIGNIFICANT ACCOUNTING POLICIES

During the three months ended March 31, 2016, the Company has not adopted any new or revised standards. A description of standards and interpretations that will be adopted by the Company in future periods in disclosed in note 4 of the annual financial statements for the year ended December 31, 2015. The accounting policies followed in the consolidated interim financial statements are consistent with those of the previous year.

The significant judgments, estimates and assumptions made by management in these consolidated interim financial statements are consistent with those of the previous year, as outlined in note 4 of the December 31, 2015 annual 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 by July 31, 2016.

At March 31, 2016, the Company had drawn $6.8 million of the loan facility (Q1 2015 – $6.7 million). The Company is required to maintain certain covenants with the financial institution and is in compliance with those covenants as at March 31, 2016. 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 March 31, 2016 (Q1 2015 – 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 having significant effect on the amounts recognized in the consolidated interim financial statements for the three months ended March 31, 2016 are included in the following annual notes to the audited consolidated financial statements for the year ended December 31, 2015:

- Note 7 – valuation of financial instruments;
- Notes 9 & 10 – valuation of exploration and evaluation assets and property and equipment;
- Note 11 – corporate acquisitions;
- Note 12 – measurement of decommissioning provision;
- Note 13 – measurement of share-based compensation; and
- Note 17 – taxes.

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. When used, derivative assets and liabilities are held for trading.

The Company's financial instruments currently included in the balance sheet are comprised of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, and bank debt. Derivative assets and liabilities may be used periodically.

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 $163,000 (Q1 2015 – $300,000) of accounts receivable balances are in excess of 90 days. Management has reviewed the items comprising the accounts receivable balance and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

The Company's trade receivable balance at March 31, 2016, was approximately $484,000 (Q1 2015 – $581,000).

Interest Rate Risk

The Company is exposed to risks from interest rate fluctuation on its bank loan and cash balances which are based on prime rates. A 25% change in interest rates would have impacted loss before income taxes in Q1 2016 by approximately $18,000 (Q1 2015 – $18,000).

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.

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

	< 1 year	years 2 & 3	> 3 years
Accounts payable and accrued liabilities	$ 838,395	$ -	$ -
Bank indebtedness	6,831,670		
	$ 7,670,065	$ -	$ -

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.

Other Risk

See note 1, going concern.

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.

The ratio is calculated as follows:

Net Debt Repayability		Three months ended Mar 31		
(*Cdn* $, except for years)		2016		2015
Current liabilities	$	7,670,065	$	7,657,567
Less current assets		(1,335,000)		(1,330,580)
Net debt[1]		6,335,065		6,326,987
Annualized funds flow[2]	$	(2,096,636)	$	(1,797,768)
Years estimated to repay net debt		N/A		N/A

[1] Net debt (surplus) is a non-GAAP measure representing the total funds flow 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 net 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.

Net debt repayability is a calculation to determine the number of years required to repay net debt from the most recent quarter's annualized funds flow from operations. The target for this ratio is to be less than 2 years net debt repayability.

The net debt repayability ratio is currently negative but the Company expects this ratio to be positive when oil and natural gas prices increase. 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 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 these financial covenants at the end of the reporting period.

9. EXPLORATION AND EVALUATION ASSETS

Balance, December 31, 2013	$	3,475,784
Additions		573,743
Exploration and evaluation expense		(22,965)
Balance, December 31, 2014	$	4,026,562
Additions		206,173
Exploration and evaluation expense		(117,000)
Balance, December 31, 2015	$	4,115,735
Additions		19,616
Balance, March 31, 2016	$	4,135,351

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. Additions for the year were for oil and gas licences.

In 2015, the Company recognized a $117,000 exploration expense when a small percentage of licences at Montgomery expired.

During Q1 2016, $10,000 (Q1 2015 - $20,000) was capitalized to E&E for related overhead and stock based compensation expenses.

10. PROPERTY, PLANT AND EQUIPMENT

Cost:	Oil & gas properties	Office equipment	Total
Balance, December 31, 2014	$ 24,716,544	$ 105,755	$ 24,822,299
Additions	384,329	2,247	386,576
Changes in decommisioning provision	147,099	-	147,099
Balance, December 31, 2015	$ 25,247,972	$ 108,002	$ 25,355,974
Additions	9,836	-	9,836
Acquisitions (dispositions)	(49,942)	-	(49,942)
Changes in decommisioning provision	83,006	-	83,006
Balance, March 31, 2016	$ 25,290,872	$ 108,002	$ 25,398,874
Accumulated depletion, depreciation and impairment losses			
Balance, December 31, 2014	$ 6,532,660	$ 88,841	$ 6,621,501
Depletion and depreciation	1,149,116	7,437	1,156,553
Impairment loss	1,838,000	-	1,838,000
Balance, December 31, 2015	$ 9,519,776	$ 96,278	$ 9,616,054
Depletion and depreciation	239,458	1,156	240,614
Balance, March 31, 2016	$ 9,759,234	$ 97,434	$ 9,856,668
Net carrying value:			
Balance, December 31, 2014	$ 18,183,884	$ 16,914	$ 18,200,798
Balance, December 31, 2015	$ 15,728,196	$ 11,724	$ 15,739,920
Balance, March 31, 2016	$ 15,531,638	$ 10,568	$ 15,542,206

For the calculation of depletion expense, estimated future costs required to develop the proved and probable reserves were added to the cost base of property, plant and equipment. At March 31, 2016, future costs were $8.1 million (Q1 2015 - $9.0 million).

For Q1 2016, $10,000 (Q1 2015 - $31,000) was capitalized to property, plant and equipment for related overhead and stock based compensation expenses.

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 in the audited consolidated financial statements for the year ended December 31, 2015), forecast benchmark commodity prices, royalties, operating costs and discount rates. There were no indicators of impairment noted for Q1 2016.

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 $4.9 million at March 31, 2016 (Q1 2015 - $4.8 million), based on a total future undiscounted liability of $4.5 million (Q1 2015 - $4.5 million). 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 0.66% to 2.00% (Q1 2015 – 0.75% to 1.97%). The estimated inflation rate was 2.00% (Q1 2015 - 2.00%).

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

Changes to the decommisioning provision are:	Period ended March 31, 2016	Year ended December 31, 2015
Decommissioning provision, beginning of period	$ 4,814,938	$ 4,593,326
Liabilities incurred	-	-
Liabilities settled	-	-
Liabilities acquired from acquisitions	-	5,025
Effect of change in risk free rate[1]	83,006	135,472
Revisions in estimated cash outflows	-	6,706
Accretion expense	16,842	74,409
Decommissioning provision, end of period	$ 4,914,786	$ 4,814,938

[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. On June 30, 2015, the Company initiated a 20 for 1 common share consolidation. The common share numbers that follow are on a post consolidation basis.

	Number of common shares	Amount
Balance, December 31, 2014	9,432,160	$ 24,459,495
Common shares issued pursuant to private placements	2,700,000	1,080,000
Share issue costs, net of deferred tax	-	(10,054)
Common shares issued for 1883222 Alberta Inc.	2,800,500	1,120,000
Balance, December 31, 2015	14,932,660	$ 26,649,441
Balance, March 31, 2016	14,932,660	$ 26,649,441

In June 2015, the Company issued 2,700,000 for gross proceeds of $1,080,000 and issued 2,800,500 common shares to acquire its wholly owned subsidiary 1883222 Alberta Inc. which was assigned a fair value of $1,120,000.

Share Option Plan

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

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

1/3 on grant date

1/3 on first anniversary of grant date

1/3 on second anniversary of grant date

As at March 31, 2016, there are a total of 1,344,916 options granted and outstanding under the Share Option Plan with a weighted average exercise price of $0.48 per share. A total of 474,088 options with a weighted average exercise price of $0.60 are exercisable at March 31, 2016.

	March 31, 2016			December 31, 2015		
Stock Options	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Outstanding, beginning of period	1,346,694	$	0.48	571,119	$	3.44
Granted	-	$	-	1,300,000	$	0.40
Expired	(1,778)	$	5.00	(33,000)	$	6.00
Cancelled	-	$	-	(491,425)	$	3.34
Outstanding, end of period	1,344,916	$	0.48	1,346,694	$	0.48
Options exercisable, end of period	474,088	$	0.60	470,866	$	0.61

Exercise price		Weighted Ave Strike Price	Outstanding March 31, 2016	Remaining (years)	Exercisable March 31, 2016
$0.25 - $0.49	$	0.40	1,300,000	4.25	433,338
$1.50 - $2.99	$	1.84	31,250	2.89	27,084
$3.00 - $11.00	$	4.58	13,666	0.68	13,666
	$	0.48	1,344,916	4.07	474,088

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
2015	0.76	4.5	10.00%	1.52	$	0.36
2016	No transactions					

The Company accounts for its options granted using the fair value method whereby costs have been recognized for share options granted, resulting in share based compensation expense for Q1 2015 of $20,000 (Q1 2015 – $18,000). Additionally, share based compensation of $2,000 (Q1 2015 - $3,000) was capitalized for the same period.

Net loss per share

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

Common shares outstanding	Three months ended Mar 31	
	2016	2015
Weighted average shares outstanding	14,932,660	9,432,160
Dilutive effect of stock options	-	-
Diluted weighted average shares outstanding	14,932,660	9,432,160

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 March 31, 2016	
2016	$ 133,516
2017	125,835
	$ 259,351

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

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 three month March 31, 2016 and 2015, the Company incurred $56,000 and $75,000, respectively, of operating costs relating to compressor rental fees from a company controlled by a board member. Forent also incurred $Nil in Q1 2016 and $1,000 in Q1 2015 for legal services with a law firm of which a board member was a partner.

15. SUPPLEMENTAL INFORMATION

Supplemental Cash Flow Information	Three months ended Mar 31	
(Cdn $)	2016	2015
Interest paid during the period	$ 70,724	$ 70,951
Taxes paid during the period	$ -	$ -

Changes in non-cash working capital balances		
Accounts receivable	$ 104,809	$ 87,689
Prepaid expenses	6,474	25,752
Exploration deposit	-	47,940
Accounts payable and accrued liabilities	(245,814)	(577,611)
	$ (134,531)	$ (416,230)

Changes in non-cash working capital balances		
Operating activity	$ (112,006)	$ (352,342)
Investing activity	(22,525)	(63,888)
	$ (134,531)	$ (416,230)

Expenses by nature:

General and administrative	Three months ended Mar 31	
	2016	2015
Salaries & benefits	$ 221,885	$ 293,320
Office	90,253	95,178
Corporate	44,676	55,062
Gross expenses	356,814	443,560
Recovered from third parties	(25,686)	(27,985)
Capitalized	(18,000)	(47,711)
Net Overhead	$ 313,128	$ 367,864

Finance expense	Three months ended Mar 31	
	2016	2015
Bank loan - interest	$ 70,724	$ 70,951
Bank loan - fees	3,375	2,625
Accretion of ARO	16,842	21,045
Finance expense	$ 90,941	$ 94,621

Revenue from oil and gas production, net of royalties	Three months ended Mar 31 2016	2015
Oil	$ 289,572	$ 432,962
Natural Gas	72,154	149,470
NGL's	11,008	18,195
Royalties and other	17,644	23,174
	390,378	623,801
Crown	(3,170)	(7,761)
Freehold	(73,080)	(112,969)
Royalties	(76,250)	(120,730)
	$ 314,128	$ 503,071

16. PREPAIDS AND OTHER ASSETS

The Company has prepaids and other assets as follows:

	Mar 31, 2016	Dec 31, 2015
Prepaid expenditures	$ 52,836	$ 59,310
Refundable Deposits	534,695	534,695
Crown royalty deposits	3,932	3,932
Other	993	993
Total	$ 592,456	$ 598,930

Prepaid expenditures include amounts related to prepaid insurance and prepaid software licences.

Refundable deposits include $500,000 in 2015 related to a property acquisition that had not closed at March 31, 2016. See note 17, Subsequent Events. The remaining balance of $34,695 in Q1 2016 (2015 - $34,695) are deposits with TransCanada to allow Forent to use their gas transmission system.

17. SUBSEQUENT EVENTS

On May 19, 2016, Perisson Petroleum Corporation (“Perisson”) (CSE: POG) and Forent Energy Inc. announced the closing of the previously announced acquisition of certain producing oil and gas assets in the Twining area of Alberta (the “Acquisition“). The Acquisition consists of approximately 200 boe/d, which is comprised of 70% oil and 30% liquids rich gas with associated facilities (the “Assets“).

The Acquisition was made by Forent who acquired the property on behalf of Perisson pursuant to a trust agreement between Forent and Perisson. Forent will act as operator of the Assets until the completion of the amalgamation of Forent and Perisson, as previously announced on March 7, 2016.

On May 24, 2016, the Company received a $500,000 refund of the deposit related to the acquired property.

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) Technical Committee
(3) Compensation Committee

OFFICERS

Robyn Lore
President & Chief Executive Officer

Curtis Hartzler
Vice President Business Development

Tim Laska
Vice President Exploration

Brad R. Perry
Chief Financial Officer

Ian Shook
Vice President Geophysics

Richard Wade
Chief Operating Officer

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 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”