

Q2

STORM EXPLORATION INC.

S E C O N D Q U A R T E R I N T E R I M R E P O R T 2 0 0 5

S E C O N D Q U A R T E R H I G H L I G H T S

<i>(in \$Cdn except volumetric amounts)</i>	<i>Three Months Ended June 30, 2005</i>	<i>Three Months Ended March 31, 2005</i>	<i>Six Months Ended June 30, 2005</i>
Financial			
Gas sales	11,581,000	8,791,000	20,372,000
NGL sales	2,143,000	2,163,000	4,306,000
Oil sales	2,075,000	1,743,000	3,818,000
Royalty income	152,000	271,000	423,000
Production revenue	15,951,000	12,968,000	28,919,000
Cash flow from operations	8,071,000	6,718,000	14,789,000
Per share – basic	0.21	0.17	0.38
Per share – diluted	0.20	0.17	0.37
Net income	3,643,000	3,073,000	6,716,000
Per share – basic	0.09	0.08	0.17
Per share – diluted	0.09	0.08	0.17
Capital expenditures, net of dispositions	4,261,000	10,339,000	14,600,000
Debt, including working capital deficiency	29,032,000	32,846,000	29,032,000
Weighted average common shares outstanding			
Basic	38,678,000	38,673,000	38,675,000
Diluted	40,149,000	39,983,000	40,141,000
Common shares outstanding			
Basic	38,768,000	38,673,000	38,768,000
Fully diluted	41,853,000	41,719,000	41,853,000
Operations			
Oil equivalent (6:1)			
Barrels of oil equivalent	316,791	264,013	580,804
Barrels of oil equivalent per day	3,481	2,933	3,209
Average selling price (\$Cdn per Boe)	49.90	48.09	49.06
Royalties	25.92%	25.45%	25.71%
Gas production			
Thousand cubic feet	1,506,353	1,214,318	2,720,671
Thousand cubic feet per day	16,553	13,492	15,031
Average selling price (\$Cdn per thousand cubic feet)	7.69	7.24	7.49
NGL production			
Barrels	33,920	33,384	67,304
Barrels per day	373	371	372
Average selling price (\$Cdn per barrel)	63.17	64.80	63.98
Oil production			
Barrels	31,812	28,243	60,055
Barrels per day	350	314	332
Average selling price (\$Cdn per barrel)	65.37	61.72	63.58
Wells drilled			
Gross	1.0	5.0	6.0
Net	0.0	3.0	3.0

Highlights for the quarter ended June 30, 2005 include the following:

- Production for the quarter averaged 3,481 Boe per day, an increase of 19 percent when compared to the quarter ended March 31, 2005. Production for the six months ended June 30, 2005 averaged 3,209 Boe per day.
- Exit rate of 3,500 Boe per day represents growth of 289 percent in the 12 months since oil and gas operations began on July 1, 2004.
- Field netback per Boe for the quarter averaged \$27.50, approximately the same as the average field netback for the quarter ended March 31, 2005 and the six months ended June 30, 2005.
- Capital expenditures net of minor dispositions for the quarter totalled \$4.3 million. Significant expenditures included the following:
 - drilling of one well in the Brazeau-Pembina area, cased as a gas well (22.5 percent working interest).
 - tied in two new wells in the Peace River Arch that were drilled in the first quarter. Current rates are 80 Boe/d from one well (70 percent working interest) and 30 Boe/d plus 1.0 Mmcf/d of gas from the second well (37.5 percent working interest).
 - spent \$1 million purchasing 2-D and 3-D seismic that will be used to expand the prospect inventory.
- Strengthened the balance sheet with debt plus working capital deficiency at June 30, 2005 of \$29 million, a reduction of \$3.8 million from the previous quarter. Further, Storm's revolving borrowing base bank facility increased from \$24 million to \$33 million.

Storm's cash flow for the full year is estimated to amount to \$33 million, or \$0.82 per diluted share, if second quarter prices continue for the remainder of the year. Storm's capital budget will increase to approximately \$35 million. We expect to drill at least 22 wells in the remainder of 2005.

C O R E A R E A R E V I E W

PEACE RIVER ARCH, NORTH WEST ALBERTA AND NORTH EAST BRITISH COLUMBIA

In late June, Storm commenced production from two new wells in the Peace River Arch that were drilled in the first quarter. Current rates are 80 Boe/d from one well (70 percent working interest) and 30 Boe/d plus 1.0 Mmcf/d of gas from the other well (37.5 percent working interest).

Activity subsequent to June 30, 2005 included:

- Drilled and cased two wells (72.5 percent working interest) as gas wells.
- Five out of seven workovers were successful, with 1.5 Mmcf/d of net incremental gas production from three wells that are tied in, one well (50 percent working interest) testing 3.0 Mmcf/d of gas to be tied in by early September, and one well converted to saltwater disposal to reduce operating costs.

In the second half of 2005, Storm plans to drill a total of seven (5.2 net) wells at Parkland, four (2.0 net) at Teepee, and two wells (1.4 net) at Pouce. Storm's capital program will also include up to ten reactivations and recompletions.

CABIN/KOTCHO/JUNIOR, NORTH EAST BRITISH COLUMBIA

Storm has identified nine potential drilling locations targeting Slave Point gas, based on 130 square kilometres of 3-D seismic shot north of the Cabin area last winter. Up to three of these locations will be drilled as part of next winter's drilling program, either in the final quarter of 2005 or the first quarter of 2006, subject to equipment availability and access.

The Junior gas well that began production in late March is currently producing at a restricted gross rate of 2.8 Mmcf per day or 2.1 Mmcf per day of sales gas net to Storm's 85 percent working interest. This is a reduction from the initial gross rate of 4.2 Mmcf per day, as a result of implementation of prudent reservoir management precautions due to water production having risen to approximately 150 barrels per day. A second standing gas well (85 percent working interest) will be tied in next winter and is expected to produce at gross rates of 1.5 Mmcf per day. Storm is completing its geological review of the Junior area and expects to finalize plans for next winter's program over the next three months.

RED EARTH, ALBERTA

Storm plans to drill four (2.2 net) wells targeting a shallow gas zone and four (2.2 net) wells targeting the Granite Wash light oil formation in late 2005.

BRAZEAU-PEMBINA, WEST CENTRAL ALBERTA

In the second quarter, Storm participated in one well which was cased as a Nisku gas well (22.5 percent working interest). This well is expected to be tied in and producing by early September.

In the second half of 2005, Storm plans to drill two (1.4 net) wells targeting the Rock Creek and Ostracod formations. In addition, one well will be drilled targeting the Nisku formation on lands that were farmed out in the Lodgepole area. The operator will pay 100 percent of drilling and completion costs to earn a 60 percent working interest after payout, with one section earned for each well drilled.

INVESTMENT IN STORM VENTURES INTERNATIONAL INC.

Storm has a 26 percent ownership position in Storm Ventures International Inc. ("SVI"), a private company with a focus on international exploration and exploitation opportunities. SVI currently holds two licences in Tunisia; one is an onshore block of 1.25 million acres in the Ghadames Basin in southeast Tunisia and the second is an offshore block covering 1.25 million acres. Four onshore drilling locations have been identified, with one location to be drilled before December 31, 2005 and a second location to be drilled in the first half of 2006. A 3-D seismic program will be shot over part of the offshore block in order to identify potential drilling locations. SVI also has a 50 percent interest in Silverstone Energy Inc., which owns 110,000 acres in the UK sector of the North Sea. A geological review of the area is ongoing, with the expectation that a well will be drilled in 2006. SVI continues to seek out and evaluate opportunities in other areas.

OUTLOOK

Storm's capital budget has been expanded to \$35 million (\$32 million net of dispositions) from \$26 million, which will result in 22 wells (14.4 net) being drilled over the remainder of the year. Production levels exiting 2005 are expected to be between 4,000 and 4,200 Boe per day. Storm's current production is approximately 3,500 Boe per day and average production for the year is expected to range from 3,450 to 3,650 Boe per day, which is a slight reduction from previous guidance of 3,600 to 3,800 Boe per day. This reduction is due to weather-related delays late in the second quarter preventing mobilization of rigs, an unexpected seven-day non-operated plant outage at Teepee in July, and another expected 14-day plant outage at Teepee in late September. Approximately 800 Boe per day will be affected by these outages. Cash flow for 2005 is expected to be \$33 million or \$0.82 per diluted share, using second quarter field prices of \$Cdn 7.69/Mcf of gas and \$Cdn 65.37/Bbl for oil (\$US 53.22/Bbl WTI).

We have made considerable progress since the Company emerged from the Plan of Arrangement involving the prior Storm company in mid-2004. Revenue and cash flow have grown rapidly and our asset base provides us with a large inventory of drilling opportunities, both numerically and qualitatively. Our strong balance sheet enables us to control the timing and pace of our development program. Finally, we have the staff in place with the experience and skills necessary to execute our program efficiently, in an environment where the availability of qualified people is an industry-wide concern and where cost escalation is a constant.

A conference call to discuss the results for the second quarter will be held at 2:00 p.m. Calgary time on Monday, August 15, 2005. The call-in number is 1-888-458-1598 for callers in Canada and the United States, except for Calgary callers who should use 232-6311. Callers from outside North America should call (+1) 403-232-6311. The passcode is 1713120#. To listen to the live audio webcast of the conference call, please go to http://boss.streamos.com/wmedia-live/telus/9175/300_telus-121194_050812.asx. The webcast will be archived on our website.

Respectfully,



Brian Lavergne
President and Chief Executive Officer
August 12, 2005

The following discussion and analysis is provided by the management of Storm Exploration Inc. as of August 12, 2005, and is to be read in conjunction with the unaudited interim financial statements for the three and six months ended June 30, 2005 and the audited financial statements for the period ended December 31, 2004.

Basis of Presentation – Storm Exploration Inc. (“Storm” or the “Company”) began oil and gas operations effective July 1, 2004 as a participant in a Plan of Arrangement entered into by Harvest Energy Trust, Harvest Operations Corp., Storm Energy Ltd. and the Company (the “Plan”). Under the Plan, various assets formerly held by Storm Energy Ltd. were transferred to the Company. As a result of circumstances related to the Company’s prior business and to the Company’s participation in the Plan, no comparative historical financial information is available for the three or six months ended June 30, 2004. However, comparative financial information is provided for the immediate prior quarter, being the three months ended March 31, 2005.

Non-GAAP Measures – This Management’s Discussion and Analysis contains the term “cash flow from operations,” which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles as an indicator of the Company’s performance. It is possible that Storm’s measurement of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the Statement of Cash Flows in the unaudited interim financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated on a basis consistent with the calculation of earnings per share.

Boe Presentation – Barrels of oil equivalent (“Boe”) may be misleading, particularly if used in isolation. A Boe conversion ratio of six Mcf to one barrel (“Bbl”) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All Boe conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

Forward-Looking Information – Certain information regarding the Company set forth in this document, including management’s assessment of the Company’s future plans and operations, may constitute forward-looking statements under applicable securities law. Such forward-looking statements necessarily involve risks associated with oil and gas exploration, property development, production, marketing and transportation, such as dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

P R O D U C T I O N A N D R E V E N U E

AVERAGE DAILY PRODUCTION

<i>Period</i>	<i>Three Months to June 30, 2005</i>	<i>Three Months to March 31, 2005</i>	<i>Six Months to June 30, 2005</i>
Natural gas (Mcf/d)	16,553	13,492	15,031
Natural gas liquids (Bbls/d)	373	371	372
Crude oil (Bbls/d)	350	314	332
Total (Boe/d)	3,481	2,933	3,209

For the three months ended June 30, 2005, the Company’s production averaged 3,481 Boe per day, an increase of 548 Boe per day, or 19 percent, over average production for the three months ended March 31, 2005. The increase in production came from the Company’s drilling and exploitation programs.

Production at June 30, 2005 approximated 3,500 Boe per day. This represents growth of 289 percent since inception of oil and gas operations in July 2004.

Production for the six months to June 30, 2005 averaged 3,209 Boe per day. Production at the beginning of the period approximated 2,750 Boe, with production at the end of the period approximating 3,500 Boe, an increase of 27 percent.

PRODUCTION PROFILE AND PER UNIT PRICES

Period	Three Months to June 30, 2005		Three Months to March 31, 2005		Six Months to June 30, 2005	
	Percentage of Total Production	Average Selling Price Before Transportation Costs	Percentage of Total Production	Average Selling Price Before Transportation Costs	Percentage of Total Production	Average Selling Price Before Transportation Costs
Natural gas	79%	\$ 7.69	76%	\$ 7.24	78%	\$ 7.49
Natural gas liquids	11%	\$ 63.17	13%	\$ 64.80	12%	\$ 63.98
Crude oil	10%	\$ 65.37	11%	\$ 61.72	10%	\$ 63.58
Per Boe		\$ 49.90		\$ 48.09		\$ 49.06

The Company's production base is largely natural gas and associated liquids. For the quarter to June 30, 2005, the AECO C price for natural gas averaged Cdn\$ 7.37 per Mcf, an increase of six percent over the preceding quarter. For crude oil, the Edmonton par price averaged Cdn\$ 66.81 per barrel for the quarter to June 30, 2005, an increase of seven percent over the preceding quarter. Average prices for Edmonton par and for AECO for the six months to June 30, 2005 approximated Cdn\$ 64.71 per barrel and Cdn\$ 7.14 per Mcf for natural gas. Oil pricing is a reasonable proxy for natural gas liquids pricing. A fixed-price physical sales contract for 6,855 Mcf/d GJ per day was in place for the months of April and May at a price of \$7.61 per Mcf. No similar contracts are currently in place.

PRODUCTION BY AREA – BOE PER DAY

Period	Three Months to June 30, 2005	Three Months to March 31, 2005	Six Months to June 30, 2005
Peace River Arch	1,745	1,770	1,758
Cabin/Kotcho/Junior	1,100	526	813
Red Earth	36	47	43
Brazeau-Pembina	600	590	595
Total	3,481	2,933	3,209

The above table sets out the average production from each of the Company's core areas. Within the Cabin/Kotcho/Junior area, production from the Junior area averaged 554 Boe per day for the three months ended June 30, 2005, compared to 41 Boe per day for the three months to March 31, 2005, as a result of the start-up of the Junior well in late March. Current production from the Junior area is 350 Boe per day net to Storm.

PRODUCTION REVENUE – BEFORE ROYALTY INCOME AND TRANSPORTATION COSTS

Period	Three Months to June 30, 2005	Three Months to March 31, 2005	Six Months to June 30, 2005
Natural gas	\$ 11,581,000	\$ 8,791,000	\$ 20,372,000
Natural gas liquids	2,143,000	2,163,000	4,306,000
Crude oil	2,075,000	1,743,000	3,818,000
Total	\$ 15,799,000	\$ 12,697,000	\$ 28,496,000

For the three months ended June 30, 2005, production revenue before royalty income and transportation costs increased by 25 percent over the prior quarter. Of this increase, volume increases represented 21 percent and price increases four percent. In addition to production revenue above, Storm received royalty income of \$152,000 in the three months to June 30, 2005 compared to \$271,000 in the prior quarter. Royalty income fell due to the elimination of an overriding royalty on the payout of a well in the Cabin area.

ROYALTIES

Royalties paid for the three months to June 30, 2005 amounted to 25.9 percent of production revenue, or \$12.88 per Boe compared to 25.5 percent or \$12.39 per Boe in the preceding quarter. Of total royalties paid, Crown royalties amounted to 22.5 percent for the three months to June 30, 2005, compared to 21.9 percent for the quarter to March 31, 2005. Overriding royalties account for the remainder. Royalties for the six months to June 30, 2005 amounted to 25.7 percent or \$12.66 per Boe, of which Crown royalties totalled 22.4 percent. No material changes to royalty rates are anticipated for the final six months of 2005.

PRODUCTION COSTS

Production costs for the three months to June 30, 2005 amounted to 15 percent of production income before transportation costs and royalty income, or \$7.38 per Boe. Comparable amounts for the three months ended March 31, 2005 were 14 percent, or \$6.86. The increase relates to maintenance activities in the spring months as well as a general increase in oilfield operating costs. Production costs for the six-month period ended June 30, 2005 amounted to 14 percent of production income, or \$7.15 per Boe. The Company's initial estimate of operating costs for 2005 was \$6.50 per Boe. However, year to date costs and industry-wide cost pressures suggest that an estimate of \$7.00 per Boe for the year would be more appropriate.

TRANSPORTATION COSTS

Transportation costs for the period amounted to \$2.62 per Boe for the three months to June 30, 2005, compared to \$2.07 per Boe for the quarter ended March 31, 2005. The increase per Boe reflected the Company's increasing natural gas production in British Columbia, to which higher transportation costs apply. Transportation system charges in British Columbia are \$0.65 to \$0.75 per Mcf versus \$0.30 per Mcf in Alberta. For the six months to June 30, 2005, transportation costs averaged \$2.36 per Boe. Storm expects that transportation costs will fall marginally during the remainder of the year.

NETBACKS

Details of field netbacks per commodity unit are as follows:

Period	Three Months Ended June 30, 2005				Three Months Ended March 31, 2005				Six Months Ended June 30, 2005			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Production revenue	\$ 65.37	\$ 63.17	\$ 7.69	\$ 49.90	\$ 61.72	\$ 64.80	\$ 7.24	\$ 48.09	\$ 63.58	\$ 63.98	\$ 7.49	\$ 49.06
Royalty income	0.84	0.20	0.08	0.48	1.50	0.20	0.18	1.02	1.15	0.20	0.13	0.73
Royalties	(6.76)	(25.78)	(1.99)	(12.88)	(5.03)	(24.73)	(1.90)	(12.39)	(5.95)	(25.26)	(1.95)	(12.66)
Production costs	(6.54)	-	(1.41)	(7.38)	(5.94)	-	(1.35)	(6.86)	(6.26)	-	(1.39)	(7.15)
Transportation	(1.88)	(1.28)	(0.48)	(2.62)	(1.27)	(1.28)	(0.39)	(2.07)	(1.53)	(1.28)	(0.44)	(2.36)
Field netback	\$ 51.03	\$ 36.31	\$ 3.89	\$ 27.50	\$ 50.98	\$ 38.99	\$ 3.78	\$ 27.79	\$ 50.99	\$ 37.64	\$ 3.84	\$ 27.62

Production costs for natural gas liquids are included with natural gas costs.

INTEREST

Interest costs per Boe for the three months to June 30, 2005 amounted to \$0.82 per Boe compared to \$1.10 for the three months to March 31, 2005. Interest costs per Boe for the six months to June 30, 2005 averaged \$0.95. Growing production resulted in a lower per-unit cost. In addition, during the quarter to June 30, 2005, the Company retired a higher-cost bridge loan of \$6 million out of proceeds from an expanded borrowing base facility.

GENERAL AND ADMINISTRATIVE COSTS

Details of general and administrative costs are as follows:

Total costs:

<i>Period</i>	<i>Three Months to June 30, 2005</i>	<i>Three Months to March 31, 2005</i>	<i>Six Months to June 30, 2005</i>
Gross general and administrative costs	\$ 728,000	\$ 887,000	\$ 1,615,000
Capital and operating recoveries	(279,000)	(496,000)	(775,000)
Net general and administrative costs	449,000	391,000	840,000
Stock-based compensation costs	(88,000)	(80,000)	(168,000)
Cash general and administrative costs	\$ 361,000	\$ 311,000	\$ 672,000

Per Boe:

<i>Period</i>	<i>Three Months to June 30, 2005</i>	<i>Three Months to March 31, 2005</i>	<i>Six Months to June 30, 2005</i>
Gross general and administrative costs	\$ 2.30	\$ 3.36	\$ 2.78
Capital and operating recoveries	(0.88)	(1.88)	(1.33)
Net general and administrative costs	1.42	1.48	1.45
Stock-based compensation costs	(0.28)	(0.30)	(0.29)
Cash general and administrative costs	\$ 1.14	\$ 1.18	\$ 1.16

The reduction in gross general and administrative costs for the three months ended June 30, 2005, when compared to the three months ended March 31, 2005, was due to the inclusion in the first quarter of the year of certain costs associated with the Company's year-end. This cost reduction was offset by lower capital recoveries reflecting lower field activity in the second quarter. Cash general and administrative costs for future quarters should be lower, when measured per Boe, due to increased capital and operating recoveries and an increased production base. Nevertheless, gross general and administrative costs for the second half of the year will increase as the Company has added staff, has seen office rental costs increase, and faces industry-wide cost pressures.

DEPLETION, DEPRECIATION AND ACCRETION

Depletion, depreciation and accretion associated with the Company's asset retirement obligation for the three months to June 30, 2005 amounted to \$13.72 per Boe, compared to \$13.50 per Boe for the immediately prior quarter and \$13.62 per Boe for the six months ended June 30, 2005.

INCOME AND OTHER TAXES

At June 30, 2005 the Company had operating tax losses carried forward estimated to be \$35 million, which will begin to expire in 2007. In addition, the Company has a capital tax loss in the amount of \$11 million available for application against future capital gains. Through application of operating losses carried forward, the expected provision for future income taxes on the Company's income for the six months ended June 30, 2005, in the amount of \$2,569,000, has been eliminated.

NET INCOME AND NET INCOME PER SHARE

Net income for the three months to June 30, 2005 increased by 18 percent to \$3,643,000, or \$0.09 per diluted share, when compared to the three months ended March 31, 2005. Net income for the quarter ended March 31, 2005 amounted to \$3,073,000, or \$0.08 per diluted share. Net income for the six months to June 30, 2005 amounted to \$6,716,000, or \$0.17 per share.

CASH FLOW FROM OPERATIONS AND CASH FLOW PER SHARE

Cash flow from operations increased by 20 percent to \$8,071,000 for the three months to June 30, 2005, or \$0.20 per diluted share, compared to \$6,718,000, or \$0.17 per diluted share, for the quarter to March 31, 2005.

INVESTMENT AND FINANCING

WORKING CAPITAL

Receivables comprise production revenue receivables, receivables in respect of operating and capital costs, and net receivables in respect of cash calls issued to partners regarding capital projects. Also included in receivables is an investment in a public junior oil & gas company. The Company's investment amounted to \$100,000 and the current market value approximates \$1.5 million. Prepaid costs include unamortized insurance premiums, unamortized bank commitment fees and deposits.

Accounts payable include operating, administrative and capital costs payable. Estimates of amounts owing but not yet invoiced to the Company have been included in accounts payable.

Excluding current bank debt, the Company had a working capital deficiency of \$2,882,000 at June 30, 2005, compared to \$12,079,000 at March 31, 2005. The reduction in the working capital deficiency at June 30, 2005, when compared to the prior quarter, in large part reflects the liquidation of accounts payable related to Company-operated capital projects undertaken during the first quarter of 2005. Reduced field activity in the second quarter results in a lower accumulation of accounts payable at June 30, 2005.

PROPERTY AND EQUIPMENT

Capital costs were as follows:

<i>Period</i>	<i>Three Months to June 30, 2005</i>	<i>Three Months to March 31, 2005</i>	<i>Six Months to June 30, 2005</i>
Land and lease	\$ 571,000	\$ 404,000	\$ 975,000
Seismic	877,000	953,000	1,830,000
Drilling and completions	760,000	3,691,000	4,451,000
Facilities and equipment	2,143,000	8,163,000	10,306,000
Property acquisitions	–	–	–
Property dispositions	(90,000)	(2,872,000)	(2,962,000)
Total	\$ 4,261,000	\$ 10,339,000	\$ 14,600,000

BANK DEBT, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had a revolving borrowing base bank credit facility of \$33 million, which replaced a similar borrowing base facility of \$24 million and a term bridge loan of \$6 million. The amount drawn on this facility at June 30, 2005 amounted to \$26.1 million.

The Company funds its field capital programs through cash flow, bank borrowings and, from time to time, equity. Acquisitions are funded by a combination of debt and equity. The Company endeavours to maintain a debt to cash flow ratio of less than 1.5.

The Company's inventory of operating tax losses and tax pools facilitates the raising of funds through the issue of flow-through shares, which substantially reduces the Company's cost of capital.

For the remainder of 2005, the Company expects to fund its capital programs largely through cash flow. Capital programs tend to be concentrated in the winter months, with the result that capital expenditures in the first and fourth quarters of the year will exceed cash flow, which is offset by lower capital expenditures in the second and third quarters.

INVESTMENT

The investment in Storm Ventures International Inc. ("SVI") represents a 26 percent ownership position. The carrying amount of the Company's investment is supported by SVI's cash balance and SVI's capital investments in Tunisia and the United Kingdom. The Company has no funding or, other than the provision of certain administrative and technical services, management obligations with respect to SVI. However the Company may choose to increase the amount of its investment in SVI in the appropriate circumstances.

FUTURE INCOME TAXES

The future income tax asset represents the tax value of the excess of the accounting amounts over the related tax bases of property and equipment transferred to the Company under the Plan, less the tax value of share issue costs.

Under the terms of the two flow-through share issues completed in 2004, the Company is obligated to allocate Canadian Exploration Expense to subscribers in the amount of \$12.2 million and to incur these costs prior to December 31, 2005. As at June 30, 2005 the Company had incurred an estimated \$9 million of qualifying expenditures.

No accounting recognition has been given to any future value to be obtained through use of prior tax years' operating losses, approximating \$35 million. In addition, the Company has substantial resource pools available for application against future years' income.

ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation represents the present value of estimated future costs to be incurred to abandon and reclaim the Company's wells and facilities. The discount rate used is eight percent.

SHARE CAPITAL

The Company had 38.8 million shares outstanding at June 30, 2005. Diluted shares at June 30, 2005 amounted to 40.1 million shares. Dilutive elements comprise warrants to purchase 2,100,000 common shares at a price of \$2.00 to be exercised prior to July 1, 2006, 341,325 performance warrants to acquire common shares reflecting the current market price on two annual vesting dates beginning July 1, 2006, and options to acquire 643,000 common shares which vest at various dates over four years beginning September 2005.

GUIDANCE FOR 2005

The Company's revised guidance for 2005 is set out below. Additional guidance will be provided as required.

Average gas production	16,500 – 17,500 Mcf per day
Average crude oil & liquids	740 Bbls per day
Average Boe production per day	3,450 – 3,650 Boe per day
Royalties	26%
Operating costs	\$7.00 per Boe
Cash general and administrative costs	\$1.30 per Boe
Cash flow from operations	\$33 million
Capital expenditures - gross	\$35 million

The above estimate of cash flow from operations assumes continuation for the remainder of 2005 of commodity prices prevailing in the second quarter of the year.

CONTRACTUAL OBLIGATIONS

In the course of its business, the Company enters into various contractual obligations, including the following:

- purchase of services
- royalty agreements
- operating agreements
- processing agreements
- right-of-way agreements
- lease obligations for accommodation, office equipment and automotive equipment.

All such contractual obligations reflect market conditions at the time of contract and none are with related parties.

Obligations with a fixed term are as follows:

\$(000s)	2005	2006	2007	2008	2009
Lease of premises	170	340	343	352	352
Equipment leases	28	28	11	–	–
Total	198	368	354	352	352

CRITICAL ACCOUNTING ESTIMATES

DEPLETION, DEPRECIATION AND ACCRETION

Storm uses the full-cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized. The aggregate of capitalized costs, less undeveloped property costs, but including estimated future development costs, is amortized using the unit-of-production method based on estimated proved reserves. Certain costs related to undeveloped properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their carrying amount is considered to be impaired. Undeveloped properties are reviewed quarterly to determine if proved reserves have been established, at which point the associated costs are included in the depletion calculation.

CEILING TEST

The Company's investment in oil and gas assets is evaluated at least annually to consider whether the investment is recoverable and the carrying amount does not exceed the value of the properties, as determined by formula. Costs are deemed to be recoverable if undiscounted cash flows expected from the production of proved reserves, plus the lower of cost and market value of undeveloped properties, are greater than the carrying amount on the Company's balance sheet. If the carrying amount of the oil and gas assets is not determined to be recoverable, a loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves plus the lower of cost and market value of undeveloped properties. Cash flows are estimated using forecast future product prices and costs and are discounted using a risk-free rate appropriate to the Company. These estimates are subject to measurement uncertainty and the effect of this uncertainty on the financial statements could be material. Any impairment would form part of the charge for additional depletion, depreciation and accretion expense.

ASSET RETIREMENT OBLIGATION

The Company records as a liability the estimated fair value of obligations associated with the retirement of field assets, such as producing well sites and processing facilities. The carrying amount of property and equipment is increased by an amount equivalent to the present value of the initial liability. The future asset retirement obligation is an estimate based on the Company's ownership interest in wells and facilities, and reflects estimated costs to complete the abandonment and reclamation as well as the estimated timing of the costs to be incurred in future periods. The liability accretes over the period before the Company expects to satisfy the retirement obligation and actual costs incurred to reclaim the related assets are deducted from the liability as incurred. The amount added to property and equipment is subject to depletion and depreciation using the unit-of-production method. The amount of the liability does not recognize the salvage value, if any, of tangible equipment.

CAPITAL AND OPERATING COSTS

The Company's interim and year financial reporting process and its reporting obligations under securities regulations require that financial statements be completed before all information relating to capital and operating costs has been received. To minimize mismeasurement or misallocation of costs between time periods, the Company uses an accrual process to record such unbilled obligations, which is validated by comparison to budget expectations and, in the case of operating costs, to prior results and to current expectations.

INCOME TAXES

The measurement of the Company's income and other tax liabilities and assets, including losses carried forward and asset pools, requires interpretation of laws and regulations. All tax filings and compliance with tax regulations are subject to audit and reassessment, potentially several years after the initial filing. Accordingly, actual income tax assets or liabilities may differ significantly from the amounts initially estimated.

RISK ASSESSMENT

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. The following reviews the business risks faced by Storm.

EXPLORATION

Exploration requires sophisticated and scarce technical skills as well as capital to generate and test exploration ideas and the drilling of an exploratory prospect frequently does not result in the discovery of economical reserves. Storm endeavours to minimize finding risk by ensuring that:

- Where possible, prospects have multi-zone potential.
- Activity is focused in core regions where expertise and experience can be levered.
- Prospects are internally generated.
- The Company serves as operator where possible.
- Geophysical techniques such as seismic are utilized where appropriate.

CAPITAL PROGRAMS

The Company's field investment program recognizes the need to ensure that capital expenditures accommodate two objectives, being realization of immediate cash flow from development activities and future cash flow from the discovery of reserves through exploration. All investment has to recognize that the Company faces constant production declines from existing wells, which have to be replaced by new production. The Company focuses its activity in core areas, which allows it to leverage its experience and knowledge. The Company attempts to use farm-outs to minimize risk on plays it considers higher risk or where total capital invested exceeds an acceptable level.

The Company believes that acquisitions are necessary to support its objective of rapid and controlled growth. An acquisition should provide near- and medium-term development opportunities and be in areas where the Company can readily add to the acquired land position. Processing and transportation infrastructure must also be in place, or within the Company's financial capacity to construct. Currently, the market for oil and gas properties is characterized by high prices and a growing number of well-funded potential acquirers. It is highly possible that the Company will not be able to consummate an acquisition on commercial terms acceptable to the Company.

RESERVE ESTIMATES

Estimates of economically recoverable oil and natural gas reserves and natural gas liquids and related future net cash flows are based upon a number of variable factors and assumptions, such as commodity prices, production from the properties, future operating costs and potential changes to the Company's operations arising from regulatory amendments. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any property vary. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances may be material.

The Company's independent engineering firm, Paddock Lindstrom & Associates Ltd. ("Paddock"), completes an evaluation of the Company's reserves each year and reports to the Company's Reserves Committee.

PRODUCTION

There is risk that the Company's oil and natural gas reserves cannot be economically produced at reduced prices. Storm attempts to mitigate this risk by focusing on high netback commodities, and acts as operator where possible, which allows the Company to manage costs, timing, method and marketing of production. Production risk is also addressed by concentrating exploration efforts in regions where infrastructure is readily accessible or Company-owned.

ENVIRONMENTAL AND SAFETY RISKS

Oil and gas exploration and extraction poses considerable environmental risk and worksite practices must recognize the safety risks associated with working with heavy equipment and potentially volatile liquids and gases. Accordingly, Storm has developed and implemented policies and

procedures to mitigate environmental, health and safety risks. These policies and procedures include the use of formal corporate policies, emergency response plans, and other policies and procedures which have regard to best oil field practices. These policies and procedures are designed to protect and maintain the environment and public and employee safety. The Company mitigates environmental and safety risks by maintaining its facilities to a high standard, complying with provincial and federal environmental and safety regulations and maintaining appropriate insurance coverage.

COMPETITIVE INDUSTRY CONDITIONS

The Canadian oil and gas industry is highly competitive. Demand for oil and gas properties, undeveloped land, drillable prospects and qualified staff is particularly strong at present due to high commodity prices. The Company has built a large undeveloped land base that provides an inventory of exploration prospects.

AVAILABILITY OF SERVICES AND EQUIPMENT

The availability of drilling, service and production equipment at competitive prices is vital to the Company's ability to add reserves at a competitive cost and profitably produce these reserves. In periods of increased activity, such as at present, services and equipment can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors and endeavours to secure equipment to support multi-well programs.

FINANCIAL AND LIQUIDITY RISKS

The Company relies on various sources of funding to support its growing capital expenditure program:

- Internally generated cash flow provides the initial source of funding on which the Company's annual capital expenditure program is based.
- Debt may be utilized to expand capital programs, including acquisitions, when it is deemed appropriate.
- New equity, including flow-through shares, if available and if on favourable terms, may be utilized to fund acquisition programs.
- Farm-outs of projects may be arranged if management considers that a project requires too much capital or where the project affects the Company's risk profile.

Cash flow from operations is influenced by factors, which the Company cannot control, such as commodity prices, exchange rates, interest rates and changes to existing government regulations and tax policies.

MARKETING RISKS

Crude oil prices are affected by a range of issues including security of supply, worldwide supply and demand fundamentals, seasonality, and commodity quality. Natural gas prices are largely affected by North American supply and demand fundamentals. The Company attempts to mitigate these risks as follows:

- Natural gas properties are developed in areas where there is a suitable pipeline infrastructure.
- Exploration efforts focus on light oil and liquids-rich natural gas reserves.
- Financial instruments are used where appropriate to manage commodity price volatility where the Company has funded acquisitions or major development programs in whole or in part through use of debt, and whose cost exceeds near-term projected cash flows.

RISK MANAGEMENT

Storm's Board of Directors has established a formal risk management policy designed to ensure cash flow is sufficient to protect the Company's investment programs by reducing the exposure to commodity price, foreign exchange and interest rate volatility. These objectives may be achieved through the use of financial instruments or through fixed-price contracts for the delivery of physical volumes.

ADDITIONAL INFORMATION

BALANCE SHEETS

Unaudited

	<i>June 30, 2005</i>	<i>December 31, 2004</i>
ASSETS		
Current		
Accounts receivable	\$ 6,790,815	\$ 7,636,178
Prepaid expenses	480,489	441,215
	7,271,304	8,077,393
Property and equipment – net (Note 4)	95,068,464	88,202,556
Investments	2,700,000	2,700,000
Future income taxes (Note 5)	8,968,441	8,968,441
	\$ 114,008,209	\$ 107,948,390

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Bank indebtedness (Note 6)	\$ –	\$ 6,000,000
Accounts payable and accrued liabilities	10,153,311	13,636,933
	10,153,311	19,636,933
Bank indebtedness (Note 6)	26,149,811	17,664,856
Asset retirement obligation (Note 7)	2,364,508	2,193,321
	38,667,630	39,495,110
Shareholders' equity (Note 8)		
Share capital	61,874,885	61,830,555
Contributed surplus	253,307	126,071
Retained earnings	13,212,387	6,496,654
	75,340,579	68,453,280
	\$ 114,008,209	\$ 107,948,390

STATEMENTS OF INCOME AND RETAINED EARNINGS

Unaudited

	<i>Three Months Ended June 30, 2005</i>	<i>Three Months Ended March 31, 2005</i>	<i>Six Months Ended June 30, 2005</i>
REVENUE			
Production revenue	\$ 15,951,377	\$ 12,967,728	\$ 28,919,105
Royalties	(4,079,991)	(3,271,728)	(7,351,719)
Other revenue	372	2,807	3,179
	11,871,758	9,698,807	21,570,565
EXPENSES			
Production	2,339,503	1,811,833	4,151,336
Transportation	821,879	547,784	1,369,663
Interest	260,723	290,149	550,872
General and administrative	448,788	391,323	840,111
Depletion, depreciation and accretion	4,340,229	3,565,121	7,905,350
	8,211,122	6,606,210	14,817,332
Income before income and other taxes	3,660,636	3,092,597	6,753,233
Income and other taxes (Note 5)			
Future income taxes	-	-	-
Capital taxes	17,500	20,000	37,500
	17,500	20,000	37,500
Net income for the period	3,643,136	3,072,597	6,715,733
Retained earnings, beginning of period	9,569,251	6,496,654	6,496,654
Retained earnings, end of period	\$ 13,212,387	\$ 9,569,251	\$ 13,212,387
Net Income per share (Note 9)			
Basic and diluted	\$ 0.09	\$ 0.08	\$ 0.17

STATEMENTS OF CASH FLOWS

Unaudited

	<i>Three Months Ended June 30, 2005</i>	<i>Three Months Ended March 31, 2005</i>	<i>Six Months Ended June 30, 2005</i>
OPERATING ACTIVITIES			
Net income for the period	\$ 3,643,136	\$ 3,072,597	\$ 6,715,733
Add non-cash items:			
Depreciation, depletion, and accretion	4,340,229	3,565,121	7,905,350
Stock-based compensation	87,921	80,157	168,079
Funds from operations	8,071,286	6,717,875	14,789,162
Net change in non-cash working capital items	1,141,336	2,959,127	4,100,463
	9,212,622	9,677,002	18,889,625
FINANCING ACTIVITIES			
Issue of common shares – net of expenses	3,488	–	3,488
Increase (decrease) in bank indebtedness	5,383,204	(2,898,249)	2,484,955
	5,386,692	(2,898,249)	2,488,443
INVESTING ACTIVITIES			
Additions to property and equipment	(4,351,055)	(13,211,097)	(17,562,152)
Disposals of property and equipment	90,000	2,872,080	2,962,080
Net change in non-cash working capital items	(10,338,259)	3,560,264	(6,777,996)
	(14,599,314)	(6,778,753)	(21,378,068)
Change in cash during the period	–	–	–
Cash, beginning of period	–	–	–
Cash, end of period	\$ –	\$ –	\$ –

1. BASIS OF PRESENTATION

Storm Exploration Inc. (the "Company") is a junior oil and gas exploration and development company listed on the Toronto Stock Exchange under the symbol SEO.

The Company became a reporting issuer and commenced oil and gas operations on July 2, 2004 subsequent to participating in a Plan of Arrangement (the "Plan") with Harvest Energy Trust, Harvest Operations Corp., and Storm Energy Ltd. Under the Plan, the Company acquired, in exchange for the issue of voting common shares, certain assets formerly owned by Storm Energy Ltd., largely comprised of exploration, development and producing oil and gas properties.

Note 3 to these financial statements provides information about assets transferred and obligations assumed under the Plan.

As a result of circumstances related to the Company's participation in the Plan, no comparative historical financial information is available for the three and six months ended June 30, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim unaudited financial statements of the Company have been prepared by management in accordance with accounting policies generally accepted in Canada, following the same accounting policies and methods of computation as the financial statements for the period ended December 31, 2004. The interim financial statement note disclosures do not include all of those disclosures applicable for annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Company's annual report for the period ended December 31, 2004.

3. TRANSFER OF ASSETS AND COMMENCEMENT OF OIL AND GAS OPERATIONS

Under the Plan of Arrangement referred to in Note 1, the Company issued common shares to a subsidiary company of Harvest Energy Trust in exchange for certain assets, being undeveloped and developed oil and gas assets, administrative assets, an interest in Storm Ventures International Inc. and cash. As there is substantial continuity of ownership interest, assets were recorded on the accounts of the Company at the book values of Storm Energy Ltd. Details are as follows:

Cash	\$ 2,070,000
Net investment in Storm Ventures International Inc.	2,392,964
Petroleum and natural gas properties	31,838,051
Office furniture and equipment	50,000
Future income tax asset	8,546,093
Asset retirement obligation	(644,000)
Net assets transferred and share capital issued	\$ 44,253,108

The above amounts are management's best estimates based on information available at the time of completion of these financial statements and may change as additional information becomes available.

4. PROPERTY AND EQUIPMENT

	<i>June 30, 2005</i>	<i>December 31, 2004</i>
Petroleum and natural gas properties	\$ 105,418,771	\$ 90,837,805
Furniture and equipment	208,731	110,084
	105,627,502	90,947,889
Accumulated depletion and depreciation	(10,559,038)	(2,745,333)
	\$ 95,068,464	\$ 88,202,556

At June 30, 2005 and December 31, 2004, the depletion calculation excluded unproved properties of \$9,680,000.

5. FUTURE INCOME TAXES

The future income tax asset is made up of the excess of the accounting amounts over the related tax bases of property and equipment transferred to the Company under the Plan, less the tax value of share issue costs.

The Company has operating tax losses (which generally expire in the period 2007 to 2011) and tax pools associated with property and equipment totalling in excess of \$140 million, as well as capital losses of approximately \$11 million which are not subject to expiry. Given uncertainty of realization, no accounting recognition has been given to any future value to be obtained through use of prior tax years' losses, the benefit from which is recognized only when they are used to reduce income for tax purposes.

The Company is obligated, under the terms of flow-through share agreements, to incur Canadian Exploration Expense in the amount of \$12.2 million prior to December 31, 2005. The Company estimates that by June 30, 2005 cumulative qualifying expenditures totalled \$9.0 million.

6. BANK INDEBTEDNESS

At June 30, 2005, the Company had an extendible revolving bank facility based on the Company's producing reserves in the amount of \$33,000,000. Interest is payable on the revolving facility at bank prime rate or banker's acceptance rates plus a stamping fee.

The revolving facility is available to the Company until May 31, 2006, but may be extended at the Company's request until May 31, 2007, subject to the bank's review of the Company's reserve lending base. Security is comprised of a floating charge demand debenture on the assets of the Company. Interest paid in the six months ended June 30, 2005 amounted to \$551,000.

7. ASSET RETIREMENT OBLIGATION

The estimated future asset retirement obligation is based on the Company's net ownership interest in wells and facilities, the estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the Company's asset retirement obligations is approximately \$4.7 million, which will be incurred over the next 20 years, with the majority of costs incurred between 2015 and 2024. A credit adjusted risk-free rate of eight percent was used to calculate the present value of the asset retirement obligations, amounting to \$2,365,000.

8. SHARE CAPITAL

AUTHORIZED

An unlimited number of non-voting common shares

An unlimited number of voting common shares

An unlimited number of preferred shares

ISSUED

	<i>Number of Shares (000s)</i>	<i>Consideration</i>
Balance as at December 31, 2004	38,673	\$ 61,830,555
Common shares issued under the performance warrant plan (i)	90	39,934
Stock options exercised (ii)	5	13,094
Share issue costs		(8,698)
Balance as at June 30, 2005	38,768	\$ 61,874,885

Except for voting rights, non-voting and voting common shares are identical.

ISSUES OF COMMON SHARES

- (i) On June 29, 2005, 170,833 warrants under the performance warrant plan were exercised. Based on a closing price of \$4.25, 90,442 common shares were issued. Proceeds were one cent per share and related prior-stock compensation expense of \$39,000 was added to share capital.
- (ii) In April 2005, 4,687 stock options were exercised for proceeds of \$12,186, and related prior-stock compensation expense of \$908 was added to share capital.

WARRANTS

As part of a June 29, 2004 private placement of common shares, the Company issued warrants to acquire 2,100,000 common shares at a price of \$2.00. The warrants are exercisable during the period from July 1, 2005 to June 30, 2006.

STOCK-BASED COMPENSATION PLANS

- (i) The Company has a performance warrant plan under which 512,500 warrants have been issued to employees to acquire common shares. The number of common shares issuable upon exercise of the warrants is the number of warrants held, multiplied by that percentage of a common share represented by the closing price of the share on the day immediately preceding the exercise date, less \$2.00, divided by the closing price. The warrants are exercisable in three equal annual amounts commencing June 29, 2005. On June 29, 2005, 170,833 warrants were exercised resulting in 341,667 warrants outstanding as at June 30, 2005.

Using the Black-Scholes pricing model, the fair value of each warrant was estimated to be \$0.51 using a risk-free interest rate of 4.25%, volatility of 40% and an expected average life of two years. The cost of the warrant thus determined is amortized over its expected life, the expense being included in general and administrative costs with an equivalent allocation to contributed surplus.

- (ii) The Company has a stock option plan under which it may grant, at the Company's discretion, options to purchase common shares to directors, officers and employees. Under the stock option plan, a total of 1,450,000 common shares has been reserved for issuance. Options to purchase 643,000 common shares issued to directors and employees of the Company were outstanding at the end of the period as follows:

Outstanding at December 31, 2004	296,250
Issued during period	384,250
Cancelled during period	(32,813)
Exercised during period	(4,687)
	<hr/>
	643,000
Weighted average exercise price	\$3.53
Average remaining life	4.59 years
Number exercisable at June 30, 2005	–
Option prices	<hr/>
	\$2.60 – \$4.18

Using the Black-Scholes pricing model, the fair value of each option was estimated to be \$0.83 – \$1.33, using a risk-free interest rate of 4.25%, volatility of 40% and an expected average life of 30 months. The amortized cost of the option is included in general and administrative costs with an equivalent allocation to contributed surplus.

9. PER SHARE AMOUNTS

	<i>Three Months Ended June 30, 2005</i>	<i>Six Months Ended June 30, 2005</i>
Basic		
Net income per share	\$ 0.09	\$ 0.17
Weighted average number of shares outstanding (000s)	38,678	38,675
Diluted		
Net income per share	\$ 0.09	\$ 0.17
Weighted average number of shares outstanding (000s)	40,149	40,141

The reconciling items between the basic and diluted average common shares are the warrants, performance warrants and stock options described in Note 8.

10. SUPPLEMENTAL CASH FLOW INFORMATION

CHANGES IN NON-CASH WORKING CAPITAL

	<i>Three Months Ended June 30, 2005</i>	<i>Six Months Ended June 30, 2005</i>
Accounts receivable	\$ 384,000	\$ 845,000
Prepaid expenses	17,000	(39,000)
Accounts payable and accrued liabilities	(9,598,000)	(3,484,000)
Change in non-cash working capital	\$ (9,197,000)	\$ (2,678,000)
Relating to:		
Financing activities	\$ -	\$ -
Investing activities	(10,338,000)	(6,778,000)
Operating activities	1,141,000	4,100,000
	\$ (9,197,000)	\$ (2,678,000)

	<i>Three Months Ended June 30, 2005</i>	<i>Six Months Ended June 30, 2005</i>
Interest paid during the period	\$ 261,000	\$ 551,000
Income taxes paid during the period	\$ -	\$ -

11. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying amounts based on the short term to maturity.

A substantial portion of the Company's accounts receivable is concentrated with a limited number of purchasers of commodities and joint venture partners in the oil and gas industry and is subject to normal industry credit risk. Management considers these concentrations of credit risk to be minimal, as commodity purchasers are major industry participants, and receivables from partners are protected by effective industry standard legal remedies.

SENIOR MANAGEMENT

Brian Lavergne
President & CEO

Robert S. Tiberio
Chief Operating Officer

Donald G. McLean
Vice President, Finance & CFO

Harry Ediger
Vice President, Land

Eric Blakely
Vice President, Exploration

John Devlin
Controller

DIRECTORS

Matthew J. Brister, Chairman

John A. Brussa

Mark Butler

Stuart G. Clark

Brian Lavergne, CEO

Henry R. Lawrie

Gregory G. Turnbull

P. Grant Wierzba

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol “SEO”

SOLICITORS

McCarthy Tétrault LLP
Burnet Duckworth & Palmer LLP
Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

C.I.B.C., Oil & Gas Group
Calgary, Alberta

REGISTRAR &
TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

A B B R E V I A T I O N S

API	American Petroleum Institute	Mmcfe/d	Millions of cubic feet equivalent per day
ARTC	Alberta Royalty Tax Credit	Mboe	Thousands of barrels of oil equivalent
Bcf	Billions of cubic feet	Mcf	Thousands of cubic feet
Bcfe	Billions of cubic feet equivalent	Mcf/d	Thousands of cubic feet per day
Boe	Barrels of oil equivalent	Mmcf	Millions of cubic feet
Boe/d	Barrels of oil equivalent per day	Mmcf/d	Millions of cubic feet per day
Bbls	Barrels of oil or natural gas liquids	Mstb	Thousand stock tank barrels
Bbbls/d	Barrels per day	Mw	Megawatt
\$Cdn	Canadian dollar	Mw/hr	Megawatt per hour
GJ	Gigajoules	NGL	Natural gas liquids
GJ/d	Gigajoules per day	OPEC	Organization of Petroleum Exporting Countries
Mmbtu	Millions of British Thermal Units	TSX	Toronto Stock Exchange
Mmbtu/d	Millions of British Thermal Units per day	WTI	West Texas Intermediate
Mbbls	Thousands of barrels	\$US	United States dollar
Mmbbls	Millions of barrels	3-D	Three-dimensional