

first quarter highlights

Thousands of \$Cdn except volumetric and per share amounts (unaudited)	Three Months March 31, 2007	Three Months March 31, 2006
FINANCIAL		
Gas sales	23,440 ⁽¹⁾	15,771 ⁽¹⁾
NGL sales	1,105	1,517
Oil sales	3,227	2,473
Royalty income	237	243
Production revenue	28,009	20,004
Funds from operations	16,417	11,310
Per share – basic	0.38	0.29
Per share – diluted	0.38	0.28
Net income	5,066	4,861
Per share – basic	0.12	0.12
Per share – diluted	0.12	0.12
Capital expenditures, net of dispositions	24,075	15,681
Debt, including working capital deficiency	65,126	36,103
Weighted average common shares outstanding		
Basic	42,914	39,254
Diluted	43,652	41,074
Common shares outstanding		
Basic	42,914	39,942
Fully diluted	44,973	42,053
OPERATIONS		
Oil Equivalent (6:1)		
Barrels of oil equivalent (000s)	520	361
Barrels of oil equivalent per day	5,776	4,009
Average selling price (\$Cdn per Boe)	\$ 53.42 ⁽¹⁾	\$ 54.77 ⁽¹⁾
Gas production		
Thousand cubic feet (000s)	2,704	1,798
Thousand cubic feet per day	30,048	19,974
Average selling price (\$Cdn per Mcf)	\$ 8.67 ⁽¹⁾	\$ 8.77 ⁽¹⁾
NGL Production		
Barrels (000s)	19	24
Barrels per day	216	262
Average selling price (\$Cdn per barrel)	\$ 56.93	\$ 64.24
Oil Production		
Barrels (000s)	50	38
Barrels per day	553	417
Average selling price (\$Cdn per barrel)	\$ 64.90	\$ 65.83
Wells drilled		
Gross	10.0	13.0
Net	7.5	6.8

⁽¹⁾ Includes proceeds from hedging activities

HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2007

- Production averaged 5,776 Boe per day in the first quarter, a 44% increase from production of 4,009 Boe per day in the same period one year ago. This represents an increase of 35% on a per share basis. Production for the first quarter increased 6% from the prior quarter.
- Cash flow totalled \$16.4 million or \$0.38 per diluted share, an increase of 36% from cash flow of \$0.28 per diluted share in the year earlier period. The year-over-year increase was primarily due to growth in production on a per share basis.
- Total cash costs were \$9.37 per Boe which is a decrease of 6% from cash costs of \$9.96 per Boe in the same period one year ago.
- The first quarter field netback improved to \$33.91 per Boe, an increase of 23% from the 2006 annual average field netback of \$27.46 per Boe.
- Ten wells (7.5 net) were drilled in the first quarter resulting in six gas wells (5.3 net) for a 60% success rate. Storm was 100% successful on the six wells drilled in our Peace River Arch core area.
- Net income was \$5.1 million or \$0.12 per diluted share, identical to net income per diluted share in the first quarter of 2006, and 70% higher than net income per diluted share for the final quarter of 2006.
- First quarter capital expenditures totalled \$24.1 million which resulted in bank debt and working capital deficiency increasing by \$7.8 million to \$65.1 million at the end of the quarter. Total debt is expected to decline below \$60 million by the end of the second quarter due to lower activity levels and reduced capital spending during spring break-up. Total debt at the end of the first quarter was slightly less than one times annualized first quarter cash flow.
- The success of Storm's first quarter capital program has resulted in production growing to a current rate of approximately 6,100 Boe per day with another 400 Boe per day to be added by the end of July from well tie-ins.

CORE AREA REVIEW

PEACE RIVER ARCH, Northwestern Alberta and Northeastern British Columbia

Production from this core area, our largest, averaged 4,500 Boe per day in the first quarter. Unexpected and temporary outages at a third-party plant in February and March reduced first quarter production by approximately 150 Boe per day. Current production has increased to approximately 4,800 Boe per day.

In the first quarter, we invested \$19.2 million in this area and:

- Drilled six wells with 100% success resulting in three gas wells (2.8 net) at Parkland, two gas wells (2.0 net) at Buick Creek and one gas well (0.5 net) at Clairmont.
- Tied in five new wells (4.3 net) at Parkland which are currently producing 500 Boe per day net. Four wells were drilled in the fourth quarter and one was drilled in the first quarter.
- Increased our facility capacity at Parkland from 12 to 24 Mmcf per day by adding a second compressor and twinning four miles of gathering system at a net cost of \$3.5 million.
- Acquired an additional 5,800 net acres of undeveloped land at Parkland and 2,100 net acres at Clairmont at a cost of \$1.0 million (\$125 per acre).
- Added 75 Boe per day of production at Parkland through the acquisition of our partner's 30% working interest in two producing gas wells, a producing oil well and 600 net acres of undeveloped land at a cost of \$2.3 million.

A total of \$6.75 million was invested in facility expansion and land and asset acquisitions.

To date in the second quarter, we have drilled one successful well (1.0 net) at Parkland which will be completed in both the Belloy and Halfway formations. We also tied in a successful well that was drilled in the first quarter at Buick Creek that is currently producing 120 Boe per day net to Storm. Our planned activity over the remainder of the quarter will include:

- Drilling one well (1.0 net) at Clairmont.
- Participating in a large 70 km² 3-D seismic program at Parkland at a cost of \$2.1 million net to Storm.
- Completing three successful wells that were drilled before break-up.

We are normally less active in the second quarter due to access restrictions during spring break-up.

Five out of the seven successful wells that we drilled before spring break-up (six wells in the first quarter and one in the second quarter) are awaiting completion and/or tie-in. Two of these wells have been completed with flow rates after completion of 0.8 Mmcf per day on a well at Parkland and three Mmcf per day on a well at Clairmont. The other three wells will be completed in June once we are able to regain access to the leases. We expect to add approximately 400 Boe per day of net stabilized production from all five wells once tie-ins are completed at the end of July.

Production at Parkland, the largest property in this core area, averaged 1,700 Boe per day in the first quarter and is currently approximately 1,900 Boe per day. In order to avoid the potential for production curtailment due to capacity constraints at a third-party gas plant, we expect to start construction of a pipeline crossing the Peace River in July (pending receipt of regulatory approvals) and will complete a tie-in to the McMahon gas plant late in the third quarter of 2007. In addition to this, another 12 wells (8.7 net) will be drilled before year-end with the majority of these wells targeting extensions to existing Halfway and Doig pools.

CABIN/KOTCHO/JUNIOR, Northeastern British Columbia

Net production from this area averaged 1,100 Boe per day in the first quarter with current production at approximately 1,200 Boe per day. Production during the quarter was reduced by 100 Boe per day due to two temporary outages at an operated facility.

This past winter, Storm drilled three wells (1.5 net) targeting the Slave Point formation with one well drilled in the fourth quarter of 2006 and the other two wells drilled in the first quarter of 2007. All three wells were abandoned after completion. We also reactivated a suspended well (100% WI) which has been producing 0.3 Mmcf per day from the Slave Point formation. Total capital expenditures in this area in the first quarter were \$2.5 million net to Storm. No further activity is planned for this area until next winter.

Next winter's drilling program is expected to be more diversified with two to three wells targeting the Slave Point formation, two wells targeting the shallower Bluesky/Debolt formations and possibly two to three horizontal wells targeting longer life reserves in the Jean Marie formation.

RED EARTH, Alberta

Production from this area averaged 125 Boe per day in the first quarter, which is the same as current production levels.

In the first quarter, we drilled two wells (1.3 net) in this area with both being unsuccessful. We also recompleted one well (0.5 net) in the uphole Slave Point formation which is currently producing 25 Bopd net to Storm. First quarter capital expenditures totalled \$2.3 million.

STORM VENTURES INTERNATIONAL INC.

Storm owns 4.3 million shares or 13% of the common shares of Storm Ventures International ("SVI"), a Calgary-based, private energy company focused on international exploration and exploitation opportunities. Using the price of \$5 per share from SVI's last equity issue in December, 2006, Storm's share position has a value of \$21.5 million or \$0.49 per diluted Storm share.

SVI's 50% owned affiliate, Silverstone Energy Limited, is active in the U.K. Sector of the North Sea. Silverstone has drilled three wells to date in the North Sea with 100% success, resulting in three new gas pools with total potential gas in place of 250 to 300 Bcf. Production is expected to commence from one of these discoveries in the second half of 2008. SVI expects to drill two more wells with one well targeting a 40 to 100 million barrel medium gravity oil prospect in the Central North Sea Mariner-Gryphon area and the second well targeting a 50 Bcf gas prospect in the Viking Fields area.

In Tunisia, SVI plans to drill an onshore well in 2007 that will test one of two large structures in Remada Sud. Each has potential gas in place of 200 Bcf. Offshore in the Gulf of Hammamet, a 400 to 500 square kilometre marine 3-D seismic program is planned for the summer of 2007 to better define nine prospects that have been identified using 2-D seismic data. These prospects offset eight existing pools.

OUTLOOK

Storm's production increased for the sixth consecutive quarter despite unexpected and temporary facility outages at two properties which reduced production by 300 Boe per day. This downtime was on top of the 100 to 200 Boe per day of lost production that we normally expect in a quarter. Production is currently approximately 6,100 Boe per day and we expect to add another 400 Boe per day early in the third quarter with the tie-in of five successful wells that were drilled before break-up.

Our guidance for 2007 remains unchanged and consists of:

- Production exiting 2007 at 7,100 Boe per day.
- Capital investment totalling \$68 million which will primarily be directed towards drilling 40 wells (28.5 net).
- Operating costs averaging \$6.50 to 6.75 per Boe, cash G&A costs averaging \$1.15 per Boe and an average royalty rate of 22%.

We continue to expect to be able to fund the 2007 capital program with cash flow and a limited amount of debt assuming an average gas price of Cdn \$7.00 per GJ at AECO.

SVI now has a more visible and sustainable growth profile with the planned initiation in 2008 of production and cash flow from one of the North Sea gas discoveries. The potential for a significant return from our ownership position in SVI continues to increase.

Looking ahead, our business plan for 2007 will emphasize doing more of what has worked so well for us in the past. We will continue to be disciplined with respect to capital investment with our cash flow being used to fund the nearly two years of opportunities (over 75 drilling locations and 25 exploitation projects) that we have identified on our large undeveloped land base. With total debt at a modest 1.0 times annualized first quarter cash flow and considerable unused capacity on our bank line, we also have the ability to execute on any high-quality acquisition opportunities that may arise during the year.

Respectfully,



Brian Lavergne
President and CEO

May 14, 2007

Set out below is management's discussion and analysis of financial and operating results for Storm Exploration Inc. ("Storm" or the "Company") for the quarter ended March 31, 2007. It should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2007 and other operating and financial information included herein. This management's discussion and analysis is dated May 9, 2007.

INTRODUCTION AND LIMITATIONS

Basis of Presentation

Financial data presented below have largely been derived from the Company's unaudited financial statements for the quarter ended March 31, 2007, prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Specific accounting policies adopted by the Company are set out in Note 1 to the unaudited financial statements for the quarter ended March 31, 2007 and in Note 2 to the Company's audited financial statements for the year ended December 31, 2006. The reporting and the measurement currency is the Canadian dollar. Unless otherwise indicated, tabular financial amounts, other than per share and per Boe amounts, are in thousands of dollars.

Effective January 1, 2007, Storm adopted, with prospective effect, certain new accounting standards introduced as part of GAAP as follows:

Comprehensive Income

Comprehensive income is the sum of net income for the reporting period plus certain other measurements of value that are not recognized currently in the statement of income and retained earnings. Such other measurements may include items such as an unrealized holding gain or loss from securities held for sale, unrealized gains or losses from hedging and certain foreign currency translation gains or losses. Although such items do not satisfy criteria necessary for inclusion in the Company's statement of income and retained earnings, largely because they have not been realized, their identification and measurement provide relevant additional information about the financial condition of the Company.

Financial Instruments

The new disclosure standard establishes criteria for identifying and measuring the carrying amount of financial assets and liabilities and derivative instruments. Financial assets and liabilities include accounts receivable and payable, bank loans, and securities held for sale. The intent of the disclosure is to establish a carrying amount for such assets and liabilities equal to their fair value, which is established by reference to current market values or appropriate discounting.

Additional details about such accounting changes and their effect on the Company are described in the notes to the unaudited financial statements for the quarter ended March 31, 2007.

Forward-Looking Statements

Certain information set forth in this document, including management's assessment of Storm's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the effect of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are advised that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Storm's actual results, performance or achievement, could differ materially from those expressed in, or implied by, these forward-looking statements. Storm disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Boe Presentation

For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet ("Mcf") of natural gas equal to one barrel of oil unless otherwise stated. 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.

Non-GAAP Measurements

Within management's discussion and analysis, references are made to terms having widespread use in the oil and gas industry in Canada. "Funds from operations," "funds from operations per share," "cash flow from operations" and "netbacks" are not defined by GAAP in Canada and are regarded as non-GAAP measures. Measurement of funds from operations is detailed on the Statements of Cash Flows. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties, transportation and operating costs, calculated on a Boe basis. Total Boe is calculated by multiplying the daily production by the number of days in the year or quarter as the case may be.

PRODUCTION AND REVENUE

Average Daily Production

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Natural gas (Mcf/d)	30,048	19,974	28,271
Natural gas liquids (Bbls/d)	216	262	217
Crude oil (Bbls/d)	553	417	513
Total (Boe/d)	5,776	4,009	5,442

Total Boe production in the first quarter of 2007 increased by 44% when compared to the first quarter of 2006 and by 6% when compared to the final quarter of 2006. The year-over-year increase in production came from Storm's successful drilling and exploitation programs, coupled with an acquisition completed in June 2006. Production per million shares outstanding in the first quarter of 2007 averaged 135 Boe per day, compared to 100 Boe per day for the first quarter of 2006, an increase of 35%, and to 127 Boe per day for the final quarter of 2006, representing an increase of 6%.

Production Profile and and Per Unit Prices

	Three Months to March 31, 2007		Three Months to March 31, 2006		Three Months to December 31, 2006	
	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs
Natural gas	87%	\$ 7.75/Mcf	83%	\$ 7.62/Mcf	87%	\$ 7.11/Mcf
Natural gas liquids	4%	\$ 56.93/Bbl	7%	\$ 64.24/Bbl	4%	\$ 58.47/Bbl
Crude oil	9%	\$ 64.90/Bbl	10%	\$ 65.83/Bbl	9%	\$ 60.19/Bbl
Per Boe		\$ 48.65		\$ 49.05		\$ 44.95

Storm's production base is largely natural gas and associated liquids and has not changed materially quarter-over-quarter. For the quarter to March 31, 2007, the AECO C spot price for natural gas averaged \$7.00 per GJ, compared to \$7.14 for the quarter to March 31, 2006, a decrease of 2%, and to \$6.57 for the quarter ended December 31, 2006, representing an increase of 7%. For crude oil, Edmonton par price averaged \$69.95 per barrel for the quarter to March 31, 2007, compared to \$69.00 for the quarter to March 31, 2006 and \$65.50 for the quarter to December 31, 2006.

Per unit prices in the table above do not include any gains or losses from hedging.

Production by Area (Boe per day)

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Peace River Arch	4,502	2,803	3,935
Cabin/Kotcho/Junior	1,084	671	1,252
Red Earth	124	229	172
Other	66	306	83
Total	5,776	4,009	5,442

The above sets out the average production from each of Storm's core areas. Within the Peace River Arch, production from the largest property, Parkland, averaged 1,673 Boe per day for the quarter ended March 31, 2007, compared to 883 Boe per day for the quarter ended March 31, 2006 and 1,289 Boe per day for the quarter ended December 31, 2006.

Production Revenue

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Natural gas	\$ 20,959	\$ 13,708	\$ 18,498
Natural gas liquids	1,105	1,517	1,168
Crude oil	3,227	2,473	2,841
Hedging gains	2,481	2,063	841
Revenue from product sales	27,772	19,761	23,348
Royalty income	237	243	242
Total production revenue	\$ 28,009	\$ 20,004	\$ 23,590

A reconciliation of revenue from product sales between the quarters ended March 31, 2007 and 2006 is as follows:

	Natural Gas	Natural Gas Liquids	Crude Oil	Total
Revenue from product sales – Q1 2006	\$ 15,771	\$ 1,517	\$ 2,473	\$ 19,761
Effect of increased (decreased) production quarter-over-quarter	6,899	(270)	798	7,427
Effect of increased (decreased) product prices quarter-over-quarter	352	(142)	(44)	166
Increased contribution from hedging gains	418	–	–	418
Revenue from product sales – Q1 2007	\$ 23,440	\$ 1,105	\$ 3,227	\$ 27,772

Royalty income for each quarter is derived from ownership of overriding royalties, largely in the Peace River Arch.

Hedging – Natural Gas

Hedging contracts outstanding during the three months to March 31, 2007 were as follows:

	Volume	Contract	Price
January to March 2007	13,000 GJ per day	Costless collar	Floor Cdn \$9.00 per GJ Ceiling Cdn \$11.45 per GJ
January to March 2007	5,000 GJ per day	Fixed price	Cdn \$7.58 per GJ
April to June 2007	7,000 GJ per day	Fixed price	Cdn \$7.10 per GJ

Storm follows hedge accounting rules and recognized a gain of \$2.48 million or \$4.77 per Boe or \$0.92 per Mcf during the quarter ended March 31, 2007. A mark-to-market valuation of the contract outstanding at March 31, 2007 would have resulted in an unrealized loss of \$0.1 million.

ROYALTIES

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Charge for period	\$ 5,592	\$ 4,305	\$ 5,132
Royalties as a percentage of revenue from product sales before hedging gains			
Crown	20.3%	22.0%	20.5%
Other	1.8%	2.3%	2.3%
Total	22.1%	24.3%	22.8%
Per Boe	\$ 10.76	\$ 11.93	\$ 10.25

The decrease in the percentage royalty charge and the royalty charge per Boe for the quarter to March 31, 2007, when compared to the quarter ended March 31, 2006, is due to lower crown royalties due to lower product prices and lower overriding royalties resulting from the disposition of a high royalty property in August 2006.

PRODUCTION COSTS

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Charge for period	\$ 3,660	\$ 2,717	\$ 3,404
Percentage of revenue from product sales before hedging gains	14.5%	15.4%	15.1%
Per Boe	\$ 7.04	\$ 7.53	\$ 6.80

Total production costs for the quarter ended March 31, 2007 increased over production costs for the equivalent quarter of 2006 in response to growing product sales. Per Boe, production costs for the quarter to March 31, 2007 fell by 7% and increased by 4%, respectively, when compared to the first and fourth quarters of 2006. Nevertheless, over the last several quarters, the Company's production costs have generally trended downwards and illustrate the Company's ability to maintain or reduce components of its cost structure in the face of industry-wide cost increases. The Company expects that cost reduction initiatives will see further production cost reductions in 2007.

Storm's cash costs, which comprise production, general and administrative costs and interest, amounted to \$9.37 for the quarter ended March 31, 2007, compared to \$9.96 for the quarter ended March 31, 2006, and to \$9.22 for the quarter ended December 31, 2006.

TRANSPORTATION COSTS

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Charge for period	\$ 1,128	\$ 773	\$ 1,091
Percentage of revenue from product sales before hedging gains	4.5%	4.4%	4.8%
Per Boe	\$ 2.17	\$ 2.14	\$ 2.18

Increased charges for transportation reflect increasing production levels. The Company's primary focus on natural gas and the stability of its production base results in largely consistent per Boe charges between periods.

FIELD NETBACKS

Details of field netbacks per commodity unit are as follows:

	Quarter Ended March 31, 2007			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 64.90	\$ 56.93	\$ 7.75	\$ 48.65
Hedging gains	–	–	0.92	4.77
Royalty income	0.47	0.79	0.07	0.46
Royalties	(10.63)	(17.21)	(1.75)	(10.76)
Production costs	(6.88)	–	(1.23)	(7.04)
Transportation	(1.69)	(3.26)	(0.36)	(2.17)
Field netbacks	\$ 46.17	\$ 37.25	\$ 5.40	\$ 33.91

	Quarter Ended March 31, 2006			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 65.83	\$ 64.24	\$ 7.62	\$ 49.05
Hedging gains	–	–	1.15	5.72
Royalty income	1.15	0.98	0.10	0.68
Royalties	(5.84)	(17.60)	(2.04)	(11.93)
Production costs	(6.66)	–	(1.37)	(7.53)
Transportation	(1.42)	(1.64)	(0.38)	(2.14)
Field netbacks	\$ 53.06	\$ 45.98	\$ 5.08	\$ 33.85

	Quarter Ended December 31, 2006			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 60.19	\$ 58.47	\$ 7.11	\$ 44.95
Hedging gains	–	–	0.32	1.68
Royalty income	0.64	0.68	0.08	0.48
Royalties	(11.49)	(16.24)	(1.64)	(10.25)
Production costs	(5.62)	–	(1.21)	(6.80)
Transportation	(1.43)	(2.56)	(0.37)	(2.18)
Field netbacks	\$ 42.29	\$ 40.35	\$ 4.29	\$ 27.88

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

Field netbacks for the quarters ended March 31, 2007 and 2006 were largely consistent. Slightly lower Boe revenue and hedging gains in the quarter to March 31, 2007 were offset by higher costs in the quarter to March 31, 2006. Compared to the quarter ended December 31, 2006, field netbacks per Boe for the first quarter of 2007 increased by 22%, largely driven by increased product prices and hedging gains.

INTEREST

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Charge for period	\$ 669	\$ 238	\$ 647
Per Boe	\$ 1.29	\$ 0.66	\$ 1.29

Interest is paid on Storm's revolving bank facility. Bank debt for the first quarter of 2007 averaged \$52.1 million; for the first quarter of 2006, \$25.0 million; for the fourth quarter of 2006, \$48.9 million. Increased bank borrowings year-over-year correspond to use of the Company's credit facility to fund an acquisition in mid-2006.

GENERAL AND ADMINISTRATIVE COSTS

Total Costs	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Gross general and administrative costs	\$ 1,408	\$ 1,158	\$ 1,492
Capital and operating recoveries	(865)	(519)	(924)
Net general and administrative costs	\$ 543	\$ 639	\$ 568

Costs per Boe	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Gross general and administrative costs	\$ 2.71	\$ 3.21	\$ 2.98
Capital and operating recoveries	(1.67)	(1.44)	(1.85)
Net general and administrative costs	\$ 1.04	\$ 1.77	\$ 1.13

Increases in gross general and administrative costs for the quarter ended March 31, 2007, when compared to the quarter ended March 31, 2006, were primarily due to increased compensation costs. These cost increases were offset in part by increased capital and operating recoveries arising from the Company's expanded field programs.

Storm does not capitalize general and administrative costs. General and administrative costs per Boe for future quarters should be lower, due to higher capital and operating recoveries and an increased production base.

STOCK-BASED COMPENSATION COSTS

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Charge for period	\$ 337	\$ 144	\$ 348
Per Boe	\$ 0.65	\$ 0.40	\$ 0.70

The increase in stock-based compensation costs for the first quarter of 2007 when compared to the first quarter of 2006 reflects the mid-2006 issue of stock options to certain individuals who were not already participants in the Company's stock option program.

DEPLETION, DEPRECIATION AND ACCRETION

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Depreciation and depletion charge for period	\$ 8,360	\$ 4,642	\$ 7,552
Accretion charge for period	112	79	105
Total	\$ 8,472	\$ 4,721	\$ 7,657
Total per Boe	\$ 16.30	\$ 13.09	\$ 15.29

The increase in the charge for depreciation, depletion and accretion for the first quarter of 2007, when compared to the same period of 2006, is a consequence of higher production volumes as the depletion component of the charge is based on a cost per Boe.

The year-over-year increase in the quarterly charge per Boe is largely attributable to a mid-2006 property acquisition, as acquired reserves were purchased at a higher cost per Boe than Storm's historical finding costs. Accretion is the increase for the reporting period in the present value of the Company's asset retirement obligation, which is discounted using an interest rate of 8%.

INCOME AND OTHER TAXES

For the quarter ended March 31, 2007, Storm recorded a future income tax provision of \$2.5 million compared to \$1.6 million for the quarter ended March 31, 2006 and \$1.7 million for the quarter ended December 31, 2006, with the deferral of taxes to future periods largely resulting from resource pool deductions exceeding the accounting charge for depletion, depreciation and amortization.

At March 31, 2007, Storm had tax pools carried forward estimated to be \$190 million before deduction of Canadian Exploration Expense in the amount of \$15.6 million renounced in 2006 to subscribers to a flow-through share offering completed in June 2006. At March 31, 2007, the Company considers that \$10.3 million of such expenditures has been incurred. In addition, Storm has a capital loss in the amount of \$10 million available for application against future capital gains.

NET INCOME AND NET INCOME PER SHARE

Net income for the quarter ended March 31, 2007 increased by 4% to \$5.1 million compared to \$4.9 million for the quarter ended March 31, 2006. Earnings per diluted share were identical for the two periods at \$0.12. Compared to the quarter ended December 31, 2006, earnings for the first quarter of 2007 increased by \$2.0 million, or 66%, or from \$0.07 to \$0.12 per diluted share.

	Three Months to March 31, 2007		Three Months to March 31, 2006		Three Months to December 31, 2006	
	Per diluted share		Per diluted share		Per diluted share	
Net income for quarter	\$ 5,066	\$ 0.12	\$ 4,861	\$ 0.12	\$ 3,049	\$ 0.07

FUNDS FROM OPERATIONS

Funds from operations for the quarter ended March 31, 2007 increased by 45% to \$16.4 million, or \$0.38 per diluted share, compared to \$11.3 million, or \$0.28 per diluted share for the equivalent quarter of 2006. Compared to the quarter ended December 31, 2006, funds from operations for the first quarter of 2007 was 29% higher.

	Three Months to March 31, 2007		Three Months to March 31, 2006		Three Months to December 31, 2006	
	Per diluted share		Per diluted share		Per diluted share	
Funds from operations for quarter	\$ 16,417	\$ 0.38	\$ 11,310	\$ 0.28	\$ 12,748	\$ 0.29

INVESTING AND FINANCING

WORKING CAPITAL

Receivables comprise production revenue receivables and accruals, and receivables in respect of operating and capital costs. Prepaid costs include unamortized insurance premiums, deposits and certain inventory items.

Accounts payable include operating, administrative and capital costs payable. Net payables in respect of cash calls issued to partners regarding capital projects and estimates of amounts owing, but not yet invoiced to the Company, have been included in accounts payable.

Storm had a working capital deficiency of \$11.3 million at March 31, 2007 compared to \$11.6 million at March 31, 2006 and \$6.9 million at December 31, 2006. The working capital deficiency at each quarter end reflects the Company's preference to act as operator and the seasonality of its field operations. The Company's working capital deficiency is cyclical and is highest at the end of the first quarter of each year.

PROPERTY AND EQUIPMENT

Capital costs incurred were as follows:

	Three Months to March 31, 2007	Three Months to March 31, 2006	Three Months to December 31, 2006
Land and lease, net	\$ 1,144	\$ 1,761	\$ 410
Seismic	773	3,104	–
Drilling and completions	11,976	7,816	9,232
Facilities and equipment	7,716	5,879	3,613
Other	16	–	25
Field expenditures	21,625	18,560	13,280
Property acquisitions	2,450	–	355
Property dispositions	–	(2,879)	–
Total	\$ 24,075	\$ 15,681	\$ 13,635

BANK DEBT, LIQUIDITY AND CAPITAL RESOURCES

Storm has a revolving borrowing base bank credit facility of \$86 million, increased from \$66 million at December 31, 2006. The amount drawn on this facility at March 31, 2007 amounted to \$53.8 million. Debt, including working capital deficiency, amounted to \$65.1 million at March 31, 2007, resulting in a ratio of debt to annualized first quarter cash flow of 1.0 times. A growing production base, along with the Company's policy of limiting non-acquisition capital expenditures to cash flow, should result in this ratio falling throughout 2007.

Storm funds its field capital programs through cash flow and bank borrowings. Acquisitions are funded by a combination of debt and, if required, equity. Field 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. In quarters of high field activity, Storm operates with a substantial working capital deficit, which is paid down in quarters of lower field activity.

INVESTMENT

At March 31, 2007, the Company's investment in SVI represented a 13% ownership position, comprising 4.3 million common shares. Late in 2006, SVI completed a private placement at \$5.00 per share for gross proceeds of \$43 million. Although Storm participated in the offering to the extent of \$1 million, the Company's ownership position was reduced from 16% to 13%. The carrying amount of the investment on the Company's balance sheet comprises the Company's investment cost, plus a dilution gain recognized during the year ended December 31, 2005. This carrying amount should not be regarded as representative of the value of Storm's investment in SVI.

FUTURE INCOME TAXES

Estimated future income taxes at March 31, 2007 represent the excess of the accounting amounts over the related tax bases of property and equipment and share capital.

Under the terms of a flow-through share issue completed during 2006, Storm is obligated to renounce Canadian Exploration Expense to subscribers in the amount of \$15.6 million and to incur these costs prior to December 31, 2007. At March 31, 2007, the Company considers that \$10.3 million of these costs have been incurred.

Details of the Company's tax assets are as follows:

	As at March 31, 2007	Maximum Annual Deduction
Canadian oil and gas property expense	\$ 89,164	10%
Canadian development expense	34,943	30%
Canadian exploration expense (CEE)	16,629	100%
Undepreciated capital cost	47,795	20 – 100%
Other	1,509	20%
	190,040	
Less: CEE incurred to date and renounced to flow-through share subscribers	(10,300)	
Total	\$ 179,740 ⁽¹⁾	
Operating losses	–	
Capital losses	\$ 9,666	

(1) An additional \$5.3 million of CEE is required to be spent prior to December 31, 2007 to satisfy the full amount of the flow-through share obligation.

ASSET RETIREMENT OBLIGATION

Storm'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. Changes in amount of the obligation between March 31, 2007 and December 31, 2006 comprise the present value of additional obligations accruing to the Company as a result of field activity and acquisitions during the quarter, less costs paid in settlement of abandonment obligations, plus the quarterly increase in the present value of the obligation. The discount rate used to establish the present value is 8%. Future costs to abandon and reclaim Storm's properties are based on an internal evaluation of each of the Company's properties, supported by external data from industry sources.

SHARE CAPITAL

Details of outstanding share capital and dilutive elements:

	As at March 31, 2007	As at December 31, 2006
Common shares outstanding		
End of period	42,914	42,914
Performance warrants	125	122
Stock options	1,934	1,934
Fully diluted common shares		
End of period	44,973	44,970
Weighted average common shares – basic	42,914	41,434
Weighted average common shares – diluted	43,652	41,935

Outstanding performance warrants total 170,834 and are convertible into common shares using a formula based on the market price on the date of conversion. Stock options outstanding are exercisable over five years on various dates beginning September 2005 at prices ranging from \$2.60 to \$6.70.

QUARTERLY RESULTS

Set out below are key performance indicators by quarter for Storm for the last two years:

Quarter Ended	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006	Dec. 31 2005	Sept. 30, 2005	June 30, 2005
Production revenue (\$000s)	28,009	23,590	18,973	17,598	20,004	23,733	17,694	15,951
Funds from operations (\$000s)	16,417	12,748	10,053	9,186	11,310	12,886	10,317	8,701
Per share – basic (\$)	0.38	0.30	0.23	0.23	0.29	0.33	0.27	0.21
Per share – diluted (\$)	0.38	0.29	0.23	0.23	0.28	0.32	0.25	0.20
Net income (\$000s)	5,066	3,049	1,828	1,767	4,861	13,507	6,310	3,643
Per share – basic (\$)	0.12	0.07	0.04	0.05	0.12	0.35	0.16	0.09
Per share – diluted (\$)	0.12	0.07	0.04	0.04	0.12	0.33	0.15	0.09
Average daily production (Boe)	5,776	5,442	4,933	4,478	4,009	3,665	3,208	3,481
Average field netback (\$/Boe)	33.91	27.88	24.24	24.86	33.85	41.54	37.22	27.50
Net capital expenditures (\$000s)	24,075	13,635	7,619	47,570	15,681	15,297	12,680	4,261

CONTRACTUAL OBLIGATIONS

In the course of its business, Storm 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 do not involve related parties.

Obligations with a fixed term are as follows:

(\$000s)	2007	2008	2009	2010	2011
Lease of premises	450	759	759	772	785
Equipment leases	11	11	–	–	–
Total	461	770	759	772	785

CRITICAL ACCOUNTING ESTIMATES

Financial amounts included in the Company's Management's Discussion and Analysis and in the unaudited financial statements for the three months ended March 31, 2007 are based on accounting policies, estimates and judgment which reflect information available to management at the time of preparation. Information with respect to the accounting policies selected by the Company and the use of estimates is set out in the Company's annual report for the year ended December 31, 2006 and the unaudited financial statements for the three months ended March 31, 2007.

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 and others are specific to Storm. Information with respect to such risks is set out in the Company's annual report for the year ended December 31, 2006.

DISCLOSURE CONTROLS

Storm has codified and distributed to staff its controls, policies and procedures with respect to disclosure to third parties of information concerning the Company's operations and results. Controls and procedures are designed to provide reasonable assurance that relevant information is collected and provided to senior management. Storm's disclosure control policy provides for the establishment of a Disclosure Committee, comprised of the Chief Executive Officer and Chief Financial Officer, which reviews policies and procedures applicable to the provision of information to any party, other than industry partners in the ordinary course of business, and reviews any circumstances which may suggest a breach of disclosure controls. Although Storm's disclosure control policy is believed to be effective, it cannot provide more than reasonable assurance that its objectives have been realized. No circumstance suggesting a possible breach of disclosure controls was identified by the Disclosure Committee in the three months ended March 31, 2007.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, can be viewed at www.sedar.com or on the Company's website at www.stormexploration.com. Information can also be obtained by contacting the Company at Storm Exploration Inc., 3250, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7.

BALANCE SHEETS

(\$000s)	(unaudited) March 31, 2007	December 31, 2006
ASSETS		
Current		
Accounts receivable	\$ 12,527	\$ 13,161
Prepaid costs	1,589	2,508
Property and equipment – net (Note 2)	14,116	15,669
Investment	193,562	177,708
	9,275	9,275
	\$ 216,953	\$ 202,652
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 25,459	\$ 22,573
	25,459	22,573
Bank indebtedness (Note 4)	53,783	50,410
Asset retirement obligation (Note 5)	6,176	5,925
Future income taxes (Note 3)	4,093	1,600
	89,511	80,508
Shareholders' equity (Note 6)		
Share capital	76,285	76,285
Contributed surplus	1,662	1,325
Retained earnings	49,600	44,534
Accumulated other comprehensive income	(105)	–
	127,442	122,144
	\$ 216,953	\$ 202,652

On behalf of the Board:



Director



Director

**STATEMENTS OF INCOME
AND RETAINED EARNINGS**

(\$000s) (unaudited)	Three Months March 31, 2007	Three Months March 31, 2006
Revenue		
Production revenue	\$ 28,009	\$ 20,004
Royalties	(5,592)	(4,305)
	22,417	15,699
Expenses		
Production	3,660	2,717
Transportation	1,128	773
Interest	669	238
General and administrative	543	639
Stock-based compensation	337	144
Depletion, depreciation and accretion	8,472	4,721
	14,809	9,232
Income before the following:	7,608	6,467
Income and other taxes (Note 3)		
Future income taxes	(2,542)	(1,584)
Capital taxes	-	(22)
	(2,542)	(1,606)
Net income for the period	5,066	4,861
Retained earnings, beginning of period	44,534	33,029
Retained earnings, end of period	\$ 49,600	\$ 37,890
Net income per share (Note 7)		
Basic	\$ 0.12	\$ 0.12
Diluted	\$ 0.12	\$ 0.12

**STATEMENTS OF
COMPREHENSIVE INCOME**

(\$000s) (unaudited)	Three Months March 31, 2007	Three Months March 31, 2006
Net income for the period	\$ 5,066	\$ 4,861
Other comprehensive income		
Unrealized hedging loss (net of related income tax of \$50,000)	(105)	-
Comprehensive income for the period	\$ 4,961	\$ 4,861

STATEMENTS OF CASH FLOWS

(\$000s) (unaudited)	Three Months March 31, 2007	Three Months March 31, 2006
Operating activities		
Net income for the period	\$ 5,066	\$ 4,861
Add non-cash items:		
Depletion, depreciation and accretion	8,472	4,721
Future income tax	2,542	1,584
Stock-based compensation	337	144
Funds from operations	16,417	11,310
Net change in non-cash working capital items (Note 8)	2,366	104
	18,783	11,414
Financing activities		
Issue of common shares – net of expenses	–	1,516
Increase (decrease) in bank indebtedness	3,373	(985)
	3,373	531
Investing activities		
Additions to property and equipment	(24,075)	(18,560)
Disposals of property and equipment	–	2,879
Net change in non-cash working capital items (Note 8)	1,919	3,736
	(22,156)	(11,945)
Change in cash during the period	–	–
Cash, beginning of period	–	–
Cash, end of period	\$ –	\$ –

THREE MONTHS ENDED MARCH 31, 2007

Tabular amounts in thousands
(unaudited)

SIGNIFICANT ACCOUNTING POLICIES 1

These interim unaudited financial statements of Storm Exploration Inc. (“Storm” or the “Company”) have been prepared by management in accordance with accounting policies generally accepted in Canada, following, except as described below, the same accounting policies and methods of computation as used in the financial statements for the year ended December 31, 2006. The interim financial statement note disclosures do not include all disclosures applicable for annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the audited financial statements and the notes thereto contained in the Company’s annual report for the year ended December 31, 2006.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted additional accounting pronouncements promulgated by the Canadian Institute of Chartered Accountants (“CICA”). The new accounting policies are set out in CICA Handbook Section 1530 “Comprehensive Income”; Section 3251 “Equity”; Section 3855 “Financial Instruments – Recognition and Measurement”; and Section 3865 “Hedges.” As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no effect on the Company’s net earnings or funds from operations. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income (“OCI”). The Company’s financial statements now include Statements of Comprehensive Income, which include the components of comprehensive income. OCI is currently comprised of the recognition of unrealized hedging losses.

The cumulative changes in OCI are included in accumulated other comprehensive income (“AOCI”), which is presented as a new category within shareholders’ equity on the balance sheet. The accumulated unrealized hedging gain or loss adjustment, formerly disclosed in the notes to the financial statements, is now included in AOCI.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in OCI. Financial assets “held-to-maturity,” “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and accrued revenues are designated as “loans and receivables.” Accounts payable and long-term debt are designated as “other liabilities.”

Equity investments that do not have a quoted market price in an active market are measured at cost. Accordingly, the Company's investment in Storm Ventures International Inc. ("SVI") is carried at adjusted cost. Further details on this investment are contained in the notes to the Company's audited annual financial statements for the year ended December 31, 2006.

The risk management asset and liability contracts entered into by the Company have been designated as meeting the criteria for "hedge accounting" under Section 3865 "Hedges," which results in any unrealized hedging gains or losses being recognized in other comprehensive income.

PROPERTY AND EQUIPMENT 2

	March 31, 2007	December 31, 2006
Petroleum and natural gas properties	\$ 244,899	\$ 220,701
Furniture and equipment	482	466
	245,381	221,167
Accumulated depletion and depreciation	(51,819)	(43,459)
	\$ 193,562	\$ 177,708

At March 31, 2007, the depletion calculation excluded unproved properties of \$14.2 million (December 31, 2006 – \$14.4 million).

FUTURE INCOME TAXES 3

The future income tax liability is made up of the excess of the accounting amounts over the related tax bases of the Company's property and equipment, share capital and other comprehensive income.

The Company has tax pools associated with property and equipment, for accounting purposes, of approximately \$174 million as well as capital losses of approximately \$10 million, which are not subject to expiry.

Under the terms of a flow-through share issue in June 2006, the Company is obligated to incur Canadian Exploration Expenditures in the amount of \$15.6 million prior to December 31, 2007. As at March 31, 2007, the Company had incurred an estimated \$10.3 million of qualifying expenditures. The full amount of \$15.6 million has been renounced to the subscribers at December 31, 2006 and this amount has been deducted from the Company's tax pool balance.

In April of 2006 the federal large corporations tax was eliminated, retroactively effective to January 1, 2006.

The provision for future income taxes is different from the amount computed by applying the combined statutory Canadian federal and provincial tax rates to pre-tax income for the period.

The differences are as follows:

	March 31, 2007	March 31, 2006
Statutory combined federal and provincial income tax rate	32%	35%
Expected income taxes	\$ 2,459	\$ 2,284
Add (deduct) the income tax effect of:		
Non-deductible crown charges	-	476
Resource allowance	-	(409)
Benefit of losses not previously recognized	-	(695)
Stock-based compensation	109	51
Other	(26)	(123)
Future income tax	2,542	1,584
Large corporations tax	-	22
	\$ 2,542	\$ 1,606

The significant components of the future income tax liability are as follows:

	March 31, 2007	December 31, 2006
Property and equipment	\$ 6,571	\$ 3,970
Asset retirement obligation	(1,977)	(1,896)
Share issue costs	(451)	(474)
Other comprehensive income	(50)	-
Future income tax liability	\$ 4,093	\$ 1,600

BANK INDEBTEDNESS 4

The Company has an extendible revolving bank facility in the amount of \$86 million (December 31, 2006 – \$66 million), based on the Company’s producing reserves. The revolving facility is available to the Company until May 29, 2008, but may be extended at the Company’s request until May 28, 2009, subject to the bank’s review of the Company’s reserve lending base. If the revolving facility is not renewed at the end of the current revolving phase, the facility moves into a term phase whereby the loan is to be retired with one payment on the 366th day following the last day of the revolving phase, in an amount equal to the outstanding principal. Interest is payable on the revolving facility at bank prime rate or banker’s acceptance rates plus a stamping fee. Security comprises a floating charge demand debenture on the assets of the Company.

ASSET RETIREMENT OBLIGATION 5

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 \$12.2 million (December 31, 2006 – \$11.8 million), which will be incurred over the next 20 years, with the majority of costs incurred between 2015 and 2025. A credit adjusted risk-free rate of 8% was used to calculate the present value of the asset retirement obligations, amounting to \$6.2 million (December 31, 2006 – \$5.9 million).

SHARE CAPITAL 6

Authorized

An unlimited number of non-voting common shares

An unlimited number of voting common shares

An unlimited number of preferred shares

Included in the following common share balances are 1,275,000 non-voting common shares. Except for voting rights, non-voting and voting common shares are identical.

Issued

	Number of Shares	Consideration
Balance as at December 31, 2006 and March 31, 2007	42,914	\$ 76,285

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 both June 29, 2005 and June 29, 2006, 170,833 warrants were exercised, resulting in 170,834 warrants outstanding as at March 31, 2007.

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 the calculation of net income, 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 2,850,000 common shares has been reserved for issuance. Details of the options outstanding at December 31, 2006 and March 31, 2007 are as follows:

Range of Exercise Price	Outstanding Options			Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
\$2.60 to \$3.61	320	2.9	\$ 3.28	113	\$ 3.15
\$3.91 to \$5.71	1,514	3.9	\$ 5.40	163	\$ 4.65
\$6.03 to \$6.70	100	4.0	\$ 6.39	12	\$ 6.70
	1,934	3.8	\$ 5.10	288	\$ 4.15

PER SHARE AMOUNTS 7

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Basic		
Net income per share	\$ 0.12	\$ 0.12
Weighted average number of shares outstanding	42,914	39,254
Diluted		
Net income per share	\$ 0.12	\$ 0.12
Weighted average number of shares outstanding	43,652	41,074

The reconciling items between the basic and diluted average common shares are the performance warrants and stock options described in Note 6.

SUPPLEMENTAL CASH FLOW INFORMATION 8

Changes in non-cash working capital

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Accounts receivable	\$ 634	\$ 2,641
Prepaid expenses	919	(550)
Accounts payable and accrued liabilities	2,732	1,749
Change in non-cash working capital	\$ 4,285	\$ 3,840
Relating to:		
Financing activities	\$ –	\$ –
Investing activities	1,919	3,736
Operating activities	2,366	104
	\$ 4,285	\$ 3,840
	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Interest paid during the period	\$ 669	\$ 238
Income taxes paid during the period	\$ –	\$ –

FINANCIAL INSTRUMENTS 9

The Company's financial instruments recognized on the balance sheet consist of 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 are concentrated with a limited number of purchasers of commodities and joint venture partners in the oil and gas industry and are 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.

As at March 31, 2007, Storm has hedged the following gas volumes:

Volume		Term
Fixed price financial sale		
7,000 GJ/d	\$ 7.10 / GJ – AEEO	April 1, 2007 – June 30, 2007

This financial instrument has been designated as meeting the criteria for hedge accounting and as at March 31, 2007, the market value of this contract of approximately negative \$0.1 million (net of related income tax) has been charged to Other Comprehensive Income.

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 ^{(1) (2)}
Chairman

John A. Brussa ⁽³⁾

Mark Butler ⁽³⁾

Stuart G. Clark ⁽¹⁾

Brian Lavergne
CEO

Henry R. Lawrie ^{(1) (2)}

Gregory G. Turnbull ⁽³⁾
Corporate Secretary

P. Grant Wierzba ⁽²⁾

⁽¹⁾ Member, Audit Committee ⁽²⁾ Member, Reserves Committee ⁽³⁾ Member, Compensation, Governance and Nomination Committee

Abbreviations

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

Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol "SEO"

Reserve Engineers

Paddock Lindstrom & Associates Ltd.
Calgary, Alberta

Solicitors

McCarthy Tétrault LLP
Burnet Duckworth & Palmer LLP
Calgary, Alberta

Bankers

CIBC, Oil & Gas Group
Calgary, Alberta

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

**Registrar &
Transfer Agent**

Valiant Trust Company
Calgary, Alberta

Executive Offices

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