

third quarter highlights

Thousands of \$Cdn except volumetric and per share amounts (unaudited)	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
FINANCIAL				
Gas sales	15,140	12,439	58,961 ⁽¹⁾	40,501 ⁽¹⁾
NGL sales	1,288	1,333	3,629	4,427
Oil sales	3,007	4,841	9,599	10,850
Royalty income	138	360	549	797
Production revenue	19,573	18,973	72,738	56,575
Funds from operations	9,372	10,053	38,710	30,549
Per share – basic	0.21	0.23	0.90	0.75
Per share – diluted	0.20	0.23	0.88	0.74
Net income	299	1,828	8,197	8,456
Per share – basic	0.01	0.04	0.19	0.21
Per share – diluted	0.01	0.04	0.19	0.20
Capital expenditures, net of dispositions	19,953	7,619	76,796	70,870
Debt, including working capital deficiency	80,943	55,377	80,943	55,377
Weighted average common shares outstanding				
Basic	43,423	42,914	43,086	40,935
Diluted	44,191	43,343	43,836	41,260
Common shares outstanding				
Basic	44,509	42,914	44,509	42,914
Fully diluted	46,438	44,916	46,438	44,916
OPERATIONS				
Oil equivalent (6:1)				
Barrels of oil equivalent (000s)	517	454	1,557	1,222
Barrels of oil equivalent per day	5,618	4,933	5,702	4,477
Average selling price (\$Cdn per Boe)	\$ 37.60	\$ 41.01	\$ 46.38 ⁽¹⁾	\$ 45.64 ⁽¹⁾
Gas production				
Thousand cubic feet (000s)	2,770	2,232	8,194	6,068
Thousand cubic feet per day	30,104	24,262	30,014	22,229
Average selling price (\$Cdn per Mcf)	\$ 5.47	\$ 5.57	\$ 7.20 ⁽¹⁾	\$ 6.67 ⁽¹⁾
NGL production				
Barrels (000s)	18	20	57	66
Barrels per day	197	214	210	240
Average selling price (\$Cdn per barrel)	\$ 71.20	\$ 67.58	\$ 63.42	\$ 67.54
Oil production				
Barrels (000s)	37	62	134	145
Barrels per day	404	675	490	532
Average selling price (\$Cdn per barrel)	\$ 80.82	\$ 77.96	\$ 71.77	\$ 74.73
Wells drilled				
Gross	8.0	14.0	19.0	32.0
Net	7.1	9.6	15.6	19.4

⁽¹⁾ Includes proceeds from hedging activities

HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2007

- Eight wells (7.1 net) were drilled in the quarter resulting in six gas wells (5.1 net). This includes three additional vertical delineation wells and the first horizontal well into our recently announced Montney discovery (100% working interest) in northeastern British Columbia.
- Construction of the pipeline under the Peace River connecting Storm's Parkland facility in northeastern British Columbia to the McMahon Gas Plant was substantially completed in the third quarter and gas began flowing through this pipeline in early November. This significantly increases Storm's sales capacity from the area.
- Production averaged 5,618 Boe per day in the third quarter, a 14% increase from production of 4,933 Boe per day in the same period one year ago. This is an increase of 12% on a per share basis using basic shares outstanding during the quarter.
- Cash flow totalled \$9.4 million or \$0.20 per diluted share, a decrease of 7% from cash flow of \$10.1 million or \$0.23 per diluted share in the year earlier period. The year-over-year decrease is primarily due to growth in gas volumes which has resulted in oil and liquids production being 11% of total Boe production in this quarter as compared to 18% in the same period one year ago.
- Total cash costs, which include operating costs, G&A costs and interest expense, declined to \$9.48 per Boe in the third quarter from \$10.07 per Boe in the first half of 2007.
- Net income was \$0.3 million or \$0.01 per diluted share, compared to net income of \$0.04 per diluted share in the third quarter of 2006.
- Completed a bought deal private placement of 1.4 million flow-through common shares priced at \$10.75 per share for gross proceeds of \$15.05 million which will be used to fund ongoing exploration activities.
- Invested \$19.9 million in the quarter which resulted in Storm's bank debt and working capital deficiency totalling \$80.9 million at the end of the quarter. Total debt is approximately 1.6 times annualized year-to-date cash flow.

CORE AREA REVIEW

Impact of Alberta's New Royalty Framework

On October 25, 2007, the Government of Alberta released a summary of the government's new royalty framework ("NRF") for oil and gas which was created in response to a report issued by the Alberta Royalty Review Panel ("ARRP") on September 18, 2007. The biggest impact on conventional oil and gas producers such as Storm is an overall increase in royalty rates, as well as an increase in the maximum royalty rate to 50% from the current cap of 30% to 35%. Approximately 46% of Storm's production in the first nine months of 2007 is from properties located in Alberta and, if these changes take effect as proposed on January 1, 2009, the impact is expected to be as follows:

- Using year-to-date results (\$6.25 per GJ natural gas price at AECO), Storm's average royalty rate on existing Alberta wells and properties is expected to increase from 23.4% to 31% which would result in a 3.6% increase to Storm's corporate royalty rate and a decrease in the corporate cash flow netback from \$24.86 to \$23.24 per Boe. Year-to-date corporate cash flow would decrease by 6.5%.
- Using year-to-date pricing (\$6.25 per GJ at AECO) and costs, Storm's average royalty rate on new wells drilled in Alberta would increase from 25% to 38% which would result in a field netback of approximately \$21.00 per Boe. The majority of the new wells drilled in Alberta by Storm are less than 2,000 metres deep and will not qualify for the deep gas royalty reduction.
- Using the Paddock Lindstrom 2006 year-end reserve evaluation, NRF reduces Storm's 10% NPV by 3% both on a Total Proved and Total Proved plus Probable basis.

Although the impact of NRF on existing properties and wells is not material, the impact on newly drilled wells is significant. With Storm's cost to find a Boe of oil or gas averaging \$16 to \$17 in Alberta over the last three years, a netback of \$21 per Boe results in a recycle ratio of 1.3 times. With payouts of three to five years under NRF, our profit of \$4 to \$5 per Boe will be returned to us long after we have made our investment resulting in a return on investment not high enough to compensate us for the ever-increasing geological risk that we take on in a mature producing basin. In addition, we face commodity price risk in the five- to ten-year period during which our invested capital and profit is returned to us. Given that we can choose where to put our capital at risk, we plan to redirect our capital investment into other regions where our netback will be high enough to generate an acceptable rate of return. In 2008, this is expected to result in the drilling of three to five wells instead of as many as 14 wells originally planned in Alberta. Drilling fewer wells, combined with the effect of natural declines, will have the added benefit of reducing production from properties and wells located in Alberta to less than 30% of total corporate production by the end of 2008, which will further reduce the impact of NRF on Storm when it takes effect in 2009. Reduced activity levels by Storm and other producers will lead to lower service costs and a drop in land sale bonuses, which will reduce the cost to find a Boe of oil or gas and will also serve to reduce the impact of NRF. If costs do not come down, an increase in the gas price to more than \$9 per GJ at AECO would be required to generate a high enough field netback (> \$25.00 per Boe) to offset the impact of NRF and attract investment by Storm. Alberta's proposed NRF ignores current economic realities and penalizes instead of rewards producers who have chosen to invest capital in the province over the last three to five years at land sales, in drilling wells, and in building facilities. It will result in a significantly reduced level of capital investment in Alberta by Storm in the future.

PEACE RIVER ARCH,
Northwestern Alberta and
Northeastern British Columbia

Production from our largest core area averaged 4,470 Boe per day in the third quarter. Year over year, production has grown by 35% despite unexpected and temporary outages at several properties (primarily facility turnarounds) which reduced production by 300 Boe per day in the quarter. Production from this area is currently approximately 5,300 Boe per day.

As a result of Alberta's NRF, we expect that almost all of our drilling activity in the Peace River Arch going forward will be at our properties in British Columbia, where year-to-date field netbacks have been averaging a robust \$29.00 per Boe at an average AECO price of \$6.25 per GJ.

During the third quarter, we:

- Drilled eight wells (7.1 net) resulting in four gas wells (4.0 net) in our Montney discovery (including the first horizontal well), one gas well (1.0 net) at Parkland and one gas well (0.1 net) at Doe.
- Completed and tied in five new gas wells (4.5 net) with three of those being vertical wells in our Montney discovery, one at Parkland, and one in the Clairmont area. Current production from these wells is approximately 450 Boe per day.
- Successfully recompleted three wells (3.0 net) at Parkland and two wells (1.4 net) in the Grande Prairie area in uphole formations. These activities have added approximately 250 Boe per day to current production levels.
- Substantially completed construction of the pipeline under the Peace River that now connects Storm's Parkland facility to the McMahon Gas Plant. This significantly increases Storm's sales capacity from the area and ensures that our long-term growth plans will not be limited by pipeline capacity constraints.

Much of our completion and tie-in activity occurred late in the quarter due to delays caused by wet weather in the early part of the quarter.

At our new 100% working interest Montney pool discovery in northeastern British Columbia, potential gas-in-place has increased to 350 Bcf as a result of the three vertical delineation wells drilled in the third quarter and the one vertical well drilled to date in the fourth quarter. Recoveries are expected to be 40% or higher based on analogous, offsetting pools. This estimate of gas-in-place assumes areal extent of 5,200 acres (approximately eight sections), average net pay of 36 metres, and average porosity of 10%. We now have six wells producing from this discovery including five vertical wells and one horizontal well, which began production in early November at a rate of 4 Mmcf per day. By year-end, we expect to have drilled another three vertical delineation wells as well as one more horizontal development well. Montney wells typically exhibit steep initial declines, so it will take two to three months of production history before we can estimate stabilized rates on these wells. Based on the analogous Dawson Montney A pool, we expect first year average rates to be 0.4 to 0.5 Mmcf per day for vertical wells and 2.5 Mmcf per day for horizontal wells. Although the cost of a horizontal well at \$5 million to drill, complete and tie-in is considerably more than a vertical well at \$2 million, horizontal wells have improved economics because they are expected to produce and recover five times as much gas for only 2.5 times the cost. Using the third quarter average AECO price of \$4.92 per GJ, the economics associated with horizontal wells are very attractive with a forecast netback of \$24 per Boe resulting in a 1.7 year payout and a 40% rate of return. We expect these economics will improve as we gain experience and reduce capital costs through operational efficiencies and new technologies. In 2008, we plan to drill up to eight horizontal wells with two of those planned for the first quarter.

Major activities planned for the fourth quarter include:

- Drilling seven wells (6.1 net) which includes five Montney wells (5.0 net) including the second horizontal well, one well (1.0 net) at Parkland, and one well (0.1 net) at Doe.
- Re-completing one well (1.0 net) at Parkland in the uphole Halfway formation.
- Completing the pipeline connecting Parkland to the McMahon Gas Plant.

To date, we have been successful on the one vertical and one horizontal well we have drilled, both in our Montney discovery. Our recompletion at Parkland was successful with production of 1.4 Mmcf per day being realized from the Halfway formation. On November 3rd, gas began flowing in the pipeline connecting Parkland to the McMahon Gas Plant which is expected to result in a \$1 per Boe reduction in operating costs at Parkland.

CABIN/KOTCHO/JUNIOR, Northeastern British Columbia

Net production from this area averaged 1,075 Boe per day in the third quarter. Current production has declined to approximately 800 Boe per day as a result of the failure of a salt water disposal pipeline, which has resulted in the curtailment of 200 Boe per day of production to reduce operating costs and maximize netbacks.

At Junior, a watered out gas well was converted into a salt water disposal well, which will eliminate more than \$200,000 per year in water trucking and disposal costs. We are also continuing to review the potential for horizontal drilling in the Jean Marie formation on our 17 sections of land.

Our winter drilling program is expected to include one well targeting the Slave Point formation in the Junior area. Using 3-D seismic which Storm recorded last winter, we have identified a structurally higher position to twin a well which tested 2.5 Mmcf per day in 1977. We had previously tried to reactivate this well, but could not due to downhole wellbore problems.

RED EARTH, Alberta

Production from this area averaged 20 Boe per day in the third quarter. Current net production continues to be approximately 20 Boe per day. This winter's plan to conduct a 40 km² 3-D seismic program and drill up to two wells targeting light oil in the Slave Point formation will be deferred as a result of the NRF.

SURMONT OIL SANDS LEASES, Alberta

In 2001, Storm acquired a 100% working interest in six sections (3,840 acres) of oil sands leases in the Surmont area at a cost of \$54 per acre. Based on recent developments in the area, Storm retained McDaniel and Associates Consultants Ltd. to complete an evaluation of the contingent resource potential using data from the six gas wells on these lands. The results of this evaluation show:

	Discovered Bitumen-in-place Exploitable Using SAGD Process (Mmbbls)	Contingent Bitumen Resources Using SAGD Process (Mmbbls)	Overall Recovery (%)
Low estimate	144.9	43.8	30.2
Best estimate	164.9	56.5	34.3
High estimate	179.8	69.6	38.7

This winter, Storm plans to drill up to four test wells to further evaluate and expand the bitumen-in-place. Storm has no immediate plans for development and provides no assurances that this resource will ever be exploitable using a conventional Steam-Assisted Gravity Drainage (SAGD) project.

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 unconventional and international exploration and exploitation opportunities. This share position has a value of \$21.5 million or \$0.49 per diluted Storm share using the price of \$5 per share from SVI's last equity issue in December, 2006.

SVI is active in the UK sector of the North Sea through its affiliate, Silverstone Energy Limited. During the second quarter, Silverstone raised £46 million (GBP) or Cdn \$97.5 million to fund ongoing activities which reduced SVI's ownership position from 50% to 37%. Silverstone has three new pool gas discoveries in the Viking Fields area which have total potential gas-in-place of 320 Bcf (100% working interest) and the tie-in of one of these, the Viking Lx gas discovery (renamed Victoria), is expected in the last quarter of 2008. The cash flow provided by this discovery will contribute to funding the tie-in of the remaining two discoveries and to drill development wells offsetting these discoveries beginning in 2009. Another well is planned for this area in mid-2008 which will target a prospect with potentially >50 Bcf of gas-in-place. In addition, in the Central North Sea Quad 9/Gryphon area, Silverstone will participate on a farm-in basis in drilling the Mermaid oil prospect in December 2007 (paying 20% to earn a 10% working interest) and will also participate in drilling a well in mid-2008 targeting a 500 million barrel heavy oil prospect which has been farmed out to Statoil Hydro (Silverstone 30% working interest).

In Tunisia, SVI plans to drill an onshore well in early 2008 that will test one of two large structures in the Remada Sud permit. Each structure has potential gas in place of 200 Bcf. In the Jenein Centre block, an 80 km² of 3-D seismic program will be recorded this fall and there is potential that a well will be drilled targeting light oil in this block in 2008. Offshore in the Gulf of Hammamet, 415 km² of marine 3-D seismic has been recorded and is being interpreted to better define prospects that have been identified using 2-D seismic data. These prospects offset eight existing pools containing 25 to 300 million barrels of oil in place. An offshore well targeting light oil is likely to be drilled in late 2008 or in 2009. Also offshore, SVI is acquiring a 66% working interest in the Cosmos Sud permit for US \$3 million which contains a discovery which tested > 5,000 barrels of light oil per day and has an estimated 15 million barrels of oil in place. A development plan for this discovery is expected to be finalized by the end of 2007. Closing of this transaction is contingent on obtaining government approval.

OUTLOOK

Third quarter production was up 14% from the same period a year ago; however, as mentioned in our second quarter press release, production during the quarter was affected by several temporary outages (primarily facility turnarounds) which reduced production by 300 Boe per day. Further to this, wet field conditions slowed down our completion and tie-in activities which resulted in only two new well tie-ins during early July and then three new well tie-ins in late September. Fourth quarter production is currently approximately 6,100 Boe per day and is expected to average 6,000 Boe per day as a result of several new wells being brought on production in November at Parkland and at our Montney discovery. This estimate also includes the impact of unexpected and temporary outages at two properties:

- At Parkland, an unplanned 15-day turnaround in October at a third-party facility will reduce quarterly production by 200 Boe per day.
- At Junior, the failure of a salt water disposal pipeline will result in production being curtailed by 200 Boe per day for the quarter in order to reduce operating costs and maximize the netback. This pipeline will be repaired after freeze-up.

Our 2007 exit rate is still expected to be in the range of 6,700 to 7,000 Boe per day.

We continue to remain focused on increasing our netbacks by reducing operating costs which declined to \$6.79 per Boe in the third quarter from \$7.33 per Boe in the first half of 2007. This is the result of completing cost reduction initiatives at our Saddle Hills and Junior properties, as discussed in our second quarter press release. Per unit operating costs are expected to continue declining into 2008, as a result of reduced processing fees associated with the pipeline across the Peace River connecting our Parkland facility to the McMahon Gas Plant, and from further volume growth at both Parkland and the Montney discovery.

We expect that our capital investment during 2007 will total approximately \$93 million which includes a \$25 million acquisition at Parkland and \$31 million invested in delineating and developing our Montney discovery. The relative level of capital investment associated with our Montney discovery is high given that completed vertical wells in the Montney are 40% more expensive than the typical vertical wells we have drilled in the past because they are deeper and require much larger frac treatments. More significantly, completed Montney horizontal wells are 250% more expensive since five larger frac treatments are conducted on each one. This level of investment will result in total debt at year-end being approximately \$84 million, assuming an average fourth quarter gas price of \$6.00 per GJ at AECO.

For 2008, our preliminary guidance consists of:

- Production exiting 2008 at approximately 8,000 Boe per day.
- Capital investment totalling \$65 million which will primarily be directed towards drilling 19 wells (18 net), including up to eight Montney horizontal wells.
- Operating costs averaging \$6.50 per Boe, cash G&A costs averaging \$1.00 per Boe and an average royalty rate of 22%.

Our 2008 capital program will be funded primarily with cash flow and a limited amount of debt, assuming a gas price of \$6.25 per GJ at AECO.

Looking ahead, we will continue to be diligent with how we invest capital, and our business plan will continue to emphasize doing more of what has worked so well for us in the past. Our recent Montney discovery represents a significant and exciting development opportunity which could more than double our total reserve base. This allows us to be patient and focused on long-term per share growth, whether this is done through the drill bit or with acquisitions. I would like to thank our shareholders for their continued support and we look forward to providing updates on our progress over the remainder of this year and into 2008.

Respectfully,



Brian Lavergne
President and CEO

November 13, 2007

Set out below is management's discussion and analysis of financial and operating results for Storm (or the "Company") for the three and nine months ended September 30, 2007. It should be read in conjunction with the audited financial statements for the year ended December 31, 2006 and other operating and financial information included in the Company's press release dated November 13, 2007. This management's discussion and analysis is dated November 7, 2007.

INTRODUCTION AND LIMITATIONS

Basis of Presentation

Financial data presented below have largely been derived from the Company's unaudited financial statements for the three and nine months ended September 30, 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 consolidated unaudited financial statements for the three and nine months ended September 30, 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 cannot be 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 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 three and nine months ended September 30, 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, government regulations, volatility of exchange rates and 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 Statement 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 period as the case may be.

PRODUCTION AND REVENUE

Average Daily Production	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Natural gas (Mcf/d)	30,104	24,262	30,014	22,229
Natural gas liquids (Bbls/d)	197	214	210	240
Crude oil (Bbls/d)	404	675	490	532
Total (Boe/d)	5,618	4,933	5,702	4,477

Total Boe production in the third quarter of 2007 increased by 14% when compared to the same quarter in 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 third quarter of 2007 averaged 129 Boe per day, compared to 115 Boe per day for the third quarter of 2006, an increase of 12%.

For the nine months ended September 30, 2007, production increased by 27% when compared to the equivalent period in 2006, or an increase of 21% per million shares outstanding for each period.

Production Profile and
Per Unit Prices

	Three Months to September 30, 2007		Three Months to September 30, 2006	
	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs
Natural gas	89%	\$ 5.47/Mcf	82%	\$ 5.57/Mcf
Natural gas liquids	4%	\$ 71.20/Bbl	4%	\$ 67.58/Bbl
Crude oil	7%	\$ 80.82/Bbl	14%	\$ 77.96/Bbl
Per Boe		\$ 37.60		\$ 41.01

	Nine Months to September 30, 2007		Nine Months to September 30, 2006	
	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%	\$ 7.20/Mcf	83%	\$ 6.67/Mcf
Natural gas liquids	4%	\$ 63.42/Bbl	5%	\$ 67.54/Bbl
Crude oil	9%	\$ 71.77/Bbl	12%	\$ 74.73/Bbl
Per Boe		\$ 46.38		\$ 45.64

Storm's production base is largely natural gas and associated liquids. Crude oil, as a percentage of total Boe production, fell in the third quarter of 2007 when compared to the equivalent quarter of 2006. The primary reason was the disposal, effective June 1, 2007, of light oil production in Red Earth in north central Alberta. For the quarter to September 30, 2007, the AECO C spot price for natural gas averaged \$5.21 per Mcf, compared to \$5.73 for the quarter to September 30, 2006, a decrease of 9%, and to \$7.09 for the quarter ended June 30, 2007, a decrease of 27%. Historically, and absent any other factors, natural gas prices have tended to be lower in the third quarter of each calendar year. The Edmonton par price for crude oil averaged \$82.09 per barrel for the quarter to September 30, 2007, compared to \$80.25 for the quarter to September 30, 2006 and \$73.73 for the quarter to June 30, 2007.

For the nine months to September 30, 2007, AECO C averaged \$6.81 per Mcf, compared to \$7.19 per Mcf for the nine months to September 30, 2006. Edmonton par averaged \$73.02 per barrel for the nine months to September 30, 2007, compared to \$75.56 per barrel for the nine months to September 30, 2006, a decline of 3%.

The average per Boe selling price for the quarter ended September 30, 2007 fell by 8% when compared to the equivalent period in 2006, and fell by 22% when compared to the immediately prior quarter ended June 30, 2007. For the nine months to September 30, 2007, average per Boe selling price was 2% higher than the equivalent period in 2006.

The effect of lower natural gas prices in the three months to September 30, 2007, compared to the equivalent quarter of 2006, was a reduction of 2% in the average selling price per Mcf. For the nine months to September 30, 2007, the average selling price per Mcf increased by 8%, when compared to the prior year. Compared to the quarter ended June 30, 2007, the average selling price per Mcf for the September 2007 quarter was 27% lower. Differences between benchmark prices and realized prices are largely due to gas heat content and the timing of deliveries in the period.

Natural gas prices have been influenced by a number of factors outside of Company and industry control. Gas storage is at a historically high level; weather-related supply outages were unusual during the summer of 2007; imports of liquefied natural gas have supplemented and competed for markets with Canadian and United States domestic production; and the unprecedented and rapid increase in the value of the Canadian dollar, when compared to its United States counterpart, has further depressed Canadian dollar denominated prices. Although the winter heating season normally results in increased prices for natural gas, it is not assured that seasonal demand will be sufficient in the short and medium term to offset these various factors.

Production by Area (Boe per Day)

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Peace River Arch	4,467	3,257	4,493	2,917
Cabin/Kotcho/Junior	1,077	1,193	1,071	1,017
Red Earth	20	326	76	276
Other	54	157	62	267
Total	5,618	4,933	5,702	4,477

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 2,018 Boe per day for the quarter ended September 30, 2007, compared to 965 Boe per day for the quarter ended September 30, 2006.

Production Revenue

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Natural gas	\$ 15,140	\$ 12,439	\$ 56,410	\$ 38,438
Natural gas liquids	1,288	1,333	3,629	4,427
Crude oil	3,007	4,841	9,599	10,850
Hedging gains	-	-	2,551	2,063
Revenue from product sales	\$ 19,435	\$ 18,613	\$ 72,189	\$ 55,778
Royalty income	138	360	549	797
Total production revenue	\$ 19,573	\$ 18,973	\$ 72,738	\$ 56,575

A reconciliation of revenue from product sales between the quarters ended September 30, 2007 and 2006 is as follows:

	Natural Gas	Natural Gas Liquids	Crude Oil	Total
Revenue from product sales – three months ended September 30, 2006	\$ 12,439	\$ 1,333	\$ 4,841	\$ 18,613
Effect of increased (decreased) production quarter-over-quarter	2,978	(135)	(1,940)	903
Effect of increased (decreased) product prices quarter-over-quarter	(277)	90	106	(81)
Revenue from product sales – three months ended September 30, 2007	\$ 15,140	\$ 1,288	\$ 3,007	\$ 19,435

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

Hedging

Storm had no hedges in place during the quarter to September 30, 2007. However, in the nine-month period to September 30, 2007, the Company realized hedging gains of \$2.6 million, or \$1.64 per Boe, or \$0.31 per Mcf. During the nine months to September 30, 2006, Storm realized a hedging gain of \$2.1 million, or \$1.69 per Boe, or \$0.34 per Mcf. Storm follows hedge accounting rules.

ROYALTIES

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Charge for period	\$ 4,013	\$ 3,740	\$ 15,003	\$ 11,744
Royalties as a percentage of revenue from product sales before hedging				
Crown	19.7%	19.0%	19.6%	20.7%
Other	0.9%	1.0%	1.2%	1.2%
Total	20.6%	20.0%	20.8%	21.9%
Per Boe	\$ 7.76	\$ 8.24	\$ 9.64	\$ 9.61

The decrease in the royalty rate in the three months to September 30, 2007, when compared to the equivalent quarter of 2006, is largely due to lower product prices, and a royalty incentive in British Columbia.

The provincial government of Alberta recently announced sweeping changes to the provincial Crown royalty structure. The changes are complex, but it is expected that total royalties paid by producers to the Alberta provincial government will increase considerably. The new royalty structure reflects both well productivity and product pricing. Higher productivity wells face the greatest increases; however, lower productivity wells, potentially including some of Storm's production, may benefit from lower royalty rates. Storm has endeavoured to measure the effect of proposed changes to the provincial royalty regime in Alberta, which will become effective January 1, 2009. Observations are as follows:

- In the nine months to September 30, 2007, approximately 49% of Storm's production revenue came from Alberta, with the remaining 51% from British Columbia. For the same period, production volumes were 46% Alberta and 54% British Columbia.
- Looking into 2008 and beyond, Storm's capital programs will be focused on the exploitation of its largely natural gas properties in the Peace River Arch area of northeastern British Columbia, which, assuming operational success, will result in Alberta production continuing to decline as a percentage of total production. In addition, natural declines will further reduce Storm's Alberta-based production stream.
- For illustration purposes, the Company has calculated the effect of increased Crown royalties using certain representative Alberta properties as follows:

	Royalty Rate as a Percentage of Production Revenue
Alberta royalty rate under existing regime using year-to-date product prices	23%
New Alberta royalty rates applied to existing wells using year-to-date product prices	30%
New Alberta royalty rates on newly drilled wells using year-to-date product prices	38%
New royalty rates on newly drilled wells using forward strip pricing	39%

The hypothetical nature of these calculations should be recognized. For example, the use of current or forward strip pricing is unlikely to match future prices actually realized. In addition, by January 1, 2009, production declines will likely result in lower royalty rates being applied to Storm's existing wells. Also, only a limited number of wells will be drilled in Alberta by Storm in the short and medium term; correspondingly, the rates applicable to newly drilled wells in Alberta, will, quite simply, not result in major increases to the Company's corporate royalty rate.

PRODUCTION COSTS

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Charge for period	\$ 3,510	\$ 3,162	\$ 11,129	\$ 8,784
Percentage of revenue from product sales before hedging gains	18%	17%	16%	16%
Per Boe	\$ 6.79	\$ 6.96	\$ 7.15	\$ 7.19

Total production costs for the three and nine months ended September 30, 2007 increased over production costs for the equivalent periods in 2006 in response to growing product sales. Per Boe, production costs for the quarter to September 30, 2007 fell by 2% when compared to the same period in 2006, in part due to the completion of a new battery resulting in decreased fluid handling costs. Production costs per Boe for the nine month periods to September 30, 2007 and 2006 were largely unchanged. The Company expects that cost reduction initiatives will result in production cost reductions in the final quarter of 2007. In particular, the completion of the Peace River pipeline in early November 2007, allows the Company to flow natural gas to the Fort McMahon plant near Fort St John, British Columbia, which will result in a considerable reduction in gas processing costs.

Storm's cash costs per Boe, which comprise production, general and administrative costs and interest, amounted to \$9.48 for the quarter ended September 30, 2007, compared to \$9.06 for the quarter ended September 30, 2006. For the nine month periods to September 30, cash costs for 2007 amounted to \$9.88 and for 2006 to \$9.48. Higher interest costs in 2007 were the primary driver of higher cash costs.

TRANSPORTATION COSTS

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Charge for period	\$ 1,287	\$ 1,068	\$ 3,653	\$ 2,704
Percentage of revenue from product sales before hedging gains	7%	6%	5%	5%
Per Boe	\$ 2.49	\$ 2.35	\$ 2.35	\$ 2.21

Increased charges for transportation reflect increasing production levels. Minor increases in costs per Boe in 2007 are largely due to cost reallocations.

FIELD NETBACKS

Details of field netbacks per commodity unit are as follows:

	Three Months to September 30, 2007			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 80.82	\$ 71.20	\$ 5.47	\$ 37.60
Royalty income	0.73	0.74	0.04	0.27
Royalties	(12.66)	(20.54)	(1.14)	(7.76)
Production costs	(9.44)	–	(1.14)	(6.79)
Transportation	(3.56)	(4.29)	(0.39)	(2.49)
Field netbacks	\$ 55.89	\$ 47.11	\$ 2.84	\$ 20.83

	Three Months to September 30, 2006			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 77.96	\$ 67.58	\$ 5.57	\$ 41.01
Hedging gains	–	–	–	–
Royalty income	0.55	0.74	0.14	0.79
Royalties	(13.65)	(20.65)	(1.11)	(8.24)
Production costs	(6.31)	–	(1.24)	(6.96)
Transportation	(1.27)	(2.05)	(0.43)	(2.36)
Field netbacks	\$ 57.28	\$ 45.62	\$ 2.93	\$ 24.24

	Nine months to September 30, 2007			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 71.77	\$ 63.42	\$ 6.88	\$ 44.74
Hedging gains	–	–	0.31	1.64
Royalty income	0.52	0.68	0.05	0.35
Royalties	(11.45)	(17.53)	(1.52)	(9.64)
Production costs	(8.14)	–	(1.23)	(7.15)
Transportation	(2.44)	(4.12)	(0.38)	(2.35)
Field netbacks	\$ 50.26	\$ 42.45	\$ 4.11	\$ 27.59

	Nine months to September 30, 2006			
	Crude Oil (\$/Bbl)	Natural Gas Liquids (\$/Bbl)	Natural Gas (\$/Mcf)	Total (\$/Boe)
Product sales	\$ 74.74	\$ 67.54	\$ 6.34	\$ 43.95
Hedging gains	–	–	0.34	1.69
Royalty income	0.87	0.77	0.10	0.65
Royalties	(11.37)	(18.20)	(1.47)	(9.61)
Production costs	(6.45)	–	(1.29)	(7.19)
Transportation	(1.38)	(1.73)	(0.39)	(2.21)
Field netbacks	\$ 56.41	\$ 48.38	\$ 3.63	\$ 27.28

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

Field netbacks for the quarter ended September 30, 2007 fell by 14% when compared to the equivalent period in 2006. Weaker prices for natural gas, and a lower contribution from liquids to overall product mix, more than offset increased liquids prices. For the nine months ended September 30, 2007, field netbacks increased by 1% over the equivalent period in 2006, largely due to higher gas prices year-to-date in 2007.

INTEREST

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Charge for period	\$ 1,151	\$ 664	\$ 2,688	\$ 1,319
Per Boe	\$ 2.23	\$ 1.46	\$ 1.73	\$ 1.08

Interest is paid on Storm's revolving bank facility. Increased interest costs for the third quarter of 2007, when compared to the equivalent quarter of 2006, correspond to increased borrowings required to fund a property acquisition effective June 1, 2006. Although the Company issued share capital during the quarter to September 30, 2007, net proceeds of \$14.4 million were not received and applied in reduction of bank borrowings until early September. In addition, the Company has experienced a year-over-year increase in debt service costs.

GENERAL AND ADMINISTRATIVE COSTS

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Total Costs				
Gross general and administrative costs	\$ 1,293	\$ 1,007	\$ 3,800	\$ 3,132
Capital and operating recoveries	(1,053)	(721)	(2,245)	(1,657)
Net general and administrative costs	\$ 240	\$ 286	\$ 1,555	\$ 1,475
Costs per Boe				
Gross general and administrative costs	\$ 2.50	\$ 2.22	\$ 2.44	\$ 2.56
Capital and operating recoveries	(2.04)	(1.59)	(1.44)	(1.36)
Net general and administrative costs	\$ 0.46	\$ 0.63	\$ 1.00	\$ 1.20

Increases in gross general and administrative costs for the quarter ended September 30, 2007, when compared to the quarter ended September 30, 2006, were primarily due to increases in personnel and accommodation costs. Increased field activity in the third quarter of each year, when compared to the immediately prior quarter, results in increases in capital and operating recoveries, thus lowering net general and administrative costs. The quarter ended September 30, 2007, in particular, benefited from recoveries associated with the construction of the Peace River pipeline. Major infrastructure projects are not characteristic of Storm's day-to-day operations; accordingly, capital and operating recoveries for the quarter ended September 30, 2007 are unusually high, and unlikely to be sustained in future quarters. Nevertheless, a growing production base should result in lower net general and administrative costs per Boe in future periods.

Storm does not capitalize general and administrative costs.

STOCK-BASED COMPENSATION COSTS

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Charge for period	\$ 314	\$ 324	\$ 992	\$ 608
Per Boe	\$ 0.61	\$ 0.71	\$ 0.64	\$ 0.50

Stock-based compensation costs are non cash charges to reflect the value of stock options and performance warrants issued to directors and employees. The value is amortized over the life of the award. Storm's performance warrant plan was terminated mid-2007, upon the exercise of the remaining warrants. The charge for the quarter ended September 30, 2007, and for future quarters, relates to the issue of stock options only.

DEPLETION, DEPRECIATION AND ACCRETION

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Depreciation and depletion charge for period	\$ 8,619	\$ 6,826	\$ 25,116	\$ 17,041
Accretion charge for period	117	104	344	274
Total	\$ 8,736	\$ 6,930	\$ 25,460	\$ 17,315
Total per Boe	\$ 16.90	\$ 15.26	\$ 16.35	\$ 14.17

The increase in the charge for depreciation, depletion and accretion for the three- and nine-month periods to September 30, 2007, when compared to the same periods in 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 increases in the charge for depletion and depreciation per Boe is largely attributable to a mid-2007 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 three months ended September 30, 2007, Storm recorded a future income tax charge of \$0.02 million compared to \$0.97 million for the quarter ended September 30, 2006. For the nine-month periods ended September 30, 2007 and 2006, the future income tax provisions amounted to \$4 million and \$4.2 million, respectively. The deferral of taxes to future periods largely results from resource pool deductions exceeding the accounting charge for depletion, depreciation and accretion. The statutory combined federal and provincial rate used to measure the future income tax obligation for 2007 is 31%, compared to 32% for 2006.

At September 30, 2007, Storm had tax pools carried forward estimated to be \$206 million. In June 2006, the Company completed a flow-through share issue, which provided for the renunciation of Canadian Exploration Expense of \$15.6 million, and the incurrence of such expenditures by December 31, 2007. At September 30, 2007, the Company considers that \$15.2 million of such expenditures have been incurred. In September 2007, the Company issued additional flow-through shares for gross proceeds of \$15.1 million. The Company is obligated to incur a like amount of Canadian Exploration Expense by December 31, 2008.

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 September 30, 2007 fell to \$0.30 million, compared to \$1.8 million in the equivalent quarter of 2006 and compared to \$2.8 million for the quarter ended June 30, 2007. The primary reason for the reduction in net income for the quarter was the 8% reduction in the average per Boe selling price compared to the third quarter of 2006 and a 22% reduction when compared to the quarter ended June 30, 2007.

	Three Months to September 30, 2007		Three Months to September 30, 2006		Nine Months to September 30, 2007		Nine Months to September 30, 2006	
	Per diluted share		Per diluted share		Per diluted share		Per diluted share	
Net income	\$299	\$0.01	\$1,828	\$0.04	\$8,197	\$0.19	\$8,456	\$0.20

FUNDS FROM OPERATIONS

Funds from operations for the quarter ended September 30, 2007 fell by 7% to \$9.4 million, or \$0.20 per diluted share, compared to \$10.1 million, or \$0.23 per diluted share for the equivalent quarter of 2006. For the nine-month period to September 30, 2007, funds from operations increased by 27% to \$38.7 million, or \$0.88 per diluted share, compared to \$30.5 million, or \$0.74 per diluted share for the equivalent period in 2006. Compared to the quarter ended June 30, 2007, funds from operations for the September quarter fell by 27%.

	Three Months to September 30, 2007		Three Months to September 30, 2006		Nine Months to September 30, 2007		Nine Months to September 30, 2006	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share
Funds from operations	\$9,372	\$0.20	\$10,053	\$0.23	\$38,710	\$0.88	\$30,549	\$0.74

INVESTMENT 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 \$10.2 million at September 30, 2007 compared to \$8.0 million at September 30, 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 and lowest at the end of second quarter. The higher working capital deficiency at September 30, 2007 corresponds to the seasonal increase in the Company's field activity in the third quarter of 2007.

PROPERTY AND EQUIPMENT

Capital costs incurred were as follows:

	Three Months to September 30, 2007		Three Months to September 30, 2006		Nine Months to September 30, 2007		Nine Months to September 30, 2006	
Land and lease, net	\$	421	\$	437	\$	2,197	\$	3,079
Seismic		27		72		2,973		4,249
Drilling and completions		12,780		11,467		26,445		24,469
Facilities and equipment		6,568		5,048		16,425		12,898
Field expenditures		19,796		17,024		48,040		44,695
Property acquisitions		157		-		28,756		39,276
Property dispositions		-		(9,405)		-		(13,101)
Total	\$	19,953	\$	7,619	\$	76,796	\$	70,870

BANK DEBT, LIQUIDITY AND CAPITAL RESOURCES

Storm has a revolving borrowing base bank credit facility of \$94 million, increased from \$66 million at December 31, 2006. The amount drawn on this facility at September 30, 2007 amounted to \$70.8 million. Debt, including working capital deficiency, amounted to \$80.9 million at September 30, 2007, resulting in a ratio of debt to annualized year-to-date cash flow of 1.6 times.

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 compensated 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 September 30, 2007, the Company's investment in SVI represented a 13% ownership position, comprising 4.3 million common shares. 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 September 30, 2007 represents the excess of the accounting amounts over the related tax bases of property and equipment and share capital.

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

	As at September 30, 2007	Maximum Annual Deduction
Canadian oil and gas property expense	\$ 105,390	10%
Canadian development expense	39,804	30%
Canadian exploration expense	6,507	100%
Undepreciated capital cost	51,926	20 – 100%
Other	2,104	20%
Total	\$ 205,731	
Capital losses	\$ 9,666	

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 September 30, 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 September 30, 2007	As at December 31, 2006
Common shares outstanding		
End of period	44,509	42,914
Performance warrants	–	122
Stock options	1,929	1,934
Fully diluted common shares		
End of period	46,438	44,970
Weighted average common shares – basic	43,423	41,434
Weighted average common shares – diluted	44,191	41,935

Stock options outstanding are exercisable over five years on various dates beginning September 2005 at prices ranging from \$2.60 to \$8.57.

QUARTERLY RESULTS

Summarized information by quarter for the last two years appears below:

Quarter Ended	Sept. 30 2007	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006	Dec. 31, 2005
Production revenue (\$000s)	19,573	25,156	28,009	23,590	18,973	17,598	20,004	23,733
Funds from operations (\$000s)	9,372	12,921	16,417	12,748	10,053	9,186	11,310	12,866
Per share – basic (\$)	0.21	0.30	0.38	0.30	0.23	0.23	0.29	0.33
Per share – diluted (\$)	0.20	0.29	0.38	0.29	0.23	0.23	0.28	0.32
Net income (\$000s)	299	2,832	5,066	3,049	1,828	1,767	4,861	13,507
Per share – basic (\$)	0.01	0.06	0.12	0.07	0.04	0.05	0.12	0.35
Per share – diluted (\$)	0.01	0.06	0.12	0.07	0.04	0.04	0.12	0.33
Average daily production (Boe)	5,618	5,713	5,776	5,442	4,933	4,478	4,009	3,665
Average field netbacks (\$/Boe)	20.83	28.02	33.91	27.88	24.24	24.86	33.85	41.54
Net capital expenditures (\$000s)	19,953	32,768	24,075	13,635	7,619	47,570	15,681	15,297

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 consolidated unaudited financial statements for the three months ended September 30, 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 consolidated unaudited financial statements for the three months ended September 30, 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.

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., 800, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7.

**CONSOLIDATED
BALANCE SHEETS**

(\$000s)	(unaudited) September 30, 2007	December 31, 2006
ASSETS		
Current		
Accounts receivable	\$ 14,795	\$ 13,161
Prepaid costs	2,013	2,508
	16,808	15,669
Property and equipment – net (Note 2)	229,793	177,708
Investment	9,275	9,275
	\$ 255,876	\$ 202,652
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 26,984	\$ 22,573
	26,984	22,573
Bank indebtedness (Note 4)	70,767	50,410
Asset retirement obligation (Note 5)	6,676	5,925
Future income taxes (Note 3)	5,390	1,600
	109,817	80,508
Shareholders' equity (Note 6)		
Share capital	91,215	76,285
Contributed surplus	2,113	1,325
Retained earnings	52,731	44,534
Accumulated other comprehensive income	–	–
	146,059	122,144
	\$ 255,876	\$ 202,652

On behalf of the Board:



Director



Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(\$000s) (unaudited)	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Revenue				
Production revenue	\$ 19,573	\$ 18,973	\$ 72,738	\$ 56,575
Royalties	(4,013)	(3,740)	(15,003)	(11,744)
	15,560	15,233	57,735	44,831
Expenses				
Production	3,510	3,162	11,129	8,784
Transportation	1,287	1,068	3,653	2,704
Interest	1,151	664	2,688	1,319
General and administrative	240	286	1,555	1,475
Stock-based compensation	314	324	992	608
Depletion, depreciation and accretion	8,736	6,930	25,460	17,315
	15,238	12,434	45,477	32,205
Income before taxes:	322	2,799	12,258	12,626
Future income taxes (Note 3)	(23)	(971)	(4,061)	(4,170)
Net income for the period	299	1,828	8,197	8,456
Retained earnings, beginning of period	52,432	39,657	44,534	33,029
Retained earnings, end of period	\$ 52,731	\$ 41,485	\$ 52,731	\$ 41,485
Net income per share (Note 7)				
Basic	\$ 0.01	\$ 0.04	\$ 0.19	\$ 0.21
Diluted	\$ 0.01	\$ 0.04	\$ 0.19	\$ 0.20

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$000s) (unaudited)	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Net income for the period	\$ 299	\$ 1,828	\$ 8,197	\$ 8,456
Other comprehensive income	-	-	-	-
Comprehensive income for the period	\$ 299	\$ 1,828	\$ 8,197	\$ 8,456

**CONSOLIDATED
STATEMENTS OF
CASH FLOWS**

(\$000s) (unaudited)	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Operating activities				
Net income for the period	\$ 299	\$ 1,828	\$ 8,197	\$ 8,456
Add non-cash items:				
Depletion, depreciation and accretion	8,736	6,930	25,460	17,315
Future income tax	23	971	4,061	4,170
Stock-based compensation	314	324	992	608
Funds from operations	9,372	10,053	38,710	30,549
Net change in non-cash working capital items (Note 8)	(3,794)	1,417	(1,727)	(1,492)
	5,578	11,470	36,983	29,057
Financing activities				
Issue of common shares – net of expenses	14,442	–	14,455	18,192
Increase (decrease) in bank indebtedness	(12,008)	(6,445)	20,357	21,858
	2,434	(6,445)	34,812	40,050
Investing activities				
Additions to property and equipment	(19,953)	(17,024)	(76,796)	(83,971)
Disposals of property and equipment	–	9,405	–	13,101
Net change in non-cash working capital items (Note 8)	11,941	2,594	5,001	1,763
	(8,012)	(5,025)	(71,795)	(69,107)
Change in cash during the period	–	–	–	–
Cash, beginning of period	–	–	–	–
Cash, end of period	\$ –	\$ –	\$ –	\$ –

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007

Tabular amounts in thousands, except per share amounts
(unaudited)

SIGNIFICANT ACCOUNTING POLICIES 1

These interim unaudited consolidated financial statements of Storm Exploration Inc. (“Storm” or the “Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada, following, except as described below, the same accounting principles and methods of computation as used in the financial statements for the year ended December 31, 2006. The interim consolidated financial statement note disclosures do not include all disclosures applicable for annual financial statements. Accordingly, the interim consolidated 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. These interim consolidated financial statements include the accounts of Storm and its wholly owned subsidiary and partnership.

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 standards 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 income or cash flows. 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 income and other comprehensive income (“OCI”). The Company’s consolidated financial statements now include a Consolidated Statement of Comprehensive Income, which measures comprehensive income.

The cumulative changes in OCI are included in accumulated other comprehensive income (“AOCI”), which is presented as a category within shareholders’ equity on the balance sheet. During the nine-month period ended September 30, 2007, the Company participated in certain hedging transactions which resulted in the recognition of other comprehensive income. However, as all hedging positions have been closed out at September 30, 2007 and associated gains recognized on the consolidated statement of income and retained earnings, there is no AOCI at that date.

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 income. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in OCI. 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.”

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.

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.”

PROPERTY AND EQUIPMENT 2

	September 30, 2007	December 31, 2006
Petroleum and natural gas properties	\$ 297,758	\$ 220,701
Furniture and equipment	610	466
Accumulated depletion and depreciation	298,368 (68,575)	221,167 (43,459)
	\$ 229,793	\$ 177,708

At September 30, 2007, the depletion calculation excluded unproved properties of \$21.5 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 and share capital.

The Company has tax pools associated with property and equipment, for accounting purposes, of approximately \$206 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 September 2007, the Company is obligated to incur Canadian Exploration Expenditures in the amount of \$15.1 million prior to December 31, 2008. The full amount of \$15.1 million will be renounced to the subscribers at December 31, 2007 and this amount will be deducted from the Company’s tax pool balance at that time.

Under the terms of an earlier flow-through share issue in June 2006, the Company was obligated to incur Canadian Exploration Expenditures in the amount of \$15.6 million prior to December 31, 2007. As at September 30, 2007, the Company had incurred an estimated \$15.2 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.

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:

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Statutory combined federal and provincial income tax rate	32%	35%	32%	35%
Expected income taxes	\$ 100	\$ 981	\$ 3,962	\$ 4,426
Add (deduct) the income tax effect of:				
Non-deductible crown charges	–	368	–	1,258
Resource allowance	–	(438)	–	(1,134)
Benefit of losses not previously recognized	–	–	–	(183)
Stock-based compensation	211	113	321	213
Rate adjustments	(288)	(53)	(222)	(410)
Future income tax	\$ 23	\$ 971	\$ 4,061	\$ 4,170

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

	September 30, 2007	December 31, 2006
Property and equipment	\$ 8,081	\$ 3,970
Asset retirement obligation	(2,070)	(1,896)
Share issue costs	(621)	(474)
Future income tax liability	\$ 5,390	\$ 1,600

BANK INDEBTEDNESS 4

The Company has an extendible revolving bank facility in the amount of \$94 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 \$12.8 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 \$6.7 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	42,914	\$ 76,285
Flow-through common shares issued (i)	1,400	15,050
Common shares issued under the performance warrant plan (ii)	131	127
Stock options exercised (iii)	64	356
Share issue costs (net of income tax benefit)	-	(603)
Balance as at September 30, 2007	44,509	\$ 91,215

Common Share Issues

- (i) On September 6, 2007, 1,400,000 flow-through common shares were issued at a price of \$10.75 per share for total proceeds of \$ 15,050,000, before commission and expenses. The terms of this share issue require the Company to renounce to subscribers Canadian Exploration Expenditures in the amount of \$15,050,000, to be incurred prior to December 31, 2008.
- (ii) On June 29, 2007, 170,834 warrants under the performance warrant plan were exercised. Based on a closing price of \$8.55, 131,000 common shares were issued. Proceeds were one cent per share and related prior stock compensation expense of \$127,000 was added to share capital.
- (iii) During the nine months to September 30, 2007, 64,000 stock options were exercised for proceeds of \$279,000 and related prior stock compensation expense of \$77,000 was added to share capital.

Stock-Based Compensation Plans

- (i) The Company had a performance warrant plan under which 512,500 warrants were issued to employees to acquire common shares. The number of common shares issuable upon exercise of the warrants was based on a formula using the closing price of the share on the day immediately preceding the exercise date. The warrants were exercisable in three equal annual amounts commencing June 29, 2005. All warrants were exercised and the plan terminated on June 29, 2007.
- (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 September 30, 2007 are as follows:

Range of Exercise Price	Outstanding Options			Exercisable Options	
	Number of Options	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$2.60 to \$3.61	320	2.4	\$ 3.28	183	\$ 3.19
\$3.91 to \$5.71	1,450	3.5	\$ 5.44	440	\$ 5.32
\$6.03 to \$8.57	158	4.2	\$ 7.36	15	\$ 6.62
	1,928	3.3	\$ 5.24	638	\$ 4.74

PER SHARE AMOUNTS 7

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Basic				
Net income per share	\$ 0.01	\$ 0.04	\$ 0.19	\$ 0.21
Weighted average number of shares outstanding	43,423	42,914	43,086	40,935
Diluted				
Net income per share	\$ 0.01	\$ 0.04	\$ 0.19	\$ 0.20
Weighted average number of shares outstanding	44,191	43,343	43,836	41,260

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

SUPPLEMENTAL CASH FLOW INFORMATION 8

Changes in non-cash working capital

	Three Months to September 30, 2007	Three Months to September 30, 2006	Nine Months to September 30, 2007	Nine Months to September 30, 2006
Accounts receivable	\$ (3,514)	\$ 432	\$ (1,633)	\$ 1,819
Prepaid expenses	(20)	(495)	496	(1,086)
Accounts payable and accrued liabilities	\$ 11,681	\$ 4,074	\$ 4,411	\$ (4,488)
Change in non-cash working capital	\$ 8,147	\$ 4,011	\$ 3,274	\$ (3,755)
Relating to:				
Financing activities	\$ -	\$ -	\$ -	\$ -
Investing activities	11,941	2,594	5,001	(831)
Operating activities	(3,794)	1,417	(1,727)	(2,924)
	\$ 8,147	\$ 4,011	\$ 3,274	\$ (3,755)
Interest paid during the period	\$ 1,151	\$ 664	\$ 2,688	\$ 1,319
Income taxes paid during the period	\$ -	\$ -	\$ -	\$ -

FINANCIAL INSTRUMENTS 9

The Company's financial instruments recognized on the consolidated balance sheet consist of accounts receivable, prepaid costs, 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 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 September 30, 2007, Storm had no hedge contracts in place.

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
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