

## 1st Quarter Highlights

| Thousands of \$Cdn, except volumetric and per share amounts | Three Months to<br>March 31, 2008 | Three Months to<br>March 31, 2007 |
|---|-----------------------------------|-----------------------------------|
| <b>FINANCIAL</b>  |                                   |                                   |
| Gas sales   | 26,241                            | 23,440 <sup>(1)</sup>             |
| NGL sales   | 2,389                             | 1,105                             |
| Oil sales   | 5,145                             | 3,227                             |
| Royalty income  | 199                               | 237                               |
| Production revenue  | 33,974                            | 28,009                            |
| Funds from operations                                       | 19,518                            | 16,417                            |
| Per share – basic   | 0.44                              | 0.38                              |
| Per share – diluted   | 0.43                              | 0.38                              |
| Net income  | 6,426                             | 5,066                             |
| Per share – basic   | 0.14                              | 0.12                              |
| Per share – diluted   | 0.14                              | 0.12                              |
| Capital expenditures, net of dispositions                   | 26,775                            | 24,075                            |
| Debt, including working capital deficiency                  | 91,952 <sup>(2)</sup>             | 65,126                            |
| Weighted average common shares outstanding                  |                                   |                                   |
| Basic   | 44,586                            | 42,914                            |
| Diluted   | 45,685                            | 43,652                            |
| Common shares outstanding                                   |                                   |                                   |
| Basic   | 44,619                            | 42,914                            |
| Fully diluted   | 46,698                            | 44,973                            |
| <b>OPERATIONS</b>   |                                   |                                   |
| Oil equivalent (6:1)  |                                   |                                   |
| Barrels of oil equivalent (000s)                            | 591                               | 520                               |
| Barrels of oil equivalent per day                           | 6,500                             | 5,776                             |
| Average selling price (\$Cdn per Boe)                       | \$ 57.10                          | \$ 53.42 <sup>(1)</sup>           |
| Gas production  |                                   |                                   |
| Thousand cubic feet (000s)                                  | 3,051                             | 2,704                             |
| Thousand cubic feet per day                                 | 33,525                            | 30,048                            |
| Average selling price (\$Cdn per Mcf)                       | \$ 8.60                           | \$ 8.67 <sup>(1)</sup>            |
| NGL production  |                                   |                                   |
| Barrels (000s)  | 30                                | 19                                |
| Barrels per day   | 333                               | 216                               |
| Average selling price (\$Cdn per barrel)                    | \$ 78.81                          | \$ 56.93                          |
| Oil production  |                                   |                                   |
| Barrels (000s)  | 53                                | 50                                |
| Barrels per day   | 579                               | 553                               |
| Average selling price (\$Cdn per barrel)                    | \$ 97.63                          | \$ 64.90                          |
| Wells drilled   |                                   |                                   |
| Gross   | 11.0                              | 10.0                              |
| Net   | 10.1                              | 7.5                               |

<sup>(1)</sup> Includes realized gain from hedging activities<sup>(2)</sup> Excludes unrealized liability related to Q2 & Q3 2008 hedge positions at March 31, 2008

### First Quarter 2008 Highlights

- Production in the first quarter increased to 6,500 Boe per day, a 12% increase from production of 5,776 Boe per day in the same period one year ago. This is a per share increase of 8% using basic shares outstanding. Production is currently approximately 7,300 to 7,500 Boe per day.
- All 11 wells drilled in the quarter were successful, including four oil sands test holes (4.0 net) at Surmont and seven gas wells (6.1 net) at Parkland. Two horizontal Montney gas wells were drilled and three horizontal Montney gas wells were completed and tied in during the first quarter, including one horizontal well drilled in late 2007.
- Cash flow for the quarter totalled \$19.5 million or \$0.43 per diluted share, an increase of 13% from cash flow of \$0.38 per diluted share in the year earlier period. Excluding a hedging gain of \$2.5 million in the prior year period, the year-over-year increase in cash flow per diluted share is 34%.
- Achieved a cash flow netback of \$33.00 per Boe, an increase of 23% from the cash flow netback of \$26.58 per Boe (excluding hedging gains) in the first quarter of 2007. With 86% of Storm's production being natural gas, this increase is notable in comparison to the increase of 10% in the average AECO natural gas price over the same period.
- Net income for the quarter was \$6.4 million or \$0.14 per diluted share, up from net income of \$0.12 per diluted share in the prior year period. The increase is primarily the result of growth in production as well as higher commodity prices, which improved the corporate cash flow netback.
- Invested \$26.8 million during the quarter, which resulted in the bank debt and working capital deficiency ending the period at \$91.9 million (excluding an unrealized non-cash mark-to-market hedging loss of \$2.8 million) or 1.2 times annualized quarterly cash flow. Subsequent to the end of the quarter, Storm's credit facility was increased to \$110 million from \$94 million.

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## CORE AREA REVIEW

### Parkland/Ft. St. John Area, Northeastern British Columbia

This area includes our Montney discovery and is the largest of Storm's core areas, with net production averaging 3,511 Boe per day in the first quarter. As a result of three additional horizontal Montney gas wells that were completed and tied in during the quarter, current production has increased to approximately 4,600 Boe per day. This represents significant growth from average 2007 production of 2,240 Boe per day and very simply illustrates the high quality of our land position on the Montney fairway.

First quarter activity included:

- Drilling seven wells (6.1 net) with 100% success, resulting in two horizontal Montney gas wells (2.0 net), three vertical Montney gas wells (2.1 net) and two Halfway/Doig gas wells (2.0 net).
- Completing and tying in three more horizontal Montney gas wells, which are currently producing 9.2 Mmcf per day.
- Installing a third compressor at our Parkland facility which increased the capacity from 22 to 34 Mmcf per day. The success of our first quarter program has resulted in current gross raw gas throughput increasing to 27 Mmcf per day at Parkland.

During the remainder of 2008, our activity will include drilling 13 wells (13.0 net) with five horizontal Montney development wells (5.0 net) and eight vertical wells (8.0 net) targeting the Montney formation. This drilling program is expected to fill up our expanded facility at Parkland by year-end and, as a result, we are also finalizing plans to twin our existing facility in late 2008 or early 2009 in order to ensure that production growth from our horizontal development program can continue uninterrupted. Cost of this is estimated to be \$10 to \$15 million, which is not currently included in our budget.

Our 100% working interest Montney discovery has potential gas in place of 330 Bcf assuming an areal extent of 5,825 acres (approximately 9 sections), average net pay of 35 metres, and average porosity of 8%. During the first quarter, we drilled two successful vertical step-outs; one has been completed and tied in, and is currently producing 900 Mcf per day, while the second step-out will be completed later in the second quarter. Although both wells potentially expand the area of the pool, we will not change our estimate of gas in place until the current pool boundaries have been completely delineated. Approximately 70% of the potential gas in place has been delineated with our nine producing vertical wells and we plan to drill the remaining five vertical wells required to finish

delineation in the second half of this year. Our development efforts using horizontal wells with five to seven fracs per wellbore have been very successful with current production of 13 Mmcf per day from the five producing horizontal Montney gas wells that we have drilled to date. The presentation on our website ([www.stormexploration.com](http://www.stormexploration.com)) shows monthly average production for each of our producing vertical and horizontal wells up to the end of April. Vertical well production is important to track as the average horizontal well is expected to produce at a multiple (four to six times) of the average vertical well.

Storm's entire land position on the Montney fairway totals 85 net sections with approximately 35 net sections, including the nine sections encompassing our Montney discovery, identified as having the most prospectivity based on geological mapping and evaluation of our 3-D seismic. Numerous other Montney prospects and leads have been identified on these lands. Over the last year, three exploratory wells, including one gas well (0.5 net) drilled in the first quarter of 2008, have been drilled targeting the Montney formation on these lands with none of them encountering higher quality reservoir similar to what we have in our existing Montney discovery. All three wells did encounter a thick, gas saturated Montney interval and, as a result, we plan to drill three more wells in the second half of 2008 in areas we have identified as having the potential for improved reservoir quality.

To date, five of the gas wells we have completed in the Montney formation also have potential in the uphole Halfway and Doig formations. As production declines from these vertical Montney gas wells, we will be completing them in the Halfway and Doig formations. Our Halfway and Doig opportunities also include eight step-out drilling locations that have been identified using our 3-D seismic and five infill locations in areas with lower expected recoveries. These wells will be drilled over the next two years.

#### **Grande Prairie Area, Northwestern Alberta**

Production from this area averaged 2,042 Boe per day in the first quarter and is currently 1,900 Boe per day. Average production in 2007 was 2,400 Boe per day.

In the first quarter, we were not active in this area since Alberta's New Royalty Framework ("NRF") does not provide us with a high enough return to justify putting capital at risk drilling wells in Alberta. During the remainder of 2008, our activity will be limited to drilling two wells (0.7 net) at Pouce Coupe, drilling two horizontal infills (1.5 net) in our Doe Creek light oil pool at Saddle Hills, and installing a pipeline connecting one standing gas well (1.0 net) at Culp. Two wells planned at Clairmont testing separate Montney prospects will

now be drilled in 2009 due to the time required to obtain drilling licences being lengthier than expected. These are all projects less impacted by Alberta's NRF given that wells stabilize at lower rates (Pouce and Saddle Hills) or qualify for the deeper well reduction as horizontal wells (Montney at Clairmont). Although natural gas prices have increased to a current level of \$8 to \$9 per GJ at AECO, the typical well we have drilled in this area produces 800 Mcf per day and would be subject to a 40% to 45% royalty rate, which results in a field netback of approximately \$22 to \$25 per Boe, which does not provide us with a high enough return on our capital investment.

#### **Cabin/Kotcho/Junior Area, Northeastern British Columbia**

Net production from this area averaged 885 Boe per day in the first quarter. Production in the quarter was reduced by 150 Boe per day due to the corrosion failure of a salt water disposal pipeline late in 2007. The repair of the pipeline was completed in mid-February, which has resulted in current production increasing to approximately 950 Boe per day.

This past winter, we were not active in this area as most of our available capital was directed at evaluating and bringing on production from our Montney discovery at Parkland. Historically, our drilling activity in this winter access area has mainly targeted the Slave Point formation. In the future, our activity will also include prospects in the Bluesky/Debolt formations and horizontal wells in the Jean Marie formation, all in the Junior area. Our level of activity this coming winter will be contingent on the amount of discretionary, unallocated cash flow that is available, which is dependent on natural gas prices.

Storm also has exposure to the emerging Devonian shale gas play in the Horn River Basin through our land position in the Cabin area and through our ownership position in Storm Gas Resource Corp. ("SGR"), a company formed one year ago to pursue unconventional gas opportunities. Storm and Storm Ventures International Inc ("SVI") each have 45% ownership of SGR, with the remaining 10% owned by SGR management. SGR has been reviewing available geological data, which has resulted in the identification of areas with greater shale gas prospectivity where we have been acquiring land jointly with SGR. Over the next one to two years, we plan to continue acquiring land in these areas and we will evaluate public data from adjacent shale gas pilot projects as such data becomes available.

#### **Surmont Oil Sands Leases, Alberta**

This past winter, Storm successfully drilled and logged four test holes (4.0 net), which encountered thicker pay in the McMurray formation than had been the basis for earlier evaluation of our 3,840 acres (6 sections) of oil sands leases. McDaniel & Associates Consultants Ltd. has updated their estimate of the

bitumen contingent resource and this has resulted in a best case estimate, of discovered bitumen in place exploitable using a Steam-Assisted-Gravity Drainage ("SAGD") process, of 312 million barrels (+89%), with the best case estimate of contingent bitumen resources recoverable using a SAGD process being 113 million barrels (+102%). The before tax net present value associated with the best estimate contingent resources is \$198 million at an 8% discount rate, \$101 million at a 10% discount rate and \$37 million at a 12% discount rate.

Next winter, Storm will drill additional test holes to further prove up and expand the estimated bitumen in place. One section remains largely unevaluated and could materially increase our bitumen contingent resources. Storm has no plans at present to initiate development of this resource and no assurance can be provided that this resource will ever be exploited with a conventional SAGD project.

### **STORM VENTURES INTERNATIONAL INC.**

Storm owns 4.3 million shares or 13% of the common shares of Storm Ventures International Inc. ("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 \$0.46 per fully 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, in which SVI has a 34% ownership position. Silverstone has drilled three new pool gas discoveries in the large, 200,000-acre 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 Victoria field, is expected in the last quarter of 2008 at a cost of £88 million. Victoria field gas in place is estimated to be 163 Bcf with gross proved plus probable recoverable reserves being 106 Bcf (net 66 Bcf). Silverstone has also recently acquired Granby Oil and Gas for £23 million plus the assumption of £31 million of non-recourse project debt. Granby's main asset is the 54%-owned Tristan NW gas field which commenced production in mid-April at 15 Mmcf per day. In addition to this, Granby has 110,000 net undeveloped acres with the top five prospects on those lands containing 42 MmBoe of net risked contingent resources. Silverstone has estimated that 4.8 Mmboe of proved plus probable plus possible reserves were added with the Granby acquisition. Funding for the acquisition is being provided from a rights offering to existing Silverstone shareholders and the Victoria field tie-in will be partially funded with project financing which is contingent on a successful flow test. With

current netbacks of Cdn \$60 per Boe, significant cash flow will be provided by the Tristan NW and Victoria fields which will be used to fund the tie-in of the remaining Viking Fields discoveries in 2009 and 2010 and to fund additional exploratory drilling which, in 2008, will include two more Viking Fields wells and a well targeting a medium gravity oil prospect in the Quad 9/ Gryphon area which has been farmed out (Silverstone pays 10% and carried for a 30% working interest). Silverstone is estimating 2010 average production of 45 Mmcf per day from Tristan and two of the Viking Fields discoveries (Victoria and Vulcan East).

In Tunisia, SVI has drilled and, in the next two months, will complete and evaluate an onshore well in the 71% interest Remada Sud permit that is testing one of two large Ordovician structures with potential gas in place of more than 200 Bcf. In the 100% interest Jenein Centre block, a well will be drilled targeting light oil early in 2009. Significant discoveries in the Acacus formation have recently been announced in offsetting blocks. Offshore in the Gulf of Hammamet, nine prospects have been identified offsetting two existing discoveries using the 440 km<sup>2</sup> of marine 3-D seismic recorded by SVI last year. An exploratory well is planned for mid-2009 to test one of these prospects. Also offshore, SVI recently acquired the remaining 33% working interest in the Cosmos permit and now has a 100% working interest in a 1983 discovery that tested at over 5,000 barrels of light oil per day and contains an estimated 25 million barrels of oil in place (estimated 3P recoverable is 9 million barrels). Development is planned later in 2009 using a vessel converted to an FPSO which is purpose-built for smaller field development.

### **2008 OUTLOOK**

Natural gas prices to the end of April have averaged \$7.80 per GJ at AECO with current spot prices being over \$9 per GJ. This is higher than our original budget assumption of \$6.25 per GJ and will result in cash flow for the year being considerably higher than originally forecasted. This allows us to increase our level of capital investment in 2008 to \$75 million from \$65 million. Our drilling program will expand from 24 wells (23.3 net) to 30 wells (26.5 net) and \$4 million will be added for land acquisition. A further increase to \$90 to \$100 million will be implemented in mid-August if natural gas prices remain above \$7.50 per GJ. This second increase is likely to be directed towards twinning our facility at Parkland, drilling one or two additional horizontal Montney gas wells at Parkland in Q4, and drilling one or two vertical infills targeting the Halfway formation at Parkland. Production at the end of 2008 is still

forecast to be 8,000 Boe per day which is unchanged from previous guidance. Guidance is not being increased given that most of the additional activity will happen at the end of the year and may not impact 2008 production.

Production in April averaged 7,300 Boe per day, while current production is at approximately 7,500 Boe per day. Second quarter production will be reduced by 1,100 Boe per day as a result of several minor facility outages and the 22 day shut-down in June of the McMahon gas plant for scheduled maintenance. These outages will result in second quarter production averaging approximately 6,300 to 6,500 Boe per day.

Operating costs in the first quarter were \$7.52 per Boe, higher than the \$6.50 per Boe we had forecast as an average for 2008. Higher costs were mainly the result of normal, higher winter costs (methanol, fuel) as well as increased salt water disposal and trucking costs at Junior associated with a pipeline failure late in 2007, which has now been repaired. As a result of higher first quarter costs, our forecast average operating cost in 2008 increases to \$6.75 per Boe.

We saw significant improvement in our field netback in the first quarter, which averaged \$35.87 per Boe, an increase of 23% from the 2007 first quarter field netback of \$29.14 per Boe (excluding hedging gains). Over the same period, the average spot natural gas price at AECO increased by 10% to \$7.44 per GJ from \$6.75 per GJ in the first quarter of 2007. The significant improvement in our field netback is primarily due to increased volumes from the Parkland area where we realized a netback of \$41.20 per Boe in the first quarter of 2008. The gas produced from our Montney discovery at Parkland is liquids rich, resulting in liquids recoveries of 25 barrels per Mmcf and the sales gas stream being higher heat content as evidenced by the wellhead natural gas price being \$9.00 per Mcf in the first quarter of 2008. With production from Parkland averaging 3,510 Boe per day in the first quarter and currently at approximately 4,600 Boe per day, we expect further improvement in our field netback throughout 2008 as production from our Montney discovery continues to increase.

Continued, successful development of our Montney discovery at Parkland has resulted in significant production growth to date in 2008. This discovery will be the cornerstone of our growth for the next two years and possibly longer should our step-out and exploratory drilling efforts continue to be successful in expanding the size of the Montney resource on our lands. In addition to this, significant additional value may be added from our exposure to other larger scale opportunities including SVI's development opportunities and exploration

prospects in the North Sea and Tunisia, the emerging Horn River Basin Devonian shale gas play and further delineation of our oil sands lease at Surmont. We look forward to updating our shareholders on our progress on these initiatives and others throughout the remainder of the year.

Respectfully,



Brian Lavergne, President and CEO

May 8, 2008

## Management's Discussion and Analysis

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Set out below is management's discussion and analysis of financial and operating results for Storm Exploration Inc. ("Storm" or the "Company") for the three months ended March 31, 2008. It should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2008 and other operating and financial information included in this report. This management's discussion and analysis is dated May 8, 2008.

### INTRODUCTION AND LIMITATIONS

#### Basis of Presentation

Financial data presented below have largely been derived from the Company's unaudited consolidated financial statements for the three months ended March 31, 2008, prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Specific accounting policies adopted by the Company as applicable to its business are set out in Note 1 to the audited consolidated financial statements for the year ended December 31, 2007. 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, 2008, Storm adopted with prospective effect certain new accounting standards introduced as part of GAAP as follows:

#### Capital Disclosures

Section 1535 of the CICA Handbook "Capital Disclosures," requires companies to disclose in their financial statements objectives, policies and processes for managing capital, including compliance with any externally imposed capital requirements.

#### Financial Instrument Disclosure and Presentation

Section 3862 of the CICA Handbook "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation." The new accounting standards require the Company to provide information about the significance of financial instruments to the Company's financial position and performance. In addition, information about the nature and extent of risks associated with

financial instruments, and how the Company manages such risks, is to be provided.

#### 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, most of which are beyond the Company's control, including the effect of general economic conditions, industry conditions, volatility of commodity prices, changes in taxation and royalty regimes, currency fluctuations, imprecision of reserve estimates, relationships with parties involved with or affected by the Company's activities, 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. 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,” and “netbacks” and “netbacks per Boe” are not defined by GAAP in Canada and are regarded as non-GAAP measures. Measurement of funds from operations is detailed on the Consolidated 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 commodity and 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

|                              | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|------------------------------|---------------------------------|---------------------------------|------------------------------------|
| Natural gas (Mcf/d)          | 33,525                          | 30,048                          | 31,133                             |
| Natural gas liquids (Bbls/d) | 333                             | 216                             | 289                                |
| Crude oil (Bbls/d)           | 579                             | 553                             | 514                                |
| Total (Boe/d)                | 6,500                           | 5,776                           | 5,992                              |

Total Boe production for the first quarter of 2008 increased by 13% when compared to the first quarter of 2007 and by 8% compared to the fourth quarter of 2007. Increased production largely came from Storm’s successful vertical and horizontal drilling program in the Parkland area of British Columbia. Production per million shares outstanding for the first quarter of 2008 averaged 146 Boe per day, compared to 135 Boe per day for the first quarter of 2007, and to the same amount in the final quarter of 2007, an increase of 8%.

Production at the date of the report approximated 7,400 Boe per day. The increase over the average

rate for the quarter is attributable to the tie-in of two horizontal wells at Parkland close to the end of the first quarter, which had no appreciable effect on average quarterly production.

Production for the second quarter of 2008 will be affected by the scheduled closure for maintenance for much of the month of June of the McMahon gas plant in northeastern British Columbia, where the Company’s Parkland production is delivered. Average second quarter production is expected to be lowered by approximately 1,000 Boe per day.

**Production Profile and Per Unit Prices**

|                               | Quarter Ended<br>March 31, 2008          |   | Quarter Ended<br>March 31, 2007          |   | Quarter Ended<br>December 31, 2007       |   |
|-------------------------------|--|---|--|---|--|---|
|                               | Percentage<br>of Total Boe<br>Production | Average<br>Selling<br>Price Before<br>Transportation<br>Costs | Percentage<br>of Total Boe<br>Production | Average<br>Selling<br>Price Before<br>Transportation<br>Costs | Percentage<br>of Total Boe<br>Production | Average<br>Selling<br>Price Before<br>Transportation<br>Costs |
| Natural gas – Mcf             | 86%                                      | \$ 8.60   | 87%                                      | \$ 7.75   | 87%                                      | \$ 6.76   |
| Natural gas<br>liquids – Bbls | 5%                                       | \$ 78.81  | 4%                                       | \$ 56.93  | 5%                                       | \$ 72.94  |
| Crude oil – Bbls              | 9%                                       | \$ 97.63  | 9%                                       | \$ 64.90  | 8%                                       | \$ 87.29  |
| Per Boe                       |  | \$ 57.10  |  | \$ 48.65  |  | \$ 46.12  |

Per unit prices in the table above do not include any gains from hedging of natural gas prices in the first quarter of 2007.

Storm's production base is largely natural gas and associated liquids. In addition, Storm's prospect inventory is largely focused on natural gas, and it is unlikely that in the short and medium term that crude oil will grow internally as a percentage of Boe production. The Company sells natural gas in both British Columbia and Alberta, with pricing being based on Station #2 in British Columbia and AECO in Alberta. In late 2007, as a result of the commissioning of the Peace River pipeline, natural gas from the Parkland area was sold with reference to Station #2 instead of AECO pricing. In 2008, growth in gas production has come largely

from Parkland and was priced according to the Station #2 index. This is expected to continue for the balance of 2008.

The Station #2 reference price for the first quarter of 2008 was \$7.43 per GJ; for the first quarter of 2007 \$6.75 per GJ; and for the fourth quarter of 2007 was \$5.95 per GJ. The amount per GJ received by Storm for the first quarter of 2008 was approximately 16% higher than the Station #2 reference price, a price premium attributable to the high heat content natural gas delivered from the Montney formation at Parkland. In addition to the high heat content, Montney gas is liquids rich, which has resulted in natural gas liquids growing as a percentage of total Boe production.

**Production by Area – Boe per Day**

|                                    | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|------------------------------------|---------------------------------|---------------------------------|------------------------------------|
| Parkland/Ft. St. John Area – NE BC | 3,511                           | 1,756                           | 2,913                              |
| Grande Prairie Area – NW Alberta   | 2,042                           | 2,746                           | 2,181                              |
| Cabin/Kotcho/Junior – NE BC        | 885                             | 1,084                           | 829                                |
| Other                              | 62                              | 190                             | 69                                 |
| Total                              | 6,500                           | 5,776                           | 5,992                              |

The above sets out the average production from each of Storm's core areas. The Company's focus on the Parkland area has resulted in 100% year-over-year

production growth at that property. Correspondingly, reduced investment in Alberta is evidenced by a 26% reduction in year-over-year production.

## Production Revenue

|                            | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|----------------------------|---------------------------------|---------------------------------|------------------------------------|
| Natural gas                | \$ 26,241                       | \$ 20,959                       | \$ 19,365                          |
| Natural gas liquids        | 2,389                           | 1,105                           | 1,937                              |
| Crude oil                  | 5,145                           | 3,227                           | 4,128                              |
| Hedging gains              | –                               | 2,481                           | –                                  |
| Revenue from product sales | 33,775                          | 27,772                          | 25,430                             |
| Royalty income             | 199                             | 237                             | 123                                |
| Total production revenue   | \$ 33,974                       | \$ 28,009                       | \$ 25,553                          |

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

A reconciliation of revenue from product sales between 2008 and 2007 is as follows:

|  | Natural Gas | Natural Gas<br>Liquids | Crude Oil | Hedging<br>Gains | Total     |
|--|-------------|------------------------|-----------|------------------|-----------|
| Revenue from product sales – Q1 2007                 | \$ 20,959   | \$ 1,105               | \$ 3,227  | \$ 2,481         | \$ 27,772 |
| Effect of increased production<br>year-over-year     | 2,767       | 626                    | 195       | –                | 3,588     |
| Effect of increased product prices<br>year-over-year | 2,515       | 658                    | 1,723     | –                | 4,896     |
| Decrease in natural gas hedging gains                | –           | –                      | –         | (2,481)          | (2,481)   |
| Revenue from product sales – Q1 2008                 | \$ 26,241   | \$ 2,389               | \$ 5,145  | \$ –             | \$ 33,775 |

## Hedging

Storm had hedges in place at March 31, 2008 for the period April 1 – September 30, 2008. However, in the first quarter of 2007, the Company realized hedging gains on natural gas contracts of \$2.5 million, or \$4.77 per Boe, or \$0.92 per Mcf. Storm follows hedge accounting rules with respect to prior hedges and hedges currently in place. However, any future hedges

entered into by Storm may not satisfy hedge accounting criteria; correspondingly, the Company may be obliged to follow mark-to-market rules, which would require that gains and losses on hedges would be included in the determination of net income at the end of each reporting period, rather than over the period covered by the hedge.

## Royalties

|  | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|--|---------------------------------|---------------------------------|------------------------------------|
| Charge for period  | \$ 6,902                        | \$ 5,592                        | \$ 5,338                           |
| Royalties as a percentage of revenue<br>from product sales before royalties<br>and hedging gains |                                 |                                 |                                    |
| Crown  | 19.5%                           | 20.3%                           | 19.5%                              |
| Other  | 0.9%                            | 1.8%                            | 1.5%                               |
| Total  | 20.4%                           | 22.1%                           | 21.0%                              |
| Per Boe  | \$ 11.67                        | \$ 10.76                        | \$ 9.68                            |

In late 2007, the provincial government of Alberta announced broadly based changes to the provincial Crown royalty structure. The new royalty structure reflects both well productivity and product pricing. Higher productivity wells face the greatest increases; however, lower productivity wells, including some of Storm's production, may benefit from lower royalty rates. Approximately 32% of Storm's production came from Alberta in the first quarter of 2008, with the remaining 68% from British Columbia. For the remainder of 2008, Storm's capital programs will continue to 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 revenues continuing to fall as a percentage of total revenue. In addition, natural declines will further reduce Storm's Alberta-based production. In the final quarter of 2008, immediately prior to implementation of the new royalty framework, successful execution of the Company's business plan could result in production from British Columbia increasing to 80% of total Boe production. Nevertheless, the allocation of capital by the Company to projects outside of Alberta is not exclusively in response to the changed Crown royalty regime. The Company's British Columbia projects offer the highest economic return of any from Storm's project inventory.

### Production Costs

|   | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|---|---------------------------------|---------------------------------|------------------------------------|
| Charge for period   | \$ 4,448                        | \$ 3,660                        | \$ 3,778                           |
| Percentage of revenue from product sales before hedging gains | 13.2%                           | 14.5%                           | 14.9%                              |
| Per Boe   | \$ 7.52                         | \$ 7.04                         | \$ 6.85                            |

Total production costs for the first quarter of 2008 increased over production costs for the first and fourth quarters of 2007 in response to growing product sales. Higher per Boe costs in the first quarter of 2008 resulted from weather-related cost increases, additional trucking costs, and certain cost allocations from prior periods. Storm's cash costs per Boe, which comprise production, general and administrative costs

and interest, amounted to \$10.39 for the first quarter of 2008, compared to \$9.37 for the first quarter of 2007 and to \$10.29 for the fourth quarter of 2007. Higher production and interest costs in the first quarter of 2008 resulted in increased cash costs per Boe when compared to the same period in 2007.

### Transportation Costs

|   | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|---|---------------------------------|---------------------------------|------------------------------------|
| Charge for period   | \$ 1,408                        | \$ 1,128                        | \$ 1,306                           |
| Percentage of revenue from product sales before hedging gains | 4.2%                            | 4.5%                            | 5.1%                               |
| Per Boe   | \$ 2.38                         | \$ 2.17                         | \$ 2.37                            |

Increased charges for transportation reflect increased production levels as well as increased trucking costs associated with higher levels of natural gas liquids production. The Company's

primary focus on natural gas, with exposure primarily to pipeline transportation charges, resulted in largely consistent per Boe charges between periods.

## Field Netbacks

Details of netbacks per commodity unit are as follows:

| Quarter Ended March 31, 2008 |                       |                                 |                         |                   |  |
|------------------------------|-----------------------|---------------------------------|-------------------------|-------------------|--|
|                              | Crude Oil<br>(\$/Bbl) | Natural Gas Liquids<br>(\$/Bbl) | Natural Gas<br>(\$/Mcf) | Total<br>(\$/Boe) |  |
| Product sales                | \$ 97.63              | \$ 78.81                        | \$ 8.60                 | \$ 57.10          |  |
| Royalty income               | 1.67                  | 0.48                            | 0.03                    | 0.34              |  |
| Royalties                    | (14.82)               | (17.34)                         | (1.83)                  | (11.67)           |  |
| Production costs             | (8.44)                | –                               | (1.31)                  | (7.52)            |  |
| Transportation               | (5.28)                | (3.45)                          | (0.34)                  | (2.38)            |  |
| Field netbacks               | \$ 70.76              | \$ 58.50                        | \$ 5.15                 | \$ 35.87          |  |

  

| Quarter Ended March 31, 2007 |                       |                                 |                         |                   |  |
|------------------------------|-----------------------|---------------------------------|-------------------------|-------------------|--|
|                              | Crude Oil<br>(\$/Bbl) | Natural Gas Liquids<br>(\$/Bbl) | Natural Gas<br>(\$/Mcf) | Total<br>(\$/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 December 31, 2007 |                       |                                 |                         |                   |  |
|---------------------------------|-----------------------|---------------------------------|-------------------------|-------------------|--|
|                                 | Crude Oil<br>(\$/Bbl) | Natural Gas Liquids<br>(\$/Bbl) | Natural Gas<br>(\$/Mcf) | Total<br>(\$/Boe) |  |
| Product sales                   | \$ 87.29              | \$ 72.94                        | \$ 6.76                 | \$ 46.12          |  |
| Royalty income                  | 0.59                  | 0.42                            | 0.03                    | 0.22              |  |
| Royalties                       | (13.92)               | (17.96)                         | (1.47)                  | (9.68)            |  |
| Production costs                | (7.99)                | –                               | (1.19)                  | (6.85)            |  |
| Transportation                  | (4.71)                | (3.63)                          | (0.34)                  | (2.37)            |  |
| Field netbacks                  | \$ 61.26              | \$ 51.77                        | \$ 3.79                 | \$ 27.44          |  |

## Management's Discussion and Analysis

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

Field netbacks for the first quarter of 2008 increased by 6% when compared to the first quarter of 2007. Excluding a hedging gain realized in the first quarter of 2007,

the year-over-year gain would have been 23%. Compared to the final quarter of 2007, netbacks for the first quarter of 2008 increased by 31%. Improved pricing for the Company's products, along with reasonable cost stability, resulted in improvement.

### Interest

|                   | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|-------------------|---------------------------------|---------------------------------|------------------------------------|
| Charge for period | \$ 1,061                        | \$ 669                          | \$ 1,123                           |
| Per Boe           | \$ 1.79                         | \$ 1.29                         | \$ 2.04                            |

Interest is paid on Storm's revolving bank facility. Increased interest costs year-over-year correspond to increased borrowings required to fund a property acquisition completed in

June 2007. Late in 2007, interest rates began to fall, resulting in a lower per unit interest cost in the first quarter of 2008, when compared to the immediately prior quarter.

### General and Administrative

#### Total costs

|  | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|--|---------------------------------|---------------------------------|------------------------------------|
| Gross general and administrative costs | \$ 1,364                        | \$ 1,408                        | \$ 1,944                           |
| Capital and operating recoveries       | (727)                           | (865)                           | (1,170)                            |
| Net general and administrative costs   | \$ 637                          | \$ 543                          | \$ 774                             |

#### Costs per Boe

|  | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|--|---------------------------------|---------------------------------|------------------------------------|
| Gross general and administrative costs | \$ 2.31                         | \$ 2.71                         | \$ 3.51                            |
| Capital and operating recoveries       | (1.23)                          | (1.67)                          | (2.11)                             |
| Net general and administrative costs   | \$ 1.08                         | \$ 1.04                         | \$ 1.40                            |

Year-over-year gross general and administrative costs were largely unchanged, although recoveries fell in the first quarter of 2008 when compared to the prior year. Compared to the final quarter of 2007, gross general and administrative

costs fell considerably in the first quarter of 2008, as costs for the final quarter of 2007 contain various costs related to the Company's year-end. Storm does not capitalize general and administrative costs.

## Stock-Based Compensation Costs

|                   | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|-------------------|---------------------------------|---------------------------------|------------------------------------|
| Charge for period | \$ 336                          | \$ 337                          | \$ 240                             |
| Per Boe           | \$ 0.57                         | \$ 0.65                         | \$ 0.44                            |

Stock-based compensation costs are non-cash charges which 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 increase in the charge in the first quarter of 2008, when compared to the immediately prior quarter, corresponds to the issue of additional stock options late in 2007.

## Depletion, Depreciation and Accretion

|   | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|---|---------------------------------|---------------------------------|------------------------------------|
| Depreciation and depletion charge<br>for period | \$ 10,057                       | \$ 8,360                        | \$ 9,275                           |
| Accretion charge for period                     | 121                             | 112                             | 117                                |
| Total   | \$ 10,178                       | \$ 8,472                        | \$ 9,392                           |
| Total per Boe                                   | \$ 17.21                        | \$ 16.30                        | \$ 17.04                           |

The increase in the charge for depreciation, depletion and accretion for the first quarter of 2008 is a consequence of higher production volumes, as the depletion component of the charge is based on a cost per Boe.

The increase in the charge for depletion and depreciation per Boe for the first quarter of 2008, when compared to the equivalent quarter

of 2007, is largely attributable to property acquisitions in mid-2007, when 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, 2008, Storm recorded a future income tax charge of \$2.6 million compared to \$2.5 million for the first quarter of 2007. 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 the first quarter of 2008 is 30%, compared to 32% for the first quarter of 2007.

At March 31, 2008, Storm had tax pools carried forward estimated to be \$210 million. In September 2007, the Company issued 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. At March 31, 2008, the Company considers that qualifying expenditures totaling \$7.2 million have been incurred.

In addition, Storm has a capital loss in the amount of \$10 million available for application against future taxable capital gains.

## Net Income and Net Income Per Share

Net income for the first quarter of 2008 amounted to \$6.4 million, compared to \$5.1 million in the first quarter of 2007 and \$2.9 million in the final quarter of 2007. Net income per diluted share for the first quarter of 2008 increased largely pro rata when compared to the prior quarters.

## Management's Discussion and Analysis

|            | Quarter Ended<br>March 31, 2008 |         | Quarter Ended<br>March 31, 2007 |         | Quarter Ended<br>December 31, 2007 |         |
|------------|---------------------------------|---------|---------------------------------|---------|------------------------------------|---------|
|            | Per diluted share               |         | Per diluted share               |         | Per diluted share                  |         |
| Net income | \$ 6,424                        | \$ 0.14 | \$ 5,066                        | \$ 0.12 | \$ 2,852                           | \$ 0.06 |

### Funds from Operations

Funds from operations for the first quarter of 2008 amounted to \$19.5 million, or \$0.43 per diluted share, compared to \$16.4 million, or \$0.38 per diluted share for 2007.

|                       | Quarter Ended<br>March 31, 2008 |         | Quarter Ended<br>March 31, 2007 |         | Quarter Ended<br>December 31, 2007 |         |
|-----------------------|---------------------------------|---------|---------------------------------|---------|------------------------------------|---------|
|                       | Per diluted share               |         | Per diluted share               |         | Per diluted share                  |         |
| Funds from operations | \$ 19,518                       | \$ 0.43 | \$ 16,417                       | \$ 0.38 | \$ 13,233                          | \$ 0.30 |

## 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 \$14.7 million at March 31, 2008, compared to \$11.3 million at March 31, 2007 and \$10.2 million at December 31, 2007. The working capital deficiency at each period end corresponds to 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 the second quarter.

### Property and Equipment

Capital costs incurred were as follows:

|                          | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|--------------------------|---------------------------------|---------------------------------|------------------------------------|
| Land and lease, net      | \$ 1,793                        | \$ 1,144                        | \$ 1,663                           |
| Seismic                  | –                               | 773                             | 24                                 |
| Drilling and completions | 20,807                          | 11,976                          | 14,657                             |
| Facilities and equipment | 5,237                           | 7,716                           | 4,853                              |
| Other                    | 16                              | 16                              | 24                                 |
| Field expenditures       | 27,853                          | 21,625                          | 21,221                             |
| Property acquisitions    | 514                             | 2,450                           | –                                  |
| Property dispositions    | (1,592)                         | –                               | (4,127)                            |
| Total                    | \$ 26,775                       | \$ 24,075                       | \$ 17,094                          |

### Bank Debt, Liquidity and Capital Resources

Storm has received bank approval for a revolving borrowing base bank credit facility of \$110 million, increased from \$94 million at December 31, 2007. The amount drawn on this facility at March 31, 2008 amounted to \$80.1 million. Debt, including working capital deficiency, amounted to \$92.0 million at March 31, 2008, resulting in a ratio of debt to annualized funds from operations for the first quarter of 2008 of 1.2 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, 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 March 31, 2008, the Company's investment in Storm Ventures International Inc. ("SVI") represented a 13% ownership position, comprising 4.3 million common shares. The carrying amount of the investment on the Company's consolidated 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. Storm's cash investment in SVI since commencement of oil and gas operations in 2004 totals \$3,000,000. Storm has no financial or management commitments to SVI; however, Storm does provide accommodation and administrative services. Amounts, at cost, billed to SVI amounted to \$59,000 in the first quarter of 2008 and \$22,000 in 2007.

### Future Income Taxes

Estimated future income taxes at March 31, 2008 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<br>March 31, 2008 | Maximum<br>Annual Deduction |
|---|-------------------------|-----------------------------|
| Canadian oil and gas property expense       | \$ 99,300               | 10%                         |
| Canadian development expense                | 56,901                  | 30%                         |
| Canadian exploration expense <sup>(1)</sup> | –                       | 100%                        |
| Undepreciated capital cost                  | 53,145                  | 20 – 100%                   |
| Other                                       | 368                     | 20%                         |
| Total                                       | \$ 209,714              |                             |
| Capital losses                              | \$ 9,666                |                             |

<sup>(1)</sup> An additional \$7.9 million of Canadian Exploration Expense must be incurred prior to December 31, 2008 to satisfy the terms of a flow-through share issue dated September 2007.

### 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 the amount of the obligation between March 31, 2008 and December 31, 2007 comprise the present value of additional obligations accruing to the Company as a result of field activity and acquisitions during

the period, less costs paid in settlement of abandonment obligations, plus the 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.

## Management's Discussion and Analysis

### Share Capital

Details of outstanding share capital and dilutive elements:

|  | Quarter Ended<br>March 31, 2008 | Quarter Ended<br>March 31, 2007 | Quarter Ended<br>December 31, 2007 |
|--|---------------------------------|---------------------------------|------------------------------------|
| Common shares outstanding                |                                 |                                 |                                    |
| End of period                            | 44,619                          | 42,914                          | 44,532                             |
| Performance warrants                     | –                               | 125                             | –                                  |
| Stock options                            | 2,079                           | 1,934                           | 2,166                              |
| Fully diluted common shares              |                                 |                                 |                                    |
| End of period                            | 46,698                          | 44,973                          | 46,698                             |
| Weighted average common shares – basic   | 44,586                          | 42,914                          | 44,518                             |
| Weighted average common shares – diluted | 45,685                          | 43,652                          | 45,223                             |

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 two years ended March 31, 2008 appears below:

| Quarter Ended                          | Mar. 31<br>2008 | Dec. 31,<br>2007 | Sept. 30,<br>2007 | June 30,<br>2007 | Mar. 31,<br>2007 | Dec. 31,<br>2006 | Sept. 30,<br>2006 | June 30,<br>2006 |
|--|-----------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
| Production revenue<br>(\$000s)         | 33,974          | 25,553           | 19,573            | 25,156           | 28,009           | 23,590           | 18,973            | 17,598           |
| Funds from operations<br>(\$000s)      | 19,518          | 13,233           | 9,372             | 12,921           | 16,417           | 12,748           | 10,053            | 9,186            |
| Per share – basic (\$)                 | 0.44            | 0.30             | 0.21              | 0.30             | 0.38             | 0.30             | 0.23              | 0.23             |
| Per share – diluted (\$)               | 0.43            | 0.30             | 0.20              | 0.29             | 0.38             | 0.29             | 0.23              | 0.23             |
| Net income (\$000s)                    | 6,426           | 2,852            | 299               | 2,832            | 5,066            | 3,049            | 1,828             | 1,767            |
| Per share – basic (\$)                 | 0.14            | 0.06             | 0.01              | 0.06             | 0.12             | 0.07             | 0.04              | 0.05             |
| Per share – diluted (\$)               | 0.14            | 0.06             | 0.01              | 0.06             | 0.12             | 0.07             | 0.04              | 0.04             |
| Average daily<br>production (Boe)      | 6,500           | 5,992            | 5,618             | 5,713            | 5,776            | 5,442            | 4,933             | 4,478            |
| Average field netbacks<br>(\$/Boe)     | 35.87           | 27.44            | 20.83             | 28.02            | 33.91            | 27.88            | 24.24             | 24.86            |
| Capital expenditures<br>– net (\$000s) | 26,775          | 17,094           | 19,953            | 32,768           | 24,075           | 13,635           | 7,619             | 47,570           |

### 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; and
- 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, except that SVI subleases office space from the Company at the same rate as the Company's head office lease.

Obligations with a fixed term are as follows:

| (\$000s)          | 2008   | 2009   | 2010   | 2011   | 2012 |
|-------------------|--------|--------|--------|--------|------|
| Lease of premises | \$ 759 | \$ 759 | \$ 772 | \$ 785 | \$ - |
| Equipment leases  | 11     | -      | -      | -      | -    |
| Total             | \$ 770 | \$ 759 | \$ 772 | \$ 785 | \$ - |

### Critical Accounting Estimates

Financial amounts included in the Company's Management's Discussion and Analysis and in the unaudited consolidated financial statements for the three months ended March 31, 2008 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 audited consolidated financial statements included in the Company's Annual Report for the year ended December 31, 2007 and the unaudited consolidated financial statements for the three months ended March 31, 2008.

### 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, 2007.

### 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, 2008.

### Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, can be viewed at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.stormexploration.com](http://www.stormexploration.com). Information can also be obtained by contacting the Company at Storm Exploration Inc., 800, 205 – 5th Avenue, SW, Calgary, Alberta, T2P 2V7.

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

| (\$000s) (unaudited)                                 | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| <b>ASSETS</b>  |                |                   |
| <b>Current</b>                                       |                |                   |
| Accounts receivable                                  | \$ 14,370      | \$ 11,949         |
| Prepaid and other costs                              | 2,597          | 1,945             |
|  | 16,967         | 13,894            |
| Property and equipment – net (Note 2)                | 254,598        | 237,738           |
| Investment   | 9,692          | 9,275             |
|  | \$ 281,257     | \$ 260,907        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |                |                   |
| <b>Current</b>                                       |                |                   |
| Accounts payable and accrued liabilities             | \$ 28,869      | \$ 24,103         |
| Unrealized mark-to-market hedging provision (Note 9) | 2,778          | –                 |
|  | 31,647         | 24,103            |
| Bank indebtedness (Note 4)                           | 80,050         | 74,472            |
| Asset retirement obligation (Note 5)                 | 7,181          | 6,918             |
| Future income taxes (Note 3)                         | 12,321         | 10,519            |
|  | 131,199        | 116,012           |
| <b>Shareholders' equity (Note 6)</b>                 |                |                   |
| Share capital  | 87,523         | 86,994            |
| Contributed surplus                                  | 2,528          | 2,318             |
| Retained earnings                                    | 62,007         | 55,583            |
| Accumulated other comprehensive income               | (2,000)        | –                 |
|  | 150,058        | 144,895           |
|  | \$ 281,257     | \$ 260,907        |

On behalf of the Board:



Director



Director

## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

| (\$000s, except per share amounts) (unaudited) | Three Months to<br>March 31, 2008 | Three Months to<br>March 31, 2007 |
|--|-----------------------------------|-----------------------------------|
| <b>Revenue</b>                                 |                                   |                                   |
| Production revenue                             | \$ 33,974                         | \$ 28,009                         |
| Royalties                                      | (6,902)                           | (5,592)                           |
|  | 27,072                            | 22,417                            |
| <b>Expenses</b>                                |                                   |                                   |
| Production                                     | 4,448                             | 3,660                             |
| Transportation                                 | 1,408                             | 1,128                             |
| Interest                                       | 1,061                             | 669                               |
| General and administrative                     | 637                               | 543                               |
| Stock-based compensation                       | 336                               | 337                               |
| Depletion, depreciation<br>and accretion       | 10,178                            | 8,472                             |
|  | 18,068                            | 14,809                            |
| Income before taxes                            | 9,004                             | 7,608                             |
| Future income taxes (Note 3)                   | (2,580)                           | (2,542)                           |
| Net income for the period                      | 6,424                             | 5,066                             |
| Retained earnings,<br>beginning of period      | 55,583                            | 44,534                            |
| Retained earnings, end of period               | \$ 62,007                         | \$ 49,600                         |
| Net income per share (Note 7)                  |                                   |                                   |
| – basic  | \$ 0.14                           | \$ 0.12                           |
| – diluted                                      | \$ 0.14                           | \$ 0.12                           |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (\$000s) (unaudited)                   | Three Months to<br>March 31, 2008 | Three Months to<br>March 31, 2007 |
|--|-----------------------------------|-----------------------------------|
| Net income for the period              | \$ 6,424                          | \$ 5,066                          |
| Other comprehensive income (Note 9)    |                                   |                                   |
| Unrealized hedging loss                | (2,778)                           | (155)                             |
| Future income tax benefit              | 778                               | 50                                |
| Comprehensive income<br>for the period | \$ 4,424                          | \$ 4,961                          |

## Consolidated Financial Statements

### CONSOLIDATED STATEMENTS OF CASH FLOWS

| (\$000s) (unaudited)                                  | Three Months to<br>March 31, 2008 | Three Months to<br>March 31, 2007 |
|---|-----------------------------------|-----------------------------------|
| <b>Operating activities</b>                           |                                   |                                   |
| Net income for the period                             | \$ 6,424                          | \$ 5,066                          |
| Add non-cash items:                                   |                                   |                                   |
| Depletion, depreciation and accretion                 | 10,178                            | 8,472                             |
| Future income tax                                     | 2,580                             | 2,542                             |
| Stock-based compensation                              | 336                               | 337                               |
| Funds from operations                                 | 19,518                            | 16,417                            |
| Net change in non-cash working capital items (Note 8) | (2,638)                           | 2,366                             |
|   | 16,880                            | 18,783                            |
| <b>Financing activities</b>                           |                                   |                                   |
| Issue of common shares – net of expenses              | 403                               | –                                 |
| Increase (Decrease) in bank indebtedness              | 5,578                             | 3,373                             |
|   | 5,981                             | 3,373                             |
| <b>Investing activities</b>                           |                                   |                                   |
| Increase in investments                               | (417)                             | –                                 |
| Additions to property and equipment                   | (28,367)                          | (24,075)                          |
| Disposals of property and equipment                   | 1,592                             | –                                 |
| Net change in non-cash working capital items (Note 8) | 4,331                             | 1,919                             |
|   | (22,861)                          | (22,156)                          |
| Change in cash during the period                      | –                                 | –                                 |
| Cash, beginning of period                             | –                                 | –                                 |
| Cash, end of period                                   | \$ –                              | \$ –                              |

# Notes to Consolidated Financial Statements

THREE MONTHS ENDED MARCH 31, 2008

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

## 1. Significant Accounting Policies

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 audited consolidated financial statements for the year ended December 31, 2007. The interim unaudited consolidated financial statement note disclosures do not include all disclosures applicable for annual financial statements. Accordingly, the interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto contained in the Company’s annual report for the year ended December 31, 2007.

### Changes in Accounting Policies

On January 1, 2008, 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 1535 “Capital Disclosures”; Section 3862 “Financial Instruments – Disclosures”; and Section 3863 “Financial Instruments – Presentation.” As required by the new standards, prior periods have not been restated.

### Section 1535

“Capital Disclosures” This new accounting pronouncement requires companies to describe their objectives, policies and processes regarding management of capital. Information about what constitutes capital is also required; further, the existence of any obligations relating to capital maintenance must be disclosed, along with the consequences of non-compliance. Note 10 to these unaudited consolidated interim financial statements provides the required disclosures.

### Section 3862

“Financial Instruments – Disclosures” This pronouncement is an expansion of existing standards relating to financial instruments and requires the disclosure of information about financial instruments to which the Company is a party. Information is provided about financial instruments and their actual or potential effect on the financial position and results of the Company. Further, information is provided about risks to which the Company is exposed through recognized and unrecognized financial instruments and how these risks are managed. See Note 9.

### Section 3863

“Financial Instruments – Presentation” This pronouncement also enhances existing disclosure requirements and establishes presentation standards for financial instruments and non-financial derivatives. See Note 9.

The adoption of these pronouncements has had no effect on the Company’s net income or funds from operations for the period.

## 2. Property and Equipment

|  | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Petroleum and natural gas properties   | \$ 341,854     | \$ 314,953        |
| Furniture and equipment                | 650            | 634               |
|  | 342,504        | 315,587           |
| Accumulated depletion and depreciation | (87,906)       | (77,849)          |
|  | \$ 254,598     | \$ 237,738        |

At March 31, 2008, the depletion calculation excluded unproved properties of \$21.5 million

(December 31, 2007 – \$21.0 million) and included future development costs of \$23.1 million.

## Notes to Consolidated Financial Statements

### 3. Future Income Taxes

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 \$202 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. As at March 31, 2008, the Company had incurred an estimated \$7.2 million of qualifying expenditures. The full amount of \$15.1 million has been renounced to the subscribers at December 31, 2007 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:

|   | March 31, 2008 | March 31, 2007 |
|---|----------------|----------------|
| Statutory combined federal and provincial income tax rate | 30%            | 32%            |
| Expected income taxes                                     | \$ 2,712       | \$ 2,459       |
| Add (deduct) the income tax effect of:                    |                |                |
| Stock-based compensation                                  | 101            | 109            |
| Rate adjustments  | (234)          | (25)           |
| Other   | 1              | (1)            |
| Future income tax   | \$ 2,580       | \$ 2,542       |

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

|                             | March 31, 2008 | December 31, 2007 |
|-----------------------------|----------------|-------------------|
| Property and equipment      | \$ 15,676      | \$ 13,073         |
| Asset retirement obligation | (2,062)        | (2,006)           |
| Share issue costs           | (515)          | (548)             |
| Other comprehensive income  | (778)          | -                 |
| Future income tax liability | \$ 12,321      | \$ 10,519         |

### 4. Bank Indebtedness

The Company has received approval for an extendible revolving bank facility in the amount of \$110 million (December 31, 2007 – \$94 million), based on the Company's producing reserves. The revolving facility is available to the Company until May 31, 2009, but may be extended at the Company's request until May 30, 2010, 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.

### 5. Asset Retirement Obligation

The estimated future asset retirement obligation is based on the Company's net ownership interest in wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and

the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the Company's asset retirement obligations is approximately \$13.5 million (December 31, 2007 – \$13.1 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 \$7.2 million (December 31, 2007 – \$6.9 million).

## 6. Share Capital

### 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, 2007 | 44,532           | \$ 86,994     |
| Stock options exercised         | 87               | 529           |
| Balance as at March 31, 2008    | 44,619           | \$ 87,523     |

### Stock-Based Compensation Plans

i) 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 March 31, 2008 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        | 290                           | 1.9                                     | \$ 3.27                         | 171                           | \$ 3.18                         |
| \$3.91 to \$5.71        | 1,350                         | 3.0                                     | \$ 5.44                         | 456                           | \$ 5.22                         |
| \$6.03 to \$8.57        | 438                           | 4.3                                     | \$ 7.94                         | 27                            | \$ 6.66                         |
|                         | 2,078                         | 3.1                                     | \$ 5.66                         | 654                           | \$ 4.75                         |

## 7. Per Share Amounts

|  | Three Months Ended<br>March 31, 2008 | Three Months Ended<br>March 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| <b>Basic</b>   |                                      |                                      |
| Net income per share                                 | \$ 0.14                              | \$ 0.12                              |
| Weighted average number of shares outstanding (000s) | 44,586                               | 42,914                               |
| <b>Diluted</b>                                       |                                      |                                      |
| Net income per share                                 | \$ 0.14                              | \$ 0.12                              |
| Weighted average number of shares outstanding (000s) | 45,685                               | 43,652                               |

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

## 8. Supplemental Cash Flow Information

### Changes in non-cash working capital

|  | Three Months Ended<br>March 31, 2008 | Three Months Ended<br>March 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| Accounts receivable                      | \$ (2,421)                           | \$ 634                               |
| Prepaid expenses                         | (652)                                | 919                                  |
| Accounts payable and accrued liabilities | 4,766                                | 2,732                                |
| Change in non-cash working capital       | \$ 1,693                             | \$ 4,285                             |
| Relating to:                             |                                      |                                      |
| Financing activities                     | \$ -                                 | \$ -                                 |
| Investing activities                     | 4,331                                | 1,919                                |
| Operating activities                     | (2,638)                              | 2,366                                |
|  | \$ 1,693                             | \$ 4,285                             |

|                                     | Three Months Ended<br>March 31, 2008 | Three Months Ended<br>March 31, 2007 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Interest paid during the period     | \$ 1,059                             | \$ 669                               |
| Income taxes paid during the period | \$ -                                 | \$ -                                 |

## 9. Financial Instruments

The Company holds various forms of financial instruments. These financial instruments expose the Company to the following risks:

- credit risk;
- market risk; and
- liquidity risk.

Management has primary responsibility for monitoring and managing financial instrument risks under direction from the Board of Directors which has overall responsibility for the establishing Company's risk management framework. In certain circumstances, for example, hedging of future production revenue, the Board has established policies and has established risk limits and controls and monitors these risks in relation to market conditions. In other circumstances, for example extending credit to purchasers of the Company's products, the Board has delegated responsibility for credit assessment to management, but receives frequent financial and operating reports.

The Company's financial instruments recognized on the unaudited consolidated balance sheet at March 31, 2008 consist of accounts receivable,

bank indebtedness, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying amounts based on the short term to maturity.

### Credit risk

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. In addition, the Company's high working interest in its major operating properties mitigates the risk of partner default. The Company requires cash calls from its partners on major field projects in advance of commencement. Receivables related to the sale of the Company's production are normally collected on the 25th day of the month following delivery. The Company has not experienced any credit loss in the collection of its accounts receivable.

### Market risk

Market risks are as follows and are largely outside of the control of the Company:

- commodity prices;
- interest rates; and
- foreign exchange.

### Commodity prices

The Company is constantly exposed to the risk of declining prices for its products with a corresponding reduction in cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow

production while at the same time replacing continuous declines from existing properties. In certain circumstances, usually when debt levels are forecast to increase due to capital expenditures exceeding cash flow, or where the Company has financed, in whole or in part, an acquisition using bank debt, the Company may enter into oil and natural gas hedging contracts in order to provide stability to future cash flow. These contracts reduce the fluctuation in production revenue by fixing prices of future deliveries of oil and natural gas.

As at March 31, 2008, Storm has hedged the following average gas volumes:

| Volume                     |                           | Term                           |
|----------------------------|---------------------------|--------------------------------|
| Fixed price financial sale |                           |                                |
| 11,000 GJ/d                | \$8.04 / GJ – AECO        | April 1, 2008 – Sept. 30, 2008 |
| Physical Collar            |                           | Term                           |
| 10,000 GJ/d                | \$7.50 – 8.70 / GJ – AECO | April 1, 2008 – Sept. 30, 2008 |

These financial instruments have been designated as meeting the criteria for hedge accounting. Correspondingly, at March 31, 2008, the market value, being the cost to exit the contracts, of \$2.0 million (net of related income tax) has been charged to "Other Comprehensive Income" and not included in the determination of net income for the quarter.

### Interest rates

Interest on the Company's revolving bank facility varies, and is most commonly based on bankers' acceptance rates plus a stamping fee. The Company is thus exposed to increased borrowing costs during periods of increasing interest rates, with a corresponding reduction in both cash flows and project economics. The Company had no interest rate swaps or similar contracts in place at March 31, 2008 to reduce interest rate risk.

### Foreign exchange

Although the Company's product revenues are denominated in Canadian dollars, the underlying market prices are affected by the exchange rate

between the Canadian and the United States dollar. As at March 31, 2008, the Company had no contracts in place to reduce foreign exchange risk.

### Liquidity risk

Liquidity difficulties would emerge if the Company was unable to meet its financial obligations as they fell due within normal credit terms. This may be the consequence of diminished cash flows resulting from lower product prices, production interruptions, or unexpected operating or capital cost increases. Liquidity difficulties could also occur if the Company's bankers were unable to continue to provide credit at a level and on terms compatible with the Company's capital requirements. Generally, the Company will, over a reasonable period of time, limit its capital programs to cash flow from operations. In addition, the Company endeavours to maintain its debt at a level somewhat less than the maximum amount of its total bank facility to ensure financial flexibility to deal with unforeseen or rapidly changing circumstances.

## 10. Capital Management

Capital management is fundamental to the Company's objective of growing production cost-effectively, while simultaneously replacing continuous production declines. The Company's capital comprises shareholders' equity, bank debt and working capital. Management of capital involves the preparation of an annual budget, which may only be implemented after approval by the Company's Board of Directors.

As the Company's business evolves during the fiscal year, the budget may be amended; however, any changes are again subject to approval by the Board of Directors. As part of the budget process, and as part of capital management control procedures, the Company continuously, during the fiscal year, uses a non-GAAP measurement of net debt to cash flow to measure and control debt levels. This measurement is established as follows:

|  | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Current assets                           | \$ 16,967      | \$ 13,894         |
| Accounts payable and accrued liabilities | 28,869         | 24,103            |
| Working capital deficiency               | 11,902         | 10,209            |
| Bank indebtedness                        | 80,050         | 74,472            |
| Net debt                                 | \$ 91,952      | \$ 84,681         |
| Annualized cash flow for the period      | \$ 78,080      | \$ 51,943         |
| Net debt to cash flow ratio              | 1.2 : 1        | 1.6 : 1           |

The ratio of net debt to cash flow is subject to quarterly variations and is usually highest in the first and fourth quarter of each year, when capital expenditures normally exceed cash flow, with a resulting increase in net debt.

The Company's bank indebtedness is based on the Company's producing reserves and generally is not subject to restrictions which would potentially affect the Company's operations. However, the ratio of net debt to cash flow is used to determine the interest rate applied to the Company's bank indebtedness, with interest rates changing at certain threshold levels of net debt to cash flow.

From time to time, the Company may enter into hedging arrangements if capital programs or acquisitions result in a high net debt to cash flow ratio. Such arrangements provide for stability of cash flow during periods when the Company applies cash flow to reduce its net debt.

The Company may issue share capital when debt levels are high and potentially constrain operations, usually in circumstances when the Company has completed a large acquisition.

# Corporate Information

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## 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<sup>(1)(2)</sup>  
Chairman

John A. Brussa<sup>(3)</sup>

Mark Butler<sup>(3)</sup>

Stuart G. Clark<sup>(1)</sup>

Brian Lavergne  
CEO

Henry R. Lawrie<sup>(1)(2)</sup>

Gregory G. Turnbull<sup>(3)</sup>  
Corporate Secretary

P. Grant Wierzba<sup>(2)</sup>

<sup>(1)</sup> Member, Audit Committee <sup>(2)</sup> Member, Reserves Committee <sup>(3)</sup> Member, Compensation, Governance and Nomination Committee

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## Stock Exchange Listing

Toronto Stock Exchange  
Trading Symbol "SEO"

## Solicitors

McCarthy Tétrault LLP  
Burnet Duckworth & Palmer LLP  
Calgary, Alberta

## Auditors

PricewaterhouseCoopers LLP  
Calgary, Alberta

## Reserve Engineers

Paddock Lindstrom & Associates Ltd.  
Calgary, Alberta

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## Bankers

CIBC, Oil & Gas Group  
Calgary, Alberta

## Registrar & Transfer Agent

Valiant Trust Company  
Calgary, Alberta

## Executive Offices

Suite 800, 205 – 5th Avenue S.W.  
Calgary, Alberta, T2P 2V7 Canada  
Tel: (403) 264-3520 Fax: (403) 264-3552  
Website: [www.stormexploration.com](http://www.stormexploration.com)

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## Abbreviations

|         |  |
|---------|--|
| 3-D     | Three-dimensional                      |
| API     | American Petroleum Institute           |
| ARTC    | Alberta Royalty Tax Credit             |
| Bbbls   | Barrels of oil or natural gas liquids  |
| Bbbls/d | Barrels per day                        |
| Bcf     | Billions of cubic feet                 |
| Bcfe    | Billions of cubic feet equivalent      |
| Boe     | Barrels of oil equivalent              |
| Boe/d   | Barrels of oil equivalent per day      |
| Bopd    | Barrels of oil per day                 |
| \$Cdn   | Canadian dollar                        |
| GJ      | Gigajoules                             |
| GJ/d    | Gigajoules per day                     |
| Mbbls   | Thousands of barrels                   |
| Mboe    | Thousands of barrels of oil equivalent |

|         |  |
|---------|--|
| Mcf     | Thousands of cubic feet                          |
| Mcf/d   | Thousands of cubic feet per day                  |
| Mmbbls  | Millions of barrels                              |
| Mmbtu   | Millions of British Thermal Units                |
| Mmbtu/d | Millions of British Thermal Units per day        |
| Mmcf    | Millions of cubic feet                           |
| Mmcf/d  | Millions of cubic feet per day                   |
| Mstb    | Thousand stock tank barrels                      |
| NGL     | Natural gas liquids                              |
| NPV     | Net present value                                |
| OPEC    | Organization of Petroleum<br>Exporting Countries |
| TSX     | Toronto Stock Exchange                           |
| \$US    | United States dollar                             |
| WTI     | West Texas Intermediate                          |

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