



2009 THIRD QUARTER REPORT TO SHAREHOLDERS

**& UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009**



STORM VENTURES INTERNATIONAL INC.

2009 Q3 Report to Shareholders

Our third quarter efforts have been focused on evaluating a number of business combinations that would result in the Company merging our international business with an existing public vehicle with producing assets in an attempt to strengthen our cash flow base, improve our access to capital and create liquidity. We are not at a point in any process to be able to suggest negotiations will conclude successfully and we will need to proceed to raise equity privately, as discussed in our Q2 Report, to support our base budget for 2010, prior to year end. In this report we will discuss our current and planned activity and provide an updated Net Asset Value calculation based on independent engineering and current pricing. We will proceed immediately with a private placement of 5 million shares at \$3.00 per share in an attempt to raise \$15 million CDN prior to mid December to insure we can close on the Adam acquisition and meet our planned commitments for 2010. We will try and conclude the fundraising by our Annual General Meeting scheduled for December 16th. Over the next 3 months we will continue to aggressively pursue business combination initiatives in parallel with the fund raising and execution of our base program.

ACTIVITY AND OPERATION UPDATE

TUNISIA

SVI has a very exciting year of activity upcoming in Tunisia in 2010. We have received the formal award of the Jenein permit and will engage ETAP in the rig selection process in the hope of drilling the well in the first half of 2010. The JC1 well will test a 25 million barrel prospect and be drilled to 4400m, at an estimated completed well cost of \$11 million USD. PA Resources has confirmed their continued commitment to funding 70% of the well cost with SVI retaining a 65% operated interest.

We have completed the tender process and are negotiating a rig contract for a slot as early as February 2010 to spud the Fushia commitment well on the Hammamet permit. Cooper Energy will pay 62% of the \$14 million USD well cost with SVI retaining a 65% interest and operatorship. The Fushia structure is mapped to contain potential oil in place of 100 Mmbbls unrisks and is located 15 kilometers west of the planned Cosmos development.

On our Remada block, the TT discovery well has produced just over 50,000 barrels of light sweet crude at a steady rate of just over 200 bopd. We have completed two pressure buildups that do not show any depletion which is an encouraging early sign of the reservoir extent and ultimate well performance. We have completed the acquisition of a 140 square kilometer 3D survey over the discovery area where our independent reserves evaluation had recognized 170 Mmbbls in place over a 48 square kilometer structure. Preliminary results look encouraging and could well support an expansion of the prospective area. We are working to select two appraisal well locations for drilling in 2010 (net cost \$6.6 million USD). We have mapped several other prospective structures on the block and now recognize Ordovician pay in at least two other wells.

We have undertaken core and thin section work in support of a reservoir characterization study to determine the best strategy to exploit the thick low quality pay through either horizontal drilling or fracture stimulation to increase the production rate and ultimate recovery in future wells.

We are working towards completing the acquisition of a 5% interest in the Adam concession and a 10% interest in the Borj el Khadra (BEK) permit from Talisman prior to December 15. Net of production and cash flow to closing we will be acquiring approximately 1.6 Mmbbls of oil equivalent (Boe) of Proven and Probable reserves for \$20 million USD. We are negotiating final adjustments and awaiting approval of the Tunisian authorities to the transfer. We estimate 2010 production will average 750 Boe/d which should generate cash flow of \$5-6 million USD. Block operator Eni is tendering for a 900 square kilometer 3D survey over a very prospective portion of BEK that will be shot early next year which we hope will lead to an expansion of the prolific Acacus fairway.

In addition, we hope to complete commercial negotiations and access capital to progress the offshore Cosmos oil development project. We have recognized potential cost savings with lower rig rates and a very attractive FPSO solution but continue to struggle to find a partner to join the project. We continue to identify additional prospectivity in satellite structures to Cosmos South and the analogue pool at Oudna has now demonstrated a recovery in excess of 40%. We have been carrying costs 100% and have time sensitive commitments on the vessel, trees and rig contract that make it imperative to land partner commitments by year end or suspend the project, potentially indefinitely. ETAP has agreed to join the project for 20% and we are seeking a partner to join for an additional 40%. Contingent expenditures of approximately \$15 million USD in 2010 would be required to fund our share of Q3 drilling in support of first oil in fall 2011. The majority of this capital would be recovered as a reimbursement of past cost from a partner joining the project.

UKCS

We continue to experience difficulty in progressing the UKCS business. We have a high interest exposure to four gas discoveries and recognize that we need to monetize a portion of those assets and focus on development of one field until cash flow can support subsequent developments and an expanded program. Asset performance below expectations at both Victoria and NW Tristan, in combination with low gas prices, has resulted in reduced free cash flow and accelerated bank repayment leaving limited capital to invest in growing our business. We will attempt to farm down, swap or sell from our current 75-100% interest position in three assets and redirect the proceeds into funding our retained interest of <50%.

Victoria Field production is the mainstay of our UK business at present and averaged 5.8 Mmcf/d in Q3 and 9.2 Mmcf/d year to date. Q3 production was curtailed by the scheduled shut down for the VTS line replacement for 30 days. Net Operating Income of \$19 million CDN was supported by average gas pricing of \$6.21/Mcf, a hedge gain of \$2.83/Mcf, less operating expenses of \$1.46/Mcf. Reserves have been revised to incorporate first year production performance and the pressure buildup during the shut in period. The Proven and Probable recoverable for the well is 23-25 Bcf. Victoria cash flow for 2010 (8 Mmcf/d and 40p/th) is forecast to be \$14-15 million USD and will cover UK overhead, bank repayments, exploration work commitments, ConocoPhillips (COP)/BP Vulcan purchase and LOC's and potentially the Tristan Abandonment expense.

In attempting to grow our UK business our first priority will be to solicit partner commitment, commercial offtake arrangements and Silverstone funding for the Vulcan East well in late 2010.

Until late September we had been working with Conoco under the terms of previous proposals and agreements that would have seen them swap their interest in Vulcan East to SVI and have us transport our gas over the same infrastructure as developed for Victoria. Unfortunately these negotiations have broken down and we are pursuing an alternate strategy involving new infrastructure developed in partnership with other area producers that will delay forecast first gas to fall 2011. Although the delayed production is disappointing and there will be an increased capital requirement of approximately 20%, the new infrastructure route is ideally suited for cost effective development of NW Vulcan following on from Vulcan East, is better matched to the economic life of our asset and will be NPV accretive due to materially lower operating expense, especially in the later life of the fields. We will also need to be very diligent and focused on moving the Vulcan East project forward as the license expires in late 2012 if not developed. Subject to successful conclusion of commercial negotiations we would flag a contingent budget requirement of approximately \$10 million USD to progress Vulcan East through the Drilling and Completion of the development well in 2010.

On the newly acquired Cobra block we have begun a detailed review of the seismic interpretation and depth conversion which is confirming the GIIP and offsetting prospectivity (two locations). We hope to contribute to pre-development studies undertaken on behalf of the partnership (25% non op interest) that could lead to a sanctionable development by fall 2010 at a manageable interest.

Our management estimate of Net Asset Value (NAV) using current commodity prices (Sproule September 2009 forecast) on a Present Value After Tax discounted at 15% basis is \$255 million USD (\$270 million CDN) or \$3.48 per share CDN on a fully diluted basis. Our NAV at year end 2008 was \$400 million USD at a 15% discount rate which equates to \$6.76 per share CDN. The changes in NAV per share over the period result from a strengthening in the Canadian dollar exchange rate (15%) and a 40% drop in the average gas price used in the evaluation. The per share value of \$3.48 CDN is also materially lower than our last issue price of \$6.25 per share CDN (August 2008) and the Board has determined existing shareholders should be offered the right to participate in any issue on a preferred basis and that the issue should be priced at a discount to NAV to encourage participation by as wide a group as possible. The Company reserves the right to offer the opportunity to new investors if the offering is not fully subscribed by existing shareholders or to increase the size of the offering if shareholder interest exceeds \$15 million CDN. Management and a Board member representing 11% of the shares outstanding have committed to purchase \$4 million of the offering (27%) if available.

2009 USE OF PROCEEDS AND 2010 BUDGET SUMMARY

At the end of Q3 the Company had \$17.5 million USD of working capital and forecast commitments, net of cash flow and overhead prior to year end of \$25 million USD including \$18.6 million USD required to close on the Adam acquisition. The Company has identified a priority use of proceeds totaling \$26.5 million USD for 2010 that will represent our base budget and be funded from \$23 million USD of cash flow, with the shortfall in both 2009 and 2010 covered by the private placement proceeds of \$14.1 million USD (assuming a \$1.06 CDN/USD exchange rate).

In addition to the funded portion of our 2010 budget we have also identified contingent net expenditures including Long Lead Items, pre development costs, and initial drilling that could total \$15 million USD at Cosmos and \$10 million USD at Vulcan East in 2010. If the projects are sanctioned and proceed, a portion of 2010 costs at Cosmos would be recovered from the partner reimbursing past costs on joining the project and through a Risk Services Contract we are

negotiating at Vulcan East. We would have \$3-4 million USD of unallocated capital to direct towards these projects.

In summary, as we look forward to 2010 we see the opportunity to appraise our potentially significant discovery at Remada, and drill exciting exploration wells at Fushia and Jenein as highlights. In addition to aggressively pursuing our oil projects in Tunisia we will also try and restructure our UK business by reducing our capital exposure and recycling disposition proceeds back into our remaining interest in the assets. Our cash flow of \$23 million USD, off 2,100 Boe/d of forecast production, is not yet able to support the full capital program required to exploit the potential in our assets and we are acutely aware that access to capital is difficult for small internationals in the current market, especially as a private company. It is appropriate to stress 2010 looks to be a watershed year in terms of progressing our business towards sustainability with the development of key assets or risk the loss of some of those opportunities. We do see the ability to become self funding with the successful development of Cosmos and Vulcan over the next two years and have exciting growth opportunities in both areas.

We will also continue to source and evaluate opportunities to strengthen our ability to deliver these projects, improve our access to capital and ultimately provide liquidity through a business combination, merger or reverse take-over.

Thank you very much for your continued patience and support. We will be in touch over the next several weeks soliciting your interest in participating in our share offering and proxy support for our AGM.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M. Brister', with a stylized flourish at the end.

Matthew J. Brister
President and Chief Executive Officer
Storm Ventures International Inc.

FINANCIAL HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Revenue, net of royalties	\$ 2,756,548	\$ 763,396	\$ 17,288,356	\$ 2,251,181
Expenses	\$ 6,802,953	\$ (5,566,581)	\$ 28,216,208	\$ (9,590,196)
Net Income (loss)	\$ (2,302,755)	\$ 6,311,321	\$ (3,290,497)	\$ 11,822,721
Net Income (loss) Per Share	\$ (0.03)	\$ 0.16	\$ (0.04)	\$ 0.31
Cash Flow ⁽¹⁾	\$ 3,139,123	\$ 333,449	\$ 16,665,369	\$ 1,539,482
Cash Flow Per Share ⁽¹⁾	\$ 0.04	\$ 0.01	\$ 0.23	\$ 0.04
Capital Expenditures	\$ 2,140,897	\$ 43,123,667	\$ 13,427,730	\$ 62,833,590
Shares Outstanding (basic)	73,724,490	38,744,827	73,724,490	38,744,827
Shares Outstanding (diluted)	77,800,290	41,154,827	77,800,290	41,154,827

⁽¹⁾ Cash flow is a non-GAAP measurement.

OPERATIONAL HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Gross Revenue	\$ 2,813,484	\$ 555,375	\$ 18,275,441	\$ 1,390,515
Royalties	(154,346)	(2,840)	(1,124,666)	(7,204)
Production revenue	2,659,138	552,535	17,150,775	1,383,311
Production expenses	(1,050,450)	(158,207)	(4,463,492)	(253,533)
Accretion	(61,314)	-	(182,579)	-
	\$ 1,547,374	\$ 394,328	\$ 12,504,704	\$ 1,129,778
Gas Production	601	47	2,764	119
Million cubic feet				
Million cubic feet per day	6.5	0.5	10.1	0.4
Selling price ^{(1) (2)}	3.84	11.81	6.21	11.65
Royalties ⁽²⁾	0.26	0.06	0.41	0.06
Gas Production expense ⁽²⁾	1.26	3.38	1.44	2.14

⁽¹⁾ Average selling price does not include any gains or losses on derivatives.

⁽²⁾ \$Cdn per Mcf.

Oil Production				
Barrels	8,315	-	16,760	-
Barrels per day	90.4	-	61.4	-
Selling price ⁽¹⁾	61.60	-	66.53	-
Production expense ⁽¹⁾	35.33	-	28.96	-

⁽¹⁾ \$Cdn per barrel.

NET ASSET VALUE

Estimate of SVI Net Asset Value as at September 30, 2009
(millions Canadian dollars)

	Net Present Value After Tax Discounted @ 15%
Reserves (proved and probable)	\$ 279.9
Cash Proceeds on exercise of Options	9.5
Net Debt ⁽¹⁾	(27.7)
Undeveloped Land ⁽²⁾	8.7
	<hr/>
	\$ 270.4
Fully Diluted Common Shares Outstanding (millions)	<hr/> 77.8
Net asset value per common share	<hr/> <hr/> \$ 3.48

⁽¹⁾ Net debt = the sum of long term debt and working capital as at September 30 2009

⁽²⁾ Management estimate based on arm's length farm down promote value.

Revenue

Third Quarter

Revenue for the third quarter of 2009 increased by \$1,993,152 compared with the third quarter of 2008 due to:

- UKCS production revenue increase of \$1,594,383.
- Tunisia production revenue of \$512,220.
- Decreased interest income and other of \$113,451.

Nine Months

Revenue for the nine months of 2009 increased by \$15,037,175 compared with the nine months of 2008 due to:

- UKCS production revenue increase of \$14,652,500.
- Tunisia production revenue of \$1,114,964.
- Decreased interest income and other of \$730,289.

Expenses

Third Quarter

Expenses for the third quarter of 2009 increased by \$12,369,534 compared with the third quarter of 2008 due to:

- UKCS production expenses increase of \$659,829.
- Tunisia production expenses of \$293,728.

- UKCS derivative gain of \$3,045,471.
- Dilution gain in 2008 of \$4,660,639.
- Increased foreign exchange loss of \$2,108,739.
- Increased general and administration expense of \$1,934,122.
- Decreased interest expense of \$316,054.
- Increased depletion and amortization expense of \$6,074,002 due to gas production in the UKCS and oil production in Tunisia.

Nine Months

Expenses for the nine months of 2009 increased by \$37,806,404 compared with the nine months of 2008 due to:

- UKCS production expenses increase of \$3,907,110.
- Tunisia production expenses of \$485,428.
- UKCS derivative gain of \$9,618,955.
- Dilution gain in 2008 of \$8,747,325.
- Increased foreign exchange loss of \$1,763,883.
- Increased general and administration expense of \$5,050,125.
- Increased interest expense of \$1,383,885.
- Increased depletion and amortization expense of \$26,087,603 due to gas production in the UKCS and oil production in Tunisia.

General and Administrative Cost Summary

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Stock-based compensation	\$ 450,827	\$ -	\$ 1,910,075	\$ -
Rent and general office costs	540,288	152,663	1,481,837	258,328
Staffing - net	452,791	5,201	537,134	5,201
Legal expenses	206,245	24,708	431,523	33,634
Travel and entertainment	220,125	9,497	412,401	23,563
Accounting and audit costs	192,601	42,259	395,328	60,290
Corporate expenses	123,071	17,498	316,409	53,566
General and administrative	<u>\$ 2,185,948</u>	<u>\$ 251,826</u>	<u>\$ 5,484,707</u>	<u>\$ 434,582</u>

The significant increase in General and Administrative cost for the three and nine month periods of 2009 as compared to the same periods for 2008 are due to;

- A change in accounting policies; in 2008 a significant portion of cost were capitalized as part of Pre-production activities. In 2009 the Full Cost method of accounting for oil and gas activities were followed where only direct costs associated with the acquisition and exploration for oil and gas reserve are capitalized.
- The acquisition of Silverstone Exploration Limited on December 24, 2008.

Property and Equipment

For the nine months ended September 30, 2009, net property and equipment additions were as follows:

Category/Location	
Tunisia	\$ 4,151,032
UKCS	9,136,138
Head Office	140,560
Total	<u>\$ 13,427,730</u>

Long-term debt

Long-term debt for the periods ended was as follows:

	September 30, 2009	December 31, 2008
Royal Bank of Scotland – current portion	\$ 18,359,060	\$ 21,475,200
Royal Bank of Scotland	10,637,960	16,106,400
Total	<u>\$ 28,997,020</u>	<u>\$ 37,581,600</u>

The Royal Bank of Scotland loan represents a secured facility obtained for the purpose of developing the Victoria gas field. For more details see Note 6. Long-term debt.

Other long-term liabilities

At September 30, 2009 other long-term liabilities of \$12,897,109 primarily represents the Company's share of decommissioning costs of two wells. For more details see Note 7. Other long-term liabilities.

Shareholders' Equity

Details of share capital and options outstanding are as follows:

	September 30, 2009	December 31, 2008
End of Period , Number of Shares		
Common shares outstanding	73,724,490	73,598,690
Share Options	4,075,800	4,090,000
Fully diluted common shares	77,800,290	77,688,690
Weighted average common shares - basic	73,627,863	36,304,693
Weighted average common shares - diluted	77,385,043	38,794,693

Quarterly Results

Summarized information by quarter for the two years ended September 30, 2009 appears below:

Quarter Ended	Sept 30, 2009	June 30, 2009	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007
Production revenue, net of royalties (\$000's)	2,659	5,217	9,275	4,620	553	830	-	-
Cash Flow(\$000's) ⁽¹⁾	3,139	8,010	5,517	2,871	333	919	287	(2,208)
Per Share								
Basic (\$)	0.04	0.11	0.07	0.04	0.01	0.03	0.01	(0.07)
Diluted (\$)	0.04	0.10	0.07	0.04	0.01	0.03	0.01	(0.06)
Net Income (loss) (\$000's)	(2,303)	1,987	(2,975)	(10,499)	6,311	4,175	1,336	251
Per Share								
Basic (\$)	(0.03)	0.03	(0.04)	(0.14)	0.16	0.12	0.04	0.01
Diluted (\$)	(0.03)	0.03	(0.04)	(0.14)	0.15	0.12	0.04	0.01
Average daily production (Boe)	1,089	1,811	2,150	794	85	132	-	-
Capital expenditures – net (\$000's)	2,141	4,892	6,394	14,147	43,124	14,925	4,785	11,005

⁽¹⁾ Cash flow is a non-GAAP measurement.

Non-GAAP Measure

The term "cash flow" is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). Management believes that in addition to cash flow from operating activities, cash flow is a useful supplemental measure. Investors are cautioned, however, that this measure should not be construed as an alternative to cash flow from operating activities determined in accordance with GAAP as an indication of SVI's performance. SVI's method of calculating cash flow may differ from other companies, especially those in other industries and accordingly may not be comparable to measures used by other companies. The following table shows the reconciliation from cash flow- operating activities to cash flow:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash flow - operating activities	\$ 2,584,605	\$ (354,404)	\$ 12,960,170	\$ 2,677,477
Change in non-cash working capital	554,518	687,853	3,705,199	(1,137,995)
Cash Flow	<u>\$ 3,139,123</u>	<u>\$ 333,449</u>	<u>\$ 16,665,369</u>	<u>\$ 1,539,482</u>

Advisory Regarding Forward-Looking Statements

In the interest of providing SVI's shareholders with information regarding SVI, including management's assessment of SVI's future plans and operations, certain statements in this Report to Shareholders are "forward-looking statements". In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this Report to Shareholders speak only as of the date of this document and are expressly qualified by this cautionary statement.

Specifically, this Report to Shareholders contains forward-looking statements relating to: the volumes and estimated value of our oil and gas reserves; the value of our undeveloped land holdings; the volume of our oil and gas production; future results from operations; future costs

and expenses; future exploration and development activities (including drilling plans) and related capital expenditures; our liquidity and financial capacity; and funding sources for our capital program.

These forward-looking statements are based on certain key assumptions regarding, among other things: our ability to obtain equity and debt financing on satisfactory terms; oil and natural gas prices; well production rates and reserve volumes; our ability to add production and reserves through our exploration and development activities; capital expenditure levels; the availability and cost of labour and other industry services; and interest and foreign exchange rates. The reader is cautioned that such assumptions, although considered reasonable by SVI at the time of preparation, may prove to be incorrect.

Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; fluctuations in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; fluctuations in foreign exchange or interest rates; stock market volatility and market valuations; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; delays resulting from or inability to obtain required regulatory approvals; ability to access sufficient capital from internal and external sources; and other factors, many of which are beyond the control of SVI.

There is no representation by SVI that actual results achieved during the forecast period will be the same in whole or in part as those forecast and SVI does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise.

**Storm Ventures International Inc.
Consolidated Balance Sheets**

	Unaudited September 30, 2009	Audited December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 14,484,718	\$ 24,365,171
Accounts receivable, Inventory and prepaid charges	11,482,562	13,017,060
	<u>25,967,280</u>	<u>37,382,231</u>
Investments (Note 3)	7,016,973	7,079,500
Property and equipment (Note 4)	396,896,872	425,090,972
	<u>\$ 429,881,125</u>	<u>\$ 469,552,703</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 4,950,138	\$ 13,034,654
Current portion Long-term debt (Note 6)	18,359,060	21,475,200
	<u>23,309,198</u>	<u>34,509,854</u>
Long-term debt (Note 6)	10,637,960	16,106,400
Other long-term liabilities (Note 7)	12,897,109	13,269,885
Future income taxes	51,294,065	61,089,425
Commitments (Note 8)		
Shareholders' equity		
Share capital (Note 9)	340,203,178	339,857,228
Contributed surplus	3,048,043	1,137,967
Retained earnings	10,028,744	13,319,241
Accumulated other comprehensive income (loss)	(21,537,172)	(9,737,297)
	<u>331,742,793</u>	<u>344,577,139</u>
	<u>\$ 429,881,125</u>	<u>\$ 469,552,703</u>

See accompanying notes to the consolidated financial statements.

**Storm Ventures International Inc.
Consolidated Statements of Income (Loss)
and Comprehensive Income**

	Unaudited Three Months Ended September 30,		Unaudited Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue				
Production revenue, net of royalties	\$ 2,659,138	\$ 552,535	\$ 17,150,775	\$ 1,383,311
Interest income and other	97,410	210,861	137,581	867,870
	<u>2,756,548</u>	<u>763,396</u>	<u>17,288,356</u>	<u>2,251,181</u>
Expenses				
Production expenses	1,111,764	158,207	4,646,071	253,533
Derivatives (gain) loss	(3,045,471)	-	(9,618,955)	-
Dilution gain	-	(4,660,639)	-	(8,747,325)
Foreign exchange (gain) loss	786,406	(1,322,333)	213,869	(1,550,014)
General and administrative	2,185,948	251,826	5,484,707	434,582
Interest expense	(314,796)	1,258	1,388,813	4,928
Depletion and amortization	6,079,102	5,100	26,101,703	14,100
	<u>6,802,953</u>	<u>(5,566,581)</u>	<u>28,216,208</u>	<u>(9,590,196)</u>
Net Income (loss) before income tax	(4,046,405)	6,329,977	(10,927,852)	11,841,377
Income tax expense (recovery)	(1,743,650)	18,656	(7,637,355)	18,656
Net Income (loss)	(2,302,755)	6,311,321	(3,290,497)	11,822,721
Other Comprehensive Income				
Cumulative foreign currency translation adjustment	(29,987,643)	-	(11,743,111)	-
Available for sale assets fair value adjustment	9,635	-	(56,764)	-
	<u>(29,978,008)</u>	<u>-</u>	<u>(11,799,875)</u>	<u>-</u>
Comprehensive Income	\$ (32,280,763)	\$ 6,311,321	\$ (15,090,372)	\$ 11,822,721

See accompanying notes to the consolidated financial statements.

Storm Ventures International Inc.
Consolidated Statements of Changes in Retained Earnings and
Accumulated Other Comprehensive Income (Loss)

	Unaudited Three Months Ended September 30,		Unaudited Nine Months Ended September 30,	
	2009	2008	2009	2008
Retained Earnings, beginning of period	\$ 12,331,499	\$ 17,506,868	\$ 13,319,241	\$ 11,995,468
Net Income (Loss)	(2,302,755)	6,311,321	(3,290,497)	11,822,721
Retained Earnings, end of period	<u>\$ 10,028,744</u>	<u>\$ 23,818,189</u>	<u>\$ 10,028,744</u>	<u>\$ 23,818,189</u>
Accumulated Other Comprehensive Income (Loss), beginning of period	\$ 8,440,836	\$ -	\$ (9,737,297)	\$ -
Other Comprehensive Income				
Cumulative foreign currency translation adjustment	(29,987,643)	-	(11,743,111)	-
Available for sale assets fair value adjustment	9,635	-	(56,764)	-
Accumulated Other Comprehensive Income, end of period	<u>\$ (21,537,172)</u>	<u>\$ -</u>	<u>\$ (21,537,172)</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

Storm Ventures International Inc.
Consolidated Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Operating activities				
Net Income (loss)	\$ (2,302,755)	\$ 6,311,321	\$ (3,290,497)	\$ 11,822,721
Items not affecting cash				
Accretion (Note 7)	61,314	-	182,579	-
Depletion and Amortization	6,079,102	5,100	26,101,703	14,100
Unrealized derivatives (gain) loss	(151,107)	-	(2,511,660)	-
Dilution Gain	-	(4,660,639)	-	(8,747,325)
Foreign exchange (gain) loss	397,282	(1,322,333)	1,562,414	(1,550,014)
Shares issued	345,950	-	345,950	-
Stock-based compensation	450,827	-	1,910,075	-
Future income tax	(1,741,490)	-	(7,635,195)	-
Change in non cash working capital (Note 10)	(554,518)	(687,853)	(3,705,199)	1,137,995
Cash flow- operating activities	<u>2,584,605</u>	<u>(354,404)</u>	<u>12,960,170</u>	<u>2,677,477</u>
Financing activities				
Issue of share capital	-	31,588,126	-	31,588,126
Long term debt issue	-	9,585,754	-	9,585,754
Long term debt repayment	(3,603,180)	-	(7,317,580)	-
Proceeds from exercise of stock options	-	46,000	-	46,000
Share issue costs	-	(24,307)	-	(24,307)
Change in non cash working capital (Note 10)	46,039	-	100,505	(11,542)
Cash flow- financing activities	<u>(3,557,141)</u>	<u>41,195,573</u>	<u>(7,217,075)</u>	<u>41,184,031</u>
Investing activities				
Property and equipment - net	(2,140,897)	(43,123,667)	(13,427,730)	(62,833,590)
Proceeds on Dilution	-	8,270,507	-	8,270,507
Investment (Storm Gas Resources)	-	(1,040,010)	-	(1,040,010)
Investment (Other)	-	(74,837)	-	(74,837)
Change in non cash working capital (Note 10)	(901,692)	8,609,922	(874,648)	7,191,904
Cash flow – investing activities	<u>(3,042,589)</u>	<u>(27,358,085)</u>	<u>(14,302,378)</u>	<u>(48,486,026)</u>
Change in cash and cash equivalents, during the period	(4,015,125)	13,483,084	(8,559,283)	(4,624,518)
Cash and cash equivalents, beginning of period	19,329,427	31,023,434	24,365,171	49,131,036
Cash and cash equivalents, foreign exchange	(829,584)	-	(1,321,170)	-
Cash and cash equivalents, end of period	\$ 14,484,718	\$ 44,506,518	\$ 14,484,718	\$ 44,506,518

See accompanying notes to the consolidated financial statements.

STORM VENTURES INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009

1. BASIS OF PRESENTATION

Storm Ventures International Inc. (the “Company” or “SVI”) was incorporated under the laws of the Province of Alberta, Canada, on August 28, 2003.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

All dollar amounts are reported in Canadian Dollars, except where indicated.

2. ACCOUNTING POLICIES

Preparation of Financial Statements

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These consolidated financial statements have, in management’s opinion, been properly prepared within the framework of the accounting policies summarized below.

The consolidated financial statements include the accounts of Storm Ventures International Inc. and its subsidiaries after the elimination of intercompany balances and transactions.

Use of accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Specifically amounts recorded for depletion and amortization, asset retirement costs and obligations, fair value measurements and amounts used for ceiling test and impairment calculations are based on estimates. These estimates include crude oil and natural gas reserves, future interest rates and future costs required to develop these reserves as well as other fair value assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that mature within three months of their purchase. They are recorded at cost, which approximates fair value.

Inventories

Product inventories are valued at the lower of cost and net realizable value on a first-in, first-out basis.

Property and Equipment

A) Oil and Gas

The Company employs the full cost method of accounting for oil and gas interests whereby all costs of acquisition, exploration for and development of oil and gas reserves are capitalized and accumulated within cost centres on a country-by-country basis. Such costs include land acquisition, geological and geophysical activity, drilling of productive and non-productive wells, carrying costs directly related to unproved properties and administrative costs directly related to exploration and development activities.

Depletion of oil and gas properties and depreciation of associated production facilities are amortized on the unit of production method, based on gross proved oil and gas reserves using future prices and costs as estimated by the Company's engineers', for each cost centre. Capitalized costs subject to depletion include both the estimated future costs required to develop proved undeveloped reserves and the associated addition of the asset retirement obligations. Proceeds from the divestiture of properties are normally deducted from the full cost pool without recognition of a gain or loss unless that deduction would result in a change to the depletion rate by 20% or more, in which case a gain or loss is recorded.

Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded, on a cost centre basis, from the costs subject to depletion until it is determined whether or not proved developed reserves are attributable to the properties, or impairment has occurred. Costs that have been impaired are included in the costs subject to depletion and amortization.

Impairment losses are recognized when the carrying amount of a cost centre exceeds the sum of:

- the undiscounted cash flow expected to result from production from proved reserves based on forecast oil and gas prices and costs;
- the costs of unproved properties, less impairment; and
- the costs of major development projects, less impairment.

The amount of impairment loss is determined to be the amount by which the carrying amount of the cost centre exceeds the sum of:

- the fair value of proved and probable reserves calculated using a present value technique that uses the cash flows expected to result from production of the proved reserves and a portion of the probable reserves discounted using a risk free rate; and
- the cost, less impairment, of unproved properties and major development projects that do not have probable reserves attributed to them.

B) Office Furniture and Equipment

Office furniture and equipment are recorded at cost and amortized on a straight line basis over its expected useful life of 10 years.

C) Asset Retirement Obligation

The Company recognizes the fair value of the retirement obligation associated with tangible properties in the period in which this liability arises and when reasonable estimates of this fair value can be made. The fair value of the liability is calculated as the present value of the expected future costs of abandonment. The obligation is recorded as a other long-term liability with a corresponding increase to the carrying amount of property and equipment. The liability is increased through the accretion of interest up to the future amount of the liability with the charge for accretion being recorded as a production expense in the Company's consolidated financial statements. The addition to the carrying amount of property and equipment will be amortized. Actual costs incurred upon settlement of the abandonment obligation are charged against the liability.

Joint Operations

Certain of the Company's exploration and production activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

Investments

Investments in private companies not subject to significant influence are accounted for using the cost method. Investments held in publicly traded companies are recorded at fair value.

Income Taxes

Income taxes are calculated using the liability method of accounting for taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets and liabilities. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change to the tax rate on the future tax assets and liabilities is recognized in earnings when substantively enacted.

Non-monetary Transactions

Non-monetary transactions are measured based on fair value when there is evidence to support the fair value unless the transaction lacks commercial substance or is an exchange of product or property held for sale in the ordinary course of business.

Revenue Recognition

Revenue from sale of oil and gas is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred in a vessel, pipeline or other delivery mechanism.

Revenue is stated after deducting taxes and similar levies. Amounts paid to or received from counterparties in respect of commodity price hedges are also included in the consolidated income statement when the amounts are paid or received.

Investment revenue is recognised by applying the effective interest rate.

Foreign Currency Translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the determination of net income.

The Company operates in jurisdictions where the US dollar, UK sterling and the Tunisian dinar are the operating currencies. Where operations are considered to be financially and operationally integrated foreign currency balances are translated as follows:

- monetary assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date;
- non – monetary assets and liabilities are translated at historical rates; and
- income and expenses are translated at the average rate of exchange during the quarter they are recognized.

Any resulting foreign exchange gain or loss is included in the determination of net income.

The activities of the Company's subsidiaries that are considered to be self-sustaining are translated using the current rate method as follows:

- assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date; and
- income and expenses are translated at the average rate of exchange during the quarter they are recognized.

Any resulting foreign exchange gain or loss on the translation of self-sustaining operations is included in Other Comprehensive Income.

Stock Based Compensation

The Company has granted options to employees, directors, officers and key contractors to acquire common shares of the Company. These options are accounted for using the fair value method, which estimates the value of the options at the date of the grant using the Black-Scholes option pricing model. The fair value established is recognized as an expense over the life of the options with a corresponding increase to contributed surplus.

Financial Instruments

The Company uses derivative financial instruments from time to time to manage its exposure to commodity price fluctuations. The Company may choose at inception of the hedge to designate derivative financial instruments as hedges, which requires the Company to formally document the designation of the hedge, the risk management objectives, the hedging relationships and the method of for testing the effectiveness of the hedge, which must be assured over the term of the hedge. The Company is then required to formally assess, at inception and on an ongoing basis, whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is optional.

All financial instruments must initially be recognized at fair value on the balance sheet. Financial instruments must be classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale financial assets or other financial liabilities. Subsequent measurement of all financial assets and liabilities except those held for trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held for trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available for sale financial assets are measured at the fair value with changes in fair value recognized in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Derivative instruments that have been designated and qualify for hedge accounting are classified as either fair value or cash flow hedges. For fair value hedges, any gains or losses arising on fair value measurement of the derivative are recognized immediately in earnings along with the gain or loss on the hedged item. For cash flow hedges, the effective portion of gains or losses is recognized in Other Comprehensive Income until the hedged transaction is recognized in earnings, upon which the cash flow hedge is reclassified from Other Comprehensive Income into earnings. Any hedge ineffectiveness is immediately recognized in earnings.

The Company may enter into commodity price contracts for anticipated sales of crude oil and natural gas production to manage its exposure to price fluctuations. The Company marks these instruments to market prices and recognizes these

changes in fair value in derivatives (gain) loss in the consolidated statements of income (loss) and comprehensive income. Fair values of the derivatives are based on quoted market prices.

The statement of comprehensive income may report changes in fair value in derivatives designated as cash flow hedges and available for sale investments and foreign currency translation of financial statements of a self-sustaining foreign operation. Accumulated Other Comprehensive Income is an equity category in the balance sheet comprised of cumulative amounts of Other Comprehensive Income.

In October 2008 the Canadian Accounting Standards Board (“AcSB”) announced that private companies are exempt from the financial instruments standards. The Company has chosen to follow these standards.

Reclassification

Certain amounts presented for purpose of comparison have been reclassified to conform to the current period’s presentation.

Changes in Accounting Policies

On January 1, 2009, the Company adopted “Goodwill and Intangible Assets” section 3064 of the Canadian Institute of Chartered Accountants (“CICA”) handbook. The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, presentation and disclosure of intangible assets. The adoption of this standard had no impact on SVI’s consolidated financial statements.

Future Accounting Pronouncements

In February 2008, the AcSB confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace current Canadian GAAP for those enterprises. For the Company, IFRS will be effective for interim and annual periods commencing January 1, 2011, including the preparation and reporting of one year of comparative figures. The Company is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS and evaluating the impacts and implications from its conversion to IFRS. Over the period to 2011 the Company will assess the implications of converting to IFRS, estimate the impact, implement the changes and perform work to ensure the accuracy of opening balances. It is currently not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and related interpretations are changing.

As of January 1, 2011, SVI will be required to adopt the following CICA handbook sections:

- Section 1582 – Business Combinations, which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. The new guidance will require all costs of the acquisition to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the enterprise. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Section 1582 will be adopted with prospective application.
- Section 1601 – Consolidated Financial Statements, which will replace CICA section 1600 of the same name. This guidance requires consistent application of accounting policies throughout all consolidated entities. The adoption of this standard should have no impact on SVI’s consolidated financial statements.
- Section 1602 – Non-controlling Interests, which will replace CICA section 1600 Consolidated Financial Statements. This standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should have no impact on SVI’s consolidated financial statements.

The CICA in May 2009 amended Section 3862 – Financial Instruments – Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments are effective for the Company’s financial statement disclosure on December 31, 2009.

3. INVESTMENTS

The Company holds investments in the following companies:

	September 30, 2009	December 31, 2008
Storm Gas Resource Corp.	\$ 6,950,649	\$ 6,950,649
Otto Energy Limited	66,324	128,851
Total	\$ 7,016,973	\$ 7,079,500

The Company and Storm Exploration Inc. jointly formed Storm Gas Resource Corp. (“SGR”) to pursue unconventional gas opportunities on certain Storm Exploration Inc. lands with initial efforts to be focused on the Muskwa shale gas

play in the Horn River Basin of north-east British Columbia. In October 2009 the Company sold its interest in SGR. (see note 15).

Silverstone Energy Limited (“Silverstone”) has an interest in Otto Energy Limited. The shares held are listed investments registered in Australia and listed on the Australian Stock Exchange. This investment is an available for sale financial asset.

4. PROPERTY AND EQUIPMENT

The Company has incurred the following property and equipment costs as follows:

	September 30, 2009	December 31, 2008
United Kingdom	\$ 377,230,961	\$ 383,310,810
Tunisia	46,172,676	42,798,621
Office Furniture and Equipment	548,917	368,290
	423,952,554	426,477,721
Accumulated Depletion and Amortization	27,055,682	1,386,749
	\$ 396,896,872	\$ 425,090,972

Included in the above amount is \$1,583,622 (2008 - \$10,217,573) of capitalized interest and general and administrative costs.

Costs of oil and gas properties, excluded from costs subject to depletion and depreciation were as follows:

	September 30, 2009	December 31, 2008
United Kingdom	\$ 175,846,767	\$ 175,410,362
Tunisia	30,768,004	42,798,621
	\$ 206,614,771	\$ 218,208,983

5. CORPORATE ACQUISITIONS

On May 26, 2009, Silverstone acquired 100% of the share capital of Silverstone Exploration Limited (formerly NEW Southern Cross (UK) Pty Ltd), a company holding an interest in certain exploration and development licences. Silverstone paid \$2,425,000 Australian dollars. The results have been included in the consolidated financial statements of the Company from the acquisition date.

The allocation of the purchase price based on the estimated fair value of Silverstone Exploration Limited on its acquisition date was as follows:

	GBP	Cdn\$
Net assets acquired		
Working capital	£ (34,349)	\$ (61,305)
Property and equipment	1,201,246	2,144,104
Total including transaction costs	£ 1,166,897	\$ 2,082,799

On December 24, 2008, the Company acquired all of the issued and outstanding shares of Silverstone not already indirectly owned by it in exchange for 34,628,863 common shares of the Company, issued at a price of \$6.25 per share. Prior to the acquisition the Company held an investment of 33.15% in Silverstone, a company incorporated in Scotland which had been accounted for on a proportionate consolidation basis. The results of Silverstone are included in the consolidated financial statements of the Company from its acquisition date.

The allocation of the purchase price based on the estimated fair value of Silverstone on its acquisition date was as follows:

	Cdn\$
Net assets acquired	
Cash	\$ 3,060,257
Working capital	283,535
Property and equipment	311,555,486
Investments	86,137
Current portion Long-term debt	(14,356,171)
Long-term debt	(10,767,128)
Future Income tax	(63,060,804)
Other Long-term liabilities	(8,870,918)
Total including transaction costs	\$ 217,930,394

6. LONG-TERM DEBT

Total long-term debt at September 30, 2009 of \$28,997,020, including amounts due within one year of \$18,359,060 comprised of debt of Silverstone or with the Royal Bank of Scotland ("RBS"). Silverstone signed a £30.0 million Borrowing Base Agreement of which £16.9 million had been drawn down and £21.0 million represents the maximum borrowing base. The secured facility was obtained for the purpose of developing the Victoria gas field. The interest rate is based on LIBOR plus 1.50% and the loan matures at the earlier of June 2015 or the date on

which the reserves are projected to be 25% or less of the approved borrowing base reserves.

7. OTHER LONG-TERM LIABILITIES

Asset Retirement Obligation

	September 30, 2009	December 31, 2008
Beginning of year	\$ 12,987,126	\$ 422,700
Provision	-	3,788,627
Acquired on acquisition of Silverstone	-	8,681,895
Revision	-	(44,393)
Cumulative foreign currency adjustment	(543,186)	-
Accretion	182,579	138,297
End of period	\$ 12,626,519	\$ 12,987,126

Asset retirement obligation represents the Company's share of the decommissioning costs of two Silverstone wells. The provision has been based upon existing technology, current legislation requirements and discounted using a rate of 10%.

In addition to the foregoing, there is a long-term liability of \$270,590 (2008 - \$282,759) which relates to taxes on Silverstone's share option arrangement.

8. COMMITMENTS

At September 30, 2009, the Company had commitments that require the following minimum future payments:

(000's)	2009	2010	2011	2012	2013	Total
Long-term debt and interest	\$ 5,276	\$ 24,446	\$ -	\$ -	\$ -	\$ 29,722
Operating leases	152	597	606	616	616	2,587
Engineering and construction commitments	1,604	-	-	-	-	1,604
Total	\$ 7,032	\$ 25,043	\$ 606	\$ 616	\$ 616	\$ 33,913

The Company has no claims and litigation arising in the normal course of business.

9. SHARE CAPITAL

Authorized:

An unlimited number of common shares.

An unlimited number of first preferred shares.

Issued and outstanding:

	Number of Common Shares	Consideration
Balance as at December 31, 2007	33,479,627	\$ 90,950,271
Shares issued to employees and directors	71,100	355,500
Shares issued for asset purchase	325,000	502,250
Shares issued on acquisition of Silverstone	34,628,863	216,430,394
Private placement	5,054,100	31,588,126
Options exercised	40,000	58,105
Less: Issue costs		(27,418)
Balance as at December 31, 2008	73,598,690	\$ 339,857,228
Shares issued to employees and directors	125,800	345,950
Options exercised	-	-
Less: Issue costs		-
Balance as at September 30, 2009	73,724,490	\$ 340,203,178

Stock Based Compensation Plan

The Company has a share option plan pursuant to which options to purchase common shares of the Company may be granted to employees, directors, officers, and key contractors of the Company. The number of options granted pursuant to the share option plan may not exceed ten percent of the issued and outstanding common shares of the Company. The outstanding options of the Company are exercisable for a period of five years and vest over a period of three years.

Modification of stock options

In July 2009 the Board of Directors reviewed the long term compensation component of the Company's stock compensation plan. The review resulted in the Board of Directors deciding to provide current optionee's, with exercise prices of \$3.85 to \$6.25 with a proposal to terminate and cancel their current options and reissue 80% of the previous number of common shares subject to option at a new exercise price of \$2.75. The total number of options cancelled under this program was 3,321,000 with a subsequent re-issue of 2,656,800. Using the Black-Scholes pricing model, the weighted average fair value of the options re-issued in July 2009 was estimated to be \$0.25 using risk-free interest rates of 1.0%, volatility of 0.40 and an expected average life of five years. These options vest over a period of three years.

A summary of options outstanding is as follows:

Balance as at December 31, 2007	2,300,000
Granted during the year	1,830,000
Exercised during the year	(40,000)
Forfeited during the year	-
Balance as at December 31, 2008	4,090,000
Granted during the period	3,306,800
Exercised during the period	-
Forfeited during the period	(3,321,000)
Balance as at September 30, 2009	4,075,800

	September 30, 2009	December 31, 2008
Weighted average exercise price	\$1.15	\$4.38
Average remaining life	4.3 years	3.8 years
Number exercisable at end of period	465,000	1,260,000
Option price	\$0.01 - \$2.75	\$0.01 - \$6.25

Range of Exercise Price	Outstanding Options			Options Exercisable	
	Options Outstanding (thousands)	Weighted Average Exercise Prices	Weighted Average Remaining Life	Options Outstanding (thousands)	Weighted Average Exercise Prices
\$0.00-1.15	769	\$ 0.70	2.2	465	\$ 1.15
\$2.00-2.75	3,307	\$ 2.75	4.8	-	-
	4,076	\$ 2.36	4.3	465	\$ 1.15

Using the Black-Scholes pricing model, the weighted average fair value of the options granted in 2009, excluding the modification was estimated to be \$0.20 using risk-free interest rates of 1.0%, volatility of 0.40 and an expected average life of five years. The amortized cost of the options is included in general and administrative costs in 2009.

Using the Black-Scholes pricing model, the weighted average fair value of the options granted in 2008 was estimated to be \$1.77 using risk-free interest rates of 1.6%, volatility of nil and an expected average life of five years. The amortized cost of the options was included in capitalized general and administrative costs in 2008, with an equivalent allocation to contributed surplus.

The charge for the nine months ended September 30, 2009 was \$1,910,075 (September 30, 2008 – \$538,429).

10. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital:

	Nine Months ended September 30,	
	2009	2008
Accounts receivable & prepaid charges	\$ 4,520,579	\$ (2,600,027)
Accounts payable	(8,999,921)	10,918,384
Changes in non-cash working capital	\$ (4,479,342)	\$ 8,318,357
Relating to:		
Financing activities	\$ 100,505	\$ (11,542)
Investing activities	(874,648)	7,191,904
Operating activities	(3,705,199)	1,137,995
	\$ (4,479,342)	\$ 8,318,357

b) Other cash flow information:

	Nine Months ended September 30,	
	2009	2008
Cash taxes paid	\$ -	\$ -
Cash interest paid	\$ 3,390,481	\$ 801,948

11. DILUTION GAIN

In July of 2008, SGR, which the Company has an investment in completed a private placement in the amount of \$40,300,000. The Company participated in the private placement to the extent of \$1,040,010 (200,000 shares) reducing its ownership position from 44.2% to 15.9%. As the shares issued were sold at a price greater than the per share price of the Company's initial investment, the Company recognized a dilution gain of \$4,660,639 in 2008.

In June of 2008, the Company's affiliate, Silverstone, completed a private placement in the amount of £26,250,000, before expenses. Although the Company participated in the private placement to the extent of £3,412,500, (650,000 shares) the terms of the private placement were such that the Company's ownership position was reduced from 37.04% to 33.15%. As the shares issued under the private placement were sold at a price greater than the per share price of the Company's prior investment, the Company recognized a dilution gain of \$4,086,686 in 2008.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried at fair value on the Company's balance sheet include cash and cash equivalents and publicly traded investments. The Company's other financial instruments including accounts receivable, non-publicly traded investments, accounts payable and accrued liabilities and long-term debt are carried at cost or amortized cost. There are no significant differences between the carrying value of these instruments and their estimated fair value. The carrying value of the Company's short-term receivables and payables approximates their fair value because the instruments are near maturity.

These financial instruments expose the Company to the following risks:

- credit risk;
- interest rate 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 establishing the Company's risk management framework.

Credit risk

A substantial portion of the Company's accounts receivable are concentrated with a limited number of 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 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.

Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. The Company's primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. Given the amount of debt employed, the Company's strategy is to manage interest rate risk within the current framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are as follows and are largely outside of the control of the Company:

- commodity prices; and
- foreign exchange.

Commodity prices

The Company is constantly exposed to the risk of declining commodity prices. At September 30, 2009 Silverstone had forward commodity price contracts for a period of one year from January 1, 2009 on gas production from the Victoria field as follows:

	Gas Production	Floor	Ceiling	Term
Contract 1	2,172 Mcf	60p/therm	70p/therm	2009
Contract 2	1,191 Mcf	45p/therm	55p/therm	2010

The estimation of the fair value of the commodity contract incorporates forward prices, which are received from a financial institution to ensure reasonability. The fair value of the contract at September 30, 2009 is \$5,449,684. Gains on the derivative for the nine months of 2009 of \$9,618,955 have been recognized as derivatives (gain)/loss in the consolidated statements of income (loss) and comprehensive income.

Foreign exchange

Although the Company's capital expenditures are denominated in United States dollars or Great British Pounds, the underlying market prices are affected by the exchange rate between the Canadian and the United States dollar or Great British Pound. The Company's oil revenue's are received in United States dollars and the Company's gas revenues are received in Great British pounds. An increase in the value of the Canadian dollar relative to the United States or Great British pound will decrease the revenues received. Correspondingly, a decrease in the value of the Canadian dollar relative to the United States or Great British pound will increase the revenues received from the sale of oil and gas commodities.

Liquidity risk

Liquidity difficulties would emerge if the Company was unable to meet its financial obligations as they fell due within normal credit terms. The Company prepares annual budgets, which are monitored and updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital. Generally the Company will, over a reasonable period of time, limit its capital programs to available funds. The Company frequently evaluates the options available, with respect to sources of short and long term capital resources.

The following are the contractual maturities of financial liabilities as at September 30, 2009:

(000's)	Within 1 year	1 to 2 years	2 – 4 years	Thereafter
Long-term debt and interest	\$ 18,616	\$ 11,106	\$ -	\$ -
Accounts Payable	4,950	-	-	-
Total	\$ 23,566	\$ 11,106	\$ -	\$ -

13. CAPITAL DISCLOSURES

Capital management is fundamental to the Company's objective to create value and provide returns to its shareholders through being a profitable small project niche exploiter in the upstream energy business outside of conventional resources in Western Canada. The Company's capital comprises shareholders' equity and debt. 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. The Company has no externally imposed capital requirements.

14. SEGMENTED INFORMATION

The Company's operating and reportable segments are as follows:

- **Tunisia** includes the Company's exploration for and development and production of oil and natural gas and other related activities within the Tunisian cost centre.
- **UKCS** includes the Company's exploration for and development and production of natural gas and NGLs and other related activities within the UKCS cost centre.
- **Corporate**

Segment and Geographic Information

Property and Equipment and Total Assets by Segment

(000's)	Tunisia		UKCS		Corporate		Consolidated	
	Sept 30, 2009	Dec. 31, 2008	Sept 30, 2009	Dec. 31, 2008	Sept 30, 2009	Dec. 31, 2008	Sept 30, 2009	Dec. 31, 2008
As at								
Capital Expenditures	\$ 4,151	\$ 22,549	\$ 9,136	\$ 344,933	\$ 141	\$ 128	\$ 13,428	\$ 367,610
Property and Equipment - net	\$ 45,951	\$ 42,905	\$ 350,619	\$ 381,970	\$ 327	\$ 216	\$ 396,897	\$ 425,091
Total Assets	\$ 50,356	\$ 47,680	\$ 361,491	\$ 398,914	\$ 18,034	\$ 22,959	\$ 429,881	\$ 469,553

Results of Operations

(000's)	Tunisia		UKCS		Corporate		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Three months ended September 30,								
Production revenues, net of royalties	\$ 512	\$ -	\$ 2,147	\$ 552	\$ -	\$ -	\$ 2,659	\$ 552
Interest income and other	68	-	24	141	5	70	97	211
	580	-	2,171	693	5	70	2,756	763
Expenses								
Production expenses	294	-	818	158	-	-	1,112	158
Derivatives (gain) loss	-	-	(3,045)	-	-	-	(3,045)	-
Dilution gain	-	-	-	-	-	(4,660)	-	(4,660)
Foreign exchange	316	14	435	(1,336)	35	-	786	(1,322)
General and administrative	763	-	122	-	1,301	251	2,186	251
Interest expense	12	-	(328)	-	1	2	(315)	2
Depletion and amortization	188	-	5,881	-	10	5	6,079	5
	1,573	14	3,883	(1,178)	1,347	(4,402)	6,803	(5,566)
Net Income (loss) before income taxes	(993)	(14)	(1,712)	1,871	(1,342)	4,472	(4,047)	6,329
Current income taxes	-	-	(2)	19	-	-	(2)	19
Future income taxes	-	-	(1,742)	-	-	-	(1,742)	-
Net Income (loss)	\$ (993)	\$ (14)	\$ 32	\$ 1,852	\$ (1,342)	\$ 4,472	\$ (2,303)	\$ 6,310

(000's)	Tunisia		UKCS		Corporate		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Nine months ended September 30,								
Production revenues, net of royalties	\$ 1,115	\$ -	\$ 16,036	\$ 1,383	\$ -	\$ -	\$ 17,151	\$ 1,383
Interest income and other	70	-	17	610	51	258	138	868
	1,185	-	16,053	1,993	51	258	17,289	2,251
Expenses								
Production expenses	485	-	4,161	253	-	-	4,646	253
Derivatives (gain) loss	-	-	(9,619)	-	-	-	(9,619)	-
Dilution gain	-	-	-	(4,087)	-	(4,660)	-	(8,747)
Foreign exchange (gain) loss	611	35	(437)	(1,609)	40	24	214	(1,550)
General and administrative	606	7	1,135	-	3,744	428	5,485	435
Interest expense	15	-	1,369	-	5	5	1,389	5
Depletion and amortization	369	-	25,704	-	29	14	26,102	14
	2,086	42	22,313	(5,443)	3,818	(4,189)	28,217	(9,590)
Net Income (loss) before income taxes	(901)	(42)	(6,260)	7,436	(3,767)	4,447	(10,928)	11,841
Current income taxes	-	-	(2)	19	-	-	(2)	19
Future income taxes	-	-	(7,635)	-	-	-	(7,635)	-
Net Income (loss)	\$ (901)	\$ (42)	\$ 1,377	\$ 7,417	\$ (3,767)	\$ 4,447	\$ (3,291)	\$ 11,822

15. SUBSEQUENT EVENT

On October 6, 2009 the Company sold the common shares it held in Storm Gas Resources Corp. for net proceeds of \$8,859,500.

CORPORATE INFORMATION

DIRECTORS

Matthew J. Brister
Robert C. Cook
P. Grant Wierzba
John A. Brussa
Simon Munro
Stuart G. Clark
Raymond I. Woods

SENIOR MANAGEMENT

Matthew J. Brister
President & C.E.O.

P. Grant Wierzba
Vice President, Operations & Director

Roy Smitshoek
Vice President, Engineering & C.O.O.

Thomas N. Lindskog
Vice President, Exploration

L. Geoffrey Barlow
Vice President, Finance & C.F.O.

SOLICITORS

Burnet, Duckworth & Palmer LLP, Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP, Calgary, Alberta

RESERVE ENGINEERS

Sproule Associates Limited
Paddock Lindstrom & Associates Ltd.

BANKERS

CIBC, Oil & Gas Group, Calgary, Alberta
Royal Bank of Scotland, London, UK

REGISTRAR & TRANSFER AGENT

Alliance Trust Company, Calgary, Alberta

EXECUTIVE OFFICES

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Website: www.stormventuresinc.com

ABBREVIATIONS

API	American Petroleum Institute
Bcf	Billions of cubic feet
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day
Bbls	Barrels
Bbls/d	Barrels per day
BOIP	Barrels of original oil in place
DGE	Direction Générale de l'Énergie
ETAP	Entreprise Tunisienne D'Activités Pétrolières
£GBP	Great Britain Pound
GIP	Gas in place
GOR	Gas-oil ratio
LIBOR	London Interbank Offered rate
Mbbls	Thousands of barrels
Mmbbls	Millions of barrels
Mmscf/d	Million standard cubic feet per day
Mboe	Thousands of barrels of oil equivalent
Mmboe	Millions of barrels of oil equivalent
Mcf	Thousands of cubic feet
Mcf/d	Thousands of cubic feet per day
Mmcf	Millions of cubic feet
Mmcf/d	Millions of cubic feet per day
NAV	Net Asset Value
p/therm	Pence per therm
RBS	Royal Bank of Scotland
SNS	Southern North Sea
STOOIP	Stock Tank Original Oil In Place
Therm	British Thermal Unit
UKCS	United Kingdom Continental Shelf

CONVERSION

Six thousand cubic feet (Mcf) of natural gas equals one barrel of oil equivalent.

One British thermal unit (therm) equals 10.27 thousand cubic feet (Mcf) of natural gas.

100 Pence equal 1 Great Britain Pound.