MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2010

The consolidated financial position and results of operations include the accounts of the Company's controlled subsidiaries, which include:

- Storm Ventures International (BVI) Limited – a private company that holds the Company's interests in the two following companies:
    - Bridge Energy ASA ("Bridge Energy") (formerly Silverstone Energy Limited ("Silverstone") – a private United Kingdom company that holds the Company's 55.1% interests in the North Sea.
    - Storm Ventures International (Barbados) Limited – a private company that holds the Company's interests in Tunisia.
    - Storm Ventures International (Cosmos) Limited – a private company that holds the Company's interests in the Cosmos offshore property.
    - Talisman Resources (Tunisia) Ltd. – a private company that holds the Company's interests in the Adam concession and Borj El Khadra Permit.
- Chinook Energy Limited ("Chinook") – a private company that was established to hold the Company's interests in its Canadian properties.
- Chinook Energy Partnership – a partnership established between SVI and Chinook to participate in Canadian operations.

The financial information contained herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All comparative percentages are between the periods ended March 31, 2010 and 2009 and all amounts are expressed in thousands of Canadian dollars except per share and per unit amounts, unless otherwise noted.

Statements throughout this report that are not historical facts may be considered "forward-looking statements". Investors should read the special note regarding forward-looking statements found in Section 14.

1. SVI Business Overview

SVI is a private Canadian oil and natural gas exploration and production company with current operations focused in Canada, North Africa and the North Sea, UK managed from offices in Calgary, Tunisia and Aberdeen. The Company is headquartered in Calgary, Alberta, Canada.

SVI'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.
- **North Sea, UK** – includes the Company's exploration for and development of natural gas and NGL's and other related activities within the UK cost centre.
- **Canada** – includes the Company's exploration for and development of natural gas and NGLs and other related activities within the Canadian cost centre.
- **Corporate** – mainly includes general and administrative costs in Canada and assets held corporately.

All of the Company's production is sold to third-party customers. Segmented financial information is presented on an after elimination basis.

The current economic environment is challenging and uncertain amidst a global recession with low commodity prices, a volatile financial market, and limited access to capital markets. The operational and financial risk factors that may impact the Company are included in Section 5 of this MD&A.

2. Financial Summary

2.1. Financial and Operating Results

	Three Months Ended March 31		
($ thousands)	**2010**	2009	% change
Sales and Prices			
Oil sales *(Bbl/d)*	**307**	-	-
Natural gas & NGL sales *(mcf/d)*	**17,339**	12,900	34
Average daily sales 6:1 *(Boe/d)*	**3,196**	2,150	49
Average oil price *($/Bbl)*	**76.75**	-	-
Average natural gas & NGL price *($/mcf)*	**5.74**	9.34	(39)
Financial operations *($ thousands)*			
Oil, gas & NGL revenue, net of royalties	**9,554**	10,064	(5)
Cash flow [(1)]	**2,386**	5,617	(58)
Per share-basic and diluted [(1)]	**$ 0.03**	$ 0.08	(67)
Net income/(loss)	**(11,902)**	(2,975)	300
Per share-basic and diluted	**$ (0.13)**	$ (0.04)	214
Capital expenditures [(2)]	**207,055**	6,394	3,138
Working capital (deficit)	**36,699**	(171)	(21,561)
Total assets	**710,524**	496,278	43
Common Shares *(thousands)*			
Weighted average during period			
- basic			
- diluted	**93,851**	73,599	28
Outstanding at period end	**93,851**	73,599	28
- basic	**122,987**	73,599	67
- diluted	**128,937**	77,689	66

[(1)] *Cash flow is a non-GAAP measurement and is defined under the Non-GAAP Measures section of this MD&A.*
[(2)] *Excludes capitalized costs relating to foreign currency translation and asset retirement obligations incurred during the period.*

2.2. Financial Highlights

Cash flow of $2.4 million ($0.03 per share) for the first quarter in 2010 represents a 58% decrease over the same period in 2009.

The net loss for the three months ended March 31, 2010, increased to $11.9 million mainly as a result of higher depletion over the comparable in 2009.

Overall total assets increased 43% as a result of the acquisition of the Canadian producing assets from a senior producer and the Company's ownership in the transaction between Silverstone and Bridge Energy.

Future capital spending on the Canadian and international properties may be funded by the excess of cash flows from operating activities, through additional debt, the issuance of equity, or property dispositions.

Cash and cash equivalents at March 31, 2010, totaled $75.6 million compared with $38 million at March 31, 2009. Included in cash and cash equivalents is $54.8 million associated with Bridge Energy in which the Company holds a 55.1% ownership interest. The offset to this consolidated balance is reflected in the Non-Controlling Interest amount included in the equity section of the consolidated balance sheet.

As at March 31, 2010, the Company had combined current and long-term bank debt of $47 million compared with $36 million at March 31, 2009. Bank debt at March 31 was as follows:

	Three Months Ended March 31	
($ thousands)	**2010**	2009
Société Générale - current portion	**29,414**	-
Royal Bank of Scotland	**7,447**	21,626
Royal Bank of Scotland	**10,179**	14,418
Total	**47,040**	36,044

The Société Générale credit facility represents a secured facility obtained for the purpose of acquiring Canadian oil and natural gas assets and general corporate purposes. It is composed of a revolving credit facility to a maximum of $50 million and an operating facility to a maximum of $5 million.

The Royal Bank of Scotland loan represents a secured facility obtained for the purpose of developing the Victoria gas field in the North Sea.

2.3. Operational Performance

- Production for the first quarter in 2010 of 3,196 boe/day, a 49% increase over the same period in 2009, reflected one month of Canadian operations plus the international operations.
- Production revenue, net of royalties of $9.6 million for the first quarter of 2010 represents a 5% decrease from the same period in 2009.

2.4. Growth Highlights

For the interim period ended March 31, 2010, the Company focused on the following projects, and has set the foundation for additional projects for the remainder of the year to achieve its strategic objectives:

North Sea, UK

Victoria – This field remained the primary cash generator for the UK business and averaged production of 1,491 boe/d for the first quarter in 2010.

Vulcan East and Cobra – There was not much progress on the Vulcan East field or the Cobra discovery during this interim period.

Overall, there has been minimal change in the UK operations while the Company assisted in the negotiations for the transaction between Silverstone and Bridge Energy.

Tunisia

Sud Remada – During the three months ended March 31, 2010, the Company increased its working interest in the producing area from 71% to 86% effective February 2010 through the purchase of working interests from a partner. Production from the TT-2 discovery well continued on pace with management's expectations. An additional well, TT-3, is planned for the latter half of 2010.

Jenein – During 2009, a partner confirmed their commitment to funding 70% of the well cost with SVI retaining a 65% operated interest in the JC #1 well. The well, a 4,400m well with an estimated completion cost of USD $11 million, was spud on May 27, 2010.

Fushia – Final planning for the drilling of the well was completed during the quarter and the rig was on location and spud May 19, 2010.

Adam – During the quarter, the Company completed the acquisition of its 5% working interest is the concession which produced just over 14,000 boe/d (gross) in the month of February 2010. The operational results have been included is the consolidated results since March 11, 2010.

Canada

The Company closed its acquisition of its Western Canadian assets on March 1, 2010. The assets are located predominantly in west central Alberta and eastern British Columbia. They have low declines and produce liquids-rich natural gas, primarily. The assets are split approximately 50% operated and 50% non-operated. They produced an average of 4,843 boe/d for the month of March 2010.

3. Capabilities to Deliver Results

3.1. Governance

Board Role

The principal role of SVI's Board of Directors is to act as stewards of the Company. Their primary objective is the protection and enhancement of shareholder value and, by consequence, the value of the Company's assets. The Board of Directors of SVI has the ultimate responsibility with respect to the business and affairs of the Company. The Board oversees the conduct of the business and the Company's management develops and executes the long term strategy and conducts the Company's day-to-day business.

The Board also ensures that processes and systems are in place to manage risk and, in partnership with the Company's management, ensures transparency and conformity in the areas of regulatory compliance, environmental, health and safety policies and financial practices and reporting.

Board and Committee Independence

The Board of Directors discharges some of its responsibilities through one committee - Audit Committee. The Audit Committees is composed entirely of independent directors. The mandate and responsibilities of the Board of Directors are reviewed on an annual basis to reflect changes in the business environment and new legislation.

3.2. Liquidity

It is not possible to predict, with any degree of confidence, future commodity prices given the economic environment and uncertainties relating to the existing global recession and its impact on the demand for natural gas and crude oil. Should current conditions continue cash flow will be affected and will impact our ability and timing to develop proved and probable undeveloped reserves necessary to maintain or achieve production growth.

The following table shows how the Company financed its business activities:

	Three Months Ended March 31	
($ thousands)	**2010**	2009
Net Cash from (used in)		
Operating activities	**(6,608)**	11,449
Financing activities	**191,059**	(1,800)
Investing activities	**(115,529)**	4,010
Foreign exchange, cash and cash equivalents	**(1,324)**	32
Increase (decrease) in cash and cash equivalents	**68,921**	13,691

At March 31, 2010, the Company had cash and cash equivalents of $75.6 million, held in current accounts predominantly located in Canada and UK. $54.8 million of the balance relates to the private placement that was conducted by Bridge Energy on March 30, 2010. SVI's ownership of Bridge Energy was reduced to 55.1% during the quarter such that SVI continues to consolidate Bridge Energy, but a non-controlling interest portion for the remaining 44.9% ownership is reflected in equity on the consolidated balance sheet.

As at March 31, 2010, the Company had a $36.7 million working capital surplus, largely attributable to the consolidated cash balances in Bridge Energy. As is typical in the oil and gas industry, there is a timing difference between cash receipts from sales transactions and partners share of capital costs and payments of trade payables. SVI anticipates that it will continue to meet the payment terms of its suppliers.

The Company completed two private placements during the first quarter of 2010 for gross proceeds of $164 million. The first one closed in January at a price of $3.00 per share and gross proceeds of $13.5 million. The second placement closed in March in conjunction with the acquisition of certain Canadian oil and gas properties. The shares were issued at a price of $3.50 per share and gross proceeds of $150 million.

At March 31, 2010, outstanding long-term debt totaled $47.04 million including the current portion amounts due compared with $36.03 million at March 31, 2009 and $19.3 million at December 31, 2009. Silverstone has a £30.0 million borrowing base agreement in place, of which £11.4 million has been drawn down and £21.0 million represents the maximum base accessible. On February 24, 2010, SVI completed a bank financing to facilitate closing the acquisition of the Canadian oil and natural gas properties and for general corporate purposes. The total credit facility available is $55.0 million, consisting of a $50.0 million revolving credit facility and a $5.0 million operating facility. At March 31, 2010, SVI had drawn $29.4 million on the total facility. SVI anticipates it will have adequate liquidity to fund its financial liabilities as repayments come due.

SVI has a bias toward conservatively financing operations under normal industry conditions, by utilizing equity financing and internally generated cash flow, to offset the inherent risks of domestic and international oil and gas activities. From time to time, the Company may access the capital markets for new equity to supplement internally generated cash flow to finance its growth plans. Periodically, these markets may not be receptive to offerings of new equity from treasury, whether by way of private placement or public offerings. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. On May 3, 2010, the Company announced its intention to purchase all of the issued and outstanding shares of Iteration Energy Ltd. ("Iteration"). Associated with the purchase the Company has a committed investor to subscribe for a private placement of $125 million. As well, the Company has been able to negotiate an increase in its credit facility and an additional $175 million bridge loan. These proposed funds demonstrate the Company's ability to secure and manage its liquidy to cover its commitments and operations.

The Company will fund its future obligations associated with general commitments and future development costs on the oil and natural gas properties from the cash flow generated from the Canadian operations with respect to the debt component and cash flow from the Tunisian operations and the new credit facility as to the capital program and general operations.

Contractual Obligations

In the normal course of business, SVI is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable.

($ thousands)	2010	2011-12	2013-14	Thereafter	Total
Long-term debt and interest	$ 37,048	$ 10,433	$ -	$ -	$ 47,481
Operating leases	654	1,285	554	694	3,187
Engineering and construction commitments	1,123	-	-	-	1,123
Total	$ 38,824	$ 11,718	$ 554	$ 694	$ 51,791

4. Strategic Plan and Outlook

4.1. 2010 Guidance

The global economy continues to be tumultuous as uncertainty exists within the European community and commodity prices falter. SVI has continued to be a prudent operator and fiscally responsible corporate citizen by maintaining a conservative capital structure, production growth from low risk development opportunities, and a pursuit of high-impact exploration activity through promoted partner participation.

SVI's capital program during 2010 will be funded primarily by cash generated from operating activities, funding from private equity placements in 2010 and bank financing. SVI's operations have a relatively high degree of fixed costs and relatively low royalty and tax rates. This provides the Company with a high netback per barrel for incremental production, and makes the cash from operating activities sensitive to variations in commodity prices. Management has reviewed the Company's financial prospects under numerous market conditions, commodity price scenarios and drilling success rates. This review has enabled SVI to prioritize capital expenditures. The Company's current strategic direction by business segment is as follows:

North Sea, UK

During the quarter, the Company assisted with the completion of the business combination between its indirect wholly-owned subsidiary Silverstone and Bridge Energy. Subsequent to March 31, 2010, the Company proceeded to make the arrangements to distribute all of the shares in Bridge Energy received in the business combination to existing SVI shareholders. Such distribution will be completed prior to June 30, 2010.

Tunisia

So far in 2010, the Company has closed two acquisitions in Tunisia: (a) the acquisition of a 15% interest in the Sud Remada block from a partner resulting in the Company now holding an 86% interest in the block and (b) the acquisition from a major producer of a 5% interest in the Adam concession, a producing oil concession with exposure analogous to the Jenein play.

For the rest of 2010, on the Sud Remada block, the Company intends to drill two appraisal wells and one exploration well, as included in the Plan of Development submitted to the Tunisian authorities. In the second quarter of 2010, the Company plans to spud both the JC1 well and the Fushia well. Economic review of the Cosmos and Yasmin concessions will continue in 2010 as the Company considers its time and funding constraints.

Western Canadian Assets

On March 1, 2010, the Company closed the acquisition of oil and natural gas properties located in West Central Alberta. This acquisition has repositioned the Company to include a growth platform in Western Canada. The Company is reviewing the exploitation potential associated with the assets through the application of new technology in order to expose untapped potential. While approximately 50% of the assets are operated and the remainder are non-operated with industry partners, the Company is optimistic it can work with its partners to realize the available potential.

On April 27, 2010, the Company signed an agreement to acquire oil and natural gas properties also located in west central Alberta for $46.25 million. This acquisition is expected to close in late June.

Subsequent to March 31, 2010, the Company also entered into a farm-in agreement with an industry partner to participate in the drilling of four wells in the Lake Alma area of Saskatchewan. The wells are targeting the Bakken formation. The Company has agreed to pay 40% to earn 40% subject to a non-convertible gross overriding royalty on the first three test wells and 24% on the fourth test well.

On May 3, 2010, the Company entered into a definitive agreement with Iteration Energy Ltd ("Iteration") to complete a business combination pursuant to a plan of arrangement. The completion of this transaction, which is scheduled for late June, would be SVI's third foray into the Canadian producing asset market and would result in SVI having a more balanced commodity mix and a higher operatorship percentage in its assets.

4.2. 2010 Actual Results

(all amounts expressed in $Cdn unless otherwise noted and volume amounts)	Three Months Ended March 31
Pricing	
Crude Oil - Brent *($US/Bbl)*	**76.94**
Natural Gas - International *($US/mmbtu)*	**5.04**
$US/$Cdn Exchange Rate	**1.0409**
Capital Expenditures [1] *($Cdn '000s)*	
Tunisia *($)*	**29,578**
North Sea, UK *($)*	**1,056**
Canada *($)*	**176,241**
Corporate *($)*	**180**
Production	
Oil *(Bbl/d)*	**307**
Natural Gas & NGL *(mcf/d)*	**17,339**
Total *(Boe/d)*	**3,196**
Financial Metrics *($Cdn)*	
Operating Netback per Boe [2] *($/boe)*	**24.54**
Cash Flow [2] *($Cdn '000s)*	**2,386**
Cash Flow per share [2] *($)*	**0.03**

[1] *Excludes capitalized costs relating to foreign currency translation incurred during the period.*
[2] *Operating Netback and Cash flow are non-GAAP measurement defined in the Non-GAAP Measures section of this MD&A.*

5. Business Environment Analysis

5.1. Commodity Prices

The Company's oil production from the Sud Remada permit in the Ghadames Basin of Southern Tunisia. The price paid for oil in Tunisia is based on the average price for Brent oil sold in the Mediterranean during the three days after loading onto tankers.

While hedging activities may have opportunity costs when realized prices exceed hedged pricing, such transactions are not meant to be speculative and are considered within the broader framework of financial stability and flexibility. Management continuously reviews the need to utilize such financing techniques. At March 31, 2010, Bridge Energy had the following contracts in place on natural gas production from the Victoria Field:

	Gas Production	Floor	Ceiling	Term
Contract 1	1,191 Mcf	45p/therm	55p/therm	March 2010 to December 2010
Contract 2	1,191 Mcf	40p/therm	47p/therm	October 1, 2010 to December 31, 2011

At March 31, 2010, and pursuant to the acquisition of the western Canadian assets during the quarter, the Company entered into the following commodity price contracts on natural gas production with the following terms:

	Volume	Sell Call	Buy Put	Term
Natural Gas - Contract 1	6,400 GJ/day	$5.00/GJ	$5.41/GJ	March 2010 to December 2010
Natural Gas - Contract 2	4,500 GJ/day	$5.00/GJ	$6.40/GJ	January 2011 to December 2011
Natural Gas - Contract 3	3,800 GJ/day	$5.00/GJ	$7.70/GJ	January 2012 to March 2012

5.2. First Quarter 2010 Sensitivities

SVI's financial performance is affected by factors such as changes in commodity prices, exchange rates and interest rates. The estimated impact of these factors on the Company's financial performance for the first quarter of 2010 is summarized in the following table, based on an approximate Brent oil price of Cdn $72.71/bbl, a British NBP natural gas price of Cdn $4.22/mcf and an exchange rate of $US = $Cdn 1 = 0.95.

($ thousands, except per unit amounts)	Three Months Ended March 31 Net Income
Price Changes	
Oil Increased $1.00/Bbl	**28**
Natural Gas Increased $0.10/Mcf	**156**
Interest Rate Changes	
Rate Increased By 1%	**(118)**

6. Results of Operations

6.1. Cash Flow

Three Months Ended March 31, 2010 vs 2009

Cash flow decreased by $3.2 million between the three months ended March 31, 2010, when compared to the same period in 2009. The decrease was as a result of:

- lower revenue for the three months, despite higher volumes, as a result of lower natural gas prices;
- higher general and administrative expenses as a result of the expensing of transaction costs, under a new accounting policy, and increased staff to manage the newly acquired Canadian assets.

This was offset by:

- lower operating costs, falling by 5%;
- higher gains recorded associated with the commodity contracts in place in both Canada and the UK.

6.2. Production

	2010			2009		
	Oil *(Bbl/d)*	**Gas & NGL** *(mcf/d)*	**Total** *(Boe/d)*	Oil *(Bbl/d)*	Gas & NGL *(mcf/d)*	Total *(Boe/d)*
North Sea, UK	**-**	**8,949**	**1,491**	-	12,900	2,150
Canada	**304**	**8,186**	**1,668**	-	-	-
Tunisia	**3**	**204**	**37**	-	-	-
Total	**307**	**17,339**	**3,196**	-	12,900	2,150

Three Months Ended March 31, 2010 vs 2009

Average production for the quarter was 49% higher than the annual average production for 2009 as a result of:

- One month of production from the Canadian assets which were acquired during the quarter;
- A partial month of production from the Adam concession in Tunisia, which was acquired during the quarter.

Production

	Three Months Ended March 31		
	2010	2009	% Change
Production *(Boe)*	**287,676**	193,667	49
- Boe/d	**3,196**	2,150	49

6.3. Operating Netbacks

The following tables outline the operating netbacks by country for the three months ended March 31, 2010 and 2009. It should be noted that there was no production from Tunisia during the first quarter of 2009 and while there was production during the first quarter of 2010, there were no sales, thereby skewing the various per unit calculations below:

Three Months Ended March 31	**2010**				2009			
	Tunisia	**North Sea**	**Canada** [(2)]	**Total**	Tunisia	North Sea	Canada	Total
Sales Volumes								
Oil Sales *(Bbls)*	**240**	**-**	**27,358**	**27,598**	-	-	-	-
Gas & NGL Sales *(mcf)*	**18,359**	**805,377**	**736,733**	**1,560,469**	-	1,162	-	1,162
Total Sales *(Boe)*	**3,300**	**134,230**	**150,147**	**287,676**	-	193,667	-	193,667
- Boe/d	**37**	**1,491**	**1,668**	**3,196**	-	2,150	-	2,150
Per Sales Boe								
Realized Sales Price	**$ 65.20**	**$ 35.07**	**$ 41.03**	**$ 38.52**	$ -	$ 56.04	$ -	$ 56.04
Royalties	**11.44**	**2.65**	**7.55**	**5.31**	-	4.08	-	4.08
Operating Expense	**81.71**	**4.59**	**10.72**	**8.67**	-	13.55	-	13.55
General and Administration [(1)]	**268.05**	**4.50**	**11.77**	**11.31**	-	4.71	-	9.89
Corporate Netback	**$ (296.00)**	**$ 23.33**	**$ 10.99**	**$ 13.22**	$ -	$ 33.70	$ -	$ 28.52

[(1)] General and administration expenses by country exclude all non-cash stock-based compensation.
[(2)] Canada also includes costs for overall corporate general and administrative associated with head office.

Gross Revenue

	Three Months Ended March 31		
($ thousands except per unit amounts)	**2010**	2009	% Change
Oil Sales	**2,118**	-	-
Per Bbl	**$ 76.75**	$ -	-
Natural Gas & NGL Sales	**8,964**	10,854	(17)
Per Mcf	**$ 5.74**	$ 9.34	(39)
Total Oil and Gas Revenue	**11,082**	10,854	2
Per Boe	**$ 38.52**	$ 56.04	(31)

Three Months Ended March 31, 2010 vs 2009

Total oil and gas revenue increased 2% for the three months ended March 31, 2010, when compared to the quarterly sales of 2009 as a result of:

- One month of production related to the acquisition of the Canadian assets;
- A partial month of production from the acquisition of the Adam concession in Tunisia, from the date of acquisition being March 11, 2010;
- No commodity sales occurred from the Sud Remada field during the first quarter as the Company was unable to find room for its production on third party vessels. It is anticipated that a sale will occur in May 2010.

This was offset by:

- 39% decrease in realized natural gas prices;
- 30% decrease in natural gas volumes in the North Sea.

Royalties

	Three Months Ended March 31		
($ thousands except per unit amounts)	**2010**	2009	% Change
Total	**1,528**	789	94
Percent of Revenue	**14**	7	100

There are no royalties reported in the Tunisian operations as the operations are governed by a production sharing contract with ETAP, the Tunisian national oil company. Under the contract, the Company receives 62.625% of the production with ETAP receiving the remaining 37.375% of the production. The share that is received by ETAP is then used to pay the royalties and taxes on behalf of the Company.

Within the UK operations, there is an overriding royalty paid on the production from the Victoria well.

Within the Canadian operations, the Company is subject to Crown royalties, payable to the provincial government, and freehold and gross overriding royalties payable to individuals and corporations that own the mineral rights on which production is obtained.

Three Months Ended March 31, 2010 vs 2009

Royalties as a percentage of revenue and as an absolute figure increased during the three months ended March 31, 2010, compared to the same period in 2009 as a result of the addition of the Canadian producing properties. These properties carry a royalty burden in the range of 18-20% of revenue. The results from the Canadian operations and the associated royalties are new to the Company for the three months ended March 31, 2010, thereby resulting in increases to both the total amount and the percentage of revenue.

Operating Expense

	Three Months Ended March 31		
($ thousands except per unit amounts)	**2010**	2009	% Change
Total	**2,496**	2,624	(5)
Per Sales Boe	**$ 8.67**	$ 13.55	(36)

Three Months Ended March 31, 2010 vs 2009

Operating costs of $2.5 million ($8.67 per sales Boe), were recorded in 2010, a decrease from $2.6 million ($13.55 per sales Boe) recorded in 2009.

General Administration Expenses ("G&A")

	Three Months Ended March 31		
($ thousands except per unit amounts)	**2010**	2009	% Change
Stock-based compensation	**999**	846	(18)
Rent and general office costs	**766**	669	15
Staffing - net	**1,101**	286	285
Legal expenses	**550**	166	232
Accounting and audit costs	**365**	150	144
Corporate expenses	**472**	644	(27)
Total G&A	**4,254**	2,761	54
Per Sales Boe	**$ 14.79**	$ 14.26	4
Non-cash G&A	**3,139**	1,915	64
Per Sales Boe	**$ 10.91**	$ 9.89	10

Three Months Ended March 31, 2010 vs 2009

G&A expenses for the three months ended March 31, 2010, were 54% higher than the same period in 2009 due to:

- a change in accounting policy such that in 2009 costs associated with asset or corporate acquisitions were capitalized but in 2010 the Company adopted the new CICA Handbook section 1582 requiring these costs to be expensed;
- increased staff costs associated with the increased Canadian and international producing assets.

6.4. Interest and Financing Charges

	Three Months Ended March 31		
($ thousands)	**2010**	2009	% Change
North Sea, UK	**213**	-	-
Canada	**2,600**	-	-
Tunisia	**2**	-	-
Total	**2,815**	-	-

Three Months Ended March 31, 2010 vs 2009

Included in interest and financing charges are fees associated with the establishment of the new credit facility with Société Générale including a commitment fee of $974,500 and financial advising fees of $1.3 million.

6.5. Tax Expense

	Three Months Ended March 31		
($ thousands)	**2010**	2009	% Change
Current Tax Expense/(Recovery)	**-**	-	-
Future Tax Expense/(Recovery)	**(10,163)**	(3,172)	(220)
Total	**(10,163)**	(3,172)	(220)

Three Months Ended March 31, 2010 vs 2009

The higher future tax recovery for the three months ended March 31, 2010, is a result of the higher losses incurred in taxable jurisdictions, such as the UK. The Canadian operations have sufficient resource pools and loss carry-forwards to eliminate any tax liability and due to the uncertainty associated with the future tax benefit of such deductions, a valuation allowance is established rather than a tax asset being recorded.

6.6. Non-Cash Items

Depletion and Depreciation and Accretion ("DD&A")

	Three Months Ended March 31		
($ thousands except per unit amounts)	**2010**	2009	% Change
North Sea, UK	**22,165**	10,457	112
Canada	**3,155**	-	-
Tunisia	**98**	3	3,167
Corporate	**42**	7	500
Total	**25,459**	10,467	143
Per Sales Boe	**$ 88.50**	$ 54.05	64

Three Months Ended March 31, 2010 vs 2009

The December 31, 2009, year end independent reserve report resulted in the Victoria, UK proven reserves being revised downward as a result of disappointing reservoir performance relative to the previous year's bookings. As such, the proved reserve base decreased by approximately 2,942 mboe. Such a downward revision in the proved reserve base with relatively constant production and a high depletable base associated with the fair value costs recorded on the Silverstone acquisition resulted in a significantly higher depletion charge for the three months ended March 31, 2010, when compared to 2009. This first quarter of 2010, is also the first quarter to have a depletion charge associated with the Canadian assets and there was no comparable charge for the Tunisian assets in the same period in 2009.

6.7. Net Income/Loss

Three Months Ended March 31, 2010 vs 2009

A net loss of $11.9 for the three months ended March 31, 2010, is 300% higher than the net loss the comparable period in 2009 of $3.0 million. Primarily, the increase from the comparable period related to the following:

- $15 million increase in depletion and amortization;
- $1.5 million increase in general and administrative costs associated more staff and increased office space;
- $2.8 million increase in interest and financing costs associated with obtaining the new credit facility in Canada.

6.8. Capital Expenditures

	Three Months Ended March 31		
($ thousands except per unit amounts) [(1)]	**2010**	2009	% Change
Tunisia	**29,578**	2,126	1,291
North Sea, UK	**1,056**	4,251	(75)
Canada	**176,241**	-	-
Corporate	**180**	17	959
Total	**207,055**	6,394	3,138

[(1)] *Excludes capitalized costs relating to foreign currency translation incurred during the period.*

Three Months Ended March 31, 2010 vs 2009

The Company purchased certain producing oil and natural gas assets from a senior producer in Canada during the quarter. The acquisition, which closed March 1, 2010, was the Company's entrance into the Western Canadian Sedimentary Basin with the assets being located in west central Alberta. On the international operations, the Company acquired another company from a senior producer that held a 5% interest in the Adam concession in Tunisia and a 10% interest in the Borj El Khadra and also purchased another 15% interest in the Sud Remada field from an operating partner.

7. Quarterly Information

Summarized information by quarter for the two years ended March 31, 2010, appears below:

	Mar. 31 2010	Dec. 31 2009	Sept. 30 2009	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008
Production revenue net of royalties *($000's)*	**9,554**	3,718	2,659	5,217	9,275	4,620	553	830
Cash Flow [(1)] *($000's)*	**2,386**	2,856	3,139	8,010	5,517	2,871	333	919
Per Share								
Basic *($)*	**0.02**	0.04	0.04	0.11	0.07	0.04	0.01	0.03
Diluted *($)*	**0.02**	0.04	0.04	0.10	0.07	0.04	0.01	0.03
Net Income (loss) *($000's)*	**(11,902)**	(16,327)	(2,303)	1,987	(2,975)	(10,499)	6,311	4,175
Per Share								
Basic *($)*	**(0.13)**	(0.23)	(0.03)	0.03	(0.04)	(0.14)	0.16	0.12
Diluted *($)*	**(0.13)**	(0.23)	(0.03)	0.03	(0.04)	(0.14)	0.15	0.12
Average daily production *(Boe)*	**3,196**	1,424	1,173	1,905	2,174	794	85	132
Capital expenditures [(2)(3)] *($000's)*	**207,055**	4,990	2,141	4,892	6,394	315,089	34,841	23,288

[(1)] *Cash flow is a non-GAAP measurement.*
[(2)] *Excludes capitalized costs relating to foreign currency translation incurred during the period.*
[(3)] *December 2008 includes assets acquired through a corporate acquisition.*

Factors That Have Caused Variations Over the Quarters

During the second quarter of 2008, production in the North Sea, UK commenced and continued to build throughout 2008. The Company completed the consolidation of the North Sea business operations on December 24, 2008 with the acquisition of the remaining 66.85% of the shares outstanding, resulting in SVI consolidating 100% of the revenue, costs and production in 2009. Production from the North Sea, UK in the third quarter of 2009 was curtailed for approximately 30 days to allow a third party the time needed to replace a pipeline. Production in Tunisia commenced in the second quarter of 2009 resulting in an increase to both revenue and cash flows. Natural gas prices were at their peak, for the periods presented above, during the first quarter of 2009. With the Company's 100% interest in Silverstone being fully included in the results for the first quarter of 2009, that period's net production revenue was the highest presented. Natural gas prices have slumped in the intervening period resulting in lower net production revenue. A significant increase in the depletion charge in the fourth quarter of 2009 resulted in that period's large net loss. The Company's proved reserves relating to the North Sea, UK business were independently evaluated and revised downward resulting in a material charge for the period when compared to the prior periods presented.

8. Outstanding Share Data

Authorized:

- Unlimited number of common shares;
- Unlimited number of first preferred shares.

Details of share capital and options outstanding are as follows:

	March 31 2010	December 31 2009
Common shares outstanding	**122,986,531**	75,224,490
Share options	**5,950,800**	4,089,800
Fully diluted common shares	**128,937,331**	79,314,290
Weighted average common shares - basic	**93,850,990**	73,680,985
Weighted average common shares - diluted	**93,850,990**	73,680,985

At March 31, 2010, the Company had 123 million shares and 5.95 million options outstanding. One shareholder, AIMCo, the Alberta Investment Management Company which manages certain pension funds on behalf of the province of Alberta, held approximately 36% of the issued and outstanding shares of the Company at March 31, 2010. As at May 27, 2010, there were 123.2 million shares outstanding as a result of the issuance of shares to certain employees of Bridge Energy in recognition of work incentives. At May 27, 2010, there were 5.23 million options outstanding.

9. Contractual Obligations and Commitments

Other than those commitments associated with office premises, debt repayment and construction commitments as disclosed in section 3 of this MD&A, the Company does not have any other contractual obligations.

10. Risk Factors

SVI is exposed to certain risks and uncertainties inherent in the oil and gas industry which include but are not limited to the following:

- Commodity price fluctuations for both crude oil and natural gas, which are subject to a myriad of factors, are outside of the Company's control;
- Risks arising from exploration and development activities;
- Production risks associated with the depletion and deliverability of reservoirs and the ability to market production;
- The availability and cost of labor, materials and equipment to efficiently, effectively and safely undertake capital projects;
- Environmental and safety concerns;
- Availability of incremental reserves of oil and natural gas, whether sourced from exploration, development or acquisitions.

SVI operates in various foreign countries and is exposed to other risks including:

- Exchange rate between the Canadian and the US dollar and Great British Pound for not only commodity prices but also capital spending and expenses;
- Changes to government fiscal, monetary and other financial policies;
- Evolution of changing domestic and international climate and environmental policies;
- Terrorism or militant targeted protests directed at international operations;
- Political risk;
- Price controls and varying forms of fiscal regimes or changes thereto.

SVI is exposed to financing risks such as:

- The cost and availability of capital, which is dependent upon a number of factors including the general economic and market conditions that are beyond the Company's control;
- Interest rate risk;
- Credit risk.

All, but not limited to, the above risks may impair SVI's ability to: conduct profitable operations; realize on its assets; or capitalize on opportunities which might become available to it. The success of the Company's capital programs, as embodied in its productivity and reserve base, could also impact its prospective liquidity and pace of future activities. Control of finding, development, operating and overhead costs on a per unit basis are important criteria in determining Company growth, success and access to new capital sources.

The Company attempts to mitigate its business and operational risk exposures by: maintaining comprehensive insurance coverage on its assets and operations; employing or contracting competent technicians and professionals; instituting and maintaining operational health, safety and environmental standards and procedures; employing a commodity hedging program with the goal of minimizing significant downward commodity price movements; and maintaining a prudent approach to exploration and development activities. SVI attempts to minimize risks associated with exploration by generating exploration prospects internally, targeting high quality projects and attempting to operate the projects.

The Company also addresses and regularly reports to its shareholders on the impact of risks and writing down the carrying values of assets that may not be recoverable.

Being part of the oil and natural gas industry and operating in various foreign countries, the Company is subject to various governmental regulations which change from time to time and which are quite extensive. The Company is committed to operating as a good corporate citizen in a responsible manner. The Company is committed to a continual program of exploration and development, guided by a very experienced and qualified team.

11. Application of Critical Accounting Policies and Estimates

The Company's financial statements were prepared in accordance with Canadian GAAP. A summary of the significant accounting policies can be found in Note 1 to the Consolidated Financial Statements. Certain accounting policies require management to make decisions with respect to the formulation of estimates and assumptions that affect: (i) the reported amounts of assets and liabilities; (ii) the disclosure of any contingent assets and liabilities at the date of the consolidated financial statements; and (iii) revenues and expenses during the period. SVI's management reviews its estimates, including those related to accruals, environmental and asset retirement obligations, recoverability of assets, income taxes, fair values of derivative assets and liabilities, capital adequacy, and the estimation of reserves on an ongoing basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. SVI attempts to mitigate this risk by employing individuals with appropriate skill set and knowledge to make reasonable estimates; developing internal reporting systems, and comparing past estimates to actual results.

The Company's financial and operating results include critical accounting estimates in the following areas:

- Determination of reserves – the process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering and economic data;
- Depletion and depreciation based on estimates of oil and natural gas reserves – such estimates use the unit-of-production method based on estimated proved reserves and such estimates can have a significant impact on earnings;
- Estimated recoverability of long-lived assets in performing impairment tests – cash flow estimates for impairment assessments require assumptions about future prices and costs, reserves and discount rates, such elements require judgment about highly uncertain future events;
- Estimated operating expenses and royalties for which actual costs have not been received;
- Estimated capital expenditures on projects that are in progress;
- Estimated amount of the asset retirement obligation – the total amount is based on an estimate of the Company's net ownership in wells and facilities, estimated costs and timing to abandon and reclaim the wells and facilities, and changes in environmental regulations;
- Determination of fair value of stock options – the calculation of the fair value requires management to assess such variables as volatility in the stock price, potential forfeiture rates and risk-free interest rates with such estimates affecting the stock-based compensation reported and an impact on earnings;
- Legal and other contingent matters;
- Income tax accounting – requires the interpretation of complex laws and regulations involving multiple jurisdictions, which are subject to audit and potential reassessments.

12. New and Pending Accounting Standards

Future Changes in Accounting Policies

In January 2009, the CICA issued 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 is effective on January 1, 2011 with prospective application and early adoption is permitted. SVI has elected to early adopt this new standard with respect to current business combinations.

In January 2009, the CICA issued 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. Section 1601 is effective on January 1, 2011. The adoption of this standard will have no impact on SVI's consolidated financial statements.

In January 2009, the CICA issued 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. Section 1602 is effective on January 1, 2011. The adoption of this standard resulted in the Company recording an adjustment to Retained Earnings (Deficit) associated with the loss on the dilution of its ownership of a controlled subsidiary.

13. Conversion to International Financial Reporting Standards

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. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by SVI for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

IFRS will replace current Canadian GAAP for those enterprises. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies as well as increased disclosure requirements under IFRS. As a result, the transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company has chosen to adopt IFRS, which 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 has completed the diagnostic assessment phase by performing comparisons between Canadian GAAP and IFRS and is currently assessing the effects of adoption and implications from its conversion to IFRS. The project is being managed by an in-house team of accounting professionals who have engaged in IFRS educational programs and continue to develop the Company's adoption to IFRS. The Company's auditors will be involved throughout the process to ensure SVI's policies are in accordance with the new standards. Initial assessments of impacts completed to date include accounting for property plant and equipment, foreign operations and the recognition of foreign exchange, provisions, asset retirement obligations and income taxes. The Company has started to make progress in the implementation phase and will continue over the period to 2011 to focus on analyzing and developing implementation strategies and processes for presentation and disclosure under IFRS.

The Company has reviewed first time adoption exemptions and elections available upon initial transition that provide relief from retrospective application in the January 1, 2010, opening Balance Sheet. The Company intends to utilize exemptions including those available for past business combinations, the allocation of oil and gas asset balances based on full cost accounting rules to IFRS categories of exploration and evaluation assets and development and producing properties, resetting cumulative translation differences for all foreign operations to zero and specific exemptions for share based payments.

Management has not yet finalized its accounting policies, and as such, it is currently unable to quantify the impact of adopting IFRS on the financial statements. The Company will continue to monitor any changes in the adoption of IFRS, it will implement those policies determined to be the most appropriate for the Company and will update its plan as necessary.

At this time, SVI has identified key differences that will impact the financial statements as follows:

- Exploration and Evaluation ("E&E") expenditures. On transition to IFRS, SVE will reclassify all E&E expenditures that are currently included in the property and equipment ("PP&E") balance on the consolidated balance sheet. This will consist of the book value of undeveloped land and unevaluated seismic data that relates to exploration properties. E&E assets will not be depleted and must be assessed for impairment when indicators of impairment exist;

- Depletion expense. On transition to IFRS, SVI has the option to base the depletion calculation on either proved reserves or proved plus probable reserves. SVE has not concluded at this time which method it will use;
- Impairment of PP&E assets. Under IFRS, impairment tests of PP&E must be performed at the cash generating unit level using either total proved or proved plus probable reserves. Canadian GAAP allows an impairment test to be performed on a country cost centre basis;
- Due to the recent withdrawal of the exposure draft on IAS 12 "Income Taxes" in November 2009 and the issuance of the exposure draft on IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in January 2010, management is still determining the impact of these revised standards on its IFRS transition.

SVI is determining which additional changes to internal controls over financial reporting will be required to deal with the changes in accounting policies. This will be ongoing throughout 2010 to ensure all changes in accounting policies include appropriate additional controls and procedures for future IFRS reporting requirements. Throughout 2010, SVI will be assessing the impact the adoption of IFRS will have on its accounting system. Modifications will be required to allow the Company to report under both Canadian GAAP and IFRS statements and track E&E costs, transfer costs from E&E to PP&E and allocate PP&E into cash generating units.

14. Internal Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management to allow timely decisions regarding required disclosure. SVI's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that, based on their evaluation as of the end of the period covered by the Company's interim report, these control systems over financial reporting, subject to the limitations noted below, are effective for the foregoing purpose and provide reasonable, but not absolute, assurance that financial information is accurate and complete in all material respects at this interim period of the Company.

Management recognizes that all internal control systems, no matter how well designed, have inherent limitations. Any control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Management is aware that in-house expertise to deal with complex taxation may not be sufficient. There is a risk that the reporting of these transactions may not be correctly recorded which could lead to a potential misstatement of the consolidated financial statements. The Company addresses this by consulting with third party expert advisors, where required, with the recording of these types of transactions.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

15. Other Information

15.1. 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 MD&A 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 MD&A speak only as of the date of this document and are expressly qualified by this cautionary statement.

Specifically, this MD&A contains forward-looking statements relating to: the volumes and estimated value of our oil and natural gas reserves; the value of our undeveloped land holdings; the volume of our oil and natural 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 commercially viable and economic 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.

The Company's presentation of forward-looking information is based on internally generated budgets relating to drilling plans and related costs, expected results from drilling as well as estimated royalties, operating costs and administrative expenses. SVI bases the commodity pricing for budget purposes on a range of publicly available pricing forecasts and also considers the general economic conditions.

15.2. Non-GAAP Measures

Throughout this MD&A, the Company uses terms "cash flow", "cash flow per share", "operating netback". These terms do not have any standardized meaning as prescribed by Canadian GAAP and, therefore, may not be comparable with the calculation of similar measures presented by other companies.

Cash flow is calculated based on cash flow from operating activities before changes in non-cash working capital. Cash flow per share is calculated based on cash flow from operating activities before changes in non-cash working capital. Management believes that cash flow is a supplemental measure and utilizes it as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. Cash flow as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP and should not be construed as an alternative to cash flow from operations. The follow table shows the reconciliation from cash flow from operating activities to cash flow:

	Three Months Ended March 31	
($ thousands)	**2010**	2009
Cash flow - operating activities	**(6,608)**	11,449
Change in non-cash working capital	**8,994**	(5,832)
Cash Flow	**2,386**	5,617

Operating netback is calculated as production revenue less royalties and production expenses. Operating netback is considered important to management as a measure of the Company's profitability relative to current commodity prices and it provides an analysis tool to better measure performance against prior periods on a comparable basis.

15.3. Related Party Transactions

The Company did not have any related party transactions during the period.

15.4. Off Balance Sheet Arrangements

The Company did not enter into any off balance sheet arrangements during the reporting period.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010

Consolidated Balance Sheets

	March 31 2010	December 31 2009
Assets		
Current		
Cash and cash equivalents	**$ 75,624,655**	$ 8,027,172
Accounts receivable, inventory and prepaid charges *(Note 3)*	**14,738,453**	23,737,087
	90,363,108	31,764,260
Investments *(Note 4)*	**101,163**	64,041
Unrealized gain on long-term derivative contracts	**1,102,189**	-
Property and equipment *(Note 5)*	**618,957,848**	362,371,501
	$ 710,524,308	$ 394,199,802
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 16,802,767**	$ 10,262,905
Current portion long-term debt *(Note 7)*	**36,861,560**	8,169,702
	53,664,327	18,432,607
Long-term debt *(Note 7)*	**10,178,520**	11,165,880
Asset retirement obligation and other long-term liabilities *(Note 8)*	**30,175,009**	6,030,657
Future income taxes *(Note 9)*	**44,554,726**	29,552,127
Shareholders' equity		
Share capital *(Note 12)*	**510,443,664**	344,703,178
Contributed surplus	**3,139,218**	4,137,464
Deficit	**(46,185,875)**	(6,298,183)
Non-controlling interest *(Note 10)*	**140,746,730**	-
Accumulated other comprehensive loss	**(36,192,011)**	(13,686,173)
	571,951,726	328,856,285
Commitments *(Note 11)*		
Subsequent Events *(Note 17)*		
	$ 710,524,308	$ 394,199,800

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss

	Three Months Ended March 31	
	2010	2009
Revenue		
Production revenue, net of royalties	**$ 9,554,484**	$ 10,064,374
Interest income and other	**272,423**	11,826
	9,826,907	10,076,200
Expenses		
Production expenses	**2,495,569**	2,624,543
Derivatives (gain) loss *(Note 14)*	**(4,071,077)**	389,586
Foreign exchange (gain) loss	**939,125**	(19,095)
General and administrative	**4,253,541**	2,760,856
Interest and financing charges	**2,815,017**	-
Depletion, amortization and accretion	**25,459,705**	10,467,066
	31,891,880	16,222,956
Net (Loss) before income tax	**(22,064,973)**	(6,146,756)
Income tax expense (recovery) *(Note 9)*	**(10,162,705)**	(3,171,755)
Net (Loss)	**(11,902,268)**	(2,975,001)
Other Comprehensive (Loss)		
Cumulative foreign currency translation adjustment	**(22,500,769)**	1,458,832
Available for sale assets fair value adjustment	**(5,069)**	(62,149)
	(22,505,838)	1,396,683
Comprehensive (Loss)	**$ (34,408,106)**	$ (1,578,318)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Retained Earnings (Deficit) and Accumulated Other Comprehensive (Loss)

	Three Months Ended March 31	
	2010	2009
Retained Earnings, beginning of period	**$ (6,298,183)**	$ 13,319,241
Net (Loss)	**(11,902,268)**	(2,975,001)
Dilution adjustment on investment in Bridge Energy *(Note 10)*	**(27,985,424)**	-
Retained Earnings (Deficit), end of period	**$ (46,185,875)**	$ 10,344,241
Accumulated Other Comprehensive (Loss), beginning of period	**$ (13,686,173)**	$ (9,737,297)
Other Comprehensive (Loss)		
Cumulative foreign currency translation adjustment	**(22,500,769)**	1,458,832
Available for sale assets fair value adjustment	**(5,069)**	(62,149)
Accumulated Other Comprehensive (Loss), end of period	**$ (36,192,011)**	$ (8,340,614)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Three Months Ended March 31	
	2010	2009
Operating activities		
Net (Loss)	**$ (11,902,268)**	$ (2,975,001)
Items not affecting cash		
Accretion *(Note 8)*	**186,451**	60,724
Depletion and amortization	**25,273,254**	10,467,066
Unrealized derivatives (gain) loss	**(3,061,841)**	389,586
Foreign exchange (gain) loss	**939,125**	-
Shares issued	**115,500**	-
Stock-based compensation	**998,725**	846,267
Future income tax	**(10,162,705)**	(3,171,755)
Change in non-cash working capital *(Note 13)*	**(8,994,691)**	5,831,686
Cash flow - operating activities	**(6,608,450)**	11,448,574
Financing activities		
Issue of share capital	**163,584,118**	-
Long term debt issue	**29,414,276**	-
Long term debt repayment	**-**	(1,802,200)
Proceeds from exercise of stock options	**49,040**	-
Share issue costs	**(5,292)**	-
Change in non-cash working capital *(Note 13)*	**(1,983,174)**	1,762
Cash flow - financing activities	**191,058,968**	(1,800,438)
Investing activities		
Property and equipment - net	**(207,055,352)**	(6,394,343)
Proceeds on dilution *(Note 10)*	**54,872,106**	-
Cash acquired on acquisition *(Note 6)*	**11,240,032**	-
Change in non-cash working capital *(Note 13)*	**25,414,174**	10,404,208
Cash flow - investing activities	**(115,529,140)**	4,009,864
Change in cash and cash equivalents, beginning of period	**68,921,478**	(13,658,000)
Cash and cash equivalents, beginning of period	**8,027,172**	24,365,171
Cash and cash equivalents, foreign exchange	**(1,323,995)**	32,231
Cash and cash equivalents, end of period	**$ 75,624,655**	$ 38,055,402

See accompanying notes to the consolidated financial statements.

STORM VENTURES INTERNATIONAL INC.

Notes to the Consolidated Financial Statements for the three months ended March 31, 2010.

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. SVI's operations are in the business of the exploration for, the development of, and the production of natural gas and crude oil and natural gas liquids both domestically and internationally.

The interim consolidated financial statements include the accounts of the Company and its controlled subsidiaries, after the elimination of intercompany balances and transactions:

- Bridge Energy ASA ("Bridge Energy"), formerly Silverstone Energy Limited ("Silverstone") as to SVI's 55.1% ownership and its wholly-owned subsidiaries
- Chinook Energy Ltd. ("Chinook") and its interests in certain partnership operations
- Chinook Energy Partnership (Alberta)
- Storm Ventures International (BVI) Limited
- Storm Ventures International (Barbados) Limited
- Storm Ventures International (Cosmos) Ltd.
- Talisman Resources (Tunisia) Ltd.

The interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual audited consolidated financial statements for the year ended December 31, 2009, except as noted below. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. Certain information and disclosures normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, the interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2009.

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

2. Changes in Accounting Policies

Preparation of Financial Statements

On January 1, 2010, SVI adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

- Section 1582 – Business Combinations, which replaces 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 requires all costs of the acquisition to be expensed, which were previously capitalized as part of the purchase price. Contingent liabilities are recognized at fair value at the acquisition date and re-measured at fair value through earnings until settled. Previously only contingent liabilities that were resolved and payable are included in the cost to acquire the enterprise. In addition, negative goodwill is recognized immediately in earnings, unlike the previous requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. The adoption of this standard will impact the accounting treatment of future business combinations entered into after January 1, 2010.

- Section 1601 – Consolidated Financial Statements, which replaces 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 material impact on SVI's consolidated financial statements.

- Section 1602 – Non-controlling Interests, which replaces 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 has resulted in an adjustment to Retained Earnings (Deficit) as a result of a loss on the dilution of SVI's ownership of a controlled subsidiary.

The above CICA Handbook sections are converged with International Financial Reporting Standards ("IFRS"). SVI will be required to report its results in accordance with IFRS beginning in 2011. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on SVI's financial results of operations, financial position and disclosures.

3. Accounts Receivable and Prepaid Charges

The balance of the Company's accounts receivable and prepaid charges is comprised of:

	March 31 2010	December 31 2009
Prepaid acquisition deposit - Western Canada assets	**$ -**	$ 10,000,000
Prepaid acquisition deposit - international	**-**	2,093,200
Receivable from industry partner on sale of working interest in Gulf of Hammamet	**-**	4,339,230
Refundable deposit	**507,800**	523,300
Joint venture partner receivables	**2,054,341**	4,617,131
Accrued revenue	**6,425,536**	628,846
Unrealized gain on derivative accrual	**3,764,704**	-
Cash call balances	**554,932**	1,075,165
Prepaids	**248,799**	324,467
Inventory	**981,114**	24,077
Other	**201,227**	111,671
Total	**$ 14,738,453**	$ 23,737,087

4. Investments

Bridge Energy has an interest in Otto Energy Limited. The shares held are investments registered in Australia and listed on the Australian Stock Exchange. This investment is an available-for-sale financial asset and is recorded at its fair value of approximately $101,163.

5. Property and Equipment

The Company has invested in property and equipment costs as follows:

	March 31 2010	December 31 2009
United Kingdom	**$ 395,457,247**	$ 372,553,216
Canada	**201,860,389**	-
Tunisia	**90,580,518**	45,307,555
Office Furniture and Equipment	**755,619**	575,689
	688,653,773	418,436,460
Accumulated Depletion and Amortization	**69,695,926**	56,064,959
	$ 618,957,847	$ 362,371,501

On March 1, 2010, the Company closed the acquisition of certain oil and natural gas assets in West Central, Alberta from a senior producer in the industry for a total purchase price of $190 million. The net addition to property and equipment, including interim adjustments, was $175.6 million. At December 31, 2009, a deposit of $10 million associated with the purchase had been placed in trust and was reflected in accounts receivable and prepaid charges on the consolidated balance sheet. The purchase has been accounted for using the acquisition method. The purchase of the oil and natural gas assets was funded by equity financing and bank debt.

On March 15, 2010, the Company completed the acquisition of the interests of one of its partners in the Sud Remada field for USD$4 million plus adjustments.

The Company capitalized $1,510 (2009 - $378,687) of interest and direct general and administrative costs as related to its exploration and development activity for the three months ended March 31, 2010. Included in the depletion calculation were future development costs of $35,525,100 (2009 - $ nil).

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

	March 31 2010
United Kingdom	**$ 170,362,212**
Canada	**-**
Tunisia	**27,045,265**
	$ 197,407,477

6. Corporate Acquisitions

Talisman Resources (Tunisia) Limited ("TRTL")

On March 11, 2010, Storm Ventures International (Barbados) Limited acquired all of the issued and outstanding shares of TRTL by issuing cash. TRTL was a wholly-owned subsidiary of Talisman Energy Inc. that owned a 5% non-operated interest in the Adam Concession and a 10% non-operated interest in the Borj El Khadra Permit, both in Tunisia. The acquisition has been accounted for as a business combination and all transaction costs have been expensed. The results of TRTL are 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 TRTL on the acquisition date was as follows:

	USD$
Net assets acquired	
Cash	$ 10,949,861
Working capital	(1,646,841)
Property and equipment	21,635,971
Future income tax	(7,102,831)
Other long-term liabilities	(186,040)
Total consideration transferred	$ 23,650,120

The above amounts are estimates, which were made by management at the time of the preparation of these interim consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

7. Debt

On February 24, 2010, the Company completed bank financing to facilitate the acquisition of certain oil and natural gas assets, as disclosed in Note 5, and for general corporate borrowing. The Company obtained an extendible revolving credit facility allowing the Company to borrow up to $50.0 million and a $5.0 million operating credit facility, from a syndicate led by Société Générale. At March 31, 2010, the Company had drawn $28,414,276 on the revolving credit facility and drawn $1,000,000 on the operating credit facility. The credit facilities are secured over all present and future Canadian property and assets. Interest payable on amounts drawn under the facilities vary based on Canadian prime, U.S. Base rate, U.S. LIBOR or Bankers' Acceptance depending on the borrowing option selected by the Company. The facility carries a covenant whereby the Company's debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio cannot be greater than 4:1. At March 31, 2010, the Company was in compliance with the covenant.

At March 31, 2010, debt of Bridge Energy of $17,625,804, including amounts due within one year of $7,447,284 was comprised of the facility with the Royal Bank of Scotland ("RBS"). Bridge Energy signed a £30.0 million Borrowing Base Agreement of which £11.4 million had been drawn down (2009 - £11.4 million), representing the maximum borrowing base at that date. The secured facility was obtained for the purpose of developing the Victoria gas field. The loan is secured by a floating charge over all of the assets of Bridge Energy and a charge over the shares of one of its (wholly-owned subsidiaries). 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. The most recent review of the facility occurred on December 31, 2009, and the next reviews will take place on June 30, 2010, and December 31, 2010. The future loan repayments may increase or decrease based on the results of such reviews.

8. Asset Retirement Obligation and Other Long-term Liabilities

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the Company's net obligation associated with the retirement of oil and natural gas assets. The provision has been based upon existing technology, current legislation requirements, an inflation rate of between 1.69% and 2% and discounted using a rate of 8.5% for the Western Canadian assets, 10% for the North Sea, UK wells and 5% for the Tunisia wells. The expenditures are estimated to be incurred starting in 2015 until 2051 in Canada, 2010 until 2026 at the North Sea, UK wells and in 2014 in Tunisia.

In 2009, the decommissioning liability associated with certain UK assets acquired from Granby Oil & Gas Limited was reduced as a result of signing a memorandum of understanding with certain third parties whereby the Company's future costs associated with the decommissioning was reduced to £1.0 million plus its pro rata share of any costs that may be in excess of £7.6 million. In addition, the timing of the expenditures was re-estimated to a longer period resulting in a reduction of the obligation.

	March 31 2010	December 31 2009
Beginning of year	$ 6,030,657	$ 12,987,126
Provision	-	715,021
Acquired on acquisition of Western Canadian Assets	25,602,361	-
Acquired on acquisition of TRTL	190,970	-
Revision	-	(7,089,858)
Cumulative foreign currency adjustment	(1,983,327)	(718,888)
Accretion	186,451	137,256
End of period	$ 30,027,112	$ 6,030,657

Other Long-Term Liabilities

In addition to the foregoing, within Silverstone there is a long-term liability of $147,897 (2009 - $162,244) which relates to the liability built up relating to the unapproved share option scheme. The final liability and payment date are dependent on the date on which the options are exercised and the value of the shares relative to the option price.

9. Income Taxes

At March 31, 2010, the Company had Canadian losses available to reduce future taxable income in Canada and Barbados, as well as other cumulative tax deductions in excess of net book values. The income tax benefit of these losses and deductions has not been recognized in the consolidated financial statements since their recoverability is uncertain at this time.

The future income tax liability at March 31, 2010, is comprised of the tax effect of temporary differences as follows:

	March 31 2010	December 31 2009
Future tax liability		
Property, plant and equipment	$ 126,008,129	$ 111,005,530
Future tax asset		
Loss carry forwards	81,453,403	81,453,403
	$ 44,554,726	$ 29,552,127

10. Non-controlling Interest (“NCI”)

On March 30, 2010, SVI’s indirect wholly-owned subsidiary, Silverstone, completed a transaction with Bridge Energy Norge AS whereby each of the companies became subsidiaries of a holding company, Bridge Energy ASA (“Bridge Energy”). Storm Ventures International (BVI) Limited formerly owned all of the shares of Silverstone which contained SVI’s United Kingdom – North Sea business. Pursuant to the transaction, Storm Ventures International (BVI) Limited received 28,776,000 common shares of Bridge Energy which represented approximately 80% of the Bridge Energy shares which were outstanding immediately following the business combination. On March 30, 2010, Bridge Energy also issued 16,225,000 shares to subscribers in a private placement at NOK 20 per share (or approximately USD $3.33 per share), for gross proceeds of NOK 324.5 million (or approximately USD $54.1 million). Following the private placement, SVI’s ownership in Bridge Energy was reduced to 55.1%. The dilution loss associated with SVI’s change in ownership has been accounted for as a reduction to Retained Earnings in accordance with the new Business Combinations standard of the CICA handbook.

The following details the movement in the non-controlling interest in Bridge Energy as follows:

	2010
Balance - beginning of year	$ -
NCI on business combination	**116,109,154**
Increase in NCI due to share issuance - March 2010	**24,637,576**
Balance, end of period	**$ 140,746,730**

The movement in the non-controlling interest reflects the Company's share of Bridge Energy's equity transactions during the period, as well as the changes in interest from the share issuances. As a result of the immaterial nature of one day of operations between the date of the transaction and the end of the reporting period, no amounts were included on the statement of income for the period.

11. Commitments

At March 31, 2010, the Company had commitments that require the following minimum future payments:

(thousand's)	2010	2011	2012	2013	2014	Total
Long-term debt and interest	$ 37,048	$ 10,433	$ -	$ -	$ -	$ 47,481
Operating leases	653	672	613	416	139	2,493
Engineering and construction commitments	1,123	-	-	-	-	1,123
Total	$ 38,824	$ 11,105	$ 613	$ 416	$ 139	$ 51,097

The Company had no claims nor litigation arising in the normal course of business.

12. 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, 2008	**73,598,690**	**$ 339,857,228**
Shares issued to employees and directors	125,800	345,950
Private placement	1,500,000	4,500,000
Balance as at December 31 , 2009	**75,224,490**	**$ 344,703,178**
Shares issued to employees and directors	33,000	115,500
Private placement	47,385,041	163,584,267
Options exercised	344,000	2,046,011
Less: Issue costs		(5,292)
Balance as at March 31, 2010	**122,986,531**	**$ 510,443,664**

Share Issues

On January 8, 2010, the Company completed a private placement of 4.5 million common shares at $3.00 per share for aggregate gross proceeds of $13.58 million. Certain officers and directors participated in the private placement. At December 31, 2009, $2.0 million cash had been received for the private placement and was included as accounts payable and accrued liabilities in the consolidated balance sheet.

On March 1, 2010, in conjunction with the acquisition of certain oil and natural gas assets as disclosed in Note 5, the Company completed a private placement with Alberta Investment Management Corporation ("AIMCo"), which purchased 42.9 million common shares of the Company at a price of $3.50 per share for gross proceeds of $150 million.

During the three months ended March 31, 2010, the Company issued 33,000 common shares to directors for deemed proceeds of $115,500 as consideration for the provision of services.

During the three months ended March 31, 2010, the Company issued 344,000 common shares for the exercise of stock options during the period. Associated with the exercise of the options $1,996,971 was transferred from Contributed Surplus.

In December 2009, the Company issued 1,500,000 common shares for aggregate gross proceeds of $4,500,000 as part of a private placement.

During 2009, 125,800 common shares of the Company were issued to employees and directors for deemed proceeds of $345,950 as consideration for the provision of services.

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.

A summary of options outstanding is as follows:

Balance as at December 31, 2009	4,089,800
Granted during the year	2,205,000
Exercised during the year	(344,000)
Forfeited during the year	-
Balance as at March 31, 2010	5,950,800

	Three Months Ended March 31	
	2010	2009
Weighted average exercise price - outstanding options	**$2.93**	$4.38
Average remaining life	**4.2 years**	3.6 years
Number exercisable at end of period	**425,000**	1,335,000
Option price	**$1.15 - $3.50**	$0.01 - $6.25

	Outstanding Options			Options Exercisable	
Range of Exercise Price	Options Outstanding *(thousands)*	Weighted Average Exercise Prices	Weighted Average Remaining Life	Options Outstanding *(thousands)*	Weighted Average Exercise Prices
$0.00-1.15	425	$ 1.15	0.3	425	$ 1.15
$2.00-2.75	3,171	$ 2.75	4.3	-	
$3.00-3.50	2,355	$ 3.50	4.9	-	
	5,951	$ 2.93	4.2	425	$ 1.15

Total stock-based compensation charges for the three months ended March 31, 2009, was $998,725 (2009 – $846,267). The following factors were used in the Black-Scholes pricing model for the determination of the fair value:

	Employees	Non-Employees
Fair value	$0.41	$2.26 - $2.34
Expected average life	5.0 years	5.0 years
Risk-free interest rate	2.5%	2.5%
Volatility factor	-	0.791 - 0.831

Per Share Amounts

The calculation of the per share amounts for the three months ended March 31, 2010, were calculated as per the following table. Diluted income per share assumes the exercise of options as if issued at the later of the date of grant or the beginning of the year. This calculation takes into account only the options that are considered in-the-money at March 31. Based on the Company's share price at March 31, no options were considered to be dilutive and the weighted average number of dilutive shares outstanding is the same as the weighted average number of shares outstanding.

	Three Months Ended March 31	
	2010	**2009**
Net Income (Loss)		
Basic and Diluted per share	**$ (0.13)**	$ (0.04)
Comprehensive Income (Loss)		
Basic and Diluted per share	**$ (0.37)**	$ (0.02)
Weighted Average Shares Outstanding (000's)	**93,851**	73,599

13. Supplemental Cash Flow Information

A) Changes in non-cash working capital:

	Three Months Ended March 31	
	2010	2009
Accounts receivable & prepaid charges	**$ 7,896,446**	$ (15,336,862)
Accounts payable	**6,539,863**	31,574,518
Changes in non-cash working capital	**$ 14,436,309**	$ 16,237,656
Relating to:		
Financing activities	**$ (1,983,174)**	$ 1,762
Investing activities	**25,414,174**	10,404,208
Operating activities	**(8,994,691)**	5,831,686
	$ 14,436,309	$ 16,237,656

B) Other cash flow information:

		Three Months Ended March 31		
		2010		2009
Cash taxes paid	**$**	**-**	$	-
Cash interest paid	**$**	**120,606**	$	1,962,394

14. 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

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. 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. At March 31, 2010, the Company had $ nil outstanding balances greater than 90 days for which no allowance was taken. The Company had seven counterparties whose net settlement position accounted for 67 percent of the fair value outstanding. The maximum credit risk exposure associated with accounts receivable and accrued revenues is the total carrying value.

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. To partially mitigate exposure to commodity price risk, the Company has entered into various financial derivative instruments. The use of such instruments is subject to limits established and approved by the Board of Directors. The Company's policy is not to use derivative financial instruments for speculative purposes. At March 31, 2010, Silverstone forward commodity price contracts on natural gas production from the Victoria field with the following terms:

	Gas Production	Floor	Ceiling	Term
Contract 1	1,191 Mcf	45p/therm	55p/therm	March 2010 to December 2010
Contract 2	1,191 Mcf	40p/therm	47p/therm	October 1, 2010 to December 31, 2011

The fair value of the contract at March 31, 2010, is estimated at $1,844,803 and the unrealized financial instrument provision is recorded as an asset.

Pursuant to the acquisition of the western Canadian assets in March 2010, the Company entered into the following commodity price contracts on natural gas production with the following terms:

	Volume	Sell Call	Buy Put	Term
Natural Gas - Contract 1	6,400 GJ/day	$5.00/GJ	$5.41/GJ	March 2010 to December 2010
Natural Gas - Contract 2	4,500 GJ/day	$5.00/GJ	$6.40/GJ	January 2011 to December 2011
Natural Gas - Contract 3	3,800 GJ/day	$5.00/GJ	$7.70/GJ	January 2012 to March 2012

The fair value of the contract at March 31, 2010, is estimated at $3,022,090 and the unrealized financial instrument provision is recorded as an asset.

Gains on the derivatives in place during the three months ended March 31, 2010, of $1,048,987 (2009 – loss $389,586) have been recognized as derivatives (gain) loss in the consolidated statements of income (loss) and comprehensive income (loss).

Foreign exchange

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets and liabilities. With the Company's acquisition of petroleum and natural gas properties in Canada on March 1, 2010, and the reduction in ownership of Bridge Energy, majority of the operations are now located in North America and the Company's functional and reporting currency is in Canadian dollars. A significant portion of the Company's international capital expenditures are denominated in United States dollars or Great Britain Pounds, and the underlying market prices are affected by the exchange rate between the Canadian and the United States dollar or Great Britain Pound. The Company's international oil revenue's are received in United States dollars and the Company's international natural gas revenues are received in Great Britain pounds. An increase in the value of the Canadian dollar relative to the United States or Great Britain pound will decrease the revenues received. Correspondingly, a decrease in the value of the Canadian dollar relative to the United States or Great Britain pound will increase the revenues received from the sale of oil and natural gas commodities. As at March 31, 2010, the Company had no contracts in place to reduce foreign exchange risk.

Sensitivities

The Company must provide certain quantitative sensitivities related to its financial instruments. The following table summarizes the annualized sensitivities of the Company's net earnings and other comprehensive income to changes in the fair value of financial instruments outstanding as at December 31, 2009, resulting from changes in the specified variable, with all other variables held constant. These sensitivities are limited to the impact of changes in a specified variable applied to financial instruments only and do not represent the impact of a change in the variable on the operating results of the Company taken as a whole.

	Impact on Net Income *(thousand's)*	Impact on other Comprehensive Income *(thousand's)*
Commodity price risk		
Change in Brent US$1.00/Bbl	$ 28	$ -
Change in Britain NBP gas price $0.10/mcf	$ 156	$ -
Interest rate risk		
Change in interest rate 1%	$ (118)	$ -

Liquidity risk

Liquidity difficulties would emerge if the Company was unable to meet its financial obligations as they fell due within normal credit terms. As disclosed in Note 15, 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. As at March 31, 2010, the Company had available unused committed bank credit facilities in the amount of $25.6 million on the Canadian credit facility and £18.6 million on the Royal Bank of Scotland facility. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable commitments.

The following are the contractual maturities of financial liabilities as at March 31, 2010:

(thousand's)	Within 1 year	1 to 2 years	2 - 4 years	Thereafter
Long-term debt and interest	$ 37,047	$ 10,433	$ -	$ -
Accounts Payable and accrued liabilities	16,803	-	-	-
Total	$ 53,850	$ 10,433	$ -	$ -

The following table represents the fair value measurement of each class of financial assets and liabilities using a fair value hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – valuations using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

Level 3 – valuations using inputs that are not observable market data.

As at March 31, 2010, the Company's financial instruments within the fair value hierarchy are as follows:

(thousand's)	**2010**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through net income				
Commodity price contracts	$ 4,866	$ -	$ 4,866	$ -
Available for sale financial assets				
Publicly traded investment	101	101	-	-
Total Financial Assets	$ 4,967	$ 101	$ 4,866	$ -

Gains on Level 2 instruments of $3,232,148 are presented in derivatives (gain) loss in the income statement.

15. 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 structure comprises shareholders' equity and debt, defined as long-term debt including the current portion. Management of capital involves the preparation of an annual budget, which may only be implemented after approval by the Company's Board of Directors. The Company also monitors its capital structure using non-GAAP financial metrics consisting of debt to EBITDA. These metrics are used to steward the Company's overall debt position as measures of the Company's overall financial strength. SVI targets a debt to EBITDA of less than 2.5 times. At March 31, 2010, debt to EBITDA was 2.1 (December 31, 2009 – 1.0) calculated on a trailing 12-month basis.

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 adjusts its capital structure to maintain flexibility while achieving corporate objectives. Such flexibility maintenance may include adjusting capital spending, issuance of new shares, entering into new debt or repayment of existing debt.

The Company is subject to certain financial covenants in its credit facility agreement and is in compliance with such. The Company has no other externally imposed capital requirements.

16. 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.
- **North Sea, UK** – includes the Company's exploration for and development of natural gas and NGL's and other related activities within the UK cost centre.
- **Canada** – includes the Company's exploration for and development of natural gas and NGL's and other related activities within the Canadian cost centre.
- **Corporate** – mainly includes general and administrative costs in Canada and assets held corporately.

Segment and Geographic Information

Property and Equipment and Total Assets by Segment

(thousand's)	Tunisia		North Sea, UK		Canada		Corporate		Consolidated	
Three Months Ended March	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Capital Expenditures [1]	**$ 29,578**	$ 2,126	**$ 1,056**	$ 4,251	**$176,241**	$ -	**$ 180**	$ 17	**$207,055**	$ 6,394
Property and Equipment - net	**$ 84,404**	$ 44,817	**$335,057**	$378,117	**$198,886**	$ -	**$ 611**	$ 226	**$618,958**	$423,160
Total Assets	**$ 90,573**	$ 48,976	**$387,914**	$415,907	**$208,128**	$ -	**$ 23,909**	$ 31,395	**$710,524**	$496,278

[1] *Excludes capitalized costs relating to foreign currency translation incurred during the period.*

Results of Operations

(thousand's)	Tunisia		North Sea, UK		Canada		Corporate		Consolidated	
Three Months Ended March 31	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Production revenues, net of royalties	**$ 177**	$ -	**$ 4,351**	$ 10,064	**$ 5,026**	$ -	**$ -**	$ -	**$ 9,554**	$ 10,064
Interest income and other	**16**	-	**11**	-	**237**	-	**8**	12	**272**	12
	193	-	**4,362**	10,064	**5,263**	-	**8**	12	**9,827**	10,076
Expenses										
Production expenses	**270**	-	**616**	2,625	**1,610**	-	**-**	-	**2,496**	2,625
Derivatives (gain) loss	**-**	-	**(796)**	390	**(3,275)**	-	**-**	-	**(4,071)**	390
Foreign exchange (gain) loss	**933**	52	**6**	(2)	**-**	-	**-**	(69)	**939**	(19)
General and administrative	**884**	(127)	**604**	912	**486**	-	**2,280**	1,411	**4,254**	2,196
Interest expense	**2**	-	**213**	564	**-**	-	**2,600**	-	**2,815**	564
Depletion and amortization	**97**	3	**22,165**	10,457	**3,155**	-	**42**	7	**25,459**	10,467
	2,186	(73)	**22,808**	14,946	**1,976**	-	**4,922**	1,349	**31,892**	16,223
Net Income (loss) before income taxes	**(1,993)**	72	**(18,446)**	(4,882)	**3,287**	-	**(4,914)**	(1,337)	**(22,065)**	(6,147)
Current income taxes	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Future income taxes	**(928)**	-	**(9,234)**	(3,172)	**-**	-	**-**	-	**(10,162)**	(3,172)
Net Income (loss)	**$ (1,065)**	$ 72	**$ (9,212)**	$ (1,710)	**$ 3,287**	$ -	**$ (4,914)**	$ (1,337)	**$(11,903)**	$ (2,975)

17. Subsequent Events

On April 27, 2010, Chinook entered into an agreement of purchase and sale with an industry producer to acquire certain oil and natural gas assets located in west central Alberta for $46.25 million, subject to closing adjustments. The effective date of the purchase will be April 1, 2010, and the acquisition is expected to close on or about June 30, 2010.

On May 3, 2010, the Company announced it had entered into a definitive arrangement agreement with Iteration Energy Ltd. ("Iteration") whereby Iteration and SVI have agreed to a business combination pursuant to a Plan of Arrangement to create a new company named Chinook Energy Inc. Under the terms of the agreement, Iteration shareholders may elect to receive $1.83 cash for each Iteration share held, subject to a minimum aggregate cash payment of $50 million and a maximum aggregate cash payment of $225 million or 0.5631 of a common share of SVI for each Iteration share held or any combination of the two. SVI has entered into a $125 million fully committed subscription receipt financing with a group of its existing investors at a price of $3.25 per share. Pursuant to the subscription receipt placement, SVI has agreed to issue warrants to purchase 1,279,000 shares at an exercise price of $3.25 per share at any time on or before June 30, 2013.

SVI has also entered into a fully committed bridge financing with AIMCo for up to $175 million to fund the balance of the cash requirements associated with the transaction, provide SVI with the capital to repay a portion of the Iteration debt and for general corporate purposes. It is expected that the transaction will close in late June and is subject to shareholder and regulatory approvals.

On May 10, 2010, the Company distributed, on a pro rata basis, the 28,776,000 shares of Bridge Energy owned by Storm Ventures International (BVI) Limited, to the holders of the outstanding SVI shares as at April 20, 2010, by way of a reduction and return of capital.

CORPORATE INFORMATION

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Robert C. Cook
P. Grant Wierzba
John A. Brussa
Simon Munro
Stuart G. Clark

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President & C.E.O. & Director

P. Grant Wierzba
Vice President, Production,
Chief Operating Officer, Canada & Director

Roy Smitshoek
Chief Operating Officer, Tunisia

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
Société Générale (Canada Branch)
The Toronto Dominion Bank
Royal Bank of Canada
Alberta Treasury Branches
HSBC Bank Canada
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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
Brent	international market price for light crude oil blend
DGE	Direction Générale de l'Energie
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
Mmbtu	Million British Thermal unit
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
NBP	National Balancing Point
NOK	Norwegian Krone
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.