STORM RESOURCES

2013 Q2 REPORT

Highlights

Thousands of Cdn$, except volumetric and per-share amounts	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
FINANCIAL				
Gas sales	5,436	1,647	8,483	2,803
NGL sales	2,982	1,205	4,561	1,781
Oil sales	3,556	6,591	7,978	8,249
Revenue from product sales(1)	11,974	9,443	21,022	12,833
Funds from operations(2)	5,077	3,669	8,304	3,606
Per share - basic ($)	0.07	0.06	0.12	0.07
Per share - diluted ($)	0.07	0.06	0.12	0.07
Net income (loss)	661	947	400	(668)
Per share - basic ($)	0.01	0.03	0.01	(0.01)
Per share - diluted ($)	0.01	0.03	0.01	(0.01)
Field capital expenditures	16,729	7,223	36,865	10,439
Proceeds on disposition of oil and gas properties	(19)	-	(19,518)	(1,009)
Debt including working capital deficiency, net of investments	22,671	53,667	22,671	53,667
Weighted average common shares outstanding (000s)				
Basic	72,097	61,824	66,989	50,247
Diluted	72,477	61,847	67,177	50,247
Common shares outstanding (000s)				
Basic	77,383	61,824	77,383	61,824
Fully diluted	81,280	64,547	81,280	64,547
OPERATIONS				
Oil equivalent (6:1)				
Barrels of oil equivalent (000s)	315	235	539	347
Barrels of oil equivalent per day	3,460	2,584	2,977	1,906
Average selling price (Cdn$ per Boe)(1)	38.02	40.16	39.01	36.99
Gas Production				
Thousand cubic feet (000s)	1,374	809	2,254	1,324
Thousand cubic feet per day	15,098	8,895	12,453	7,277
Average selling price (Cdn$ per Mcf)	3.96	2.04	3.76	2.12
NGL production				
Barrels (000s)	44	17	68	24
Barrels per day	484	186	373	132
Average selling price (Cdn$ per barrel)	67.68	71.22	67.47	74.38
Oil Production				
Barrels (000s)	42	83	96	102
Barrels per day	460	915	528	562
Average selling price (Cdn$ per barrel)(1)	84.96	78.97	83.46	80.54
Wells drilled				
Gross	-	-	3.0	1.0
Net	-	-	2.6	1.0

(1) Excludes hedging gains.

(2) Funds from operations and funds from operations per share are non-GAAP measurements. See discussion of Non-GAAP Measurements on page 9 of the attached Management's Discussion and Analysis ("MD&A") and the reconciliation of funds from operations to the most directly comparable measurement under GAAP, "Cash Flows from Operating Activities", on page 18 of the attached MD&A.

President's Message

SECOND QUARTER 2013 HIGHLIGHTS

- Production increased 39% from the previous quarter to average 3,460 Boe per day (27% oil plus NGL) which leaves Storm on track to meet guidance for fourth quarter production of 4,500 to 5,000 Boe per day. Compared to the same period a year ago, the increase is 34%, or 14% on a per-share basis. Increased production was the result of growth at Umbach where production averaged 1,792 Boe per day in the second quarter, an increase of 1,268 Boe per day from the first quarter and 1,479 Boe per day from a year ago.

- NGL production averaged 484 barrels per day, an increase of 85% from the first quarter and 160% from the year earlier period. The increase is the result of production growth from the Montney formation at Umbach. The NGL price was $67.68 per barrel which was 73% of the average Edmonton Par price for the quarter.

- Funds from operations was $5.1 million, or $0.07 per basic share, an increase of 57% from the first quarter and 38% from the year ago period. The increase in funds from operations is largely the result of higher natural gas prices and from increased production levels.

- The field operating netback was $20.12 per Boe excluding hedging gains, with operating costs of $11.08 per Boe. Operating costs decreased by $2.46 per Boe from the first quarter primarily due to production growth at Umbach where operating costs were $8.79 per Boe in the second quarter.

- Capital investment totaled $16.7 million with major expenditures including $4.5 million to acquire a field compressor at Umbach with capacity of 19 Mmcf per day and $7.8 million to acquire undeveloped land also at Umbach. Through the first half of 2013, $15.0 million has been invested to acquire 27.2 net sections with Montney rights at Umbach.

- Field activity in the quarter was focused on the Montney formation at Umbach where one horizontal well (1.0 net) was drilled and one horizontal well (0.6 net) was completed in June with both horizontal wells being pipeline connected in August.

- Net income was $0.7 million or $0.01 per basic share, a decrease from net income of $0.03 per basic share a year earlier. The decrease was primarily due to a year-over-year decrease in the unrealized gain on hedges in place at quarter end and from the issuance of additional common shares.

- Debt plus working capital deficiency, net of investments, ended the quarter at $22.7 million which is one times annualized second quarter cash flow. Storm's bank credit line is $52.0 million.

- Equity financings were closed on May 1st whereby Storm issued 15.6 million shares priced at $1.88 per share for net proceeds of $27.7 million. The related financings comprised a bought deal financing under a short form prospectus for 12.6 million shares and a non-brokered financing where 3.0 million shares were issued to certain directors, officers and employees of Storm.

OPERATIONS REVIEW

Storm has a focused asset base with large land positions in resource plays at Umbach and in the Horn River Basin ("HRB") which have multi-year drilling upside while the Grande Prairie Area, with its shallower decline, provides cash flow available for investment.

Umbach, North East British Columbia

Storm's land position at Umbach is prospective for liquids-rich natural gas from the Montney formation and totals 112 net sections (140 gross sections), or 79,000 net acres. There are two project areas, one area consisting of 79 net sections of land at a 100% working interest, while the other area consists of 33 net sections of jointly owned lands (61 gross sections with an average Storm working interest of 55%). Year-to-date, Storm has invested $15.2 million to acquire 27.2 net sections (29 gross).

Second quarter production grew to 1,792 net Boe per day (22% liquids) as a result of reduced downtime plus the start of production from 1.6 net Montney horizontal wells in April, including Storm's first 100% working interest horizontal well. NGL recovery averaged 48 barrels per Mmcf sales for the quarter which comprises approximately 54% condensate/pentanes, 24% butane and 22% propane. The operating netback in the second quarter was $19.50 per Boe with revenue of $33.22 per Boe, a royalty rate of 15%, and operating costs were $8.79 per Boe. Operating costs decreased $2.75 per Boe from the first quarter because of reduced downtime and the start of production through a recently acquired field compression facility where operating costs are lower because fees are no longer paid for third party field compression. The field compression facility has capacity of 19 Mmcf per day and was purchased for $4.5 million on April 1st.

On the joint lands, nine horizontal wells (5.4 net) have been drilled since 2010 in the Montney formation with eight horizontals (4.8 net) having been completed and tied in through third party field compression to the Stoddart Gas Plant where NGL recovery was 60 barrels per Mmcf sales in the second quarter and processing shrinkage was 20%. NGL recovery declined from 72 barrels per Mmcf sales in the first quarter due to a scheduled turnaround at the Stoddart Gas Plant which resulted in production being re-directed to the McMahon Gas Plant for three weeks in May. The remaining standing horizontal well (0.6 net) will be completed and tied in during the fourth quarter of 2013 as field compression capacity becomes available with normal production declines.

On the 100% working interest lands, the first horizontal well began producing April 2nd into the Storm-owned field compression facility. Production from this facility is directed to the McMahon Gas Plant for processing where NGL recovery averaged 34 barrels per Mmcf sales in the second quarter with processing shrinkage of 12%. Although NGL recovery is lower than on the joint lands, the field netback is forecast to be $2.00 per Boe higher as a result of lower operating costs (third party fees for field compression are eliminated). Five additional horizontal wells (5.0 net) will be drilled on the 100% working interest lands in 2013 and will be tied in to this facility with the first coming on production in August, the next two in September, one in the fourth quarter, and the last one in the first quarter of 2014.

Production rates per well over the first 90 days have averaged 3.2 Mmcf per day gross raw gas on an operating day basis (approximately 590 Boe per day sales) for the most recent four horizontal wells (2.8 net) that started production since October 2012. This is an increase of approximately 35% when compared to earlier horizontal wells. Operating day rates were used for comparison as downtime due to capacity constraints at a third party facility in the fourth quarter of 2012 and first quarter of 2013 reduced production from horizontal wells on the joint lands. Several changes were made to recent horizontal wells including drilling the wellbore lower in the Montney formation and increasing the number of fracture stimulation stages in the completion. Initial declines are very similar for all of the horizontal wells which implies that first year average rates for the last four horizontal wells will improve to approximately 2.0 Mmcf per day gross raw gas (370 Boe per day sales) per well, a 35% increase from 1.5 Mmcf per day gross raw gas for earlier horizontal wells. Additional fracture stimulation stages will be added on future horizontal wells to try and further improve production rates and ultimate reserves. More information on production rates and declines is provided in the presentation on Storm's website www.stormresourcesltd.com.

Cost reductions are being realized as a result of the transition to development in 2013 (activity in 2012 was focused on resource delineation). Most of the horizontal wells to be drilled in 2013 will be on common pads or will be drilled from existing pads which reduces the cost of rig moves and lease construction. Since mid-June, three horizontal wells (3.0 net) have been drilled at an average cost of $2.0 million with drilling times averaging 14 days and two horizontal wells (1.6 net) have been completed at an average cost of $2.3 million. Tie-in costs are expected to average $0.6 million per horizontal well (not including cost of longer gathering pipelines to connect multi-well pads to field compression facilities). Total cost to drill, complete, equip and tie in a horizontal well is now estimated to be $4.9 million.

Total investment in infrastructure at Umbach in 2013 is expected to be $11.0 million which includes the acquisition on April 1st of field compression for $4.5 million and construction of large diameter field gathering pipelines. This strategic investment provides Storm with operational control and will result in reduced operating costs plus significant low cost growth in production into 2014.

Horn River Basin, North East British Columbia

Storm has a 100% working interest in 135 sections in the HRB (87,700 net acres) which is prospective for natural gas from the Muskwa, Otter Park and Evie/Klua shales. Production in the second quarter averaged 332 Boe per day at an operating netback of $11.63 per Boe and was reduced by approximately 40 Boe per day due to the scheduled 14-day turnaround at the Fort Nelson Gas Plant. Production is from one horizontal well with 12 fracture stimulations that began producing in March 2011 and is currently producing 2.7 Mmcf per day gross raw gas with cumulative production of 3.4 Bcf gross raw gas.

A resource evaluation completed by InSite Petroleum Consultants Ltd. effective December 31, 2011 estimates that the best estimate of DPIIP in the core producing area is 3.1 Tcf gross raw gas with the best estimate of contingent resources being 616 Bcf. The area that was evaluated includes 30 sections at a 100% working interest and represents 22% of Storm's total land holdings in the HRB. Commerciality has been proven across the core producing area with a horizontal well that has been producing for 30 months plus two vertical wells that were completed and tested with final test rates of 900 Mcf per day over the final 24 hours of each flow test.

Grande Prairie Area, North West Alberta and North East British Columbia

Production in the second quarter averaged 1,336 Boe per day (41% oil plus NGL) at an operating netback of $23.10 per Boe. Based on field estimates, July production averaged approximately 1,375 Boe per day (42% oil plus NGL). No drilling activity is planned in this area in 2013. This area has a relatively shallow decline which allows Storm to re-invest the cash flow to grow production at Umbach.

OUTLOOK

Production in the third quarter of 2013 is expected to be 3,600 to 4,000 Boe per day depending on the timing of completing and pipeline connecting new horizontal wells at Umbach. Based on field estimates, July production averaged approximately 3,500 Boe per day. Production growth in 2013 will come from Umbach where two new horizontal wells (1.6 net) are expected to begin producing in August and an additional two horizontal wells (2.0 net) are currently being completed with production expected in early September. Fourth quarter production is forecast to increase to 4,500 to 5,000 Boe per day with the completion and tie-in of one more horizontal well (1.0 net) which is currently being drilled. Guidance for 2013 has not been changed since the update on May 15, 2013 and is provided below:

	Guidance
Year-end adjusted debt plus working capital deficiency (1)	*$36.0 - $40.0 million*
Average operating costs	*$10.00 - $11.00 per Boe*
Average royalty rate (on production revenue before hedging)	*13% - 14%*
Operations capital, excluding dispositions	*$62.0 million*
Asset dispositions	*$19.5 million*
Asset acquisitions	*$4.5 million*
Cash G&A	*$3.7 million*
Exit or fourth quarter average production	*4,500 – 5,000 Boe/d (25% oil + NGL)*

(1) Includes value of publicly listed securities.

Major expenditures in the 2013 capital investment program include:

- $33.0 million at Umbach to drill 6.6 net horizontal wells (7 gross) with 6.2 net horizontal wells (7 gross) being completed and tied in;
- $16.0 million to acquire undeveloped land prospective for the Montney formation at Umbach;
- $7.0 million to expand infrastructure at Umbach which is primarily constructing gathering pipelines;
- $4.5 million to acquire a field compressor at Umbach on April 1st; and
- $19.5 million net proceeds from asset dispositions which closed in the first quarter.

Storm's 2013 budget assumes an average natural gas price at AECO of $2.95 per GJ and an Edmonton Par oil price of Cdn $95.00 per barrel. Assumed commodity prices reflect year-to-date prices plus forward strip pricing as of August 5, 2013. Adjusted net debt is forecast to be $36.0 million to $40.0 million at the end of 2013 (including public company investments) which would be approximately 1.5 times annualized fourth quarter funds from operations.

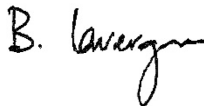
A large proportion of capital investment in 2013 (25% of operations capital) is being directed towards acquiring undeveloped land in the Montney formation at Umbach. To date, 27.2 net sections (29 gross sections) have been acquired for $15.2 million with most of this land being further west in an area with vertical well control where log response is similar to vertical wells that offset Storm's horizontal wells producing from the upper Montney. In addition, there is a lower Montney interval that appears to be productive based on results from other operators in the area. This is a large investment in undeveloped land that is based on what Storm has learned in the area since drilling and completing the first horizontal well in 2010.

Since 2010, Storm has accumulated 112 net sections in the Montney at Umbach and approximately 25% has been delineated to date with vertical and horizontal wells while reserves have been assigned on just 5% of this land position in the upper Montney only. Using flat pricing of $3.00 per GJ for natural gas and Cdn $92.00 per barrel for Edmonton Par (WTI US $95.00/bbl), Storm management estimates that rates of return for horizontal wells are 25% on an unrisked basis. This assumes a field netback of $19.00 per Boe, a first year average rate of 2.0 Mmcf per day gross raw gas, ultimate reserves of 4.0 Bcf gross raw gas per horizontal well and $4.9 million to drill, complete and tie in a horizontal well. The cost to add production is approximately $13,000 per Boe per day using the first year average sales rate of 370 Boe per day. Based on results to date, it is likely that production rates and ultimate reserves could be further improved with additional enhancements to completion methods. In addition, operating costs will continue to decline as

production through Storm's owned infrastructure increases. With ownership and control of field infrastructure and improving production rates from recent Montney horizontal wells, growth from Storm's 100% working interest lands at Umbach is expected to result in corporate production volumes increasing to 5,500 to 6,000 Boe per day over the next 12 to 18 months.

Storm's land position in the HRB continues to be a core, long term asset which provides significant leverage to increased natural gas prices or to LNG development on Canada's west coast.

Respectfully,



Brian Lavergne,
President and Chief Executive Officer

August 14, 2013

Discovered-Petroleum-Initially-in-Place ("DPIIP") - is defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP except for those portions identified as proved or probable reserves.

Contingent Resources - are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project at an early stage of development. Estimates of contingent resources are estimates only; the actual resources may be higher or lower than those calculated in the independent evaluation. There is no certainty that the resources described in the evaluation will be commercially produced.

Boe Presentation – For the purpose of calculating unit revenues and costs, natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet ("Mcf") of natural gas equal to one barrel of oil unless otherwise stated. Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of six Mcf to one barrel ("Bbl") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All Boe measurements and conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil. Mboe means 1,000 Boe.

Forward-Looking Statements – Such statements made in this report are subject to the limitations set out in Storm's Management's Discussion and Analysis dated August 14, 2013 for the three and six months ended June 30, 2013.

Management's Discussion and Analysis

INTRODUCTION

Set out below is management's discussion and analysis ("MD&A") of financial and operating results for Storm Resources Ltd. ("Storm" or the "Company") for the three and six months ended June 30, 2013. It should be read in conjunction with (i) the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2013, (ii) the Company's audited consolidated financial statements for the year ended December 31, 2012, and (iii) the press release issued by the Company on August 14, 2013, and other operating and financial information included in this report. All of these documents are filed on SEDAR (www.sedar.com) and appear on the Company's website (www.stormresourcesltd.com).

Readers are directed to the discussion below regarding Forward-Looking Statements, Boe Presentation and Non-GAAP Measurements.

The Company was incorporated on June 8, 2010 as 1541229 Alberta Ltd. with nominal share capital and was inactive until August 17, 2010 when the Company participated in a plan of arrangement (the "Arrangement") along with Storm Exploration Inc. ("SEO") and ARC Energy Trust ("ARC"). The Arrangement resulted in the sale of SEO to ARC and the spin out of the Company as a junior exploration and development company. The Company trades on the TSX Venture Exchange under the symbol "SRX".

This MD&A is dated August 14, 2013.

LIMITATIONS

Basis of Presentation – Financial data presented below have largely been derived from the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies adopted by the Company are referred to in Note 3 to the audited consolidated financial statements for the year ended December 31, 2012. The reporting and the measurement currency is the Canadian dollar.

Changes to accounting policies, introduced effective January 1, 2013, are outlined in Note 2 to the Company's audited consolidated financial statements as at December 31, 2012 and for the year then ended. These changes to accounting policies have no effect on the inter-period comparability of financial information.

Unless otherwise indicated, tabular financial amounts, other than per-share amounts, are in thousands. Comparative information is provided for the three and six month periods ended June 30, 2012.

Forward-Looking Statements – Certain information set forth in this document, including management's assessment of Storm's future plans and operations, contains forward-looking information (within the meaning of applicable Canadian securities legislation). Such statements or information are generally identifiable by words such as "anticipate", "believe", "intend", "plan", "expect", "estimate", "budget", "outlook", "forecast" or other similar words and include statements relating to or associated with individual wells, regions or projects. Without limitation, any statements regarding the following are forward-looking statements:

- future crude oil, natural gas liquids and natural gas prices;
- future production levels and production levels by commodity;
- future revenues or costs (including royalties) and revenues or costs per commodity unit;
- future capital expenditures and their allocation to specific exploration and development activities or periods;
- future drilling, completion and tie-in of wells;
- future facility access, acquisition or construction;

- future earnings or losses;
- future non-GAAP funds from operations and future cash flows;
- future availability of financing;
- future asset acquisitions or dispositions;
- intentions with respect to investments;
- future sources of funding for capital programs;
- future decommissioning costs and discount rates used to determine the net present value of such costs;
- development plans;
- measurement and recoverability of reserves or resources;
- expected finding and development costs;
- future royalties, operating costs, interest and general and administrative costs;
- future provisions for depletion and depreciation and accretion;
- expected share-based compensation charges;
- future interest rates and interest costs;
- estimates on a per-share basis;
- dates or time periods by which certain geographical areas will be developed; and
- changes to any of the foregoing.

Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, including assumptions regarding future prices, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include the material uncertainties and risks described or incorporated by reference in this MD&A under "Critical Accounting Estimates"; "Risk Assessment" and the material assumptions described under the headings "Overview"; "Acquisitions in 2012"; "Production and Revenue"; "Hedging"; "Royalties"; "Production Costs"; "Transportation Costs"; "General and Administrative Costs"; "Share-Based Compensation"; "Depletion and Depreciation"; "Accretion"; "Interest"; "Income Taxes"; "Comprehensive Loss"; "Financial Resources and Liquidity"; "Investments"; "Accounts Payable and Accrued Liabilities"; "Decommissioning Liability"; "Shareholders' Equity"; industry conditions including commodity prices, capacity constraints and access to market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates and related costs including royalties, production costs and future development costs, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, ability to access sufficient capital from internal and external sources and the ability of the Company to realize value from acquired assets and corporations. All of these caveats should be considered in the context of current economic conditions, in particular low prices for natural gas, the attitude of lenders and investors towards natural gas assets, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Readers are advised that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Storm's actual results, performance or achievement, could differ materially from those expressed in, or implied by, these forward-looking statements. Storm disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required

under securities law. **The forward-looking statements contained therein are expressly qualified by this cautionary statement.**

Boe Presentation – Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet ("Mcf") of natural gas equal to one barrel of oil unless otherwise stated. Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of six Mcf to one barrel ("Bbl") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All Boe measurements and conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

Non-GAAP Measurements - Within this MD&A, references are made to terms which are not recognized under Generally Accepted Accounting Principles ("GAAP"). Specifically, "funds from operations", "funds from operations per share", "netbacks", "cash costs", and measurements "per BOE" do not have any standardized meaning as prescribed by GAAP and are regarded as non-GAAP measures. These non-GAAP measures may not be comparable to the calculation of similar amounts for other entities and readers are cautioned that use of such measures to compare enterprises may not be valid. In particular, funds from operations is not intended to represent, or be equivalent to, cash flow from operating activities calculated in accordance with GAAP which is measured on the Company's consolidated statements of cash flows. Funds from operations and similar non-GAAP terms are used to benchmark operations against prior periods and peer group companies and are widely used by investors, analysts and other parties and also by lenders to measure compliance with debt covenants and also set interest costs. Reference is made to the discussion in this MD&A under "Non-GAAP Funds from Operations and Funds from Operations per Share" and to "Cash Flows from Operating Activities".

OPERATIONAL AND FINANCIAL RESULTS

Overview

The second quarter of 2013 was influenced by three important events. At the beginning of April Storm acquired a 50% ownership interest in a field compression facility adding 19 Mmcf per day of capacity in the Umbach area. The facility acquisition together with pipeline modifications in the area allowed Storm to turn on three horizontal wells (2.2 net) at Umbach. This acquisition enables Storm to: reduce reliance on third party facilities, which had caused production disruptions in prior quarters; reduce future operating costs; and put in place the first part of a facility ownership structure to support future development at Umbach. The second event was the tie in of Storm's first 100% working interest well at Umbach, the initial step in a shift in focus from drilling on joint interest lands to drilling on 100% ownership lands. The third event was the completion of two related equity issues at the beginning of May whereby the Company issued 15.6 million shares at a price of $1.88 per share for gross proceeds of $29.3 million. Net proceeds of approximately $27.7 million were initially used to reduce bank debt. These equity issues provide Storm with the financial flexibility to accelerate development on the growing Umbach project.

During the quarter, Storm's production mix was 73% natural gas and 27% crude oil and NGL. Natural gas production increased by 54% compared to the immediately prior quarter and by 70% when compared to the second quarter of 2012 as production at Umbach increased to more than 8.3 Mmcf per day. Natural gas production for the first six months of 2013 was up 71% from the same period in 2012. During the second quarter, crude oil production dropped by 50% relative to the same quarter in 2012 as a result of the oil property disposals in the first quarter of 2013. Meanwhile, second quarter NGL production increased from 186 Bbls per day in 2012 to 484 Bbls per day as a result of NGL associated with growing natural gas production at Umbach. Although prices increased from the prior quarter for all three products, the overall realized price per Boe decreased from $40.37 to $38.02 as a result of the increased weighting of natural gas in the total production mix. For the six months ended June 30, 2013, price decreases for oil and NGL were more than offset by a sharp increase in the natural gas price which resulted in realized prices per Boe increasing from $36.99 in 2012 to $39.01 in 2013.

Second quarter production increased to 3,460 Boe per day, or by 39%, from 2,488 Boe per day in the first quarter of 2013 and 2,584 Boe per day, or by 34%, in the second quarter of 2012. These increases were a result of the increase in natural gas and associated NGL production at Umbach.

Storm's capital program in the second quarter of 2013 was focused on the Umbach property in north east British Columbia. The Company recommenced drilling at Umbach late in June. One horizontal well was rig released in early July. During the quarter, the Company spent approximately $7.8 million on land acquisition and $4.5 million to acquire the facility interest at Umbach. It is anticipated Storm will drill five (5.0 net) horizontal wells at Umbach during the second half of 2013.

Increased production at Umbach more than offset lower field netbacks and resulted in an increase in funds from operations for the quarter to $5.1 million, up by $3.2 million, or 59%, from the first quarter of 2013. Funds from operations increased 39% from $3.7 million in the second quarter of 2012 primarily due to increased production which more than offset higher hedging gains in the prior quarters. Field netbacks amounted to $20.12 per Boe in Q2 2013, down from $20.24 in Q1 2013 and $22.07 in Q2 2012, as a result of increased volumes of natural gas in the product mix.

During the second quarter the Company solidified its financial position and increased production sharply while advancing the liquids-rich natural gas resource play at Umbach. In future quarters the Company will continue to further develop this project using the growing cash flow base being established through production growth at Umbach and from the allocation of cash flow from Storm's Alberta properties.

Acquisitions in 2012

On January 12, 2012 the Company completed the acquisition of the 78% equity interest in Storm Gas Resource Corp. ("SGR") not already owned by Storm. Common shares issued by the Company on closing to former SGR shareholders totaled 11.8 million. The closing price for the Company's shares at the time of the acquisition was $3.73. The acquisition of SGR resulted in an increase in the working interest in the Company's lands in the Horn River Basin from 40% to 100%. The Company also assumed operatorship of the project.

On March 23, 2012 the Company and Bellamont Exploration Ltd. ("Bellamont"), a junior oil and gas exploration and production company listed on the TSX Venture Exchange, completed an arrangement agreement (the "Agreement") under which the two companies combined with the continuing entity being Storm. Cash paid under the Agreement was the maximum amount of $20 million. A total of 16.7 million Storm common shares were issued to former Bellamont shareholders. Using a Storm share price of $2.37, which was the closing price at the time of acquisition, Storm shares issued to Bellamont shareholders were valued at $39.7 million. Cash flow from the Grande Prairie Area properties from the Bellamont transaction has largely been directed to advancing exploitation of the Montney formation at Umbach.

Production and Revenue

Production by Area

The Company reported production from the following areas:

				Three Months to June 30, 2013
Producing Area	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Crude Oil (Bbls/d)	Boe/d
Horn River Basin – NE BC	1,994	-	-	332
Umbach – NE BC	8,359	399	-	1,792
Grande Prairie Area – AB and BC:				
Grimshaw - AB	233	-	267	306
Grande Prairie, Montney & Dunvegan – AB	4,512	85	193	1,030
Total	15,098	484	460	3,460

				Three Months to June 30, 2012
Producing Area	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Crude Oil (Bbls/d)	Boe/d
Horn River Basin – NE BC	3,148	-	-	525
Umbach – NE BC	1,370	84	-	313
Grande Prairie Area – AB and BC:				
Mica – NE BC	312	2	95	149
Grimshaw - AB	85	-	358	372
Grande Prairie, Montney & Dunvegan – AB	3,975	88	271	1,022
Saddle Hills - AB	-	-	173	173
Other	5	12	18	30
Total	8,895	186	915	2,584

Producing Area	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Crude Oil (Bbls/d)	Boe/d
				Six Months to June 30, 2013
Horn River Basin – NE BC	2,107	-	-	351
Umbach – NE BC	5,313	281	-	1,167
Grande Prairie Area – AB and BC:				
Grimshaw - AB	257	-	274	317
Grande Prairie, Montney & Dunvegan – AB	4,776	92	214	1,102
Saddle Hills - AB	-	-	40	40
Total	12,453	373	528	2,977

Producing Area	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Crude Oil (Bbls/d)	Boe/d
				Six Months to June 30, 2012
Horn River Basin – NE BC	3,154	-	-	526
Umbach – NE BC	1,493	76	-	324
Grande Prairie Area – AB and BC:				
Mica – NE BC	326	2	92	149
Grimshaw - AB	48	-	198	205
Grande Prairie, Montney & Dunvegan – AB	2,251	48	150	573
Saddle Hills - AB	-	-	95	95
Other	5	6	27	34
Total	7,277	132	562	1,906

Total Boe production in the second quarter of 2013 increased by 34% when compared to the second quarter of 2012 and by 39% when compared to the first quarter of 2013. For the six-month period ended June 30, 2013 total Boe production increased by 56% year-over-year.

Changes in production came largely from:

Comparing Q2 2013 to Q1 2013

- Increased production at Umbach and the acquisition of 19 Mmcf of field compression in April 2013, which eliminated production disruptions caused by third party facility outages;
- Sale of light oil properties in Q1 resulting in a reduction in average daily production of 300 Boe.

Comparing H1 2013 to H1 2012

- Production growth at Umbach;
- Acquisition of Bellamont, effective March 23, 2012, adding production in the Grande Prairie Area at Grimshaw, Grande Prairie Montney and Dunvegan and from various minor properties.

Daily production per million weighted average shares outstanding averaged 48 Boe per day for the second quarter of 2013, compared to 42 Boe per day for the second quarter of 2012, and 40 Boe per day for the immediately preceding quarter.

In north east British Columbia the Company has two producing natural gas areas, one producing dry gas in the Horn River Basin and the other producing gas and associated liquids at Umbach. An oil property at Mica producing 150 Boe per day, which also produced associated natural gas, was sold in October 2012. Production in Alberta approximates 34% light oil with an average API of 37 degrees, 60% natural gas and 6% NGL. In January and February 2013, the Company sold certain Alberta properties producing approximately 300 Boe per day of which 77% was light crude oil.

Average Daily Production

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Natural gas (Mcf/d)	15,098	8,895	12,453	7,277
Natural gas liquids (Bbls/d)	484	186	373	132
Crude oil (Bbls/d)	460	915	528	562
Total (Boe/d)	3,460	2,584	2,977	1,906

Production Profile and Per-Unit Prices(1)

	Three Months to June 30, 2013		Three Months to June 30, 2012		Six Months to June 30, 2013		Six Months to June 30, 2012	
	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs	Percentage of Total Boe Production	Average Selling Price Before Transportation Costs
Natural gas - Mcf	73%	$ 3.96	57%	$ 2.04	70%	$ 3.76	64%	$ 2.12
Natural gas liquids - Bbl	14%	67.68	7%	71.22	12%	67.47	7%	74.38
Crude oil - Bbl	13%	84.96	36%	78.97	18%	83.46	29%	80.54
Per Boe	100%	$ 38.02	100%	$ 40.16	100%	$ 39.01	100%	$ 36.99

(1) Before hedging loss of $0.04 per Boe for the three months ended June 30, 2013 and hedging gains of $0.01 per Boe for the six months ended June 30, 2013. In 2012 the hedging gain was $1.60 per Boe for the three month period and $1.08 per Boe for the six month period.

The Company's natural gas is produced in both British Columbia and Alberta and is sold at a price based on the Station 2 price in British Columbia and at the AECO index in Alberta. Approximately 69% of Storm's natural gas was sold at Station 2 in the second quarter of 2013 with the remaining 31% being sold at AECO. Storm's realized price for the second quarter was $3.96 per Mcf with the price higher than index prices as a result of sales gas at Umbach and Grande Prairie having a higher heat content, resulting in a higher price realized per Mcf (Mcf:GJ equivalency ratio is 1:1.05). The Station 2 price for the second quarter averaged $3.26 per GJ, and the equivalent AECO price was $3.35 per GJ. Storm's crude oil sales price for the second quarter of 2013, prior to the inclusion of hedging gains, was $7.98 per barrel lower than the Edmonton Par reference price for light sweet crude oil which averaged $92.94 per barrel for the second quarter.

For the second quarter, WTI averaged US$94.29 per barrel, resulting in an exchange rate adjusted differential between WTI and Edmonton Par of Cdn$3.55 per barrel compared to Cdn$10.33 per barrel in the second quarter of 2012. In the last quarter of 2012 a widening differential between Edmonton Par and WTI began to emerge, largely related to market access difficulties faced by Canadian crude oil producers. This continued into 2013 although the effect was mitigated by a favourable exchange rate movement and higher WTI pricing in 2013. Given uncertainty surrounding approval of the Keystone Pipeline project by the U.S. government, it is uncertain when the Canadian-U.S. pricing differential will narrow, if at all.

The year-over-year reduction in Storm's realized NGL sales price of $3.54 was primarily a consequence of a decrease in propane and butane prices due to the market for propane and butane being oversupplied as a result of high initial production rates coming from newly drilled high liquids content natural gas wells, both in Canada and the United States. At Umbach, in the second quarter of 2012, the propane price was $24.71 per barrel and the butane price was $66.04 per barrel while, in the second quarter of 2013, propane was $17.14 per barrel and butane was $56.83 per barrel. This continent-wide shift in drilling focus from dry gas to higher netback, liquids-rich natural gas wells is a direct result of lower natural gas prices. The shift in drilling from dry to wet gas shows no signs of abatement; thus the downward pressure on NGL prices, particularly for propane, is likely to continue.

Revenue from Product Sales(1)

(000s)	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Natural gas	$ 5,436	$ 1,647	$ 8,483	$ 2,803
Natural gas liquids	2,982	1,205	4,561	1,781
Crude oil	3,556	6,591	7,978	8,249
Total	$ 11,974	$ 9,443	$ 21,022	$ 12,833

(1) Excludes hedging gains.

For the second quarter, the increase in total revenue of 27% over the 2012 second quarter was a result of production growth of 34% offset by a decrease in Boe pricing of 9% consequent on growing natural gas production. The six month year-over-year revenue increase of 64% is due to Boe volume growth of 56% and an increase in per-Boe pricing of 6%.

Hedging

The Company has in place the following hedging arrangements:

Volume	Price (Cdn)	Inception	Expiry	Unrealized Gain (Loss) at June 30, 2013
Crude Oil				
100 Bbls/day	$ 99.05	July 1, 2013	September 30, 2013	$ (20,000)
100 Bbls/day	$ 98.25	July 1, 2013	September 30, 2013	(27,000)
250 Bbls/day	$ 96.05	July 1, 2013	September 30, 2013	(119,000)
150 Bbls/day	$ 97.05	October 1, 2013	December 31, 2013	(32,000)
100 Bbls/day	$ 98.20	October 1, 2013	December 31, 2013	(11,000)
100 Bbls/day	$ 99.27	October 1, 2013	December 31, 2013	-
100 Bbls/day	$100.24	October 1, 2013	December 31, 2013	-
150 Bbls/day	$100.45	January 1, 2014	March 31, 2014	-
100 Bbls.day	$101.40	January 1, 2014	March 31, 2014	-
100 Bbls.day	$102.00	January 1, 2014	March 31, 2014	-
Natural Gas				
3,000 GJ/day	$ 3.45	July 1, 2013	September 30, 2013	133,000
3,000 GJ/day	$ 3.50	July 1, 2013	September 30, 2013	146,000
3,000 GJ/day	$ 3.65	October 1, 2013	December 31, 2013	130,000
3,000 GJ/day	$ 3.80	January 1, 2014	March 31, 2014	130,000
Total				$ 330,000

During the first half of 2013, the Company realized gains from hedges in the amount of $7,000 (2012 – $376,000).

All crude oil contracts are based on a WTI price in US$ per barrel which is then converted to Cdn$ using the foreign exchange rate when the contract is executed. Crude oil contracts do not reflect wellhead prices as quality adjustments, market differentials and transportation tariffs are not included. Natural gas price hedges are based on pricing at Storm's physical delivery point for natural gas sales and are directly related to wellhead prices.

Royalties

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period	$ 1,727	$ 1,212	$ 2,908	$ 1,519
Percentage of production revenue before hedging gains	14%	13%	14%	12%
Per Boe	$ 5.48	$ 5.15	$ 5.40	$ 4.38

The Company benefits from royalty incentive programs applicable to production from both British Columbia and Alberta.

At Umbach, future production will benefit from British Columbia's Infrastructure Royalty Credit Program. During 2012, Storm received approval for $2.08 million gross of credits ($1.25 million net) for two pipeline projects. The credits are earned once the pipelines are constructed and will be used to reduce future royalties payable on horizontal wells associated with the pipeline projects.

In the Horn River Basin, the Company benefits from British Columbia's deep well royalty credit program, applicable to horizontal wells with a vertical depth greater than 1,900 metres. Under this program, which is not subject to expiry, drilling credits earned are applied in reduction of future royalties levied on production from the well. The Company expects that future royalties will be reduced by an amount of $250,000. Natural gas production at Umbach does not benefit from this program.

In Alberta, production from new wells is subject to a 5% royalty rate for the first 12 months of production, subject to a maximum volume of 50,000 Bbls of crude oil or 500 million cubic feet of natural gas. Limited drilling activity in Alberta has resulted in the expiry of this program's benefits to Storm.

Production of NGL is subject to an effective royalty rate of 20% in British Columbia and approximately 30% in Alberta.

The British Columbia provincial government recently introduced changes to the provincial royalty program. These changes result in a minimum royalty of 3% being applied to production from the Horn River Basin, which benefits from the deep well royalty credit program. In addition, the British Columbia summer drilling credit program has been eliminated. The Company does not expect that these changes will result in a material realignment in future capital programs.

Production Costs

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period	$ 3,488	$ 2,719	$ 6,520	$ 3,809
Percentage of production revenue before hedging gains	29%	29%	31%	30%
Per Boe	$ 11.08	$ 11.56	$ 12.10	$ 10.98

Production costs per barrel of crude oil averaged $12.76 for the second quarter and production costs per Mcf of natural gas averaged $2.15, with total production costs averaging $11.08 per Boe. The equivalent charges for the second quarter of 2012 were $12.97 per barrel for crude oil and $2.01 per Mcf of natural gas, with total production costs averaging $11.56 per Boe. For the six month periods to June 30, per-Boe production costs averaged $12.10 in 2013 and $10.98 in 2012. Production costs of natural gas liquids are included with natural gas costs.

The increase in total production costs for the first six months of 2013 relative to the prior year was a consequence of the inclusion of the Bellamont properties since March 23, 2012. Operating costs per Boe associated with pre-existing Storm properties approximated $9.08 in 2013 and for the acquired Bellamont properties production costs were $15.23 per Boe.

Transportation Costs

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period	$ 409	$ 700	$ 732	$ 933
Percentage of production revenue before hedging gains	3%	7%	3%	7%
Per Boe	$ 1.30	$ 2.98	$ 1.36	$ 2.69

Transportation costs largely comprise pipeline tariffs from the processing facility to the sales point for natural gas, and trucking costs for crude oil in Alberta. Transportation costs in 2013 were lower than costs in 2012 primarily due to increased natural gas production from the Umbach area and the sale of certain oil properties in the first quarter of 2013. Transportation costs were $1.44 per Boe in the first quarter of 2013.

Field Netbacks

Details of field netbacks, measured per commodity unit produced, are as follows:

				Three Months to June 30, 2013
	Crude Oil ($/Bbl)	Natural Gas Liquids ($/Bbl)	Natural Gas ($/Mcf)	Total ($/Boe)
Production revenue	$ 84.96	$ 67.68	$ 3.96	$ 38.02
Hedging losses	(0.33)	-	-	(0.04)
Royalties	(19.46)	(14.53)	(0.20)	(5.48)
Production costs	(12.76)	-	(2.15)	(11.08)
Transportation costs	(4.40)	(0.07)	(0.16)	(1.30)
Field netback per Boe	$ 48.01	$ 53.08	$ 1.45	$ 20.12
Total field netback (000s)	$ 2,009	$ 2,339	$ 1,987	$ 6,336

				Three Months to June 30, 2012
	Crude Oil ($/Bbl)	Natural Gas Liquids ($/Bbl)	Natural Gas ($/Mcf)	Total ($/Boe)
Production revenue	$ 78.97	$ 71.22	$ 2.04	$ 40.16
Hedging gains	4.51	-	-	1.60
Royalties	(13.11)	(12.91)	0.13	(5.15)
Production costs	(12.97)	-	(2.01)	(11.56)
Transportation costs	(5.39)	(4.71)	(0.21)	(2.98)
Field netback per Boe	$ 52.01	$ 53.60	$ (0.05)	$ 22.07
Total field netback (000s)	$ 4,333	$ 906	$ (50)	$ 5,189

				Six Months to June 30, 2013
	Crude Oil ($/Bbl)	Natural Gas Liquids ($/Bbl)	Natural Gas ($/Mcf)	Total ($/Boe)
Production revenue	$ 83.46	$ 67.47	$ 3.76	$ 39.01
Hedging gains (losses)	(0.88)	-	0.04	0.01
Royalties	(17.52)	(15.54)	(0.08)	(5.40)
Production costs	(14.19)	-	(2.29)	(12.10)
Transportation costs	(4.02)	(0.12)	(0.15)	(1.36)
Field netback	$ 46.85	$ 51.81	$ 1.28	$ 20.16
Field netback (000s)	$ 4,478	$ 3,503	$ 2,887	$ 10,868

				Six Months to June 30, 2012
	Crude Oil ($/Bbl)	Natural Gas Liquids ($/Bbl)	Natural Gas ($/Mcf)	Total ($/Boe)
Production revenue	$ 80.54	$ 74.38	$ 2.12	$ 36.99
Hedging gains	3.67	-	-	1.08
Royalties	(12.51)	(14.19)	0.08	(4.38)
Production costs	(13.13)	-	(1.86)	(10.98)
Transportation costs	(5.56)	(4.10)	(0.19)	(2.69)
Field netback	$ 53.01	$ 56.09	$ 0.15	$ 20.02
Field netback (000s)	$ 5,421	$ 1,343	$ 184	$ 6,948

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

Total field netbacks for the second quarter of 2013 were 22% higher than the same quarter of 2012. Natural gas revenue more than tripled in 2013 as a result of increased production at Umbach, while oil revenues dropped by 46% as a result of the disposal of oil producing properties in the first quarter of 2013 and the final quarter of 2012. Measured per Boe, second quarter netbacks dropped by 9% as Boe pricing fell from $40.16 per Boe to $38.02 per Boe. Although prices for oil and natural gas increased, the effect of lower netback natural gas production increasing from 57% to 73% of total corporate volumes was to lower the overall per-Boe netback. In addition, the second quarter of 2012 benefited from hedging gains of $1.60 per Boe.

For the first six months of 2013, netbacks on a per-Boe basis increased marginally as higher pricing per Boe was offset by higher royalty and production costs.

Cash costs per Boe, comprising production costs, transportation, interest and general and administrative costs, amounted to $16.38 for the second quarter of 2013 and $20.88 for the equivalent quarter of 2012. The Company experienced year-over-year reductions per Boe in all cash cost components. A similar drop from $21.46 to $18.22 is evident when comparing the six month period in 2013 to 2012.

Acquisition Costs

Acquisition costs relate to the Bellamont and SGR transactions which closed in the first quarter of 2012. Costs for the period ended June 30, 2012 were $0.6 million. There were no acquisition costs in 2013.

General and Administrative Costs

Total Costs	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period – before recoveries	$ 1,177	$ 1,281	$ 2,548	$ 2,251
Overhead recoveries	(198)	(311)	(595)	(367)
Charge for period – net of recoveries	$ 979	$ 970	$ 1,953	$ 1,884
Per Boe	$ 3.11	$ 4.13	$ 3.62	$ 5.43

In the first six months of 2013, compensation costs accounted for approximately 66% of the gross charge with office accommodation costs accounting for an additional 15% and external services and corporate costs accounting for 19%. Overhead recoveries from operations have increased from the first half of 2012 primarily as a result of increased capital expenditure recoveries. In 2013, the Company is showing reduced per-Boe general and administrative costs as a result of increased production at Umbach, a trend that is expected to continue as general and administrative costs in the short and medium term are largely fixed.

Share-Based Compensation

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period	$ 256	$ 205	$ 423	$ 368
Per Boe	$ 0.81	$ 0.87	$ 0.78	$ 1.06

Share-based compensation is a non-cash charge which reflects the estimated value of stock options issued to Storm's directors, officers and employees. In the first quarter of 2013, 1,499,000 stock options were issued and 255,000 options were forfeited. In the second quarter, no stock options were issued and 70,000 options were forfeited.

Depletion and Depreciation

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Depletion	$ 4,154	$ 3,799	$ 7,539	$ 5,036
Depreciation	370	240	637	457
Charge for period	$ 4,524	$ 4,039	$ 8,176	$ 5,493
Per Boe	$ 14.37	$ 17.18	$ 15.17	$ 15.83

Property and equipment assets are subject to depletion and depreciation charges. Depletion is calculated using unit-of-production methodology under which intangible costs plus future development costs associated with individual cash generating units are depleted using a factor calculated by dividing production for the reporting period by proved plus probable reserves at the beginning of the period.

The charge for depreciation for the period relates to tangible equipment costs and office equipment included with property and equipment costs. Such costs are depreciated over the useful life of the asset.

The per-Boe charge for depletion and depreciation in 2013 fell in both the three and six month periods when compared to 2012, due to the sale of higher cost properties in the first quarter of 2013 and increased production in 2013 from the lower cost Umbach area.

In addition, management reviewed the carrying amounts of exploration and evaluation and property and equipment assets for indicators of impairment at June 30, 2013 and determined that no impairment adjustment was required.

Accretion

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge for period	$ 52	$ 75	$ 113	$ 96

Accretion represents the time value increase for the period of the Company's decommissioning liability.

Interest

(000's)	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Charge (income) for period	$ 280	$ 519	$ 612	$ 818
Percentage of production revenue before hedging gains	2%	5%	3%	6%
Per Boe	$ 0.89	$ 2.21	$ 1.14	$ 2.36

Interest charges in 2013, for both the three and six months, dropped in comparison to 2012, as a result of reduced debt levels due to the property sales in the first quarter and the issue of equity in May 2013 which was used initially to reduce bank debt.

The interest rate is based on guaranteed notes' acceptance rates, which are equivalent to bankers' acceptances, plus a stamping fee which is amended each quarter in response to changes in the Company's debt to cash flow ratio.

Gain on Disposal of Oil and Gas Properties

In the first quarter of 2013, the Company sold land and largely oil producing properties in Alberta and British Columbia, realizing a minor gain on disposition, which was measured by applying proceeds on sale against the carrying amount of the properties. Proceeds on sale were used to reduce bank debt.

Gain (Loss) on Commodity Price Contracts

The unrealized loss on commodity price contracts represents the gain on the mark-to-market valuation of the unexpired portion of hedging positions outstanding at the end of the reporting period. The non-cash unrealized gain was $0.1 million for the six months ended June 30, 2013 and the realized gain for the six months ended June 30, 2013 was $7,000. In 2012, the unrealized gain was $1.7 million and the realized gain was $0.4 million.

	Three Months to June 30, 2013		Three Months to June 30, 2012		Six Months to June 30, 2013		Six Months to June 30, 2012	
Realized gain (loss)								
Crude oil	$ (14)	$ (0.33)/Bbl	$ 376	$ 4.51/Bbl	$ (84)	$ (0.88)/Bbl	$ 376	$ 3.67/Bbl
Natural gas	-	$ - /Mcf	-	$ - /Mcf	91	$ 0.04/Mcf	-	$ - /Mcf
Total realized gain/(loss) - cash	$ (14)	$(0.04)/Boe	$ 376	$ 1.60/Boe	$ 7	$ 0.01/Boe	$ 376	$1.08/Boe

	Three Months to June 30, 2013		Three Months to June 30, 2012		Six Months to June 30, 2013		Six Months to June 30, 2012	
Unrealized gain								
Crude oil – change in fair value	$(116)	$(2.78)/Bbl	$1,593	$19.12/Bbl	$(224)	$(2.35)/Bbl	$1,683	$16.42/Bbl
Natural gas – change in fair value	539	$ 0.39/Mcf	4	$ 0.01/Mcf	325	$ 0.14/Mcf	-	$ - /Mcf
Total unrealized gain - non-cash	$ 423	$ 1.34/Boe	$1,597	$ 6.79/Boe	$ 101	$ 0.19/Boe	$1,683	$4.85/Boe

Income Taxes

Due to uncertainty of realization, no deferred income tax asset has been set up in respect of potential future income tax reductions resulting from the use of accumulated tax losses. Details of Storm's tax pools are as follows:

Tax Pool	As at June 30, 2013	Maximum Annual Deduction
Canadian oil and gas property expense	$ 41,102	10%
Canadian development expense	58,345	30%
Canadian exploration expense	22,514	100%
Undepreciated capital cost	30,588	20 - 100%
Operating losses	104,326	100%
Other	3,105	20 - 100%
Total	$ 259,980	

Net Income (Loss)

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Net loss	$ 661	$ 947	$ 400	$ (668)
Per basic and diluted share	$ 0.01	$ 0.03	$ 0.01	$ (0.01)

Comprehensive Loss

Comprehensive loss comprises net loss for the period plus unrealized gains and losses resulting from the mark-to-market valuation of certain assets and liabilities. For the periods presented below, Storm's other comprehensive income comprised adjustments to reflect the period-end mark-to-market valuation of listed securities. The gain or loss in comprehensive income is determined by the change in the mark-to-market valuation of the securities from the end of the immediately prior reporting period.

Listed Securities	Holding	Number of Shares	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Bridge Energy ASA[(1)]	Common Shares	-	$ -	$ (82)	$ -	$ 160
Chinook Energy Inc.[(2)]	Common Shares	3,000,001	(90)	(675)	(960)	(1,485)
Other comprehensive income (loss) for period			$ (90)	$ (757)	$ (960)	$ (1,325)

(1) All of the Company's holding in Bridge was sold in 2012.
(2) Shares owned at June 30, 2013.

Non-GAAP Funds from Operations and Funds from Operations Per Share

	Three Months to June 30, 2013		Three Months to June 30, 2012		Six Months to June 30, 2013		Six Months to June 30, 2012	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share
Funds from operations	$5,077	$0.07	$3,669	$0.06	$8,304	$0.12	$3,606	$0.07

Non-GAAP funds from operations is not a measure recognized by GAAP in Canada, although it is widely used by investors, analysts and other financial statement users. It is also used by lending institutions to determine debt to cash flow ratios and other measures of credit worthiness and thus determines interest rates on borrowings. The most directly comparable measure under GAAP is cash flows from operating activities, as set out below.

Cash Flows from Operating Activities

	Three Months to June 30, 2013		Three Months to June 30, 2012		Six Months to June 30, 2013		Six Months to June 30, 2012	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share
Non-GAAP funds from (applied to) operations	$5,077	$0.07	$3,669	$0.06	$ 8,304	$0.12	$3,606	$0.07
Net change in non-cash working capital items	2,575	0.04	2,161	0.02	2,594	0.04	(316)	(0.01)
Cash from (applied to) operating activities	$7,652	$0.11	$5,830	$0.08	$10,898	$0.16	$3,290	$0.06

The reconciling item between funds from operations and cash flows from operating activities is the aggregate change in non-cash operating working capital items.

Corporate Netbacks

($/Boe)	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Revenue from product sales	38.02	40.16	39.01	36.99
Hedging gains	(0.04)	1.60	0.01	1.08
Royalties	(5.48)	(5.15)	(5.40)	(4.38)
Production	(11.08)	(11.56)	(12.10)	(10.98)
Transportation	(1.30)	(2.98)	(1.36)	(2.69)
Acquisition costs	-	(0.13)	-	(1.84)
General and administrative	(3.11)	(4.13)	(3.62)	(5.43)
Interest	(0.92)	(2.21)	(1.15)	(2.36)
Funds from operations netback	16.09	15.60	15.39	10.39
Share-based compensation	(0.81)	(0.87)	(0.78)	(1.06)
Depletion, depreciation and accretion	(14.54)	(17.50)	(15.38)	(16.11)
Gain (loss) on disposal of oil and gas properties	(0.02)	-	1.31	-
Unrealized gain (loss) on commodity price contracts	1.34	6.79	0.19	4.85
Net gain (loss) per Boe	2.06	4.02	0.73	(1.93)

INVESTMENT AND FINANCING

Financial Resources and Liquidity

The Company began 2012 with a bank line of $18 million. In March 2012, following the Bellamont acquisition, the Company's facility was expanded to $70 million, which included the assumption of Bellamont bank debt in the amount of $38.4 million. As a consequence of the sale in September 2012 of the Mica producing property, the banking facility was reduced to $62 million and further reduced to $52 million in the first quarter of 2013 following the sale of certain Alberta producing properties.

The Company is in compliance with all covenants under the credit facility. The sole financial covenant is that net debt including working capital deficiency less the investment in Chinook Energy Inc., not exceed the facility credit limit, which is currently $52 million.

In quarters of high field activity, Storm operates with a working capital deficit, which will be reduced in quarters of lower field activity. The Company's capital budget is set by management at the beginning of the calendar year and approved by the Board of Directors. It is updated regularly with major changes subject to approval by the Board of Directors.

Investments

The Company owns listed shares as set out below, which are valued at the closing price on the TSX at June 30, 2013. Proceeds from the possible future sale of this investment may be used to finance Storm's capital programs.

	Holding	Number of Shares	Exchange	Closing Price Jun. 30, 2013	Value at Jun. 30, 2013
Chinook Energy Inc.	Common Shares	3,000,001	TSX	$ 1.12	$ 3,360

During 2012, Storm sold 1.5 million shares of Chinook for net proceeds totaling $2.1 million.

Capital Expenditures

In the first half of 2013 the Company spent $36.9 million, further developing the liquids-rich natural gas play at Umbach, offset by disposals in the Rycroft, Gold Creek and Saddle Hills areas for net proceeds of $19.5 million. Year-to-date, the Company drilled two successful wells (1.6 net), both horizontal wells at Umbach. The Company resumed drilling in late June and one additional 100% working interest horizontal well was rig released in early July. In April, Storm acquired an interest in a field compression facility at Umbach, adding 19 Mmcf per day of capacity. Major capital outlays year-to-date include $14.0 million for land acquisition, $11.6 million on drilling and completions and $9.3 million on facilities, equipping and tie-ins, all in the Umbach area.

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Land and lease	$ 7,843	$ 260	$ 14,420	$ 738
Seismic	-	200	-	208
Drilling	1,322	57	6,376	1,338
Completions	1,397	1,543	5,248	1,982
Facilities	1,359	4,442	4,813	1,650
Recompletions and workovers	304	721	1,423	1,453
Property and facility acquisitions	4,432	-	4,513	2,061
Property dispositions	(19)	-	(19,518)	-
Other	72	-	72	-
Corporate acquisition - SGR	-	-	-	55,181
Corporate acquisition - Bellamont	-	-	-	96,401
Cash portion of capital expenditures	16,710	7,223	17,347	161,012
Non-cash portion				
Decommissioning liability	-	-	-	8,861
Total capital expenditures including non-cash portion	$ 16,710	$ 7,223	$ 17,347	$ 169,873

Capital expenditures in the reporting periods were allocated as follows:

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Exploration and evaluation – net of sale proceeds	$ 7,977	$ 341	$ 13,852	$ (47)
Property and equipment – net of sale proceeds	8,733	6,882	3,495	9,477
	$ 16,710	$ 7,223	$ 17,347	$ 9,430
Non-cash portion of corporate acquisitions	-	-	-	160,443
Total	$ 16,710	$ 7,223	$ 17,347	$ 169,873

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include operating, administrative and capital costs payable. Net payables in respect of cash calls issued to partners regarding capital projects and estimates of amounts owing but not yet invoiced to the Company have been included in accounts payable. The level of accounts payable and accrued liabilities at June 30, 2013 corresponds to the seasonality of the Company's operations.

Decommissioning Liability

The Company's decommissioning liability represents the present value of estimated future costs to be incurred to abandon and reclaim wells and facilities, either drilled, constructed or purchased by Storm. Changes in the amount of the liability during the period ended June 30, 2013 comprise the present value of additional liabilities accruing to the Company as a result of field activity during the period, less the decommissioning obligations associated with the dispositions of oil and gas properties, plus the time related increase in the present value of the liability. The risk-free discount rate used to establish the present value is 2.5%. Future costs to abandon and reclaim the Company's properties are based on an internal evaluation, supported by external data from industry sources.

Shareholders' Equity

Details of share issuances from inception to June 30, 2013 are as follows:

	Nature of Transaction	Number of Shares	Price per Share	Gross Proceeds[1]
June 8, 2010	Issued upon incorporation	1	$ 1.00	$ -
August 17, 2010	Issued to ARC Resources Ltd.	884,173	$ 3.28	2,900
August 17, 2010	Issued under the Arrangement	16,631,240	$ 3.28	54,700
August 17, 2010	Issued under private placement	2,300,000	$ 3.28	7,544
September 22, 2010	Issued upon exercise of warrants	6,561,556	$ 3.28	21,522
January 12, 2012	Issued on acquisition of shares of SGR	11,761,190	$ 3.73	43,869
March 23, 2012	Issued under private placement	6,946,000	$ 3.40	23,615
March 23, 2012	Issued to former Bellamont shareholders	16,740,096	$ 2.37	39,674
May 1, 2013	Issued pursuant to short form prospectus	12,580,000	$ 1.88	23,650
May 1, 2013	Issued under private placement	3,000,000	$ 1.88	5,640
June 30, 2013	Shares cancelled	(21,386)	$ 2.37	(51)
Total		77,382,870	$ 2.88	$ 223,063

(1) Before share issue costs.

In April 2013 the Company entered into a bought deal financing for aggregate gross proceeds of $23,650,400. Pursuant to this financing, the Company issued 12,580,000 common shares at a price of $1.88 per share.

Concurrently with the bought deal financing, the Company issued 3,000,000 common shares also at a price of $1.88 per share to certain directors, officers and employees of the Company for gross proceeds of $5,640,000.

Both of these financings closed on May 1, 2013. In aggregate, gross proceeds received totaled $29,290,400. Costs of the financings approximated $1.5 million.

CONTRACTUAL OBLIGATIONS

In the course of its business, Storm enters into various contractual obligations, including the following:

- purchase of services;
- royalty agreements;
- operating agreements;
- processing agreements;
- right of way agreements;
- lease obligations for accommodation, office equipment and automotive equipment;
- banking agreement; and
- hedging agreements.

All such contractual obligations reflect market conditions at the time of contract and do not involve related parties. At present the Company has no material obligations with a term longer than twelve months except for a lease of office premises for a period of five years commencing October 1, 2013 for a base rent, not including operating costs, totaling approximately $3.0 million over the term of the lease.

QUARTERLY RESULTS

Summarized information by quarter for the two years ended June 30, 2013 appears below:

	2013		2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Production revenue ($000s)[1]	11,960	9,069	11,139	9,631	9,819	3,390	2,493	1,482
Non-GAAP funds from (applied to) operations ($000s)[2]	5,077	3,227	5,016	4,765	3,669	(63)	709	396
Per share								
- basic ($)	0.07	0.05	0.08	0.08	0.07	0.00	0.03	0.02
- diluted ($)	0.07	0.05	0.08	0.08	0.07	0.00	0.03	0.02
Net income (loss) ($000s)	661	(261)	(2,320)	(3,586)	947	(1,615)	(1,758)	(1,023)
Per share								
- basic ($)	0.01	0.00	(0.04)	(0.07)	0.03	(0.04)	(0.07)	(0.04)
- diluted ($)	0.01	0.00	(0.04)	(0.07)	0.03	(0.04)	(0.07)	(0.04)
Net capital expenditures ($000s)	16,710	637	8,777	(3,925)	7,224	162,922	20,687	8,394
Average daily production - Boe	3,460	2,488	2,815	2,380	2,584	1,229	779	511
Net (debt)/working capital ($000s)[3]	(22,671)	(38,656)	(40,376)	(36,137)	(46,154)	(42,030)	(6,333)	4,567

(1) Includes hedging gains.
(2) See Non-GAAP Measurements on page 18 of this MD&A.
(3) Net of investments.

CRITICAL ACCOUNTING ESTIMATES

Financial amounts included in this MD&A and in the unaudited condensed interim consolidated financial statements for the periods ended June 30, 2013 are based on accounting policies, estimates and judgments which reflect information available to management at the time of preparation. Certain amounts in the financial statements are derived from a fully completed transaction cycle, or are validated by events subsequent to the end of the reporting date, or are based on established and effective measurement and control systems. However, certain other amounts, as described below, are based on estimations using information involving a high degree of measurement uncertainty. Variations between amounts estimated and actual results could have a material effect on Storm's operating results and financial position.

Accounting for Acquisitions

The purchase of SGR and Bellamont in the quarter ended March 31, 2012 necessitated the allocation of fair values to the assets acquired and the liabilities assumed as a result of the acquisitions. The determination of fair values was made by management of Storm and involved measurements, estimations and judgments which could differ from similar determinations made by other parties. Further, fair values were set using management's knowledge of the assets and liabilities of the acquired companies at the time of acquisition or subsequently, and information and circumstances may emerge that could result in changes to the fair values set by management. The allocation of fair values thus involves measurement uncertainty and changes thereto could have a material effect on operations and financial position.

Decommissioning Liability

Storm records as a liability the discounted estimated fair value of obligations associated with the decommissioning of field assets. The carrying amount of property and equipment assets is increased by an amount equivalent to the liability. The decommissioning liability reflects estimated costs to complete the abandonment and reclamation of field assets as well as the estimated timing of the costs to be incurred in future periods. The liability is increased each reporting period to reflect the passage of time, with the charge for accretion charged to earnings. The liability is also adjusted to reflect changes in the amount and timing of future retirement obligations and is reduced by the amount of any costs incurred in the period. The amount of future decommissioning costs, the timing of incurrence of such costs, the discount rate and, correspondingly, the charge for accretion, are subject to uncertainty of estimation.

Income Taxes

The measurement of Storm's tax pools, losses and deferred tax assets and liabilities requires interpretation of complex laws and regulations. All tax filings and compliance with tax regulations are subject to audit and reassessment, potentially several years after the initial filing. Accordingly, the amounts of tax pools available for future use may differ significantly from the amounts initially estimated.

Share-Based Compensation

To determine the charge for share-based compensation, the Company estimates the fair value of stock options at the time of issue using assumptions regarding the life of the option, dividend yields, interest rates and the volatility of the security under option. Although the assumptions used to value a specific option remain unchanged throughout the life of the option, assumptions may change with respect to subsequent option grants. In addition, the assumptions used may not properly represent the fair value of stock options at any time; as no alternative valuation model is applied, the difference between the Company's estimation of fair value and the actual value of the option is not measurable.

Exploration and Evaluation Assets

Costs incurred by the Company in the initial assessment phase of a property offering development potential are categorized as exploration and evaluation assets. Such costs are transferred to cash generating units, generally when production commences, or are expensed if the Company determines that the costs so incurred will yield no future economic benefit. The amounts transferred to property and equipment or written off, and the timing of the decisions relative to each, are subject to measurement uncertainty. Furthermore, the residual balance of exploration and evaluation assets at the end of each reporting period represents an asset whose value can only be established in future periods.

Property and Equipment and Depletion and Depreciation

Generally, upon commencement of production, the Company must transfer from exploration and evaluation assets to property and equipment assets on the Company's statement of financial position an amount representing the accumulated costs associated with the property. The measure of the amount to be transferred involves estimation and judgment by management, and the estimates used could differ from similar estimates developed by other parties. The amount transferred to property and equipment assets is subject to depletion and depreciation; correspondingly, charges for depletion and depreciation are also subject to measurement uncertainty. Such charges also include estimates of the useful economic life for assets subject to depletion and depreciation, the quantities of oil and gas reserves used in the depletion calculation, the future prices at which such reserves may be sold, and future costs to develop such reserves. All of these involve assumptions regarding future events and circumstances.

RISK ASSESSMENT

There are a number of risks facing participants in the Canadian oil and gas industry. Some risks are common to all businesses while others are specific to the industry. Information with respect to such risks is set out in Storm's Annual Information Form dated March 28, 2013 for the year ended December 31, 2012 under the heading "Risk Factors" and in Storm's MD&A for the period ended December 31, 2012 under the heading "Risk Assessment".

FINANCIAL REPORTING UPDATE

Accounting Changes

In May 2011, the International Accounting Standards Board ("IASB") released the following new standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" and IFRS 13, "Fair Value Measurement". Each of these standards has been adopted as of January 1, 2013. A brief description of each new standard follows below:

- IFRS 10, "Consolidated Financial Statements" supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities;

- IFRS 11, "Joint Arrangements" divides joint arrangements into two types, joint operations and joint ventures,

each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting;

- IFRS 12, “Disclosure of Interests in Other Entities” combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities;

- IFRS 13, “Fair Value Measurement” defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The adoption of each of the preceding standards has had no effect on the financial statements of the Company.

As of January 1, 2015, Storm will be required to adopt IFRS 9 “Financial Instruments”, which is the first phase of the IASB project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of this standard remain in development and the full effect of the standard on Storm’s financial statements will not be known until the project is complete.

ADDITIONAL INFORMATION

Additional information relating to the Company can be viewed at www.sedar.com or on the Company’s website at www.stormresourcesltd.com. Information can also be obtained by contacting the Company at Storm Resources Ltd., 1208, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1. Effective August 23, 2013 Storm’s new office address will be Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4.

Condensed Interim Financials

Interim Consolidated Statements of Financial Position

(Canadian $000s) (unaudited)	June 30, 2013	December 31, 2012
ASSETS		
Current		
Accounts receivable	$ 5,352	$ 8,816
Prepaids and deposits	768	815
Fair value of commodity price contracts (Note 13)	330	229
	6,450	9,860
Investments (Note 4)	3,360	4,320
Exploration and evaluation (Note 5)	87,991	72,947
Property and equipment (Note 6)	154,444	161,665
	$ 252,245	$ 248,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 10,933	$ 12,615
	10,933	12,615
Bank indebtedness (Note 7)	21,218	41,712
Decommissioning liability (Note 8)	8,983	10,924
	41,134	65,251
Shareholders' equity		
Share capital (Note 10)	220,891	193,184
Contributed surplus (Note 11)	2,511	2,088
Deficit	(11,331)	(11,731)
Accumulated other comprehensive income (loss)	(960)	-
	211,111	183,541
	$ 252,245	$ 248,792

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board:

Director

Director

Interim Consolidated Statements of income (Loss) and Comprehensive Income (Loss)

(Canadian $000s except per-share amounts) (unaudited)	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Revenue				
Revenue from product sales	$ 11,974	$ 9,443	$ 21,022	$ 12,833
Realized gain (loss) on commodity price contracts (Note 13)	(14)	376	7	376
Royalties	(1,727)	(1,212)	(2,908)	(1,519)
	$ 10,233	$ 8,607	$ 18,121	$ 11,690
Expenses				
Production	3,488	2,719	6,520	3,809
Transportation	409	700	732	933
Acquisition costs (Note 3)	-	30	-	640
General and administrative	979	970	1,953	1,884
Share-based compensation (Note 11)	256	205	423	368
Depletion and depreciation	4,524	4,039	8,176	5,493
Accretion	52	75	113	96
	9,708	8,738	17,917	13,223
Income (loss) before the following:	525	(131)	204	(1,533)
Interest expense	(280)	(519)	(612)	(818)
Gain (loss)on disposal of oil and gas properties (Note 6)	(7)	-	707	-
Unrealized gain on commodity price contracts	423	1,597	101	1,683
Net income (loss) for the period	661	947	400	(668)
Other comprehensive loss - unrealized loss on investments available for sale (Note 4)	(90)	(757)	(960)	(1,325)
Comprehensive income (loss) for the period	$ 571	$ 190	$ (560)	$ (1,993)
Net income (loss) per share (Note 12)				
- basic	$ 0.01	$ 0.03	$ 0.01	$ (0.01)
- diluted	$ 0.01	$ 0.03	$ 0.01	$ (0.01)

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Canadian $000s) (unaudited)				Six Months to June 30, 2013	
	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, beginning of period	$193,184	$ 2,088	$(11,731)	$ -	$183,541
Net income for the period	-	-	400	-	400
Issue of common shares under private placement (Note 10)	29,290	-	-	-	29,290
Shares cancelled (Note 10)	(50)	-	-	-	(50)
Share issue costs (Note 10)	(1,533)	-	-	-	(1,533)
Share-based compensation (Note 11)	-	423	-	-	423
Unrealized loss on investments available for sale (Note 4)	-	-	-	(960)	(960)
Balance, end of period	$220,891	$ 2,511	$(11,331)	$ (960)	$211,111

(Canadian $000s) (unaudited)				Six Months to June 30, 2012	
	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, beginning of period	$ 86,576	$ 1,389	$ (5,157)	$ (3,708)	$ 79,100
Net loss for the period	-	-	(668)	-	(668)
Issue of common shares under private placement	23,615	-	-	-	23,615
Issue of common shares to shareholders of SGR	43,869	-	-	-	43,869
Issue of common shares to shareholders of Bellamont	39,674	-	-	-	39,674
Share issue costs	(550)	-	-	-	(550)
Share-based compensation (Note 11)	-	368	-	-	368
Unrealized loss on investments available for sale (Note 4)	-	-	-	(1,325)	(1,325)
Balance, end of period	$193,184	$ 1,757	$ (5,825)	$ (5,033)	$184,083

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(Canadian $000s) (unaudited)	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Operating activities				
Net income (loss) for the period	$ 661	$ 947	$ 400	$ (668)
Non-cash items:				
(Gain)/loss on disposal of oil and gas properties	7	-	(707)	-
Depletion, depreciation and accretion	4,576	4,114	8,289	5,589
Unrealized loss (gain) on commodity price contracts (Note 13)	(423)	(1,597)	(101)	(1,683)
Share-based compensation (Note 11)	256	205	423	368
	5,077	3,669	8,304	3,606
Net change in non-cash working capital items (Note 15)	2,575	2,161	2,594	(316)
	7,652	5,830	10,898	3,290
Financing activities				
Proceeds from issue of common shares - net of expenses (Note 10)	27,707	-	27,707	23,065
Increase (decrease) in bank indebtedness	(11,941)	3,128	(20,494)	(3,423)
	15,766	3,128	7,213	19,642
Investing activities				
Additions to property and equipment (Note 6)	(8,752)	(6,882)	(21,618)	(9,477)
Additions to exploration and evaluation assets (Note 5)	(7,977)	(341)	(15,247)	(962)
Proceeds on disposal of property and equipment (Note 6)	19	-	18,123	-
Proceeds on disposal of exploration and evaluation assets (Note 5)	-	-	1,395	1,009
Cash acquired on acquisition of SGR (Note 3)	-	-	-	2,405
Cash paid to shareholders of Bellamont (Note 3)	-	-	-	(20,000)
Net change in non-cash working capital items (Note 15)	(6,708)	(1,735)	(764)	(3,330)
	(23,418)	(8,958)	(18,111)	(30,355)
Change in cash during the period	-	-	-	(7,423)
Cash, beginning of period	-	-	-	7,423
Cash, end of period	$ -	$ -	$ -	$ -

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2013 and 2012

Tabular amounts in thousands of Canadian dollars, except per-share amounts
(unaudited)

1. REPORTING ENTITY

Storm Resources Ltd. (the "Company" or "Storm"), is an oil and gas exploration and development company incorporated in the province of Alberta, Canada on June 8, 2010 and is listed on the TSX Venture Exchange under the symbol "SRX". The Company operates in the provinces of Alberta and British Columbia and its head office is located at 1208, 250 – 2nd Street S.W., Calgary, Alberta T2P 0C1. Effective August 23, 2013 Storm's new office address will be Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4.

In August 2010, the Company became a reporting issuer subsequent to a plan of arrangement (the "Arrangement") involving ARC Energy Trust ("ARC"), ARC Resources Ltd., Storm Exploration Inc. ("SEO") and the Company. The Company was an early adopter of International Financial Reporting Standards ("IFRS"); accordingly, net assets transferred to the Company under the Arrangement, comprised of undeveloped lands and facility interests in north east British Columbia, related decommissioning obligations, various corporate investments and cash, were transferred at estimated fair values at the time of the Arrangement.

These unaudited condensed interim consolidated financial statements (the "financial statements") include the accounts of Storm and its wholly owned subsidiary.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting, following the same accounting policies and methods of computation as used in the audited consolidated financial statements for the years ended December 31, 2012 and 2011 except as noted below. The financial statement note disclosures do not include all disclosures applicable to annual audited financial statements. Accordingly, the financial statements should be read in conjunction with the audited financial statements and the notes thereto for the years ended December 31, 2012 and 2011.

These financial statements were authorized for issue by the Board of Directors on August 14, 2013.

Basis of Measurement

The Company's financial statements have been prepared on a basis consistent with prior periods, under the historical cost convention, except for certain financial assets and financial liabilities, which are measured at fair value, as explained in Note 13.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, shareholders' equity, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed. Changes to accounting estimates are recognized in the period in which the estimates are revised.

Critical judgments applied by management to accounting policies that have the most significant effect on the amounts in the financial statements are reflected in the following notes:

- Note 3 – Allocation of fair values to corporate acquisitions
- Note 5 – Classification and measurement of exploration and evaluation assets
- Note 6 – Classification and measurement of property and equipment
- Note 8 – Decommissioning liability

- Note 9 – Measurement and utilization of tax assets
- Note 11 – Measurement of share-based compensation
- Note 13 – Carrying amounts of commodity price contracts

Significant accounting policies

Changes to accounting policies, introduced effective January 1, 2013, are outlined in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2012. These changes to accounting policies have no effect on the inter-period comparability of financial information.

3. CORPORATE ACQUISITIONS IN 2012

a) Storm Gas Resource Corp.

Pursuant to the acquisition of Storm Gas Resource Corp. ("SGR") which closed on January 12, 2012, Storm acquired all of the issued and outstanding shares of SGR not already owned by the Company for a total cost of $42.9 million, consisting of the issuance of 11,761,190 common shares of Storm offset by working capital of $1.0 million. The common shares issued to SGR shareholders were valued at $3.73 per share, being the closing share price of Storm at the time of acquisition. Storm had an existing ownership position in SGR totaling 2,500,000 common shares, an approximate 22% interest, which was carried at an amount of $12.3 million at December 31, 2011. SGR was a private junior oil and gas exploration company which had interests in natural gas properties, primarily in the Horn River Basin in north east British Columbia. Total transaction costs of approximately $0.2 million were incurred by Storm and expensed.

The transaction was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at estimated fair value on the date of acquisition. The following table summarizes the consideration paid and net assets acquired pursuant to the acquisition:

Consideration		
Issuance of share capital	$	43,869
Carrying amount of existing 22% ownership		12,302
Total consideration	$	56,171

Fair value of net assets acquired		
Property and equipment	$	13,060
Exploration and evaluation assets		42,677
Working capital (Includes cash acquired of $2,405)		990
Decommissioning liability		(556)
Net assets acquired	$	56,171

b) Bellamont Exploration Ltd.

Pursuant to the acquisition of Bellamont Exploration Ltd. ("Bellamont") which closed on March 23, 2012, Storm acquired all of the issued and outstanding shares of Bellamont for a total cost of $96.6 million, consisting of $20.0 million in cash, the assumption of a $36.9 million working capital deficiency and the issuance of 16,740,096 common shares. The common shares issued were valued at $2.37 per share, being the closing share price of Storm at the time of acquisition. Bellamont was a public junior oil and gas exploration company with interests in crude oil and natural gas properties primarily in the Peace River Arch area of Alberta. Total transaction costs of approximately $0.4 million were incurred by Storm and expensed.

The transaction was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at estimated fair value. The following table summarizes the consideration paid and net assets acquired pursuant to the acquisition:

Consideration		
Issuance of share capital	$	39,674
Cash		20,000
Total consideration	$	59,674

Fair Value of Net Assets Acquired		
Property and equipment	$	102,805
Exploration and evaluation assets		2,113
Working capital deficiency (Includes debt acquired of $38,388)		(36,939)
Decommissioning liability		(8,305)
Net assets acquired	$	59,674

4. INVESTMENTS

	June 30, 2013	December 31, 2012
Chinook Energy Inc. ("Chinook")	$ 3,360	$ 4,320

The investment in Chinook was transferred to Storm under the Arrangement (Note 1).

Unrealized revaluation loss for the six months ended June 30, 2013, in the amount of $1.0 million (2012 – loss of $1.3 million), is recognized in other comprehensive loss. When the gain or loss is realized, it will be recognized in the calculation of net income.

5. EXPLORATION AND EVALUATION

	June 30, 2013	December 31, 2012
Balance, beginning of period	$ 72,947	$ 26,156
Corporate acquisitions	-	44,790
Additions	15,247	4,725
Disposals	(757)	(2,060)
Exploration and evaluation expenditures expensed	-	(664)
Future decommissioning costs	554	-
Transfer to property and equipment	-	-
Balance, end of period	$ 87,991	$ 72,947

Additions are net of the sale of undeveloped land for proceeds of $1.1 million. This sale resulted in the recognition of a net gain of $0.7 million which has been recorded on the statement of income (loss).

6. PROPERTY AND EQUIPMENT

	June 30, 2013	December 31, 2012
Net book value, beginning of period	$ 161,665	$ 49,507
Cost		
Balance, beginning of period	$ 176,990	$ 52,943
Corporate acquisitions	-	115,865
Additions	21,618	27,444
Disposals	(19,763)	(18,553)
Change in future decommissioning costs	(2,608)	(709)
Balance, end of period	$ 176,237	$ 176,990
Accumulated depletion and depreciation		
Balance, beginning of period	$ (15,325)	$ (3,436)
Depletion and depreciation	(8,176)	(13,574)
Disposals	1,708	1,685
Balance, end of period	$ (21,793)	$ (15,325)
Net book value, end of period	$ 154,444	$ 161,665

During the first six months of 2013 the Company sold certain land and oil and gas properties producing approximately 300 Boe per day, primarily light crude oil, for net proceeds of $19.5 million.

7. BANK INDEBTEDNESS

As at June 30, 2013, the Company had an extendible revolving bank facility in the amount of $52 million (December 31, 2012 – $62 million) based on the Company's producing reserves. The revolving facility is available to the Company until April 30, 2014. If the revolving facility is not renewed at the end of the current revolving phase, the facility moves into a term phase whereby the loan is to be retired with one payment on the 366th day following the last day of the revolving phase, in an amount equal to the outstanding principal. Interest is paid on the revolving facility at guaranteed notes' acceptance rates, which are equivalent to bankers' acceptances, plus a stamping fee. Security comprises a floating charge demand debenture on the assets of the Company. The Company is in compliance with all covenants under the credit facility.

8. DECOMMISSIONING LIABILITY

The Company provides for the future cost of decommissioning oil and gas production assets, including well sites, gathering systems and facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of future costs. The total estimated undiscounted amount required to settle the Company's decommissioning obligation is approximately $12.1 million, which is expected to be paid over the next 25 years. A risk-free discount rate of 2.5% (2012 – 2.6%) and an inflation rate of 1.2% (2012 – 1.9%) was used to calculate the present value of the decommissioning obligation, amounting to $9.0 million.

The following table provides a reconciliation of the carrying amount of the obligation associated with the decommissioning of oil and gas properties:

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
Balance, beginning of period	$ 10,924	$ 2,532
Obligations incurred	571	303
Obligations acquired	-	8,861
Obligations disposed	(2,474)	(1,225)
Obligations settled	(151)	-
Change in estimate[1]	-	211
Accretion expense	113	242
Balance, end of period	$ 8,983	$ 10,924

(1) Relates to changes in cost estimates and discount and inflation rates in 2012.

9. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are based on the differences between the accounting amounts and the related tax bases of the Company's property and equipment assets, exploration and evaluation assets, decommissioning liability, share capital and unrealized gains and losses on investments.

The Company has tax pools associated with exploration and evaluation assets and property and equipment assets of approximately $156 million as well as non-capital losses of approximately $104 million. The non-capital losses begin to expire in 2026. A deferred tax asset has not been recognized due to uncertainty as to future realization.

10. SHARE CAPITAL

Authorized

An unlimited number of voting common shares without nominal or par value
An unlimited number of first preferred shares without nominal or par value

Common shareholders are entitled to receive dividends if, as and when declared by the Board of Directors. In the event of liquidation, dissolution or winding up of the Company, common shareholders shall, subject to the priority of any preferred shareholders, participate in any distribution in equal amounts per share.

Issued

	Number of Common Shares	Consideration
Balance as at December 31, 2011	26,377	$ 86,576
Shares issued on acquisition of SGR[1]	11,761	43,869
Shares issued under private placement[2]	6,946	23,615
Shares issued on acquisition of Bellamont[3]	16,740	39,674
Share issue costs[2]	-	(550)
Balance as at December 31, 2012	61,824	$ 193,184
Shares issued pursuant to private placement[4]	15,580	29,290
Shares cancelled	(21)	(50)
Share issue costs[4]	-	(1,533)
Balance as at June 30, 2013	77,383	$ 220,891

(1) On January 12, 2012 the Company issued 11,761,190 common shares, valued at $3.73 per share, to acquire all of the issued and outstanding shares of SGR not already owned by the Company. See also Note 3.

(2) On March 23, 2012 the Company issued 6,946,000 common shares at a price of $3.40 per share for proceeds of $23.6 million before related transaction costs of approximately $550,000.

(3) On March 23, 2012 the Company issued 16,740,096 common shares and paid cash of $20 million to acquire all of the issued and outstanding shares of Bellamont. The Shares issued by the Company were valued at $2.37 per share. See also Note 3.

(4) On May 1, 2013 the Company issued, under private placement agreements, 15,580,000 common shares at a price of $1.88 per share for proceeds of $29.3 million before related transaction costs of approximately $1.5 million.

11. SHARE-BASED COMPENSATION

The Company has a stock option plan under which it may grant, at the Company's discretion, options to purchase common shares to directors, officers, employees and consultants. Options are granted at the market price of the shares on the date of grant, have a four-year term and vest in one-third tranches over three years. Under the stock option plan, a total of 7,738,287 common shares are available for issuance. At June 30, 2013 options in respect of 3,896,500 common shares were issued, all of which are unexercised, and options remained in respect of 3,841,787 common shares which are available for further grants under the stock option plan.

Details of the options outstanding at June 30, 2013 are as follows:

	Number of Options (000s)	Weighted Average Exercise Price
Outstanding at December 31, 2012	2,723	$ 2.96
Granted during the period	1,499	$ 1.75
Forfeited during the period	(325)	$ 3.23
Outstanding at June 30, 2013	3,897	$ 2.47
Number exercisable at June 30, 2013	1,365	$ 3.06

		Outstanding Options	
Range of Exercise Price	Number of Options Outstanding (000s)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price
$1.75 - $2.75	2,174	3.4	$ 1.83
$2.76 - $3.28	1,723	1.2	$ 3.27
Total	3,897	2.4	$ 2.47

The fair value of employee stock options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, exercise price of the instrument, expected volatility, forfeiture rate, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds).

The weighted average inputs used in the Black-Scholes pricing model to determine the fair value of the options granted during the six months ended June 30, 2013 of $0.82 per share (2012 - $0.68) include the following:

Share price	$1.75
Exercise price	$1.75
Volatility	63%
Forfeiture rate	10%
Expected option life (years)	3.7
Dividends	-
Risk-free interest rate	1.3%

Share-based compensation expense of $256,000 and $423,000 was charged to the statement of income (loss) and comprehensive income (loss) during the three and six months to June 30, 2013 (2012 - $256,000 and $368,000) with an equivalent offset to contributed surplus.

12. NET INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per share were calculated as follows:

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Net income (loss) for the period	$ 661	$ 947	$ 400	$ (668)
Weighted average number of common shares outstanding – basic:				
Common shares outstanding at beginning of period	61,824	61,824	61,824	26,377
Effect of shares issued	10,273	-	5,165	23,870
Weighted average number of common shares outstanding – basic	72,097	61,824	66,989	50,247
Effect of outstanding options	380	23	188	-
Weighted average number of common shares outstanding - diluted	72,477	61,847	67,177	50,247
Net income (loss) per share				
- basic	$ 0.01	$ 0.03	$ 0.01	$ (0.01)
- diluted	$ 0.01	$ 0.03	$ 0.01	$ (0.01)

13. FINANCIAL INSTRUMENTS

Storm classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, accounts receivable, deposits, accounts payable and accrued liabilities and bank indebtedness included on the statements of financial position approximate their fair values due to the short-term nature of those instruments.

The fair value of the Company's investment in Chinook is determined with reference to published share prices and is therefore classified as a Level 1 financial instrument. The Company's investment in Chinook is carried at the June 30, 2013 fair value of $3.4 million. The fair value of the Company's commodity contracts described below is based on forward prices of commodities available in the market place and they are therefore classified as Level 2 financial instruments. The Company has no Level 3 financial instruments.

Risk Management

Commodity prices

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil, natural gas and natural gas liquids are affected by many known and unknown factors such as demand and supply imbalances, market access, the relationship between the Canadian and United States dollar as well as national and international economic and geopolitical events.

The Company is exposed to the risk of declining prices for production resulting in a corresponding reduction in projected cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous production declines from existing properties. Bank financing available to the Company is in the form of a production loan, which is reviewed semi-annually, and which is based on future cash flows and commodity price expectations. Changes to commodity prices will have an effect on credit available to the Company under its banking agreement.

The Company enters into contracts which may involve financial instruments, in order to reduce the fluctuation in production revenue by fixing prices of future deliveries of crude oil and natural gas and thus provide stability of future cash flow. The Company will not use these instruments for trading or speculative purposes.

As at June 30, 2013, Storm has the following commodity price contracts in place. The fair market value of these contracts of $330,000 (December 31, 2012 – $229,000) is included in current assets and the resulting unrealized mark-to-market gain of $101,000 (2012 – gain of $1,683,000) is recognized in the statement of income (loss) for the six months ended June 30, 2013.

Volume	Price (Cdn)	Term
Crude Oil Swaps		
100 Bbls/day	$ 99.05	July 2013 – September 2013
100 Bbls/day	$ 98.25	July 2013 – September 2013
250 Bbls/day	$ 96.05	July 2013 – September 2013
150 Bbls/day	$ 97.05	October 2013 – December 2013
100 Bbls/day	$ 98.20	October 2013 – December 2013
100 Bbls/day	$ 99.27	October 2013 – December 2013
100 Bbls/day	$100.24	October 2013 – December 2013
150 Bbls/day	$100.45	January 2014 – March 2014
100 Bbls.day	$101.40	January 2014 – March 2014
100 Bbls.day	$102.00	January 2014 – March 2014
Natural Gas Swaps		
3,000 GJ/day	$ 3.45	July 2013 – September 2013
3,000 GJ/day	$ 3.50	July 2013 – September 2013
3,000 GJ/day	$ 3.65	October 2013 – December 2013
3,000 GJ/day	$ 3.80	January 2014 – March 2014

During the six months ended June 30, 2013, the Company realized gains from hedges in place in the amount of $7,000 (2012 – $376,000).

All crude oil contracts are based on a WTI price in US$ per barrel which is then converted to Cdn$ using the foreign exchange rate when the contract is executed.

Recent years have seen increasing divergence in various international pricing indices used to set the price of crude oil. In addition, pricing for Canadian crude oil has been affected by increasing production of crude oil in the United States and also difficulties in moving crude oil from Canada to key markets in the United States.

Prices of listed securities

The value of the investment in Chinook held by the Company is affected by price fluctuations as the shares of Chinook are listed on the Toronto Stock Exchange.

Interest rates

Interest on the Company's revolving bank facility varies with changes in core interest rates and is most commonly based on guaranteed notes issued by the Company's bank, which are equivalent to bankers' acceptance rates, plus a

stamping fee. The Company is thus exposed to increased borrowing costs during periods of increasing interest rates, with a corresponding reduction in both cash flows and project economics.

Foreign exchange rates

Prices for crude oil are determined in global markets and generally denominated in US dollars. Natural gas prices are largely influenced by both US and Canadian supply and demand structures. Changes in the Canadian dollar relative to the US dollar have no direct effect on the Company's results; nevertheless, there is indirect linkage and variation in the Canadian-US dollar exchange rate that will affect Canadian dollar prices for the Company's production.

Sensitivities

Using the Company's actual production volumes, royalty rates and debt levels for the first half of 2013, the estimated after-tax effect that changes in certain factors would have on net income and net income per share is set out below:

		2013
Factor	Change in Net Income	Change in Net Income Per Share
US$ 1.00/Bbl change in the price of WTI	$ 130,000	-
$0.10/Mcf change in the price of natural gas	$ 220,000	-
1% change in the interest rate	$ 320,000	-

The Company's income tax assets are sufficient to eliminate taxes payable on the increases to income set out above; accordingly, before and after tax amounts are the same.

Liquidity risk

Liquidity difficulties would emerge if the Company was unable to establish a profitable production base and thus generate sufficient cash flow to cover both operating and capital requirements. This may be the consequence of insufficient cash flows resulting from low product prices, production interruptions, operating or capital cost increases, or unsuccessful investment programs. These risks cannot be eliminated; however, the Company uses the following guidelines to address financial exposure:

- internal cash flow provides the initial source of funding on which the Company's capital expenditure program is based;
- debt, if available, may be utilized to expand capital programs, including acquisitions, when it is deemed appropriate and where debt retirement can be controlled;
- equity, if available on acceptable terms, may be raised to fund acquisitions and exploration expenditures;
- farm-outs of projects may be arranged if management considers that a project requires too much capital or where the project affects the Company's risk profile.

14. RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel of the Company, which includes directors and officers, is set out below in aggregate:

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Salaries and short-term benefits	$ 278	$ 239	$ 598	$ 443
Share-based compensation	118	91	135	179
	$ 396	$ 330	$ 733	$ 622

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months to June 30, 2013	Three Months to June 30, 2012	Six Months to June 30, 2013	Six Months to June 30, 2012
Accounts receivable	$ 2,983	$ 4	$ 3,464	$ 4,466
Prepaids and deposits	390	55	48	177
Accounts payable and accrued liabilities	(7,506)	367	(1,682)	(8,289)
Change in non-cash working capital	$ (4,133)	$ 426	$ 1,830	$ (3,646)
Relating to:				
Operating activities	$ 2,575	$ 2,161	$ 2,594	$ (316)
Investing activities	(6,708)	(1,735)	(764)	(3,330)
	$ (4,133)	$ 426	$ 1,830	$ (3,646)
Interest paid during the period	$ 278	$ 364	$ 620	$ 668
Income taxes paid during the period	$ -	$ -	$ -	$ -

16. COMMITMENTS

The Company has a new office lease commencing October 1, 2013 and extending to September 30, 2018. Rental payments over the next five years are estimated as follows:

($000s)	2013	2014	2015	2016	2017
	306	850	854	866	866

Corporate Information

Officers

Brian Lavergne
President & CEO

Robert S. Tiberio
Chief Operating Officer

Donald G. McLean
Chief Financial Officer

John Devlin
Vice President, Finance

Directors

Matthew J. Brister (2)

John A. Brussa (3)

Mark A. Butler (1)(3)

Stuart G. Clark (1)
Chairman

Brian Lavergne
CEO

Gregory G. Turnbull (3)

P. Grant Wierzba (2)

James K. Wilson (1)

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

---

Stock Exchange Listing

TSX Venture Exchange
Trading Symbol “SRX”

Solicitors

McCarthy Tétrault LLP
Burnet Duckworth & Palmer LLP
Calgary, Alberta

Auditors

Ernst & Young LLP
Calgary, Alberta

Registrar & Transfer Agent

Alliance Trust Company
Calgary, Alberta

Bankers

ATB Financial
Calgary, Alberta

Executive Offices

Suite 1208, 250 – 2nd Street S.W.
Calgary, Alberta, T2P 0C1 Canada
Tel: (403) 817-6145 Fax: (403) 817-6146
www.stormresourcesltd.com

Abbreviations

3-D	Three-dimensional
API	American Petroleum Institute
Bbls	Barrels of oil or natural gas liquids
Bbls/d	Barrels per day
Bcf	Billions of cubic feet
Bcfe	Billions of cubic feet equivalent
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day
Bopd	Barrels of oil per day
Btu	British thermal unit
Cdn$	Canadian dollar
DPIIP	Discovered Petroleum Initially in Place
GJ	Gigajoules
GJ/d	Gigajoules per day
kPa	One thousand pascals
LNG	Liquefied natural gas
Mbbls	Thousands of barrels
Mboe	Thousands of barrels of oil equivalent
Mcf	Thousands of cubic feet
Mcf/d	Thousands of cubic feet per day
Mmbbls	Millions of barrels
Mmboe	Millions of barrels of oil equivalent
Mmbtu	Millions of British Thermal Units
Mmbtu/d	Millions of British Thermal Units per day
Mmcf	Millions of cubic feet
Mmcf/d	Millions of cubic feet per day
Mstb	Thousand stock tank barrels
NAV	Net Asset Value
NGL	Natural gas liquids
NPV	Net present value
OGIP	Original Gas in Place
OPEC	Organization of Petroleum Exporting Countries
psig	pounds per square inch gage pressure
Scf/ton	Standard cubic foot per ton
STOOIP	Stock Tank Original Oil in Place
Tcf	Trillions of cubic feet
TSX	Toronto Stock Exchange
US$	United States dollar
WTI	West Texas Intermediate

Storm Resources Ltd.
Suite 1208, 250 – 2nd Street S.W., Calgary, Alberta T2P 0C1
Phone: (403)817-6145   Fax: (403)817-6146

After August 22, 2013: Suite 200, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4

www.stormresourcesltd.com