CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Statements of Financial Position

(Canadian $000s) (unaudited)	September 30, 2018	December 31, 2017
ASSETS		
Current		
Accounts receivable (Note 12)	$ 15,100	$ 15,104
Prepaids and deposits	845	4,542
Fair value of commodity price contracts (Note 12)	-	2,842
	15,945	22,488
Fair value of commodity price contracts (Note 12)	-	209
Exploration and evaluation (Note 4)	106,952	103,907
Property and equipment (Note 5)	398,289	388,959
	$ 521,186	$ 515,563
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 21,848	$ 24,777
Fair value of commodity price contracts (Note 12)	13,271	478
	35,119	25,255
Bank indebtedness (Note 6)	78,745	100,993
Fair value of commodity price contracts (Note 12)	2,374	100
Decommissioning liability (Note 8)	24,665	24,474
	140,903	150,822
Shareholders' equity		
Share capital (Note 9)	391,444	391,444
Contributed surplus (Note 10)	14,303	12,014
Deficit	(25,464)	(38,717)
	380,283	364,741
Commitments (Note 14)		
	$ 521,186	$ 515,563

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board:

Director

Director

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Canadian $000s except per-share amounts) (unaudited)	Three Months to Sept. 30, 2018	Three Months to Sept. 30, 2017	Nine Months to Sept. 30, 2018	Nine Months to Sept. 30, 2017
Revenue				
Revenue from product sales (Note 7)	$ 51,253	$ 31,719	$ 151,459	$ 109,373
Royalties	(1,934)	(1,190)	(6,938)	(5,928)
Net revenue	49,319	30,529	144,521	103,445
Realized gain (loss) on commodity price contracts (Note 12)	(3,253)	1,876	(4,816)	(3,042)
Unrealized gain (loss) on commodity price contracts (Note 12)	(2,372)	(162)	(18,118)	25,434
Net revenue and commodity price contracts	43,694	32,243	121,587	125,837
Expenses				
Production	10,419	8,425	29,972	25,907
Transportation	11,257	8,512	32,277	24,223
General and administrative	1,240	1,446	4,984	4,614
Share-based compensation (Note 10)	823	1,012	2,289	2,914
Depletion and depreciation (Note 5)	11,772	11,212	34,818	33,403
Exploration and evaluation costs expensed (Note 4)	-	-	277	373
Accretion (Note 8)	129	112	384	326
Interest and finance costs	923	852	3,321	2,902
Unrealized revaluation (gain) loss on investment	(43)	(10)	12	110
Total expenses	36,520	31,561	108,334	94,772
Net income and comprehensive income for the period	$ 7,174	$ 682	$ 13,253	$ 31,065
Net income per share (Note 11)				
- Basic and diluted	$ 0.06	$ 0.01	$ 0.11	$ 0.26

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Canadian $000s) (unaudited)		Nine Months to September 30, 2018		
	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	$ 391,444	$ 12,014	$ (38,717)	$ 364,741
Net income for the period	-	-	13,253	13,253
Share-based compensation (Note 10)	-	2,289	-	2,289
Share-based compensation on options exercised (Note 9)	-	-	-	-
Balance, end of period	$ 391,444	$ 14,303	$ (25,464)	$ 380,283

(Canadian $000s) (unaudited)		Nine Months to September 30, 2017		
	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, beginning of period	$ 389,316	$ 8,870	$ (78,406)	$ 319,780
Net income for the period	-	-	31,065	31,065
Issue of common shares (Note 9)	1,456	-	-	1,456
Share-based compensation (Note 10)	-	2,914	-	2,914
Share-based compensation on options exercised (Note 9)	672	(672)	-	-
Balance, end of period	$ 391,444	$ 11,112	$ (47,341)	$ 355,215

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian $000s) (unaudited)	Three Months to Sept. 30, 2018	Three Months to Sept. 30, 2017	Nine Months to Sept. 30, 2018	Nine Months to Sept. 30, 2017
Operating activities				
Net income for the period	$ 7,174	$ 682	$ 13,253	$ 31,065
Non-cash items:				
Unrealized (gain) loss on commodity price contracts (Note 12)	2,372	162	18,118	(25,434)
Depletion, depreciation and accretion (Notes 5 and 8)	11,901	11,324	35,202	33,729
Share-based compensation (Note 10)	823	1,012	2,289	2,914
Exploration and evaluation costs expensed (Note 4)	-	-	277	373
Unrealized revaluation (gain) loss on investment	(43)	(10)	12	110
Funds flow	22,227	13,170	69,151	42,757
Net change in non-cash working capital items (Note 13)	(773)	(3,153)	(1,272)	2,848
	21,454	10,017	67,879	45,605
Financing activities				
Proceeds from issue of common shares (Note 9)	-	-	-	1,456
Increase (decrease) in bank indebtedness	(8,562)	8,841	(22,248)	14,166
	(8,562)	8,841	(22,248)	15,622
Investing activities				
Additions to property and equipment (Note 5)	(19,967)	(23,222)	(44,476)	(54,486)
Additions to exploration and evaluation assets (Note 4)	(1,878)	(673)	(2,803)	(1,073)
Acquisition of property and equipment (Note 5)	-	-	(196)	-
Acquisition of exploration and evaluation assets (Note 4)	-	-	(188)	-
Net change in non-cash working capital items (Note 13)	8,953	5,037	2,032	(5,668)
	(12,892)	(18,858)	(45,631)	(61,227)
Change in cash during the period	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	$ -	$ -	$ -	$ -

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2018 and 2017

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

1. REPORTING ENTITY

Storm Resources Ltd. (the "Company" or "Storm"), is a crude oil and natural gas exploration and development company incorporated in the province of Alberta, Canada on June 8, 2010 and is listed on the TSX under the symbol "SRX". The Company operates primarily in the province of British Columbia and its head office is located at Suite 600, 215 – 2nd Street S.W., Calgary, Alberta T2P 1M4. The Company became a reporting issuer in August 2010.

These unaudited condensed interim consolidated financial statements (the "financial statements") include the accounts of Storm and its wholly owned subsidiary, Storm Gas Resource Corp. All inter-entity transactions have been eliminated upon consolidation. Storm's operations are viewed as a single operating segment by the chief decision maker of the Company for the purpose of resource allocation and assessing asset performance.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2017. All financial information is reported in thousands of Canadian dollars, which is the functional currency of the Company.

These financial statements were authorized for issue by the Board of Directors on November 13, 2018.

Basis of Measurement

The Company's financial statements have been prepared on a going concern basis consistent with prior years, and follow the historical cost convention, except for certain financial assets and financial liabilities, which are measured at fair value, as explained in Note 12.

Significant Accounting Judgments, Estimates and Assumptions

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, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed with the financial statement effect being recognized in the reporting period that the changes to estimates are made.

Critical judgments applied by management to accounting policies that have the most significant effect on the amounts in the financial statements are described in Note 5 to the Company's audited consolidated financial statements for the year ended December 31, 2017.

3. NEW ACCOUNTING POLICIES

Changes in Accounting Policies

IFRS 9 *Financial Instruments*

On January 1, 2018, the Company retrospectively adopted IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard uses a principle-based approach for the classification and measurement of financial assets: amortized cost and fair value. Additional amendments include a single "expected credit loss" impairment method and a substantially reformed approach to hedge accounting. Prior to the adoption of IFRS 9, the Company did not apply hedge accounting to its commodity price contracts and there was no change to this approach with adoption of IFRS 9. IFRS 9 contains three principal categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit and loss. The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. The adoption of IFRS 9 resulted in a change in classification of the Company's financial assets, which primarily consist of accounts receivable and commodity price contracts. The expected credit loss model applies to the Company's accounts receivable. As at September 30, 2018, 100% of the Company's accounts receivable was outstanding for less than 60 days. Based on an analysis of historic credit losses, the average expected credit loss applied to accounts receivable did not result in a material adjustment. Prior to the adoption of IFRS 9, the Company's accounts receivable were classified as loans and receivables and subsequent to the adoption of IFRS 9 will be classified at amortized cost. The Company's commodity price contracts will continue to be classified as fair value through profit and loss. The terms of these instruments are substantially consistent with those of the Company's peers within the crude oil and natural gas industry and are relatively short-term in nature. The adoption of IFRS 9 did not result in any material change to the valuation of the Company's financial assets.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, the Company retrospectively adopted IFRS 15 *Revenue from Contracts with Customers,* which replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* using the following practical expedients:

- Electing to apply the standard retrospectively only to contracts that were not completed contracts on January 1, 2018; and
- For modified contracts, evaluating the original contracts together with any contract modification at the date of initial application.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company primarily enters into non-complex and routine revenue contracts with customers that require daily physical delivery of produced volumes priced at the current daily or monthly average spot price. Performance obligations are met upon delivery of the volumes at the processing facility and the transaction price is established based on the date of delivery.

The Company reviewed its various revenue streams and underlying contracts with customers and concluded that the adoption of the new standard required presentation changes in revenue and transportation that did not affect net income or funds flow. In addition, Storm has expanded the disclosures in the notes to its financial statements as outlined in IFRS 15, including disclosing disaggregated revenue streams by product type. Additional disclosure as required under IFRS 15 can be found in Note 7.

In conjunction with the adoption of IFRS 15, the Company completed a review of the financial statement presentation of its revenue transactions. As a result, certain comparative amounts in the 2017 unaudited interim consolidated financial statements have been reclassified, for comparability purposes, as follows:

	Three Months Ended September 30, 2017		
	As previously reported prior to adoption of IFRS 15	Transportation expense reclassified	Adjusted balances upon adoption of IFRS 15
Revenue from product sales	$ 24,100	$ 7,619	$ 31,719
Transportation	$ 893	$ 7,619	$ 8,512
Net income and comprehensive income for the period	$ 682	-	$ 682

	Nine Months Ended September 30, 2017		
	As previously reported prior to adoption of IFRS 15	Transportation expense reclassified	Adjusted balances upon adoption of IFRS 15
Revenue from product sales	$ 88,462	$ 20,911	$ 109,373
Transportation	$ 3,312	$ 20,911	$ 24,223
Net income and comprehensive income for the period	$ 31,065	-	$ 31,065

Future Accounting Policy Changes

On January 1, 2019, the Company will be required to adopt IFRS 16 *Leases* which requires lessees to recognize assets and liabilities for effectively almost all leases previously classified as operating leases. Under IFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for leases. The lease liability will be calculated at the present value of the remaining lease payments, discounted using the Company's borrowing rate on January 1, 2019. The Company intends to use the modified retrospective approach on adoption of IFRS 16 and to use the following practical expedients permitted under the standard, either applied on a lease-by-lease basis or to a class of underlying assets:

- Account for leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value.

As of September 30, 2018, the Company continues to complete a detailed assessment on the potential effect of the adoption of IFRS 16 on its financial statements. For the duration of the year, the Company will be focused on completing its assessment, developing and implementing changes to policies, internal controls and business and accounting processes. The actual impact of applying the standard will be dependent on the Company's borrowing rate, lease portfolio and practical expedients applied on adoption on January 1, 2019.

Update to Significant Accounting Policies

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the instruments have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial instruments are measured at fair value upon initial recognition. Measurement in subsequent periods is dependent on the financial instrument's classification, as described below:

- *Fair value through profit or loss*
  Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with subsequent changes in fair value charged to the consolidated statement of income (loss). The Company classifies its commodity price contracts as fair value through profit or loss.
- *Amortized cost*
  Amortized cost and other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment. The Company includes accounts receivable, accounts payable and accrued liabilities and bank indebtedness within the amortized cost category.
- *Fair value through other comprehensive income*
  Financial assets designated at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax. The Company does not currently have any financial assets classified as fair value through other comprehensive income.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Loss allowances are measured at an amount equal to the anticipated life of expected credit losses resulting from possible default events over the life of the financial assets.

Commodity price contracts

Commodity price contracts may be used by the Company to manage exposure to market risks related to commodity prices, exchange rates and interest rates. Storm does not use derivative contracts for speculative purposes. The Company does not designate its derivative contracts as hedges and, as such, does not apply hedge accounting. All derivative contracts are classified at fair value through profit and loss.

Revenue Recognition

Revenue recognition from the sale of commodities is calculated by reference to consideration specified in contracts with customers and recognized when control of the product is transferred to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

The Company sells its production pursuant primarily to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors depending on the contract terms. Under its contracts, the Company is required to deliver volumes of natural gas, condensate and NGL to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to fluctuations in commodity prices. Natural gas, condensate and NGL are mostly sold under contracts of varying price and volume terms. Revenues are typically collected on the 25th day of the month following production.

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by the Company from the transaction.

4. EXPLORATION AND EVALUATION

	Nine Months Ended September 30, 2018	Year ended December 31, 2017
Balance, beginning of period	$ 103,907	$ 110,395
Additions	2,991	1,838
Expiries - exploration and evaluation costs expensed	(277)	(386)
Future decommissioning costs	331	192
Transfer to property and equipment	-	(8,132)
Balance, end of period	$ 106,952	$ 103,907

Management reviewed the carrying amounts of exploration and evaluation assets for indicators of impairment at September 30, 2018 and none were identified.

5. PROPERTY AND EQUIPMENT

	Nine Months Ended September 30, 2018	Year ended December 31, 2017
Cost		
Balance, beginning of period	$ 559,524	$ 466,700
Additions	44,672	79,847
Future decommissioning costs	(524)	4,845
Transfer from exploration and evaluation assets	-	8,132
Balance, end of period	$ 603,672	$ 559,524
Accumulated depletion and depreciation		
Balance, beginning of period	$ (170,565)	$ (126,336)
Depletion and depreciation	(34,818)	(44,229)
Balance, end of period	$ (205,383)	$ (170,565)
Net book value, beginning of period	$ 388,959	$ 340,364
Net book value, end of period	$ 398,289	$ 388,959

Management reviewed the carrying amounts of property and equipment for indicators of impairment at September 30, 2018 and none were identified.

6. BANK INDEBTEDNESS

As at September 30, 2018, the Company had an extendible revolving credit facility in the amount of $180 million (December 31, 2017 – $165 million) based on a bank determined borrowing base related to the Company's producing reserves. At September 30, 2018, the Company is in compliance with all covenants under the credit facility. The only financial covenant is that debt including working capital deficiency should not exceed the credit facility amount. The credit facility is available to the Company until April 26, 2019, at which time the borrowing base amount will be reviewed and in the ordinary course of business the Company will have the option to extend the facility for an additional year. If the credit facility is not extended, the facility moves into a term phase whereby the outstanding loan amount is to be repaid one year later. Interest is paid on the credit facility at bankers' acceptance rates, plus a stamping fee. Collateral comprises a floating charge demand debenture on the assets of the Company.

As at September 30, 2018, the Company had issued letters of credit in the amount of $7.6 million (December 31, 2017 - $7.3 million) in support of future natural gas transportation and processing obligations. Availability under the Company's credit facility is reduced by a like amount.

7. REVENUE FROM PRODUCT SALES

The following table presents the Company's revenue from product sales disaggregated by revenue source:

	Three Months to Sept. 30, 2018	Three Months to Sept. 30, 2017	Nine Months to Sept. 30, 2018	Nine Months to Sept. 30, 2017
Natural gas	$ 30,136	$ 21,436	$ 90,879	$ 76,641
Condensate	16,098	7,880	45,815	25,772
NGL	5,019	2,403	14,765	6,960
Total	$ 51,253	$ 31,719	$ 151,459	$ 109,373

Storm's revenue was generated mostly in British Columbia where the production was sold primarily to one major marketer, which accounted for 46% and 49% of the Company's total revenue from product sales for the three and nine months ended September 30, 2018, respectively. The majority of revenues are derived from variable price contracts based on index prices. Of total natural gas revenue for the nine months ended September 30, 2018, 64% received Chicago index based pricing, 16% received Station 2 pricing, 12% received Sumas pricing, 5% received ATP pricing and the remaining 3% received AECO pricing.

8. DECOMMISSIONING LIABILITY

The Company provides for the future cost of decommissioning crude oil and natural 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, gathering systems and facilities and the estimated timing of future costs. The total estimated undiscounted amount required to settle the Company's decommissioning obligation is approximately $37.4 million (December 31, 2017 - $36.3 million), with the majority of payments being made in the years 2034 to 2054. A risk-free discount rate of 2.4% (December 31, 2017 – 2.2%) and an inflation rate of 2.0% (December 31, 2017 – 2.0%) was used to calculate the present value of the decommissioning obligation, amounting to $24.7 million at September 30, 2018.

The following table provides a reconciliation of the carrying amount of the obligation:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Balance, beginning of period	$ 24,474	$ 18,983
Obligations incurred	821	3,028
Obligations settled	(194)	-
Change in rate estimates[1]	(820)	2,009
Accretion expense	384	454
Balance, end of period	$ 24,665	$ 24,474

(1) Relates to changes in inflation rates, risk-free discount rates and estimated settlement dates.

9. 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

Issued

	Number of Common Shares	Consideration
Balance as at December 31, 2017 and September 30, 2018	121,557	$ 391,444

During the first nine months of 2018, there were no common shares issued upon the exercise of stock options.

10. 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 and employees. Options are granted at the volume weighted average price of the shares on the TSX for the five trading days immediately preceding the date of grant, have a four-year term and vest in one-third tranches over three years. Under the stock option plan, at September 30, 2018, a total of 12,155,681 common shares were available for issuance. At September 30, 2018, and at November 13, 2018, the date of this report, options in respect of 8,369,700 common shares were issued and outstanding and options in respect of 3,785,981 common shares were available for future issue.

Details of the options outstanding at September 30, 2018 are as follows:

	Number of Options (000s)	Weighted Average Exercise Price
Outstanding at December 31, 2017	7,914	$ 4.46
Granted during the period	2,488	$ 2.86
Forfeited during the period	(399)	$ 4.10
Exercised during the period	(1,633)	$ 4.69
Outstanding at September 30, 2018	8,370	$ 3.96
Number exercisable at September 30, 2018	3,760	

Range of Exercise Price	Outstanding Options			Exercisable Options	
	Number of Options Outstanding (000s)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number of Options Outstanding (000s)	Weighted Average Exercise Price
$2.86 - $3.34	2,473	3.3	$ 2.86	-	-
$3.35 - $4.50	3,723	0.8	$ 3.85	2,959	$ 3.93
$4.51 - $5.50	2,174	2.1	$ 5.37	801	$ 5.35
Total	8,370	1.9	$ 3.96	3,760	$ 4.23

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 nine months ended September 30, 2018 of $1.03 per share include the following:

	2018
Share price	$2.87
Exercise price	$2.87
Volatility	46%
Forfeiture rate	10%
Expected option life (years)	3.7
Risk-free interest rate	1.8%

Share-based compensation expense of $0.8 million and $2.3 million was charged to the consolidated statement of income during the three and nine months to September 30, 2018, respectively (2017 - $1.0 million and $2.9 million, respectively) with an equivalent offset to contributed surplus.

11. NET INCOME PER SHARE

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

	Three Months to Sept. 30, 2018	Three Months to Sept. 30, 2017	Nine Months to Sept. 30, 2018	Nine Months to Sept. 30, 2017
Net income for the period	$ 7,174	$ 682	$ 13,253	$ 31,065
Weighted average number of common shares outstanding – basic				
Common shares outstanding at beginning of period	121,557	121,557	121,557	120,764
Effect of shares issued	-	-	-	758
Weighted average number of common shares outstanding – basic	121,557	121,557	121,557	121,522
Dilutive effect of outstanding options(1)	-	56	-	157
Weighted average number of common shares outstanding - diluted	121,557	121,613	121,557	121,679
Net income per share				
Basic and diluted	$ 0.06	$ 0.01	$ 0.11	$ 0.26

(1) Excludes the effect of 8.4 million and 8.8 million weighted average common shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2018, respectively (6.0 million weighted average common shares related to stock options for both the three and nine months ended September 30, 2017).

12. FINANCIAL INSTRUMENTS

The Company's financial instruments include accounts receivable, deposits, accounts payable and accrued liabilities, bank indebtedness and commodity price contracts.

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 continual and verifiable pricing information.
- 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 bank indebtedness approximates its fair value as it bears interest at market rates. The fair value of the Company's commodity price 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 does not have any financial instruments classified as Level 3 and there were no transfers between levels within the fair value hierarchy for the three and nine months ended September 30, 2018.

The Company's commodity price contracts are subject to master netting agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's consolidated statements of financial position. The following is a summary of the Company's financial assets and financial liabilities that are subject to offset as at September 30, 2018:

	Gross Amounts Recognized as Financial Assets (Liabilities)	Gross Amounts of Financial Assets (Liabilities) Offset	Net Amounts Recognized as Financial Assets (Liabilities)
Commodity price contracts			
Current asset	$ 24,749	$ (24,749)	$ -
Long-term asset	5,895	(5,895)	-
Current liability	(38,020)	24,749	(13,271)
Long-term liability	(8,269)	5,895	(2,374)
Net position	$ (15,645)	$ -	$ (15,645)

The following is a summary of the Company's financial assets and financial liabilities that were subject to offset as at December 31, 2017:

	Gross Amounts Recognized as Financial Assets (Liabilities)	Gross Amounts of Financial Assets (Liabilities) Offset	Net Amounts Recognized as Financial Assets (Liabilities)
Commodity price contracts			
Current asset	$ 6,212	$ (3,370)	$ 2,842
Long-term asset	268	(59)	209
Current liability	(3,848)	3,370	(478)
Long-term liability	(159)	59	(100)
Net position	$ 2,473	$ -	$ 2,473

Accounts Receivable

The Company's accounts receivable tend to be concentrated with a limited number of marketers of the Company's production as well as joint venture partners and are subject to normal industry credit risk. Receivables from crude oil and natural gas marketers are typically collected on or about the 25th of the following month. The Company's production is sold to organizations whose credit worthiness is in part assessable from publicly available information. As at September 30, 2018, the Company's most significant marketer accounted for $6.3 million (December 31, 2017 - $6.1 million) of total receivables and 46% and 49% (three and nine months ended September 30, 2017 – 54%) of total revenues for the three and nine months ended September 30, 2018, respectively. Where operations involve partners in a joint venture, the Company attempts to mitigate the risk from joint venture receivables by obtaining pre-approval and cash call deposits from its partners in advance of significant capital expenditures. Receivables from joint ventures are typically collected within one to three months of the joint venture bill being issued. As at September 30, 2018, there were no receivables outstanding for more than 60 days. No material default on outstanding receivables is anticipated as none of the Company's outstanding receivables are considered past due at September 30, 2018.

The maximum exposure to credit risk at September 30, 2018 was the carrying amount of accounts receivable of $15.1 million.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or significant delinquency in payments are considered indicators that a receivable is impaired. No receivables were impaired as at September 30, 2018.

Commodity Price Contracts

At the date of this report, Storm has the undernoted commodity price contracts in place. The fair market value of these contracts at September 30, 2018, a net liability position of $15.6 million (December 31, 2017 – net asset position of $2.5 million), is included in current and non-current assets or current and non-current liabilities as appropriate. For the three and nine months ended September 30, 2018, this resulted in an unrealized mark-to-market loss of $2.4 million and $18.1 million, respectively (2017 - an unrealized mark-to-market loss of $0.2 million for the three months ended September 30 and an unrealized mark-to-market gain of $25.4 million for the nine months ended September 30) when measured against the fair market value at the end of the preceding reporting period. These amounts are recognized in the consolidated statement of income and comprehensive income.

Period Hedged	Daily Volume	Average Price
Natural Gas Swaps		
Oct – Dec 2018	45,500 Mmbtu	Chicago Cdn$3.42/Mmbtu
Oct – Dec 2018	11,500 Mmbtu	Sumas Cdn$2.92/Mmbtu
Oct 2018 – Mar 2019	3,000 GJ	AECO Cdn$1.90/GJ
Oct 2018 – Mar 2019	3,000 GJ	Stn 2 Cdn$1.70/GJ
Nov 2018 – Mar 2019	6,000 GJ	AECO Cdn$1.95/GJ
Nov 2018 – Mar 2019	6,000 GJ	Stn 2 Cdn$1.75/GJ
Jan – Mar 2019	3,500 Mmbtu	Sumas Cdn$4.77/Mmbtu
Jan – Jun 2019	22,500 Mmbtu	Chicago Cdn$3.34/Mmbtu
Jul – Dec 2019	11,500 Mmbtu	Chicago Cdn$3.27/Mmbtu
Jul – Dec 2019	2,000 Mmbtu	Sumas Cdn$2.90/Mmbtu
Jan – Dec 2019	26,500 Mmbtu	Chicago Cdn$3.23/Mmbtu
Jan – Dec 2019	6,500 Mmbtu	Sumas Cdn$2.60/Mmbtu
Nov 2018 – Mar 2020	1,500 GJ	AECO Cdn$2.00/GJ
Jan – Jun 2020	15,500 Mmbtu	Chicago Cdn$3.27/Mmbtu
Natural Gas Differential Swaps		
Oct – Dec 2018	3,000 GJ	Price at Station 2 = AECO minus Cdn$0.345/GJ
Jan – Dec 2020	12,500 Mmbtu	Price at Chicago = NYMEX minus US$0.274/Mmbtu
Jan – Dec 2021	12,500 Mmbtu	Price at Chicago = NYMEX minus US$0.256/Mmbtu
Crude Oil Collars		
Oct – Dec 2018	800 Bbls	$67.50 - $77.67 Cdn$/Bbl
Jan – Jun 2019	650 Bbls	$68.83 - $80.74 Cdn$/Bbl
Jul – Dec 2019	600 Bbls	$74.39 - $89.91 Cdn$/Bbl
Jan – Dec 2019	250 Bbls	$70.60 - $83.26 Cdn$/Bbl
Crude Oil Swaps		
Oct – Dec 2018	700 Bbls	$64.84 Cdn$/Bbl
Jan – Jun 2019	350 Bbls	$70.09 Cdn$/Bbl
Jul – Dec 2019	400 Bbls	$80.90 Cdn$/Bbl
Jan – Dec 2019	250 Bbls	$82.49 Cdn$/Bbl
Propane Swaps		
Oct – Dec 2018	300 Bbls	$39.55 Cdn$/Bbl
Jan – Dec 2019	200 Bbls	$42.87 Cdn$/Bbl

The Company realized a loss from commodity price contracts in place in the amount of $3.3 million for the three months ended September 30, 2018 and realized a loss of $4.8 million for the nine months ended September 30, 2018 (2017 – realized gain of $1.9 million and a realized loss of $3.0 million, respectively).

Physical Delivery Sales Contract

The Company also enters into physical delivery sales contracts from time to time to manage commodity price risk. These contracts are considered normal executory contracts and are not recognized in the consolidated statement of income and comprehensive income until volumes are delivered.

Period Hedged	Daily Volume	Contract Price
Natural Gas		
Oct 2018 – Oct 2020	14,028 Mmbtu at Station 2	Sumas less US$0.69/Mmbtu

Sensitivities

The following table summarizes the effects of movement in commodity prices on net income due to changes in the fair value of commodity price contracts in place at September 30, 2018. Changes in the fair value generally cannot be extrapolated because the relationship of a change in an assumption to the change in fair value may not be linear.

Factor	Nine Months Ended September 30, 2018
Increase of US$10.00/Bbl in the price of WTI(1)	$ (6,303)
Decrease of US$10.00/Bbl in the price of WTI(1)	$ 6,303
Increase of US$0.10/Mmbtu in the price of NYMEX natural gas	$ (2,318)
Decrease of US$0.10/Mmbtu in the price of NYMEX natural gas	$ 2,318

(1) A portion of the Company's condensate and NGL production is sold at a price based on WTI.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months to Sept. 30, 2018	Three Months to Sept. 30, 2017	Nine Months to Sept. 30, 2018	Nine Months to Sept. 30, 2017
Accounts receivable	$ (3,567)	$ (7,172)	$ (8)	$ 2,875
Prepaids and deposits	(157)	(1,994)	3,697	(1,520)
Accounts payable and accrued liabilities	11,904	11,050	(2,929)	(4,175)
Change in non-cash working capital	$ 8,180	$ 1,884	$ 760	$ (2,820)
Relating to:				
Operating activities	$ (773)	$ (3,153)	$ (1,272)	$ 2,848
Investing activities	8,953	5,037	2,032	(5,668)
Change in non-cash working capital	$ 8,180	$ 1,884	$ 760	$ (2,820)
Interest paid during the period	$ 886	$ 955	$ 3,237	$ 2,741
Income taxes paid during the period	$ -	$ -	$ -	$ -

14. COMMITMENTS

At September 30, 2018, the Company has the following long-term commitments over the next five years and thereafter:

	2018	2019	2020	2021	2022	Thereafter	Total
Transportation and processing commitments	$ 14,179	$ 50,579	$ 36,316	$ 26,821	$ 26,627	$ 244,187	$ 398,709
Office lease	199	801	808	813	821	2,580	6,022
Total	$ 14,378	$ 51,380	$ 37,124	$ 27,634	$ 27,448	$ 246,767	$ 404,731

In the first quarter of 2018, the Company entered into an office lease agreement commencing on October 1, 2018. The aggregate commitment approximates $6.0 million over seven years.

CORPORATE INFORMATION

Officers

Brian Lavergne
President & Chief Executive Officer

Robert S. Tiberio
Chief Operating Officer

Michael J. Hearn
Chief Financial Officer

Emily Wignes
Vice President, Finance

Jamie P. Conboy
Vice President, Geology

H. Darren Evans
Vice President, Exploitation

Bret A. Kimpton
Vice President, Production

Directors

Matthew J. Brister (2)(3)

John A. Brussa

Mark A. Butler (1)(3)

Stuart G. Clark (1)
Chairman

Brian Lavergne
President & Chief Executive Officer

Sheila A. Leggett

Gregory G. Turnbull (2)

P. Grant Wierzba (2)(3)

James K. Wilson (1)

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

---

Stock Exchange Listing

Toronto Stock 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
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Calgary, Alberta

Executive Offices

Suite 600, 215 – 2nd Street S.W.
Calgary, Alberta, T2P 1M4 Canada
Tel: (403) 817-6145 Fax: (403) 817-6146
www.stormresourcesltd.com

Abbreviations

ATP	Alliance Transfer Point
Bbls	Barrels of oil or natural gas liquids
Bbls/d	Barrels per day
Bcf	Billions of cubic feet
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
CGU	Cash generating unit
DPIIP	Discovered Petroleum Initially in Place
GJ	Gigajoules
GJ/d	Gigajoules per day
kPa	Kilopascal
Mbbl	Thousands of barrels
Mboe	Thousands of barrels of oil equivalent
Mcf	Thousands of cubic feet
Mcf/d	Thousands of cubic feet per day
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
NGL	Natural gas liquids
TSX	Toronto Stock Exchange
US	United States
US$	United States dollar
WTI	West Texas Intermediate

Storm Resources Ltd.
Suite 600, 215 – 2nd Street S.W., Calgary, Alberta T2P 1M4
Phone: (403)817-6145   Fax: (403)817-6146

www.stormresourcesltd.com