



# **FIRST QUARTER 2008 REPORT TO SHAREHOLDERS**

**& UNAUDITED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31, 2008**



## **STORM VENTURES INTERNATIONAL INC.**

### **2008 Q1 Report to Shareholders**

**June, 2008**

Our first quarter activity at Storm Ventures International Inc. was highlighted by progressing the concept selection and development plan for our Cosmos offshore oil project in Tunisia and an expansion of the business platform and opportunity base in Silverstone Energy Limited's North Sea business, a company in which we hold a 33.15% equity interest.

In Tunisia we continue to await the transfer of interest assignment of our 66% interest at Cosmos and 100% interest at Yasmin as it works its way through the Tunisian approval process. We are well along in the Field Development Plan (FDP) and will submit a proposal to develop the field with a two producer/one injector subsea tie back to a Floating Production Storage and Offloading (FPSO) vessel in mid June. It is very likely that the State will exercise their right to participate for 20% in the development which will leave us with approximately a 53% interest in the 25 million Boip of which 8.9 million barrels are recoverable. The net present value (NPV) 10% after tax value of our 66% interest has been independently estimated to be worth \$51 million on a Proven and Probable basis (2p) and \$78 million including Possible reserves (3p), using an average price of \$80 per barrel. The project is estimated to cost \$150 million (gross) and should produce first oil by early 2010. We will be finalizing our finance plan for the development of the project early in Q3 2008 which will likely involve a requirement for additional equity above our existing source of funds of approximately \$40 million to reach first oil.

On April 24, 2008 we signed an agreement to acquire the last one-third interest in Cosmos from Benchmark Energy Corp. with the intention of selling on that interest to a financially capable acquirer as soon as possible. We have engaged Tristone Capital Inc. to manage the divestment process and expect proposals to be received by early July. This will allow us to select our future partner which will hopefully permit us to better maintain the project schedule and also hopefully allow us to realize a small amount of value appreciation on the resale.

An independent evaluation of the Yasmin Field confirmed there are 5.8 million barrels recoverable (3p) and appraised our 100% interest with a NPV 10% after tax value of \$43.5 million. This field requires further appraisal and is an interesting fallow oil discovery that we believe has tremendous potential to grow in size and become a second project to follow on the heels of the successful development of Cosmos.

On April 30, 2008 our second exploration well on our 1.2 million acre Remada Sud permit in southern Tunisia was successfully cased for further evaluation as a potential Ordovician discovery. The well encountered a thick hydrocarbon column in a tight quartzite that tested a small amount of 38 degree API crude oil on a drill stem test. We are mobilizing fracture stimulation equipment and will attempt a completion beginning late Q2 2008.

Interpretation of the recently acquired 3D seismic surveys continues at both Jenein and Hammamet with a goal of selecting test well locations that we will then discuss with our partners by early fall. At Hammamet we will try and have the first exploration well included in the rig program for Cosmos that is currently planned for mid 2009. We will pay 10% of the drilling cost and retain a 50% operated interest in the block. At Jenein, we hope to spud an Acacus oil test in early 2009 and will pay 30% of the well cost and retain a 65% operated interest in the block.

We continue to strengthen our team in Tunis with the addition of Mr. Chokri Saidane in a senior engineering capacity and Mr. Bechir Nahdi as a director of Storm Ventures International (Barbados) Limited. Mr. Saidane has experience in reservoir and production engineering which includes a very similar project to our Cosmos development. Mr. Nahdi is a well respected member of the Tunisian oil and gas community who held senior positions in Entreprise Tunisienne D'Activités Pétrolières (ETAP), Tunisian Company for Oil Research and Exploitation, Société de Recherches et d'Exploitation des Pétroles en Tunisie (SEREPT) and the Energy Ministry before retiring early in 2008.

## **NORTH SEA UPDATE**

The growth prospects for Silverstone Energy Limited are strong and continue to improve despite some setbacks experienced year to date.

On April 9, 2008 Silverstone acquired by way of formal bid the shares of AIM (Alternative Investment Market) listed Granby Oil and Gas Ltd. for 63.5 pence per share or total consideration of £23.1 million GBP (plus the assumption of £31.5 million GBP of non recourse debt incurred for the development of the Tristan NW gas field). Silverstone is in the final stages of a compulsory windup of Granby into Silverstone. The acquisition was funded by a successful Silverstone rights offering to existing shareholders which raised £26.25 million GBP through issuance of five million shares at £5.25 GBP per share. We participated in the rights offering with a £3.4 million GBP investment and we currently own 33.15% of the equity.

The attraction of Granby to Silverstone was a combination of near term production diversification from a 54% interest in the Tristan NW gas field, a Central North Sea oil weighted prospect inventory and approximately £47 million GBP in tax pools.

Results from the acquisition to date have been disappointing. The Tristan NW field began intermittent production on April 11, 2008 and has experienced a number of mechanical as well as well capability issues that have begun to stabilize at a well rate of approximately 7.5 Mmscf/d. This level of well performance is roughly one-half what was expected and Silverstone will assess the impact on its estimate of 18 Bcf (net) of remaining recoverable gas as the well performance stabilizes. The cash flow from Tristan is used by Silverstone to repay the debt incurred to fund the majority of the development costs which debt repayment will take approximately three years at current well rates and gas prices.

The top six prospects owned by Granby had risked prospective resources of close to 50 million barrels on 120,000 net acres of land. The first prospect tested by Silverstone was a Tertiary oil prospect named Globe on which Granby had negotiated a 25% carried interest which was a dry hole completed early in June. Silverstone believes that three of the other prospects are drillable and hope to have them as part of its 2009 exploration program.

Silverstone also acquired interests in the Monkwell gas discovery (20%) that will be appraised this fall and in the Kerloch oil discovery (10%) which is currently being evaluated for commerciality.

While the Granby acquisition has fallen short of Silverstone's expectations to date Silverstone still has several ideas to extract value from the assets and hopes to demonstrate some value creation above the purchase price over the next year.

Silverstone expects the Ensco 100 jack-up rig to arrive on contract around June 15, 2008 to begin the Victoria completion, which if successful, should allow first gas to flow by Q4 2008.

In addition to the Victoria completion, Silverstone will participate in four exploration well operations during the remainder of this year. Silverstone will operate wells at Vantage (100% July) and NW Vulcan (12% Fall) and participate in wells at Monkwell (20% September) and Broch (10% October).

Funding is in place at Silverstone to complete this program. Silverstone will look at the best options to raise additional capital "post Victoria" to fund continued expansion of the exploration program and accelerate the development of the Vulcan East gas discovery.

New licenses are awarded by the UK government on the basis of competitive work program submissions at an annual sale where all unleased acreage is considered open for bids. The 2008 sale date was May 22, 2008 and Silverstone submitted 22 proposals to acquire new licenses with block awards expected in Q4 2008. This was by far Silverstone's most aggressive sale preparation in terms of number of bids and quality of prospects and it eagerly await the results.

The next six months will be both exciting and critically important to SVI. Silverstone will undertake its most important operation to date when it completes and ties back Victoria. Success will allow Silverstone to access bank debt to continue an active program over the second half of the year. Our Cosmos project has grown from an initially estimated \$250 million gross revenue generator to over \$1 billion as the reserve has grown and prices have risen. Getting it going, and more importantly, getting it right, in terms of funding, finding a partner and landing the FDP will be top priorities over the second half of the year.

On the corporate front we are currently giving consideration to how best to fund the next stage of our development leading to first production. We will be in touch with you over the next few months as events unfold to advise what course of action we believe is in the best interest of our Company.

## FINANCIAL HIGHLIGHTS

Three months ended March 31	2008	2007
Revenue	\$ 1,430,104	\$ 579,755
Expenses	\$ 94,124	\$ 85,553
Net Income	\$ 1,335,980	\$ 479,298
Net Income Per Share	\$ 0.04	\$ 0.01
Capital Expenditures	\$ 6,002,069	\$ 8,752,819
Shares Outstanding	33,479,627	33,479,627

### Revenue

Revenue for first quarter of 2008 was \$1,430,104 an increase of \$850,349 compared with the first quarter of 2007 due to:

- Decreased Interest income of \$97,839.
- Increased Foreign exchange gain of \$948,188.

### Expenses

Expenses for first quarter of 2008 were \$ 94,124 an increase of \$8,571 compared with the first quarter of 2007 due to:

- \$4,071 additional general and administrative expenses
- \$4,500 Amortization

### Working Capital

The Company had working capital of \$38,327,587 at March 31, 2008 compared to \$42,825,031 at December 31, 2007. The decrease is attributable to the use of cash to fund on-going operations.

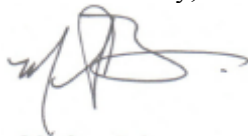
### Property and Equipment

As at March 31, 2008 net property and equipment additions were as follows:

Category/Location	Amount
Tunisia	\$ 631,805
Silverstone	5,365,264
Computers	5,000
	\$ 6,002,069

Thank you for your continued support.

Yours faithfully,



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

**Storm Ventures International Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)

	<b>March 31, 2008</b>	December 31, 2007
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 43,102,172	\$ 49,131,036
Accounts receivable and prepaid charges	1,155,313	925,470
	44,257,485	50,056,506
Investment (Note 3)	1,250,000	1,250,000
Property and equipment (Note 4)	65,853,963	59,856,394
	\$ 111,361,448	\$ 111,162,900
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable	\$ 5,929,898	\$ 7,231,475
	5,929,898	7,231,476
Asset retirement obligation	556,024	556,024
<b>Shareholders' Equity</b>		
Share capital (Note 6)	90,950,271	90,950,271
Contributed surplus	593,807	429,662
Retained earnings	13,331,448	11,995,468
	104,875,526	103,375,401
	\$ 111,361,448	\$ 111,162,900

**Storm Ventures International Inc.**  
**Consolidated Statements of Income, Comprehensive Income and Retained Earnings**  
(Unaudited)

	<b>Three Months Ended March 31, 2008</b>	<b>Three Months Ended March 31, 2007</b>
<b>Revenue</b>		
Interest	\$ 377,026	\$ 474,865
Foreign exchange gain	1,053,078	104,890
	<b>1,430,104</b>	<b>579,755</b>
 <b>Expenses</b>		
General and administrative	89,624	85,553
Amortization	4,500	-
	<b>94,124</b>	<b>85,553</b>
 <b>Net Income and Comprehensive Income before income tax</b>	<b>1,335,980</b>	<b>494,202</b>
 <b>Income Tax</b>	<b>-</b>	<b>14,904</b>
 <b>Net Income and Comprehensive Income</b>	<b>1,335,980</b>	<b>479,298</b>
 <b>Retained Earnings, beginning of period</b>	<b>11,995,468</b>	<b>2,222,333</b>
 <b>Retained Earnings, end of period</b>	<b>\$ 13,331,448</b>	<b>\$ 2,701,631</b>

**Storm Ventures International Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
<b>Operating activities</b>		
Net Income	\$ 1,335,980	\$ 479,298
Unrealized foreign exchange gain	(1,053,078)	(104,890)
Amortization	4,500	-
Funds from operations	<u>287,402</u>	374,408
Change in non cash working capital	<u>1,725,858</u>	(78,431)
	<u>2,013,260</u>	295,977
<b>Financing activities</b>		
Issue of share capital	-	227,177
Share issue costs	-	(3,129)
Change in non cash working capital	<u>(38,100)</u>	(34,736)
	<u>(38,100)</u>	189,312
<b>Investing activities</b>		
Property and equipment	(4,784,846)	(8,582,337)
Prospect evaluation costs	-	(18,340)
Change in non cash working capital	<u>(3,219,178)</u>	(7,834,454)
	<u>(8,004,024)</u>	(16,435,131)
<b>Change in cash during the period</b>	<b>(6,028,864)</b>	<b>(15,949,842)</b>
<b>Cash, beginning of period</b>	<b>49,131,036</b>	<b>57,484,037</b>
<b>Cash, end of period</b>	<b><u>\$ 43,102,172</u></b>	<b><u>\$ 41,534,195</u></b>

# **STORM VENTURES INTERNATIONAL INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2008**

### **1. BASIS OF PRESENTATION**

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

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Storm Ventures International (BVI) Limited, and Storm Ventures International (Barbados) Limited. The accounts of the Company also include the Company's 37.04% proportionate share of Silverstone Energy Limited ("Silverstone") a joint venture incorporated in the United Kingdom.

All dollar amounts are reported in Canadian Dollars.

### **2. ACCOUNTING POLICIES**

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

#### **Preproduction Activities**

The Company is in the business of identifying and, if appropriate, participating in international and unconventional oil and gas exploration and development opportunities. As costs are incurred in respect of the evaluation of possible opportunities they are capitalized as prospect evaluation costs. These costs are assigned to cost centres in the event that the opportunities to which they relate are advanced to the licencing or ownership stage, or are written off if no prospect is identified. The Company has exploration licences in Tunisia and in the UK sector of the North Sea; correspondingly, related costs incurred to date, including prior prospect evaluation costs, have been categorized as property and equipment in the Tunisian and UK cost centres. Such costs will be amortized on the unit of production basis upon commencement of production at commercial levels, or will be written off if the projects are deemed uneconomic. Costs incurred in respect of evaluation of other prospects which are not pursued are expensed.

#### **Office furniture and equipment**

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

### **Joint Operations**

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

### **Investments**

Investments are accounted for using the cost method.

### **Asset Retirement Obligation**

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

### **Income Taxes**

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets and liabilities. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The Company has an estimated future income tax asset of \$1,400,000 relating to the share issue costs and losses of prior years which has not been recognized in the financial statements due to the uncertainty of realization.

### **Foreign currency translation**

The Company operates in jurisdictions where the US dollar, UK sterling and the Tunisian dinar are the operating currencies. The activities of the Company's subsidiaries and joint venture are considered to be integrated and foreign currency balances are translated on the following basis:

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

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

### **Stock Based Compensation**

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

### **Financial Instruments**

Financial instruments consist primarily of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. There are no significant differences between the carrying value of these instruments and their estimated fair value.

On January 1, 2007 the Company adopted the new Canadian accounting standards regarding the recognition and measurement of financial instruments. The financial instruments must be classified into one of these five categories: held for trading, held to maturity, loans and receivables, available for sale financial assets or other financial liabilities. The new standard requires all financial instruments within its scope, including all derivatives, to be recognized in the balance sheet initially at fair market value. Subsequent measurement of all financial assets and liabilities except this held for trading and available for sale are measured at amortized costs determined using effective interest rate method. Held for trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available for sale financial assets are measured at the fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in income. The adoption of the standards had no effect on the financial statements of the Company.

The new standards require a new statement of comprehensive income, which is comprised of net income and other comprehensive income which may report changes in fair value in, derivatives designated as cash flow hedges and available for sale investments and foreign currency translation. The Company has no “other comprehensive” transactions during the period ended March 31, 2008 and no opening or closing balance for the accumulated other comprehensive income or loss thus a separate statement for comprehensive income is not required.

### **Reclassification**

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

### **Use of accounting estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

### **Accounting Pronouncements**

As of January 1, 2008 the Company will be required to adopt CICA Handbook Section 1535 – Capital Disclosures, which requires entities to disclose objectives, policies and processes for managing capital, and in addition, whether the entity has complied with any externally imposed capital requirements. The Company is assessing the impact of this new standard on its financial statements and anticipates that the main impact will be in terms of additional disclosures required.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 3862 – Financial Instruments Disclosures, which describes the required disclosures to evaluate the significance of financial instruments for the Company's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The Company is assessing the impact of this new standard on its financial statements and anticipates that the main impact will be in terms of additional disclosures required.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 3863 – Financial Instruments Presentation which set the standards for presentation of financial instruments and non-financial derivatives. The Company is assessing the impact of this new standard on its financial statements and anticipates that the main impact will be in terms of additional disclosures required.

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. The supporting rules and regulations have not been finalized, and as such the Company has not determined its impact, but will continue to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

## **3. INVESTMENT**

On June 22, 2007, the Company purchased 1,250,000 shares in Storm Gas Resource Corp. ("SGR") for a total subscription price of \$1,250,000. The Company and Storm Exploration Inc. have jointly formed SGR to pursue unconventional gas opportunities on certain Storm Exploration Inc. lands with initial efforts to be focused on the Muskwa shale gas play in the Horn River Basin of north-east British Columbia.

#### 4. PROPERTY AND EQUIPMENT

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

	March 31 2008	December 31 2007
United Kingdom	\$42,871,905	\$38,462,232
Tunisia	22,822,033	21,234,637
Office Furniture and Equipment	182,525	177,525
	65,876,463	59,874,394
Accumulated Amortization	22,500	18,000
	<u>\$65,853,963</u>	<u>\$59,856,394</u>

Included in the above amount is \$1,619,352 (2007 - \$2,508,623) of capitalized general and administrative costs.

#### 5. SHARE CAPITAL

##### Authorized:

An unlimited number of common shares.

An unlimited number of first preferred shares.

##### Issued and outstanding:

	Number of Common Shares	Consideration
<b>Balance as at December 31, 2005</b>	<b>24,808,435</b>	<b>\$50,150,659</b>
Private placement	8,520,200	42,601,000
Share issue costs		(2,343,936)
Shares issued to employees and directors	79,625	318,500
<b>Balance as at December 31, 2006</b>	<b>33,408,260</b>	<b>\$90,726,223</b>
Shares issued to employees and directors	29,700	148,500
Options exercised	41,667	78,677
Less: Issue costs		(3,129)
<b>Balance as at December 31, 2007</b>	<b>33,479,627</b>	<b>\$90,950,271</b>
Shares issued to employees and directors	-	-
Options Exercised	-	-
Less: Issue costs	-	-
<b>Balance as at March 31, 2008</b>	<b>33,479,627</b>	<b>\$90,950,271</b>

##### Share Issues:

During 2007, 29,700 common shares of the Company were issued to employees and directors for deemed proceeds of \$148,500 as consideration for the provision of services, valued at market rates. In March 2007, 41,667 options were exercised in exchange for 41,667 common shares for aggregate gross proceeds of \$78,677 and 108,333 options were cancelled.

In December 2006, the Company completed a private placement of 8,520,200 common shares for aggregate gross proceeds of \$42,601,000 before costs of \$2,343,936. During 2006, 79,625 common shares of the Company were issued to employees and directors for deemed proceeds of \$318,500 as consideration for the provision of services, valued at market rates.

### Stock Based Compensation Plan

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

<b>Balance as at December 31, 2007</b>	<b>2,300,000</b>
Granted during the period	-
Exercised during the period	-
Forfeited during the period	-
<b>Balance as at March 31, 2008</b>	<b>2,300,000</b>

	March 31, 2008	December 31, 2007
Weighted average exercise price	\$3.90	\$3.90
Average remaining life	3.3 years	3.6 years
Number exercisable at end of year	608,333	533,333
Option price	\$1.15 - \$5.00	\$1.15 - \$5.00

Outstanding Options			Exercisable Options	
Options Outstanding	Price	Weighted Average Remaining Life	Options Outstanding	Price
505,000	\$ 1.15	2.4	336,667	\$ 1.15
590,000	\$ 4.00	3.3	271,666	\$ 4.00
1,205,000	\$ 5.00	4.4	-	\$ 5.00
2,300,000		3.3	608,333	

Using the Black-Scholes pricing model, the weighted average fair value of the options granted in 2007 was estimated to be \$0.74 using risk-free interest rates of

4.25%, volatility of 0.001% and an expected average life of four years. The amortized cost of the options is included in capitalized general and administrative costs with an equivalent allocation to contributed surplus. The charge for the period ended March 31, 2008 was \$164,145 (2007 – \$53,652).

## 6. SUPPLEMENTAL CASH FLOW INFORMATION

### Changes in non-cash working capital:

<b>Changes in non-cash working capital</b>	<b>Period ended March 31, 2008</b>	<b>Period ended March 31, 2007</b>
Accounts receivable & prepaid charges	\$ (229,843)	\$ (501,013)
Accounts payable	\$ (1,301,577)	\$ (7,446,608)
<b>Changes in non-cash working capital</b>	<b>\$ (1,531,420)</b>	<b>\$ (7,947,621)</b>
Relating to:		
Financing activities	\$ 1,725,858	\$ (34,736)
Investing activities	(3,219,178)	(7,834,454)
Operating activities	(38,100)	(78,431)
	<b>\$ (1,531,420)</b>	<b>\$ (7,947,621)</b>

## 7. COMMITMENTS

The Company has annual office lease payments of \$160,000 until April 29, 2013.

## 8. INTEREST IN JOINT VENTURE

The investment in Silverstone,, a joint venture in the United Kingdom, has been accounted for on a proportionate consolidation basis. Summarized financial information for the Company interest in Silverstone is as follows:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Current Assets	\$ 26,652,346	\$30,106,645
Long Term Asset	\$ 42,110,015	\$37,812,743
Current Liabilities	\$ 4,398,896	\$4,896,826
Long Term Liabilities	\$ 556,024	\$ 556,024
Revenues	\$ 1,347,675	\$3,357,675
Expenses	-	\$14,913
Net Income	\$ 1,347,675	\$3,342,762
Cash Provided by Operating Activities	-	-
Cash Used in Investing Activities	\$ 877,730	\$3,507,462
Cash Used in Financing Activities	-	-

## 9. OTHER LONG TERM LIABILITIES

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Asset retirement obligation, beginning of year	\$ 422,700	\$ 570,060
Provision	-	-
Revision	-	\$ (147,360)
Asset retirement obligation, end of year	\$ 422,700	\$ 422,7000

Asset retirement obligation represents the Company's share of the decommissioning costs of two wells completed but not plugged as at March 31, 2008. At the present time it is not practical to estimate the decommissioning date and consequently the provision has not been discounted. In addition to the foregoing, there is a long term liability of \$133,324 which relates to Silverstone's share option scheme.

## **10. SUBSEQUENT EVENT**

Silverstone announced a new share issue on March 26, 2008 of five million ordinary shares. On April 11, 2008 the Company subscribed for an additional 650,000 shares of Silverstone at a price of £5.25 per share for a total investment of £3,412,500. The Company currently holds 10,243,739 ordinary shares of Silverstone which represent 33.15% of the total issued and outstanding ordinary shares of Silverstone.