

STEALTH VENTURES LTD.
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2008
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

STEALTH VENTURES LTD.

BALANCE SHEET AS AT JUNE 30, 2008

	June 30 2008 (Unaudited)	December 31 2007 (Audited)
ASSETS		
CURRENT		
Cash and term deposits	\$ 19,570,128	\$6,789,878
Accounts receivable	803,466	1,468,605
Prepaid expenses	<u>494,763</u>	<u>458,149</u>
	20,868,357	8,716,632
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PROPERTY AND EQUIPMENT – Note 4	36,418,657	30,962,921
INVESTMENTS – Note 5	8,918,000	2,678,000
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TOTAL ASSETS	\$ 66,205,014	\$ 42,357,553
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LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 845,854	\$ 3,141,200
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LONG TERM		
Asset retirement obligation - Note 6	1,016,772	870,842
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SHAREHOLDERS' EQUITY		
SHARE CAPITAL - Note 7	66,528,595	49,919,481
SHARE PURCHASE WARRANTS – Note 7	8,448,680	4,838,400
CONTRIBUTED SURPLUS – Note 7	4,068,900	3,888,200
DEFICIT	<u>(14,743,787)</u>	<u>(20,300,570)</u>
	64,342,787	38,345,511
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TOTAL LIABILITIES AND EQUITY	\$ 66,205,014	\$ 42,357,553
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See accompanying notes to financial statements

On behalf of the Board:

“Derek Krivak”

 Chief Executive Officer and Director

“W. Robert Bell”

 Chairman of the Board

STEALTH VENTURES LTD.

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

	Three Month Period Ended June 30, 2008	Three Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2008	Six Month Period Ended June 30, 2007
INCOME				
Net oil and gas sales	\$ 1,185,443	\$ 303,154	\$2,147,783	\$ 618,095
Interest and other income	<u>48,004</u>	<u>202,445</u>	<u>86,401</u>	<u>279,302</u>
	1,233,447	505,599	2,234,184	897,397
EXPENSES				
Administration	647,423	839,211	1,410,370	1,411,742
Share based compensation	82,200	603,900	180,700	1,148,773
Oil and gas operating	215,883	42,553	428,504	100,152
Depletion, depreciation and accretion	<u>444,438</u>	<u>293,613</u>	<u>897,827</u>	<u>583,168</u>
	1,389,944	1,779,227	2,917,401	3,243,835
NET (LOSS) before the following	(156,497)	(1,273,678)	(683,217)	(2,346,438)
Unrealized gain in value of investments, net of income taxes	<u>6,019,000</u>	<u>-</u>	<u>5,304,000</u>	<u>-</u>
NET EARNINGS (LOSS) before income taxes	5,862,503	(1,273,678)	4,620,783	(2,346,438)
Future income taxes (reduction)	<u>(936,000)</u>	<u>-</u>	<u>(936,000)</u>	<u>-</u>
NET EARNINGS (LOSS) for the period	6,798,503	(1,273,678)	5,556,783	(2,346,438)
DEFICIT -Beginning of the period	(21,542,290)	(7,645,133)	(20,300,570)	(6,572,373)
DEFICIT-End of the period	\$ (14,743,787)	\$ (8,918,811)	\$ (14,743,787)	\$ (8,918,811)
EARNINGS (LOSS) PER SHARE	\$ 0.11	\$ (0.02)	\$ 0.08	\$ (0.04)

STEALTH VENTURES LTD.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

	Three Month Period Ended June 30, 2008	Three Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2008	Six Month Period Ended June 30, 2007
OPERATING ACTIVITIES				
Net Earnings (Loss) for the period	\$ 6,798,503	\$ (1,273,678)	\$ 5,556,783	\$ (2,346,438)
Add items not affecting cash				
Unrealized (gain) loss in value of investments	(6,019,000)	-	(5,304,000)	-
Future income taxes	(936,000)	-	(936,000)	-
Depletion, depreciation and accretion	444,438	293,613	897,827	583,168
Stock based compensation	<u>82,200</u>	<u>603,900</u>	<u>180,700</u>	<u>1,148,773</u>
	370,141	(376,165)	395,310	(614,497)
Changes in non-cash working capital items	<u>(145,134)</u>	<u>(670,414)</u>	<u>(1,666,821)</u>	<u>(977,756)</u>
	225,007	(1,046,579)	(1,271,511)	(1,592,253)
FINANCING ACTIVITY				
Issuance of capital stock	20,254,269	15,368,469	20,259,394	15,368,469
INVESTING ACTIVITY				
Purchase of property and equipment	(2,506,649)	(2,503,880)	(6,207,633)	(5,343,851)
CHANGE IN CASH	17,972,627	11,818,010	12,780,250	8,432,365
CASH – Beginning of the period	1,597,501	5,671,153	6,789,878	9,056,798
CASH – End of the period	\$ 19,570,128	\$ 17,489,163	\$ 19,570,128	\$ 17,489,163

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 1 NATURE AND CONTINUANCE OF OPERATIONS

The Company is engaged primarily in exploration for, and production of, petroleum and natural gas reserves in Western Canada and Nova Scotia.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The interim unaudited financial statements of Stealth Ventures Ltd. (“the Company”) have been prepared by management in accordance with accounting policies generally accepted in Canada. The interim unaudited financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2007. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2007.

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS

(a) Change in accounting policies

Effective January 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- Capital disclosures

CICA Section 1535, “Capital Disclosures”, established guidelines for the disclosure of information on an entity’s capital and how it is managed. This enhanced disclosure enables users to evaluate the entity’s objectives, policies and processes for managing capital. This new requirement is for disclosure purposes only and upon adoption did not impact the financial results of the Company. See note 8, Capital Management, for further disclosure.

- Financial instruments – disclosure and presentation

CICA Section 3862, “Financial Instruments – Disclosure”, and section 3863, “Financial Instruments – Presentation”, replace the existing Section 3861 “Financial Instruments – Disclosure and Presentation”. Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirement and provides additional guidance for the classification of financial instruments. This new requirement is for disclosure purposes only and upon adoption did not impact the financial results of the Company. See note 9, Financial Instruments and Risk Management, for further disclosure.

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 3 **RECENT ACCOUNTING PRONOUNCEMENTS – CONTINUED**

(b) Future accounting policies
International Financial Reporting Standards (“IFRS”)

In January 2006, the Canadian Accounting Standards Board (“AcSB”) announced its decision to replace Canadian GAAP and adopt IFRS for all Canadian Publicly Accountable Enterprises (“PAE”). On February 13, 2008, the AcSB confirmed January 1, 2011 as the official changeover date for PAEs to commence reporting under IFRS. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The Company is currently in the process of assessing the impact IFRS will have on its financial statements.

NOTE 4 **PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	June 2008 <u>Net Book Value</u>
Computer equipment	\$ 365,524	\$ 148,730	\$ 216,794
Leasehold improvements	54,866	10,166	44,700
Automobile	84,296	54,453	29,843
Petroleum & natural gas properties	<u>46,288,095</u>	<u>10,160,775</u>	<u>36,127,320</u>
	<u>\$ 46,792,781</u>	<u>\$10,374,124</u>	<u>\$ 36,418,657</u>
		<u>Accumulated</u>	December 2007
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 312,424	\$ 118,156	\$ 194,268
Leasehold improvements	46,788	4,679	42,109
Automobile	84,296	49,187	35,109
Petroleum & natural gas properties	<u>40,234,210</u>	<u>9,542,775</u>	<u>30,691,435</u>
	<u>\$ 40,677,718</u>	<u>\$ 9,714,797</u>	<u>\$ 30,962,921</u>

At June 30, 2008 petroleum and natural gas properties included \$16,106,500 (2007 - \$30,054,700) relating to unproved properties which have been excluded from the depletion calculation. No general and administrative costs were capitalized during the six month period (2007 - \$nil).

The Company applied to ceiling test to its capitalized assets at June 30, 2008.

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 5 **INVESTMENTS**

During 2007 the Company exchanged its interest in certain Saskatchewan properties for 13 million common shares of Panterra Resources Corp (“Panterra”) valued at \$0.25 per share. The Company’s holding represents approximately 19.5% of the outstanding common shares of Panterra. At June 30, 2008 these shares were re-valued to their quoted market price of \$0.68 per share, resulting in the recognition of an unrealized gain on investment of \$5,304,000. Also during 2007 the Company acquired 6 million shares of a foreign unlisted private company Golden Hill International Holdings Limited (“Golden Hill”) valued at a cost of \$78,000. The Company accounts for its investment in Golden Hill at cost since the shares do not have a quoted price in an active market.

NOTE 6 **ASSET RETIREMENT OBLIGATION**

Changes to the asset retirement obligation for the six months ended June 30, 2008 are as follows:

Asset retirement obligation at the beginning of the period	\$ 870,842
Liabilities incurred during the period	107,430
Accretion	<u>38,500</u>
Asset retirement obligation at end of period	<u>\$ 1,016,772</u>

NOTE 7 **SHARE CAPITAL**

Authorized:

Unlimited common shares without par value

	<u>Number Of shares</u>	<u>Amount</u>
<u>Issued:</u>		
Balance December 31, 2006	48,674,587	\$ 37,538,747
Private placement at \$1.25 per unit	13,280,000	14,096,720
Warrants expired	-	1,330,445
Share issue costs	-	(1,596,431)
Tax effect on flow through shares	-	<u>(1,450,000)</u>
Balance December 31, 2007	61,954,587	49,919,481
Warrants expired	-	1,970,220
Private placement at \$0.75 per unit	29,726,956	17,316,217
Share issue costs	-	<u>(2,677,323)</u>
Balance June 30, 2008	91,681,543	<u>\$ 66,528,595</u>
<u>Contributed surplus</u>		
Balance December 31, 2007		\$ 3,888,200
Share-based compensation		<u>180,700</u>
Balance June 30, 2008		<u>\$ 4,068,900</u>

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 7 **SHARE CAPITAL – CONTINUED**

Per share Amounts

Per share amounts were calculated using the weighted average number of common shares outstanding of 66,527,965 (2007 – 53,150,167). The stock options were not included in the diluted earnings per share calculation because to do so would be anti-dilutive.

Stock Options

Stock option activity with respect to the Company's stock option plan is as follows:

	<u>Number of Shares</u>	<u>Weighted Avg. Exercise Price</u>
Balance December 31, 2006	4,268,000	\$ 1.49
Granted in 2007	100,000	1.50
Granted in 2007	560,000	0.80
Granted in 2007	<u>300,000</u>	1.32
Balance December 31, 2007	5,228,000	1.49
Cancelled in 2008	(1,125,000)	2.30
Cancelled in 2008	(100,000)	1.50
Cancelled in 2008	(10,000)	0.80
Cancelled in 2008	(100,000)	0.55
Expired in 2008	(300,000)	2.07
Expired in 2008	(300,000)	1.32
Granted in 2008	<u>1,965,000</u>	0.97
Balance June 30, 2008	5,258,000	\$ 1.03

At June 30, 2008 there were 2,248,333 options that were unvested.

Share purchase warrants

At June 30, 2008 there were 24,082,096 share purchase warrants outstanding as follows:

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Amount</u>
Balance December 21, 2006	7,528,030			\$ 3,300,665
Private placement	6,640,000	\$ 1.50	October 2008	
2,503,280				
Finders fees	796,800	1.25	October 2008	
364,900				
Warrants expired	(3,010,174)	1.50	October 2007	
(1,059,531)				
Warrants expired	<u>(667,276)</u>	1.25	October 2007	
(270,914)				
Balance December 31, 2007	11,287,380			4,838,400
Private placement	14,863,478	0.85	May 2010	4,979,000
Finders fees	1,781,818	0.75	May 2010	641,500
Warrants expired	(3,281,258)	2.30	March 2008	(1,595,720)
Warrants expired	<u>(569,322)</u>	1.60	March 2008	<u>(374,500)</u>
Balance June 30, 2008	<u>24,082,096</u>			<u>\$8,488,680</u>

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 8 **CAPITAL MANAGEMENT**

Stealth defines capital as debt and shareholders' equity comprised of retained earnings and share capital. Stealth's primary capital management objective is to maintain a strong balance sheet affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment.

The Company manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust capital spending, issue new shares, issue new debt or repay existing debt. Stealth does not currently have any material long-term debt, capital leases or any off-balance-sheet obligations, and because it does not anticipate any such debt during 2008 it is not providing guidance on debt within the capital structure.

The Company monitors working capital, cash flow per share and total shareholders' equity on a monthly basis and makes adjustments to its business plan and capital budget accordingly.

No dividends have been paid or declared on any of the Company's shares since the date of incorporation. This policy is based on operational results, financial policy and financing requirements and is continuously reviewed by the Company.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2008.

NOTE 9 **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, investments and accounts payable. Cash and cash equivalents and investments are classified as held-for-trading financial assets. Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities. The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet as at June 30, 2008 are as follows:

	<u>Carrying amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$19,570,128	\$19,570,128
Accounts receivable	803,466	803,466
Investments	8,918,000	8,918,000
Accounts payable	845,854	845,854

STEALTH VENTURES LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

NOTE 9 **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – CONTINUED**

The fair values of financial instruments are calculated on the basis of information available on the balance sheet date using the following methods:

- the fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to the short term nature of the instruments;
- the fair value of the Company's Investments is determined by reference to their quoted bid price at the balance sheet date.

The Company is exposed to market, credit and liquidity risks associated with its financial instruments. Overall, the Company's board of directors has responsibility for the establishment and approval of the Company's risk management policies. Management performs a risk assessment on a continual basis to ensure that all significant risks related to the Company and its operations have been reviewed and assessed to reflect changes in market conditions and the Company's operating activities.

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company does not, at this time, use any financial instruments to reduce exposure to market risk.

Credit risk is the risk of financial loss to the Company if a customer fails to meet its payment obligations and arises principally from the Company's accounts receivable from customers and joint venture partners. Management of the Company has established a credit policy under which each new customer or joint venture partner is analyzed individually for credit-worthiness before the Company's standard payment terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer or joint venture partner and these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark credit-worthiness may transact with the company on a prepayment basis. Most of the Company's customers and partners have been transacting with the Company for a number of years and losses have occurred very infrequently and have been immaterial. The Company has not needed to establish an allowance for doubtful accounts in its accounting records.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company usually maintains a very strong liquidity position and maintains sufficient financial resources to meet its obligations on a timely basis. Typically the Company ensures that it has sufficient cash on hand to meet expected operational expenses for a period of at least 60 days.

The Company is not currently exposed to any material exchange rate risk.