

Financial Statements of

STEALTH VENTURES LTD.

Years ended December 31, 2007 and 2006

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The management of Stealth Ventures Ltd. is responsible for the preparation and integrity of the accompanying financial statements and all other information contained in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include amounts that are based on management's informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. The Audit Committee reviews the financial statements of the Company with management and the external auditors prior to submission to the Board of Directors for final approval. The external auditors and the Board of Directors also review the Annual Report before it is finalized. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters. The shareholders have appointed KPMG LLP as the external auditors of the Company, and, in that capacity, they have examined the financial statements as at and for the period ended December 31, 2007.

W. Robert Bell
Chief Executive Officer

Mark Roth
Chief Financial Officer

April 23, 2008



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Stealth Ventures Ltd. as at December 31, 2007 and 2006 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Calgary, Canada
April 23, 2008

STEALTH VENTURES LTD.

Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,789,878	\$ 9,056,798
Accounts receivable	1,468,605	1,777,629
Prepaid expenses and deposits	458,149	63,152
	<u>8,716,632</u>	<u>10,897,579</u>
Property and equipment (note 5)	30,962,921	27,301,670
Investments (note 4)	2,678,000	-
	<u>\$ 42,357,553</u>	<u>\$ 38,199,249</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,141,200	\$ 1,289,832
Asset retirement obligations (note 6)	870,842	788,551
Shareholders' equity:		
Share capital (note 7(b))	49,919,481	37,538,747
Purchase warrants (note 7(c))	4,838,400	3,300,665
Contributed surplus (note 7(d))	3,888,200	1,853,827
Deficit	(20,300,570)	(6,572,373)
	<u>38,345,511</u>	<u>36,120,866</u>
Commitments (note 11)		
Subsequent events (note 12)		
	<u>\$ 42,357,553</u>	<u>\$ 38,199,249</u>

See accompanying notes to financial statements.

On behalf of the Board:

“W. Robert Bell” _____ Director

“Ian McMurtrie” _____ Director

STEALTH VENTURES LTD.

Statements of Loss and Deficit

Years ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Petroleum and natural gas sales	\$ 1,533,274	\$ 749,973
Royalties	(161,591)	(105,851)
	1,371,683	644,122
Interest income	534,332	379,903
	1,906,015	1,024,025
Expenses:		
Operating expenses	209,768	137,544
General and administration	2,732,167	2,282,388
Stock-based compensation (note 7(e))	2,034,373	1,670,739
Write down of property and equipment (note 6)	7,088,000	-
Loss on sale of property and equipment (note 6)	2,873,158	-
Unrealized loss on investment (note 5)	650,000	-
Depletion, depreciation and accretion	1,496,746	561,050
	17,084,212	4,653,020
Net loss before income taxes	(15,178,197)	(3,628,995)
Future income taxes (reduction)	(1,450,000)	-
Net loss for the year	(13,728,197)	(3,628,995)
Deficit, beginning of year	(6,572,373)	(2,943,378)
Deficit, end of year	\$(20,300,570)	\$(6,572,373)
Loss per share:		
Basic and diluted (note 7(f))	\$ (0.24)	\$ (0.10)

See accompanying notes to financial statements.

STEALTH VENTURES LTD.

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Net loss for the year	\$(13,728,197)	\$(3,628,995)
Items not involving cash:		
Stock-based compensation	2,034,373	1,670,739
Write down of property and equipment	7,088,000	-
Future income tax reduction	(1,450,000)	-
Depletion, depreciation and accretion	1,496,746	561,050
Unrealized loss on investment	650,000	-
Loss on sale of property and equipment	2,873,158	-
	<u>(1,035,920)</u>	<u>(1,397,206)</u>
Change in non-cash operating working capital	(74,080)	(36,387)
	<u>(1,110,000)</u>	<u>(1,433,593)</u>
Financing:		
Issuance of share capital and purchase warrants	15,368,469	19,632,133
Investing:		
Purchase of property and equipment	(18,286,864)	(19,840,907)
Purchase of marketable securities	(78,000)	-
Change in non-cash investing working capital	1,839,475	242,180
	<u>(16,525,389)</u>	<u>(19,598,737)</u>
Change in cash and cash equivalents	(2,266,920)	(1,400,197)
Cash and cash equivalents, beginning of year	9,056,798	10,456,995
Cash and cash equivalents, end of year	<u>\$ 6,789,878</u>	<u>\$ 9,056,798</u>
Interest received	\$ 531,457	\$ 364,778
Interest paid	\$ 943	\$ 1,299

See accompanying notes to financial statements.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

1. Nature of operations:

Stealth Ventures Ltd. ("Stealth" or "the Company") is engaged primarily in exploration for, and production of, petroleum and natural gas reserves in Western Canada and Nova Scotia.

2. Significant accounting policies:

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimated.

Specifically, the amounts recorded for depletion, depreciation and accretion of petroleum and natural gas assets and asset retirement obligations are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to change and the effect on the financial statements of changes in such estimates in future periods could be significant.

(a) Property and equipment:

The Company accounts for petroleum and natural gas activities in accordance with the Canadian Institute of Chartered Accountants guideline on full cost accounting in the petroleum and natural gas industry, whereby all costs associated with the acquisition, exploration and development of petroleum and natural gas leases are capitalized. Such costs include land acquisition costs, geological and geophysical costs, direct general and administrative charges, and lease rentals on non-producing properties, costs of productive and non-productive wells including production equipment, the costs of processing facilities and asset retirement obligation. Proceeds received on the disposal of property interests will be credited against the accumulated costs except when the disposition results in a change in the depletion rate of 20% or more, in which case a gain or loss is recognized.

The cost of acquiring and evaluating unproved properties are initially excluded from the depletion calculation. These properties are assessed periodically for impairment. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the costs subject to depletion.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

2. Significant accounting policies (continued):

(a) Property and equipment (continued):

Depletion is calculated using the unit-of-production method based on proved reserves before royalties as determined by independent engineers. For purposes of this calculation, reserves and production of natural gas are converted into equivalent barrels of petroleum based on the relative energy equivalent of six thousand cubic feet of natural gas to one barrel of crude petroleum.

An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of: (a) the fair value of proved and probable reserves; and (b) the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Other equipment is stated at cost less accumulated amortization. Amortization is provided for over the estimated useful lives of the assets using the declining balance method at a rate of 30%.

(b) Cash and cash equivalents:

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with original maturities of three months or less.

(c) Joint operations:

The Company's oil and gas exploration and development activities are conducted with others and, accordingly, the financial statements reflect only the Company's interest in such activities.

(d) Asset retirement obligations ("ARO"):

The Company recognizes the fair value of ARO in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit-of-production method based on proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is expensed to income in the period. Actual costs incurred upon the settlement of the ARO are charged against the liability. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

2. Significant accounting policies (continued):

(e) Revenue recognition:

Petroleum and natural gas revenues are recognized when title and risk pass to the purchaser.

(f) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

(g) Stock-based compensation:

The Company uses the fair value method in valuing stock options granted to employees and directors under the share option plan. Under this method, compensation expense is measured at the grant date and recognized as a charge to earnings over the vesting period with a corresponding credit to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of the options is determined using the Black-Scholes option-pricing model. Compensation cost of equity-classified awards to non employees, initially measured at fair value and periodically re-measured to fair value until the non-employees' performance is complete, are expensed over the vesting period. The Company accounts for actual forfeitures as they occur for unvested options.

(h) Per share amounts:

The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the prevailing price. Basic earnings per share are computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if the securities or other contracts to issue common shares were exercised or converted to common shares.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

2. Significant accounting policies (continued):

(i) Foreign currency translation:

Transactions originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in income.

(j) Financial instruments:

As described in note 3, the Company adopted the new financial instrument standards effective January 1, 2007. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including all derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Company has designated its cash and cash equivalents and investments in marketable securities as held for trading which are measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities which are measured at amortized cost, which is determined using the effective interest method.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value.

The Company immediately expenses all transaction costs incurred in relation to the acquisition of a financial asset or liability.

The Company applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and investments.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

3. Change in accounting policies:

Effective January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 "Accounting Changes; Section 1530 "Comprehensive Income"; Section 3251 "Equity"; Section 3855 "Financial Instruments – Recognition and Measurement"; Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges".

CICA Handbook Section 1506, "Accounting Changes", provides expanded disclosures for changes in accounting policies, accounting estimates and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted, or where impractical to determine. As well, voluntary changes in accounting policy are to be made only when required by a primary source of GAAP or the change results in more accurate and relevant presentation.

CICA Handbook Section 1530, "Comprehensive Income", introduces a new requirement to temporarily present certain gains and loss from changes in fair value outside of net income. The standard introduces the concept of Other Comprehensive Income which includes unrealized gains and losses from available-for-sale financial assets; unrealized gains and losses resulting from currency translation adjustments relating to self-sustaining foreign operations; and the effective portion of gains or losses on derivatives designated as cash flow hedges.

CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", prescribes when a financial instrument is to be recognized on the balance sheet, and at what amount. It also prescribes how unrealized gains and losses related to financial instruments are to be recorded and presented. All financial assets are to be classified into one of the following four categories: held for trading, held to maturity, loans and receivables, and available for sale. All financial liabilities are to be classified as either held for trading or other. Initial and subsequent measurement and valuation of financial instruments depends on their initial classification as follows:

Held to maturity assets, loans and receivables and financial liabilities classified as other, are initially measured at fair value and are subsequently measured at amortized cost. Revaluation gains and losses, impairment write-downs and foreign exchange translation adjustments on this class of financial instruments are recognized in net income.

Available for sale financial assets are measured at fair value. Revaluation gains and losses are included in Other Comprehensive Income until the asset is removed from the balance sheet.

Held for trading financial instruments are also measured at fair value, but all gains and losses are recognized in net earnings in the period in which they arise. All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are recognized in net earnings in the period in which they arise.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

3. Change in accounting policies (continued):

The financial instruments recognized on the Company's balance sheet at January 1, 2007 were all valued in accordance with the guidelines above and no adjustments were required upon adoption of the new CICA standards. There were no financial assets on the balance sheet which were designated as held for trading, held to maturity or available for sale. All financial assets were classified as loans or receivables and are accounted for on an amortized cost basis. All financial liabilities were classified as other liabilities.

CICA Handbook Section 3865, "Hedges", provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships," and the hedging guidance in Handbook Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard has had no material impact on the financial position or financial results of the Company.

In addition to adopting the above new CICA Handbook Sections, the Company has assessed new and revised accounting pronouncements that have been announced by CICA but are not yet effective and have determined that the following pronouncements may have an impact on the Company:

In March 2007 the CICA issued Handbook Section 3862 "Financial Instruments – Disclosures," which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and is not expected to have a material impact on the Company's financial statements.

In March 2007 the CICA issued Handbook Section 3863 "Financial Instruments – Presentation," which replaces Section 3861 to enhance financial statement users' understanding of the significance of financial instruments to a company's financial position, performance and cash flows. This new Section establishes standards for presentation for financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes presentation with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and is not expected to have a material impact on the Company's financial statements.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

4. Investments:

During 2007 the Company exchanged its interest in certain Saskatchewan properties for 13 million common shares of Panterra Resources Corp ("Panterra") valued at a cost of \$0.25 per share. The Company's holding represents approximately 19.5% of the outstanding common shares of Panterra (see note 6). At December 31, 2007 these shares were revalued to its quoted market price of \$0.20 per share resulting in the recognition of an unrealized loss on investment of \$650,000.

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 International Holdings Ltd. at cost since the shares do not have a quoted price in an active market.

5. Property and equipment:

2007	Cost	Accumulated Depletion and Amortization	Net Book Value
Computer equipment	\$ 312,424	\$ 118,156	\$ 194,268
Leasehold improvements	46,788	4,679	42,109
Automobiles	84,296	49,187	35,109
Petroleum and natural gas properties	40,234,210	9,542,775	30,691,435
	<u>\$40,677,718</u>	<u>\$ 9,714,797</u>	<u>\$30,962,921</u>
2006			
Computer equipment	\$ 218,499	\$ 61,276	\$ 157,223
Automobiles	84,296	34,140	50,156
Petroleum and natural gas properties	28,192,066	1,097,775	27,094,291
	<u>\$28,494,861</u>	<u>\$ 1,193,191</u>	<u>\$27,301,670</u>

During 2007, the Company sold certain petroleum and natural gas properties with a cost basis of \$6.2 million in exchange for 13 million shares of Panterra Resources Corp. valued at the time of sale at \$3.25 million resulting in the recognition of a loss of \$2.9 million. Also during 2007, the Company abandoned an unproved petroleum and natural gas property resulting in the recognition of a \$7.1 million impairment loss.

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

5. Property and equipment (continued):

At December 31, 2007, petroleum and natural gas properties included \$15,692,352 (2006 - \$23,951,048) relating to unproved properties which have been excluded from the depletion calculation, and future development costs of \$12,237,000 (2006 - \$nil) were included in the depletion calculation. No general and administrative costs were capitalized during the year.

For purposes of ceiling test calculations, the following forecast oil and gas prices have been used in estimating future cash flows from proved reserves as at December 31, 2007:

	Benchmark AECO Spot Gas Price CDN\$/ MMBTU	Foreign Exchange \$ 1 US / Cdn. \$	Benchmark WTI Light Oil Price U.S. \$ / bbl	Benchmark Edmonton Light Oil Price CDN\$/ bbl
2008	\$ 6.51	\$1.00	\$ 89.61	\$ 88.17
2009	\$ 7.22	\$1.00	\$ 86.01	\$ 84.54
2010	\$ 7.69	\$1.00	\$ 84.65	\$ 83.16
2011	\$ 7.70	\$1.00	\$ 82.77	\$ 81.26
2012	\$ 7.61	\$1.00	\$ 82.26	\$ 80.73
2013	\$ 7.78	\$1.00	\$ 82.81	\$ 81.25
2014	\$ 7.96	\$1.00	\$ 84.46	\$ 82.88

Escalated at the rate of 2% thereafter.

6. Asset retirement obligations:

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its retirement obligations is approximately \$1,306,850 as at December 31, 2007 (2006 - \$1,136,850), which will be incurred between 2008 and 2022. A credit-adjusted risk-free rate of 8% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligations.

	2007	2006
Asset retirement obligations, beginning of year	\$ 788,551	\$ 180,587
Liabilities incurred	283,115	569,714
Liabilities disposed	(263,964)	-
Accretion expense	63,140	38,250
Asset retirement obligations, end of year	\$ 870,842	\$ 788,551

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

7. Share capital:

(a) Authorized: Unlimited common shares without par value

(b) Issued:

	Number of Shares	Amount
Balance December 31, 2005	34,467,410	\$ 18,837,252
Private placement at \$1.60 per unit ⁽¹⁾	6,562,516	8,911,906
Flow through shares at \$1.70 per share	2,941,176	5,000,000
Warrants exercised at \$0.75 per share	1,805,000	1,431,366
Warrants exercised at \$1.27 per share	6,485	10,872
Warrants exercised at \$1.50 per share	2,642,000	4,877,132
Options exercised at \$0.25 per share	50,000	25,008
Options exercised at \$0.41 per share	100,000	53,250
Options exercised at \$0.50 per share	100,000	70,440
Share issue costs	-	(1,678,479)
Balance December 31, 2006	48,674,587	37,538,747
Private placement at \$1.25 per unit ⁽²⁾	13,280,000	14,096,720
Warrants expired	-	1,059,531
Warrants expired	-	270,914
Share issue costs	-	(1,596,431)
Tax effect of flow through shares	-	(1,450,000)
Balance December 31, 2007	61,954,587	\$ 49,919,481

⁽¹⁾ 3,281,258 share purchase warrants attached at an exercise price of \$2.30 per share

⁽²⁾ 6,640,000 share purchase warrants attached at an exercise price of \$1.50 per share

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

7. Share capital (continued):

(c) Purchase warrants

The value of each warrant was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Expected life (in months)	18	18
Risk-free interest rate (%)	3.96 to 4.02%	4.06%
Volatility (%)	67%	84%
Weighted average fair value of warrants issued (\$)	\$0.38 to \$0.46	\$0.32 to \$0.51

Changes in the common share purchase warrants are as follows:

Description	Number	Exercise price	Expiry date	Carrying amount
Balance December 31, 2005	8,130,935			\$ 2,324,829
Private placement	3,281,258	\$ 2.30	March 2008	1,595,720
Finders' fees	569,322	1.60	March 2008	374,500
Exercised	(1,805,000)	0.75		(77,616)
Exercised	(6,485)	1.27		(2,636)
Exercised	(2,642,000)	1.50		(914,132)
Balance December 31, 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	(667,276)	1.25	October 2007	(270,914)
Balance December 31, 2007	11,287,380			\$ 4,838,400

(d) Stock option plan:

The Company has a Directors' and Management Stock Option Plan (the "Plan") which is administered by the Directors of the Company. All directors, officers, certain employees and consultants are eligible to participate in the Plan. Under the Plan, options may be granted to purchase the Company's common shares up to the maximum number of shares permitted under the rules of the TSX Venture Exchange (currently 10% of the total outstanding common shares, with a maximum number of common shares optioned to any one optionee of no more than 5% of the total outstanding common shares). The exercise price of such options on the date of the grant cannot be less than the market price of the common shares on the TSX Venture Exchange less the permissible discount allowed by that exchange. Options vest over a period of eighteen months and expire after five years (except consultants). Details of the stock options are as follows:

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

7. Share capital (continued):

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	4,268,000	\$ 1.49	2,843,000	\$ 0.94
Granted	100,000	1.50	1,675,000	2.26
Granted	300,000	1.32	-	-
Granted	560,000	0.80	-	-
Exercised	-	-	(250,000)	0.41
Outstanding, end of year	5,228,000	\$ 1.49	4,268,000	\$ 1.49
Exercisable, end of year	4,468,000	\$ 1.48	2,903,667	\$ 1.24
Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable	
\$ 0.25	50,000	0.83 years	50,000	
0.50	200,000	1.92 years	200,000	
0.55	700,000	2.25 years	700,000	
0.65	300,000	2.50 years	300,000	
0.80	560,000	1.97 years	-	
1.20	500,000	2.83 years	500,000	
1.32	300,000	1.25 years	150,000	
1.50	943,000	3.06 years	893,000	
2.07	300,000	0.33 years	300,000	
2.30	1,375,000	3.38 years	1,375,000	
	5,228,000		4,468,000	

(e) Stock-based compensation:

The Company accounts for options issued under its Plan using the fair value method. Under this method, a compensation cost is charged to expense for stock options granted to employees and directors with a corresponding increase to contributed surplus.

The following table reconciles the Company's contributed surplus:

	2007	2006
Balance, beginning of year	\$ 1,853,827	\$ 228,286
Stock-based compensation expense	2,034,373	1,670,739
Options exercised	-	(45,198)

STEALTH VENTURES LTD.

Notes to Financial Statements

Years ended December 31, 2007 and 2006

Balance, end of year	\$ 3,888,200	\$ 1,853,827
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The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Expected life (in months)	12 to 60	24 to 60
Risk-free interest rate (%)	4.05 to 4.16%	4.05 to 4.16%
Volatility (%)	84%	84 to 85%
Weighted average fair value of options granted (\$)	\$0.27 to \$1.03	\$0.97 to \$1.59

(f) Per share amounts:

Per share amounts were calculated using the weighted average number of common shares outstanding of 58,243,500 (2006 - 37,905,943). The stock options and warrants were not included in the diluted loss per share calculation because to do so would be anti-dilutive.

8. Income taxes:

The provision for income taxes in the financial statements differs from the result, which would have been obtained by applying the combined federal and provincial tax rate to the Company's net loss. This difference results from the following items:

	2007	2006
Combined federal and provincial tax rate	33.46%	37.06%
Expected income tax (recovery) at statutory rate	\$ (5,077,934)	\$ (1,344,905)
Increase (decrease) resulting from:		
Resource allowance	-	45,473
Stock-based compensation	680,609	619,176
Effect of changes in tax rates	704,037	349,934
Other items	127,589	9,084
Change in valuation allowance	2,115,699	321,238
	\$ (1,450,000)	\$ -

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8. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at 2007 and 2006 are presented below:

	2007	2006
Future tax assets:		
Non-capital losses	\$ 1,546,077	\$ 1,035,419
Investments	188,500	-
Property, plant, and equipment	2,045,681	222,566
Asset retirement obligations	252,544	214,286
Share issue costs	761,249	759,773
Valuation allowance	(4,794,051)	(2,232,044)
Net future tax asset	\$ --	\$ --

The Company has non-capital loss carry forwards of \$5,187,700 expiring from 2008 to 2027.

9. Risk management:

(a) Credit risk:

Portions of the Company's accounts receivable are with joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Company's oil and natural gas products are subject to an internal credit review designed to mitigate the risk of non-payment.

(b) Commodity price risk:

The Company is subject to commodity price risk on the sale of oil and natural gas. There were no financial instruments in place to manage commodity prices during the years ended December 31, 2007 and 2006.

(c) Foreign currency:

While substantially all of the Company's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar.

(d) Fair value of financial instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities.

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9. Risk management (continued):

(e) Interest rate risk:

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact the Company's cash and cash equivalents that have a floating interest rate. The Company had no interest rate swaps or hedges at December 31, 2007.

10. Related party transactions:

Included in consulting fees for the 12 month period ending December 31, 2007 is \$36,000 (2006 - \$162,243) paid to a company owned by a Director of the Company for professional land man services.

The Chief Financial Officer of the Company is also a Director of Golden Hill of Hong Kong, with whom Stealth has executed a management services agreement. No compensation was paid to the Chief Financial Officer by Golden Hill during 2007, and except for visits to the CBM project in China, the Chief Financial Officer has not spent material management time providing services to Golden Hill.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Commitments:

(a) The Company has executed various farm-in and permit agreements. These agreements require Stealth to incur total expenditures of approximately \$2.9 million per year, but in each case the asset may be surrendered as an option. Nova Scotia commitments in future years increase with commercial development projections, but in each case the requirements are reviewed yearly.

(b) Minimum lease payments required under the Company's office lease agreement are as follows:

2008	\$ 267,295
2009	267,295
2010	200,471

(c) The Company renounced \$5million of qualifying petroleum and natural gas expenditures effective December 31, 2006 pursuant to the flow-through share offering which closed August 31, 2006. As at December 31, 2007 the Company had incurred all (2006 - \$4.7 million) of required qualifying expenditures.

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12. Subsequent events:

On April 14, 2008 the Company announced that, subject to regulatory acceptance, it retained a syndicate of agents led by D&D Securities Company and SMH Capital Inc. and including Union Securities Ltd. to offer a brokered private placement, on a reasonable best efforts basis, of up to \$20 Million in Units at a subscription price of \$0.80 per Unit. Each Unit will consist of one common share and one-half (1/2) of one common share purchase warrant, with each whole warrant to entitle the holder to purchase an additional common share at an exercise price of \$1.00 for the period of eighteen months from closing. All securities issued pursuant to this private placement, including any securities issued in payment of commissions or finders' fees, will be subject to a four-month hold period in Canada, commencing at closing. The proceeds from this private placement will be used, primarily, to fund and accelerate ongoing development activities on Stealth's Colorado Group shale gas properties.