

Stealth Ventures Ltd.

Statements of Financial Position

(unaudited)

Assets	Note	March 31, 2011	December 31, 2010	January 1, 2010
Current Assets				
Cash and cash equivalents		\$ 2,195,631	\$ 315,816	\$ 295,558
Accounts receivable		168,417	235,912	517,564
Prepaid expenses		271,752	252,244	538,402
		2,635,800	803,972	1,351,524
Computer and office equipment	8	120,297	129,226	222,416
Petroleum and natural gas properties	8	4,272,725	4,486,900	14,541,005
Exploration and evaluation assets	9	750,000	750,000	750,000
		\$ 7,778,822	\$ 6,170,098	\$ 16,864,945
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 1,067,056	\$ 1,262,159	\$ 578,254
Loans and borrowings	15	2,000,000	2,000,000	3,195,725
		3,067,056	3,262,159	3,773,979
Decommissioning liability	14	2,680,181	2,657,479	2,639,073
Shareholders' equity				
Share capital	11	67,959,801	67,959,801	66,062,020
Purchase warrants	11	7,227,893	7,227,893	9,202,031
Share subscription receivable		-	(2,480,852)	(1,035,599)
Contributed surplus		12,757,210	12,235,626	8,725,946
Deficit		(85,913,319)	(84,692,008)	(72,502,505)
		2,031,585	250,460	10,451,893
		\$ 7,778,822	\$ 6,170,098	\$ 16,864,945

See accompanying notes to the financial statements

Future operations [Note 1]

Subsequent event [Note 17]

Stealth Ventures Ltd.

Statements of Operations and Comprehensive Loss

(unaudited)

	Note	Three months ended March 31, 2011		Three months ended March 31, 2010
Revenue				
Petroleum and natural gas sales		\$ 470,548		\$ 777,100
Royalties		(27,782)		(62,420)
		442,766		714,680
Expenses				
Oil and gas operating		328,557		323,213
Depletion and depreciation	8	186,308		400,726
General and administration		497,898		343,247
Stock based compensation	12	521,584		-
Impairment of petroleum and natural gas properties	10	58,675		4,286,149
		1,593,022		5,353,335
Loss from operating activities		(1,150,256)		(4,638,655)
Financing income		(1,032)		(489)
Financing expense		72,087		52,989
Net finance costs		71,055		52,500
Net loss and comprehensive loss		\$ (1,221,311)		\$ (4,691,155)
Loss per share – basic and diluted		\$ (0.01)		\$ (0.04)
Weighted average shares outstanding		161,002,686		125,786,686

See accompanying notes to the financial statements

Stealth Ventures Ltd.

Statements Changes in Shareholders' Equity

(unaudited)

	Note	Number of Common Shares	Number of Warrants	Share capital	Purchase Warrants	Share subscription receivable	Contributed surplus	Deficit	Total Equity
Balance January 1, 2010	11	125,786,686	41,911,418	\$ 66,062,020	\$ 9,202,031	\$ (1,035,599)	\$ 8,725,946	\$ (72,502,505)	\$ 10,451,893
Receipt of subscription receivable		-	-	-	-	1,035,599	-	-	1,035,599
Loss for the period		-	-	-	-	-	-	(4,691,155)	(4,691,155)
Balance March 31, 2010		125,786,686	41,911,418	\$ 66,062,020	\$ 9,202,031	\$ -	\$ 8,725,946	\$ (77,193,660)	\$ 6,796,337
Balance December 31, 2010		161,002,686	50,300,800	\$ 67,959,801	\$ 7,227,893	\$ (2,480,852)	\$ 12,235,626	\$ (84,692,008)	\$ 250,460
Receipt of subscription receivable	11	-	-	-	-	2,480,852	-	-	2,480,852
Share based payments	12	-	-	-	-	-	521,584	-	521,584
Loss for the period		-	-	-	-	-	-	(1,221,311)	(1,221,311)
Balance March 31, 2011		161,002,686	50,300,800	\$ 67,959,801	\$ 7,227,893	\$ -	\$ 12,757,210	\$ (85,913,319)	\$ 2,031,585

See accompanying notes to the financial statements

Stealth Ventures Ltd.

Statements of Cash Flows

(unaudited)

	Note	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash provided by (used in):			
Operating activities			
Net loss		\$ (1,221,311)	\$ (4,691,155)
<i>Items not involving cash</i>			
Depletion and depreciation		186,308	400,726
Accretion		22,702	26,151
Stock based compensation		521,584	-
Impairment of oil and natural gas properties		58,675	4,286,149
		(432,042)	21,871
Change in non cash working capital related to operations	7	(147,116)	188,634
		(579,158)	210,505
Financing activities			
Share subscription receivable		2,480,852	1,035,599
Repayment of bank debt	-	-	(1,227,147)
		2,480,852	(191,548)
Investing activities			
Petroleum and natural gas properties		(22,379)	(297,149)
Furniture and fixtures		500	(1,755)
		(21,879)	(298,904)
Increase in cash		1,879,815	(279,947)
Cash and cash equivalents, beginning of period		315,816	295,558
Cash and cash equivalents, end of period		\$ 2,195,631	\$ 15,611

See accompanying notes to the financial statement

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
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Note 1: Reporting entity:

Stealth Ventures Ltd. (“Stealth” or “the Company”) is engaged in exploration for, and production of, petroleum and natural gas reserves in Western Canada and Nova Scotia. At the date of this report the Company’s production was 100% natural gas from Western Canada. The Company conducts some of its activities jointly with others; these financial statements reflect only the Company’s proportionate interest in such activities. For the three months ended March 31, 2011, the Company reported a net loss of \$1,221,311 and a working capital deficiency of \$431,256. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financings, borrowings and operations to be able to meet its obligations as they become due. These financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management believes that a going concern assumption is appropriate for these financial statements. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary.

Note 2: Basis of presentation:

(a) Statement of compliance:

The interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These are the Company’s first International Financial Reporting Standards (“IFRS”) condensed interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. They do not include all of the information required for full annual financial statements. The Company’s significant accounting policies under IFRS are presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. The impact of the new standards, including reconciliations presenting the change from previous GAAP to IFRS as at January 1, 2010, as at and for the three months ended March 31, 2010 and as at and for the year ended December 31, 2010, is presented in note 16. The interim consolidated financial statements were authorized for issuance by the Board of Directors on June 7, 2011.

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Three months ended March 31, 2011 and 2010 (unaudited)

Note 2: Basis of presentation (continued):

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- (i) derivative financial instruments are measured at fair value; and
- (ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 4.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Note 3: Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements.

(a) Property and equipment and intangible exploration assets:

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the statement of operations as incurred. Exploration and evaluation costs, including costs of acquiring licenses and directly attributable general and administration costs, initially are capitalized as either tangible or intangible exploration and evaluating assets according to the nature of the asset acquired. Interest is not capitalized on

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Note 3: Significant Accounting Policies (continued):

exploration and evaluation assets. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU") or groups of GCU's.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered. Upon determination of proven or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as petroleum and natural gas properties.

Petroleum and natural gas properties:

Petroleum and natural gas properties are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. The Company has grouped its development and production assets into the following CGU's: Wildmere, Alberta and Cumberland, Nova Scotia. The cost of property, plant and equipment at January 1, 2010, the date of transition to IFRS, was determined by reference to historical full cost using the full cost exemption as determined by IFRS 1. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items ("components").

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss. During 2010 and 2011 the Company has not disposed of any items of property plant and equipment.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas

STEALTH VENTURES LTD.
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Three months ended March 31, 2011 and 2010 (unaudited)

Note 3: Significant Accounting Policies (continued):

interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such

capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proven and probable reserves are 90 percent and 10 percent, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

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Note 3: Significant Accounting Policies (continued):

Reserves may only be considered proven and probable if producibility is supported by either actual production or conclusive formation test. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proven and probable classification when successful testing by a pilot project, the operation of an installed program in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

For other assets, depreciation is recognized in profit or loss on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Computer and office equipment are depreciated on a declining balance over the estimated useful life of the equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(b) Leased assets:

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, which are not recognized on the Company's balance sheet.

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Note 3: Significant Accounting Policies (continued):

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(c) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than Exploration and Evaluation ("E&E") assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Note 3: Significant Accounting Policies (continued):

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis

Impairment losses recognized in prior years, except those that pertain to goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(d) Financial instruments:

(i) Non-derivative financial instruments. Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable and accruals, accounts payables and accruals and loans and borrowings. Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not classified as "fair value through profit or loss", any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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Note 3: Significant Accounting Policies (continued):

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less and is measured similar to other non-derivative financial instruments.

Other: Other non-derivative financial instruments, comprising accounts receivable and accruals, accounts payable and accruals, loans and borrowings, are measured at amortized cost using the effective interest method, less any impairment losses.

The Company nets all transaction costs incurred in relation to the acquisition of a financial asset or liability, against the related financial asset or liability. Loans and borrowings are recorded net of issue costs and are presented net of deferred interest payments, with interest recognized in earnings on an effective interest basis.

(ii) Physical delivery contracts. The Company accounts for forward physical delivery sales contracts, which are entered into and held for the purpose of delivery or receipt of non-financial items in accordance with expected sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized in oil and natural gas revenue.

(iii) Share capital. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(e) Share based payments:

The grant date fair value of equity-settled options granted to directors, employees and consultants is recognized as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Note 3: Significant Accounting Policies (continued):

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

(g) Joint controlled operations and jointly controlled assets:

A portion of the Company's oil and natural gas activities involve jointly controlled assets. The interim financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(h) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(i) Finance income and expenses:

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets. Interest income is recognized as it accrues in profit or loss using the effective interest method.

(j) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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Note 3: Significant Accounting Policies (continued):

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as warrants or options granted to directors, employees and consultants.

(l) New standards not yet adopted:

The Company is currently reviewing the following new and revised accounting pronouncements that have been issued but are not yet effective to determine if they may have an impact on the Company: IFRS 9 – Financial Instruments. In November 2009, the IASB published IFRS 9 “Financial Instruments” which covers the classification and measurement of financial assets as part of its project to replace IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity managed its financial instruments in the context of its business model and the contractual cash flow

Note 3: Significant Accounting Policies (continued):

characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, additional requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through profit or loss. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of profit or loss and recognize the change in other comprehensive income.

IFRS 9 will become effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. The implementation of the issued standard is not expected to have a significant impact on the Company's financial position or results.

Note 4: Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Petroleum and natural gas assets and exploration and evaluation assets:

The fair value of property, plant and equipment recognized in a business combination, or valued in connection with impairment assessment, is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property, plant and equipment) and intangible exploration assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions, being 10% for 2011 (2010: 10%).

The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

Note 4: Determination of fair values (continued):

(ii) Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities:

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2011 and December 31 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) Stock options:

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the balance sheet approximate fair value due to the short term nature of those instruments

The fair value of the loans and borrowings is determined based on current risk free rates adjusted for estimated credit risk, industry risk and market risk premiums. The fair value of loans and borrowings approximate their carrying value as they bear a fixed interest rate with a short period to maturity or renegotiation and therefore are indicative of the Company's current credit spreads.

Note 5: Financial risk management:

(a) Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the

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Note 5: Financial risk management (continued):

Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. The maximum exposure to credit risk at year-end is as follows:

	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	\$ 2,195,631	\$ 315,816	\$ 295,558
Accounts receivable	168,417	235,912	517,564
	<u>\$ 2,364,048</u>	<u>\$ 551,728</u>	<u>\$ 813,122</u>

Accounts receivable:

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any collection issues with its oil and natural gas marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers; as disagreements occasionally arise that increase the

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Note 5: Financial risk management (continued):

potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint venturers; however, the Company does have the ability to withhold production from joint venturers in the event of non-payment.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

As such a provision for doubtful accounts has not been recorded at March 31, 2011 or December 31, 2010

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Oil and gas marketing companies	\$ 155,450	\$ 220,255	\$ 306,055
Joint venture partners	9,633	12,395	17,887
Other	3,334	3,262	193,622
Trade and other receivables	\$ 168,417	\$ 235,912	\$ 517,564

The Company's most significant customer, a Canadian oil and gas marketer, accounts for 93.6% of the trade receivables at March 31, 2011 (December 31, 2010: 93.4%; January 1, 2010 67.2%)

At March 31, 2011, December 31, 2010 and January 1, 2010, the Company's trade and other receivables is aged as follows:

	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Current (less than 90 days)	\$ 165,936	\$ 231,913	\$ 493,673
Past due (more than 90 days)	2,481	3,999	23,891
Total	\$ 168,417	\$ 235,912	\$ 517,564

Cash and cash equivalents

The Company limits exposure to credit risk by only investing in liquid, low risk securities such as treasury bills, GIC's or term deposits with Canadian chartered banks. Given this philosophy management does not expect any significant credit losses.

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Note 5: Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

With the cash flow of the Company limited due to the depressed natural gas prices the Company has to have a multi facet approach to ensure its liquidity on a continual basis. The Company has worked to pare down spending both operationally and general and administrative costs. To fund future growth the Company prepares its objectives for the upcoming year and then quantifies that into an annual budget. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at March 31, 2011:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
Accounts payable and accrued liabilities	\$ 1,067,056	\$ 1,067,056	\$ 1,067,056	\$ -
Loans and borrowings	2,000,000	2,000,000	2,000,000	-
	<u>\$ 3,067,056</u>	<u>\$ 3,067,056</u>	<u>\$ 3,067,056</u>	<u>\$ -</u>

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in within risk management tolerances that are reviewed by the Board of Directors

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Note 5: Financial risk management (continued):

Currency risk:

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the \$CDN as compared to the \$US will reduce the prices received by the Company for its petroleum and natural gas sales.

The following financial instruments were denominated in U.S. dollars:

	March 31, 2011		December 31, 2010		January 31, 2010	
	USD	CAD	USD	CAD	USD	CAD
Cash and cash equivalents	\$ 118,704	\$ 115,095	\$ 22,100	\$ 21,979	\$ 23,620	\$ 22,603
Net balance sheet equivalents	\$ 118,704	\$ 115,095	\$ 22,100	\$ 21,979	\$ 23,620	\$ 22,603

The average exchange rate during the three months ended March 31, 2011 was 1 USD equals \$ 0.9857 Canadian (Year ended December 31,2010 – 1 USD: \$1.0299 Canadian) and the exchange rate at March 31, 2011 was 1 USD equals \$0.9946 Canadian dollar (December 31, 2010 – 1 USD: \$0.9946 Canadian, January 1, 2010 – 1 USD = \$1.0466 Canadian).

A one percent change in the Canadian dollar against the USD at March 31, 2011 would have increased (decreased) profit or loss by \$1,187 (December 31, 2010 - \$221). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. During the majority of 2010 the interest charged on the outstanding bank loan fluctuated with the interest rates posted by the lenders. As of November 1, 2010 the Company replaced the bank debt with a term loan with a fixed interest rate. As the interest charged on the outstanding term loan is at a fixed rate so the Company is only exposed to interest rate changes at renegotiating or renewal. The term loan was paid out in April 2011 and replaced with a new private equity group at a 9% interest rate. This term loan is reviewed every six months, the next review due November 1, 2011. The

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Note 5: Financial risk management (continued):

Company has not entered into any mitigating interest rate hedges or swaps. Had the borrowing rate been 100 basis points higher (or lower) throughout the three months ended March 31, 2011, net income or net loss would have been affected by \$4,931 (2010 - \$21,442) based on the average debt balance outstanding during the period.

Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand

It is the Company's policy to economically hedge some oil and natural gas sales through the use of physical sales contracts if management believes the hedge would return value to the shareholder. The Company does not apply hedge accounting for these contracts. The Company's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company's expected sale requirements.

At March 31, 2011 the Company had no outstanding derivative or fixed price physical sale contracts.

(e) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, loans and borrowings and working capital. In order to maintain or adjust the capital structure, the Company may issue shares and adjust its capital spending to manage current and projected debt levels.

The Company monitors capital based on the ratio of net debt to annualized cash flow. This ratio is calculated as net debt, defined as outstanding loans and borrowings plus or

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Note 5: Financial risk management (continued):

minus working capital, divided by cash flow from operations before changes in non-cash working capital for the most recent calendar quarter and then annualized. The Company prepares capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. As at March 31, 2011, the Company's net debt to annualized cash flow ratio was (0.25) to 1, (December 31, 2010 – (1.5) to 1). The Company is not subject to any externally imposed capital requirements.

Note 6: Finance income and expenses:

	March 31, 2011	March 31, 2010
Finance Income		
Interest income on deposits	\$ 1,032	\$ 489
	1,032	489
Financial expenses		
Interest on loans and borrowings	49,385	26,838
Accretion on decommissioning liabilities	22,702	26,151
	72,087	52,989
Net finance expenses	\$ 71,055	\$ 52,500

Note 7: Supplemental cash flow information:

Changes in non cash working capital is comprised of:

	March 31, 2011	March 31, 2010
Source (use) of cash		
Accounts receivable	\$ 67,495	\$ 55,434
Prepaid expenses	(19,508)	269
Accounts payable	(195,103)	132,931
	(147,116)	188,634
Related to:		
Operating activities	(147,116)	188,634
	\$ (147,116)	\$ 188,634

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Note 8: Property plant and equipment:

	Oil and natural gas assets	Computer and office equipment	Total
Cost or deemed cost:			
Balance at January 1, 2010	\$ 14,541,005	\$ 468,559	\$ 15,009,564
Additions	305,593	-	305,593
Disposals	-	(69,129)	(69,129)
Balance December 31, 2010	14,846,598	399,430	15,246,028
Additions	22,380	-	22,380
Disposals	-	(500)	(500)
Balance March 31, 2011	\$ 14,868,978	\$ 398,930	\$ 15,267,908
Depletion, depreciation and amortization:			
Balance January 1, 2010	\$ -	\$ (246,143)	\$ (246,143)
Depletion, depreciation and amortization	(1,293,866)	(11,404)	(1,305,270)
Impairment loss	(9,065,832)	-	(9,065,832)
Loss on disposal	-	(35,442)	(35,442)
Disposals	-	22,785	22,785
Balance December 31, 2010	(10,359,698)	(270,204)	(10,629,902)
Depletion, depreciation and amortization	(177,880)	(8,429)	(186,309)
Impairment loss	(58,675)	-	(58,675)
Balance March 31, 2011	\$ (10,596,253)	\$ (278,633)	\$ (10,874,886)
Net book value March 31, 2011	4,272,725	120,297	4,393,022
Net book value December 31, 2010	4,486,900	129,226	4,616,126
Net book values January 1, 2010	14,541,005	222,416	14,763,421

a) Security:

At March 31, 2011 and December 31, 2010 all of the Company's properties are pledged as security for the term loan.

b) Contingencies:

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

STEALTH VENTURES LTD.
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Note 9: Exploration and evaluation assets:

	Exploration and evaluation assets
Cost:	
Balance at January 1, 2010	\$ 750,000
Additions	-
Balance December 31, 2010	<u>750,000</u>
Additions	-
Balance March 31, 2011	<u>\$ 750,000</u>

Exploration and evaluation ("E&E") assets consist of the Corporation's exploration projects which are pending the determination of proved or probable reserves. The balance of E&E assets related to the Cumberland project in Nova Scotia.

Note 10: Impairment loss:

As a result of applying IFRS 1 exemption for deemed cost at January 1, 2010, the Company was required to test its CGU for impairment. Due to the declines in the forward curve for natural gas prices the Company tested its CGU for impairment at March 31, 2010, June 30, 2010 and September 30, 2010.

The recoverable amount of the CGU was estimated based on the higher of the value in use and the fair value less cost to sell. The estimate of the fair value less cost to sell was determined using a discount rate of 10 percent and forecast cash flows, with escalating prices and future development costs, as obtained from the reserve report. The prices used to estimate the fair value less cost to sell are those used by independent industry reserve engineers.

Based on this assessment, the carrying amount of the CGU was determined to be higher than its recoverable amount by \$4,417,000 at December 31, 2010, \$4,286,149 at March 31, 2010 and \$58,675 at March 31, 2011 and thus an impairment was recorded in the period. The impairment losses recognized were as follows:

Impairment testing date	Impairment recorded
January 1, 2010	\$ 4,417,000
March 31, 2010	4,286,149
June 30, 2010	85,981
September 30, 2010	1,016,334
December 31, 2010	3,147,291
March 31, 2011	\$ 58,675

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Note 11: Share Capital:

a) Authorized:

Unlimited number of common shares with no nominal or par value

Shares and warrants:

	Number	Amount
Voting common shares issued:		
Balance, January 1, 2010	125,786,686	\$ 66,062,020
Private placement \$0.10 per unit (i)	6,716,000	511,536
Private placement \$0.10 per unit (i)	3,500,000	271,242
Private placement \$0.10 per unit (ii)	25,000,000	1,203,280
Share issue costs		(88,277)
Balance December 31, 2010 and March 31, 2011	161,002,686	\$ 67,959,801
Purchase warrants issued:		
Balance January 1, 2010	41,911,418	\$ 9,202,031
Expired	(7,436,800)	(2,868,180)
Expired	(1,781,818)	(641,500)
Private placement (i)	3,358,000	160,064
Private placement (i)	1,750,000	78,758
Private placement (ii)	12,500,000	1,296,720
Warrant equity December 31, 2010 and March 31, 2011	50,300,800	7,227,893
Share capital, December 31, 2010 and March 31, 2011		\$ 75,187,694

As at March 31, 2011, purchase warrants outstanding are:

Exercise Price	Expiry Date	Fair Value	Number of Warrants	Amount
\$0.85	May 30, 2011	\$ 0.335	14,863,478	\$ 4,979,000
\$0.15	December 31, 2011	0.040	17,829,322	713,351
\$0.25	July 12, 2012	0.048	3,358,000	160,064
\$0.25	October 26, 2012	0.045	1,750,000	78,758
\$0.25	December 24, 2012	0.104	12,500,000	1,296,720
		\$ 0.144	50,300,800	\$ 7,227,893

(i) The Company closed the initial tranche of the private placement announced on June 17, 2010. The initial tranche consisted of the sale of 6,716,000 units at a price of \$0.10 per unit, for gross proceeds of \$671,600, each unit consisting of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 until July 30, 2012. The second and final tranche of the private placement

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Note 11: Share Capital (continued):

announced June 17, 2010 closed on October 26, 2010 and consisted of the sale of 3,500,000 units at a price of \$0.10 per unit for gross proceeds of \$350,000. Each unit consists of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 until October 26, 2012. (ii) The Company also closed a non-brokered private placement consisting of the sale of 25,000,000 units at a price of \$0.10 per unit for gross proceeds of \$2,500,000. Each unit consists of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 until December 24, 2012. All of the securities issued in connection with this placement were subject to a hold period in Canada until April 24, 2011.

Share subscription receivable was the balance of the funds from the private placement that closed December 24, 2010. All funds were received in the first quarter 2011.

Note 12: Share based payments

The Company has in place an Incentive Stock Option Plan (the "Plan"), which is administered by the Directors of the Company. All directors, officers, employees and consultants of the Company are eligible to be granted incentive stock options under the Plan. The exercise price of options granted under the Plan cannot be less than the market price of the Company's shares as traded on the TSX Venture Exchange (the "Exchange") at the time of the grant, less the permissible discount allowed by the Exchange. The Plan was amended through the course of 2008. These amendments provide that: (1) options may be granted under the Plan in respect of up to an aggregate of 18,000,000 common shares, provided that (i) options in respect of no more than 5% of the issued shares of the Company, calculated at the date the option is granted, may be granted to any one optionee in any 12 month period; (ii) options in respect of no more than 2% of the issued shares of the Company, calculated at the date the option is granted, may be granted to any one consultant in any 12 month period; and (iii) options in respect of no more than an aggregate of 2% of the issued shares of the Company, calculated at the date the option is granted, may be granted in any 12 month period to optionees conducting investor relations activities; (2) the maximum term of options granted under the Plan has been extended from 5 years to 10 years; and (3) options granted under the Plan having an exercise price at or above the market price of the Company's shares may become vested immediately upon the date of the grant (as opposed to being vested on a quarterly basis over an 18 month period).

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Note 12: Share based payments (continued):

	Number of options	Weighted average exercise price
Balance January 1, 2010	4,296,000	\$ 0.50
Expired	(350,000)	0.67
Forfeited	(2,050,000)	0.50
Balance December 31, 2010	1,896,000	0.46
Granted	5,350,000	0.15
Forfeited	(276,000)	0.25
Balance March 31, 2011	6,970,000	\$ 0.23

The following table summarizes information about the stock options outstanding at March 31, 2011:

Options Outstanding			Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$ 0.98	550,000	2.18	\$ 0.98	550,000	\$ 0.98
0.25	1,070,000	2.68	0.25	1,070,000	0.25
0.15	5,350,000	4.88	0.15	5,350,000	0.15
\$ 0.15-0.98	6,970,000	4.33	\$ 0.23	6,970,000	\$ 0.23

The fair value of the options was estimated using the Black-Scholes model with the following weighted average inputs:

	2011
Fair value at grant date	\$ 0.09749
Share price	0.15
Exercise price	0.15
Volatility	129%
Option life	5 years
Expected life	2 years
Dividends	0
Risk free interest rate	2.8%

As the options were immediately vested, no forfeiture rate was used as all expense was incurred immediately. Stock based compensation of \$521,584 was expensed in the three months ended March 31, 2011 (Year ended December 31, 2010 – nil). There were no options granted in 2010.

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Note 13: Loss per share:

Basic and diluted loss per share was calculated as follows:

	March 31, 2011	March 31, 2010
Loss for period	\$ (1,195,230)	\$ (4,691,155)
Common shares outstanding at January 1	161,002,686	125,786,686
Common shares outstanding end of period	161,002,686	125,786,686
Weighted average number of common shares (basic)	161,002,686	125,786,686
Basic and diluted loss per share	\$ 0.01	\$ 0.04

Note 14: Decommissioning liability:

The Company's decommissioning liability results from net ownership interests in oil and gas assets including well sites and gathering systems. The Company estimated the net present value of the decommissioning obligations to be \$2,680,181 at March 31, 2011 (December 31, 2010 - \$2,657,479), which will be incurred between 2016 and 2023. A risk-free rate of 3.51% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligations.

Asset retirement obligations	March 31, 2011	Year ended December 31, 2010
Beginning of year	\$ 2,657,479	\$ 2,639,073
Change in estimate	-	(89,268)
Accretion expense	22,702	107,674
Asset retirement obligations, end of period	\$ 2,680,181	\$ 2,657,479

Note 15: Loans and borrowings:

At March 31, 2011 the Company had a \$2.0 million term loan from a private group. The term loan bears a fixed interest rate of 10% and was reviewed at April 30, 2011. The review resulted in a new \$1.5 million term loan with a different private group at a fixed rate of 9%. Currently only \$1.0 million is drawn on the loan. All other terms remain the same.

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Note 16: First time adoption of International Financial Reporting Standards:

These are the Company's first interim financial statements for the period covered by the first annual financial statements to be prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the balance sheet for the year ended December 31, 2010 and the preparation of the opening IFRS balance sheet on the transition date, January 1, 2010.

In preparing the interim financial statements for the three months ended March 31, 2011, comparative information for the three months ended March 31, 2010 and the financial statements for the year ended December 31, 2010, have been adjusted from the amounts previously reported in the financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance is set out in the following tables.

Key First-Time Adoption Exemptions Applied

IFRS 1 First-Time Adoption of Financial Reporting Standards allows first-time adopters certain exemptions from retrospective application of certain IFRS.

The Company has applied the following exemptions:

- Certain oil and natural gas assets in property, plant and equipment on the balance sheet were recognized and measured on a full cost basis in accordance with GAAP as at January 1, 2010. Costs included in the full cost pool on January 1, 2010 were allocated on a pro-rata basis to the underlying assets on the basis of total proved plus probable reserve values as at January 1, 2010. Decommissioning liabilities were measured using a risk free rate with a corresponding adjustment recorded to opening retained earnings of \$823,724.
- IFRS 3 Business Combinations has not been applied to the acquisitions of subsidiaries or interests in joint ventures that occurred before January 1, 2010.
- Share based payments. The Company elected not to revalue vested stock options.

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Reconciliation of shareholders' equity from Canadian GAAP to IFRS at the date of IFRS transition – January 1, 2010

Assets	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Exploration and evaluation assets</i>	<i>Decommissioning Liabilities</i>	<i>Flow through shares</i>	<i>IFRS</i>
Current Assets							
Cash and cash equivalents		\$ 295,558	\$ -	\$ -	\$ -	\$ -	\$ 295,558
Accounts receivable		517,564	-	-	-	-	517,564
Prepaid expenses		538,402	-	-	-	-	538,402
		1,351,524	-	-	-	-	1,351,524
Computer and office equipment		222,416	-	-	-	-	222,416
Petroleum and natural gas properties	<i>a,b,c,d</i>	19,708,005	(4,417,000)	(750,000)	-	-	14,541,005
Exploration and evaluation assets	<i>B</i>	-	-	750,000	-	-	750,000
		\$ 21,281,945	\$ (4,417,000)	-	-	-	\$ 16,864,945
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities		578,254	\$ -	-	-	-	578,254
Bank loan payable		3,195,725	-	-	-	-	3,195,725
		3,773,979	-	-	-	-	3,773,979
Decommissioning liability	<i>E</i>	1,815,349	-	-	823,724	-	2,639,073
Shareholders' equity							
Share capital		64,994,373	-	-	-	1,067,647	66,062,020
Purchase warrants		9,202,031	-	-	-	-	9,202,031
Share subscription receivable		(1,035,599)	-	-	-	-	(1,035,599)
Contributed surplus		8,725,946	-	-	-	-	8,725,946
Deficit		(66,194,134)	(4,417,000)	-	(823,724)	(1,067,647)	(72,502,505)
		15,692,617	(4,417,000)	-	(823,724)	-	10,451,893
		\$ 21,281,945	\$ (4,417,000)	\$ -	\$ -	\$ -	\$16,864,945

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Reconciliation of shareholders' equity from Canadian GAAP to IFRS at the end of the last operating year under Canadian GAAP - March 31, 2010

Assets	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Exploration & evaluation assets</i>	<i>Decommissioning liabilities</i>	<i>Depletion</i>	<i>Flow through shares</i>	<i>IFRS</i>
Current Assets								
<i>Cash and cash equivalents</i>		\$ 15,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,611
<i>Accounts receivable</i>		462,130	-	-	-	-	-	462,130
<i>Prepaid expenses</i>		538,671	-	-	-	-	-	538,671
		1,016,412	-	-	-	-	-	1,016,412
<i>Computer and office equipment</i>		207,684	-	-	-	-	-	207,684
<i>Petroleum and natural gas properties</i>	<i>a,b,c,d</i>	19,385,869	(8,703,149)	(750,000)	-	237,682	-	10,170,402
<i>Exploration and evaluation assets</i>	<i>b</i>	-	-	750,000	-	-	-	750,000
		20,609,965	(8,703,149)	-	-	237,682	-	12,144,498
Liabilities								
Current liabilities								
<i>Accounts payable and accrued liabilities</i>		714,359	-	-	-	-	-	714,359
<i>Bank loan payable</i>		1,968,578	-	-	-	-	-	1,968,578
		2,682,937	-	-	-	-	-	2,682,937
<i>Decommissioning liability</i>	<i>e</i>	1,845,839	-	-	819,385	-	-	2,665,224
Shareholders' equity								
<i>Share capital</i>		64,994,373	-	-	-	-	1,067,647	66,062,020
<i>Purchase warrants</i>		9,202,031	-	-	-	-	-	9,202,031
<i>Contributed surplus</i>		8,725,946	-	-	-	-	-	8,725,946
<i>Deficit</i>		(66,841,161)	(8,703,149)	-	(819,385)	237,682	(1,067,647)	(77,193,660)
		16,081,189	(8,703,149)	-	(819,385)	237,682	-	6,796,337
		\$ 20,609,965	\$ (8,703,149)	\$ -	\$ -	\$237,682	\$ -	\$ 12,144,498

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
Three months ended March 31, 2011 and 2010 (unaudited)

Reconciliation of shareholders' equity from Canadian GAAP to IFRS at the end of the last reporting year under Canadian GAAP – December 31, 2010

Assets	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Exploration & evaluation assets</i>	<i>Decommissioning liabilities</i>	<i>Depletion</i>	<i>Flow through shares</i>	<i>IFRS</i>
Current Assets								
<i>Cash and cash equivalents</i>		\$ 315,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,816
<i>Accounts receivable</i>		235,912	-	-	-	-	-	235,912
<i>Prepaid expenses</i>		252,244	-	-	-	-	-	538,671
		803,972	-	-	-	-	-	803,972
<i>Computer and office equipment</i>		129,226	-	-	-	-	-	129,226
<i>Petroleum and natural gas properties</i>	<i>a,b,c,d</i>	7,599,200	(3,886,933)	(750,000)	202,859	1,321,774	-	4,486,900
<i>Exploration and evaluation assets</i>	<i>b</i>	-	-	750,000	-	-	-	750,000
		8,532,398	(3,886,933)	-	202,859	1,321,774	-	\$ 6,170,098
Liabilities								
Current liabilities								
<i>Accounts payable and accrued liabilities</i>		1,262,159	-	-	-	-	-	\$ 1,262,159
<i>Bank loan payable</i>		2,000,000	-	-	-	-	-	2,000,000
		3,262,159	-	-	-	-	-	3,262,159
<i>Decommissioning liability</i>	<i>e</i>	1,645,080	-	-	1,012,399	-	-	2,657,479
Shareholders' equity								
<i>Share capital</i>		66,892,154	-	-	-	-	1,067,647	67,959,801
<i>Purchase warrants</i>		7,227,893	-	-	-	-	-	7,227,893
<i>Share subscription receivable</i>		(2,480,852)	-	-	-	-	-	(2,480,852)
<i>Contributed surplus</i>		12,235,626	-	-	-	-	-	12,235,626
<i>Deficit</i>		(80,249,662)	(3,886,933)	-	(809,540)	1,321,774	(1,067,647)	(84,692,008)
		3,625,159	(3,886,933)	-	(809,540)	1,321,774	-	250,460
		\$ 8,532,398	\$ (3,886,933)	\$ -	\$ 202,859	\$ 1,321,774	\$ -	\$ 6,170,098

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
Three months ended March 31, 2011 and 2010 (unaudited)

Reconciliation of total comprehensive income for the three months ended March 31, 2010

	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Decommissioning liabilities</i>	<i>Depletion</i>	<i>IFRS</i>
Revenue						
<i>Petroleum and natural gas sales</i>		\$ 777,100	\$ -	\$ -	\$ -	\$ 777,100
<i>Royalties</i>		(62,420)	-	-	-	(62,420)
		714,680	-	-	-	714,680
Expenses						
<i>Oil and gas operating</i>		323,213	-	-	-	323,213
<i>Depletion and depreciation</i>	<i>c</i>	638,408	-	-	(237,682)	400,726
<i>General and administration</i>		343,247	-	-	-	343,247
<i>Impairment of oil and gas properties</i>	<i>d</i>	-	4,286,149	-	-	4,286,149
		1,304,868	4,286,149	-	(237,682)	5,353,335
<i>Net loss from operating activities</i>		(590,188)	(4,286,149)	-	237,682	(4,638,655)
<i>Financing income</i>		(489)	-	-	-	(489)
<i>Financing expense</i>						
<i>Interest expense</i>		26,838	-	-	-	26,838
<i>Accretion</i>		30,490	-	(4,339)	-	26,151
<i>Net finance costs</i>		56,839	-	(4,339)	-	52,500
<i>Net loss and comprehensive loss</i>		\$ (647,027)	\$ (4,286,149)	\$ 4,339	\$ 237,682	\$ (4,691,155)

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
Three months ended March 31, 2011 and 2010 (unaudited)

Reconciliation of total comprehensive income for the year ended December 31, 2010

	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Decommissioning liabilities</i>	<i>Depletion</i>	<i>IFRS</i>
Revenue						
<i>Petroleum and natural gas sales</i>		\$ 2,688,655	\$ -	\$ -	\$ -	\$ 2,688,655
<i>Royalties</i>		(31,201)	-	-	-	(31,201)
		2,657,454	-	-	-	2,657,454
Expenses						
<i>Oil and gas operating</i>		1,760,283	-	-	-	1,760,283
<i>Depletion and depreciation</i>	<i>c</i>	2,665,650	-	-	(1,321,774)	1,343,876
<i>General and administration</i>		2,393,172	-	-	-	2,393,172
<i>Impairment of oil and gas properties</i>	<i>d</i>	9,631,341	(530,067)	-	-	9,101,274
		16,450,446	(530,067)	-	(1,321,774)	14,598,605
<i>Net loss from operating activities</i>		(13,792,992)	530,067	-	1,321,774	(11,941,151)
<i>Financing income</i>		(1,702)	-	-	-	(1,702)
<i>Financing expense</i>						
<i>Interest expense</i>		142,380	-	-	-	142,380
<i>Accretion</i>		121,858	-	(14,184)	-	107,674
<i>Net finance costs</i>		262,536	-	(14,184)	-	248,352
<i>Net loss and comprehensive loss</i>		\$ (14,055,528)	\$ 530,067	\$ 14,184	\$ 1,321,774	\$(12,189,503)

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
 Three months ended March 31, 2011 and 2010 (unaudited)

Note 16: First time adoption of International Financial Reporting Standards (continued):

Notes to reconciliation:

- a) Property Plant and Equipment ("PP&E") – The Company's PP&E assets were allocated to its CGU's unlike under Canadian GAAP where all oil and natural gas assets are accumulated into one cost centre. The deemed cost of the Company's oil and natural gas assets were allocated to its defined CGU's based on the Company's total proved plus probable reserve values as at January 1, 2010, in accordance with IFRS1. These CGU's were aligned with the major regions in which the Company operates and could change in the future as a result of a significant acquisition or disposition activity. With all of the Company's assets that are associated with proved and probable located in the WildmERE area of Alberta all of the reserves are located within the WildmERE CGU, resulting in no change in the transition from Canadian GAAP to IFRS.
- b) Exploration and Evaluation ("E&E") expenditures – Upon transition to IFRS, the Company reclassified all E&E expenditures that were included in the PP&E balance on the statement of financial position. The only E&E expenditures that the Company holds are the assets in the Cumberland CGU, the assets in Nova Scotia. E&E assets will not be depleted and will be assessed for impairment when indicators of impairment exist.
- c) Depletion expense – The Company has chosen to calculate its depletion using a reserve base of total proved plus probable reserves as compared to using only proved reserves under Canadian GAAP. As a result, the depletion expense decreased as compared to its current calculation under Canadian GAAP.

	March 31 2010	December 31 2010
Decrease in depletion	\$ (237,682)	\$ (1,321,774)
Decrease deficit	\$ 237,682	\$ 1,321,774

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
 Three months ended March 31, 2011 and 2010 (unaudited)

Note 16: First time adoption of International Financial Reporting Standards (continued):

- d) Impairment of PP&E assets – Under IFRS, an impairment test of PP&E is performed at the CGU level as opposed to the entire PP&E balance, which was required under Canadian GAAP through the full cost ceiling test. Under IFRS the Company used a discount rate of 10% rather than the 5% used under Canadian GAAP.
- e) Decommissioning liabilities – Under IFRS the Company re-measured its liabilities for asset retirement obligations using the risk free rate of interest. IFRS requires that asset retirement obligations be re-measured each reporting period for changes in the discount rate with a corresponding adjustment to the cost of property, plant and equipment. At January 1, 2010 the Company's total decommissioning liabilities increased by \$823,724 to \$2,639,073 as the liability was revalued to reflect the estimated risk free rate of 4.08% as compared to the credit adjusted risk free rate of 8% used previously under GAAP. At December 31, 2010 the Company changed the risk free rate to 3.51% based on the long term bond rate.

	January1 2010	March 31 2010	December 31 2010
Increase in decommissioning liabilities	\$ 823,724	\$ 819,385	\$ 1,012,399
Increase deficit	\$ (823,724)	\$ (819,385)	\$ (1,012,399)

- f) Adjustments to the Company's cash flows under IFRS – the reconciling discussed above between Canadian GAAP and IFRS policies have no material impact on the cash flows generated by the Company or the presentation of total operating, timing or investing cash flows.
- g) Flow Through Shares. Under Canadian GAAP, the Company recorded the deferred tax impact on renouncement of flow through shares against share capital. Under IFRS, the Company is required to record a premium liability when the flow through shares are issued, which is relieved upon the Company incurring qualifying expenditures, with the difference going to deferred tax expense. As a result of this change in the treatment of deferred taxes, at transition, the Company recorded an additional \$1,067,647 to share capital with a corresponding reduction in retained earnings.

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
Three months ended March 31, 2011 and 2010 (unaudited)

Note 17: Subsequent event

Subsequent to the end of the quarter 14,863,478 share purchase warrants expired.