

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2008  
FORM 51-102F1**

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Stealth Ventures Ltd. ("Stealth" or the "Company") for the three and twelve month period ended December 31, 2008. The MD&A includes comparisons for the corresponding three and twelve month periods ended December 31, 2008. It should be read in conjunction with the audited financial statements for the years ended December 31, 2008 and December 31, 2007. This MD&A has been prepared effective April 29, 2009.

The following information has been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial results are reported in Canadian dollars (CAD) and production numbers are stated before Crown or lessor (third party) royalties. The information contained herein contains forward-looking statements and assumptions, such as those relating to results of operations and financial condition, capital spending, financing sources, commodity prices and costs of production. By their nature, forward-looking statements are subject to numerous risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.stealthventures.ca](http://www.stealthventures.ca).

Non-GAAP measurements within the MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share and netbacks are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties and operating and transportation expenses calculated on a per barrel of oil equivalent ("BOE") basis. Management utilizes these measures to analyze operating performance and leverage. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operations or other measures of financial performance calculated in accordance with Canadian GAAP. Funds from operations are commonly referred to as cash flow by research analysts and is used to value and compare oil and gas companies and frequently included in published research when providing investment recommendations. Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Total BOEs are calculated by multiplying the daily production by the number of days in the period.

### **Description of Business and Review**

Stealth is a Canadian junior oil and gas exploration and production company incorporated under the laws of British Columbia, with its offices in Calgary and shares listed for trading on the TSX Venture Exchange under the symbol SLV. The Company's business strategy is focused on developing "unconventional" gas reserves such as Shale Gas, Coalbed Methane (CBM), and tight gas sand reservoirs. The Company operates in two geographic areas and two types of strategic plays: biogenic shale gas in Alberta and CBM at Cumberland, Nova Scotia. However, the focus for Stealth is clearly its shale gas development in Alberta where the Company is producing gas and cash flow and has spent approximately 90 percent of its capital budget in 2008. Stealth acquired these two properties through two farm-in agreements with two companies, and through the acquisition of land through crown land sales. It generated all production through the drill bit, and has expanded and complimented its asset position through drilling, workovers, complimentary asset acquisitions and land purchases.

## Corporate Strategy

Stealth's corporate strategy is employing its significant unconventional gas expertise to exploit the untapped biogenic gas resource available in the Colorado group of shale's (Colorado) located across the breadth of the Western Canadian Sedimentary Basin (WCSB). More specifically, the Company shall aggressively exploit development drilling at its current land base and seek more land for further production and reserves expansion through the drill bit. This base is located in the Wildmere Strike of Alberta. It will also continue to hold interests in its Nova Scotia CBM and operate the property in a joint venture scenario. Stealth will evaluate complimentary unconventional gas asset and corporate acquisitions, as it has done from inception.

## Shale Gas

Shale gas is natural gas stored in organic-rich, very fine-grained rocks such as shale, mudstone or laminated siltstones. The natural gas molecules are held in the reservoir rock by the process of adsorption onto the organic matter and in the pore spaces in the rock as free gas. The shale can be the source as well as the reservoir. The natural gas can be derived from either thermal or biogenic processes.

Shale gas is considered to be an unconventional gas source as the gas is contained in difficult-to-develop reservoirs but is produced in much the same way as conventional reservoirs. In shale reservoirs, the permeability (the ability to flow hydrocarbons) of the rock is very low, and stimulation techniques must be employed to intersect and create fracture pathways that will allow the gas to flow to the well. Recent success of commercial shale gas development in a number of basins throughout North America can be attributed to the application of advanced technologies that are used to drill and stimulate the shale-bearing formations.

## Oil and Gas Properties

### The Colorado Group of Shale's – Wildmere Alberta

At December 31, 2007 all of the wells in Alberta licensed as shale gas were operated by Stealth. Thus, on March 4, 2008, Stealth announced the first shale gas reserves booked in Alberta when it publicly released its NI 51-101 reserves table. When the Company started assembling unconventional gas properties nearly five years ago, and in 2005 commenced operations, it was attempting to diversify risk across geography and play type. During 2007 when it became evident that the Colorado was technically accessible and economic, Stealth increased its focus on the play and reduced its capital commitments.

Now, Wildmere has grown and matured to encompass a critical mass of land, technology, and production – so that it is now turning the corner from being described as an exploration discovery in the Colorado to a development play in unconventional shale gas. In 2007 Stealth completed a round of test and production drilling designed to delineate appropriate technologies and further confirm geological characteristics.

Stealth set out to aggressively develop its Wildmere property in 2008 by drilling 77 gross wells, 76.21 net wells at an average working interest of 99.97%. Stealth also participated in the recompletion of four wells in which Stealth acquired a 75% working interest. Overall, Stealth increased its well count to 120 gross, 112.98 net wells for an overall average working interest of 94.3% in its wells.

Stealth continued to acquire land through 2008. Stealth acquired deeper natural gas rights underlying 41 sections of land in which Stealth already owned the shallow gas rights. The total cost to acquire these deep rights was \$432,794.60. These deeper rights offer additional prospective formations which can be commingled, providing greater economic returns for each well drilled on the related sections. In addition to the foregoing, Stealth acquired 6 additional sections of land at crown sale at a cost of \$48,633.40. Stealth's core area of interest in Wildmere continues to offer opportunity to acquire land by way of available crown, the most economical method by which to acquire land for this play type.

Stealth's resulting acreage position in Wildmere at the end of 2008 was 80,654 gross acres, 56,026 net acres for a total average working interest in land of 69.5%. This provides Stealth with an overall gross acreage position of 126 gross sections.

The Company will continue to expand its land position through 2009.

#### Nova Scotia

Stealth's focus is on the Wildmere shale program in Alberta; therefore little capital has been spent in Nova Scotia. All Company CBM wells have not yet produced gas in commercial quantities.

#### The Stellarton Basin (Nova Scotia) - 100% Working Interest

Subsequent to year-end Stealth signed a letter of intent to joint venture with another Canadian private company with respect to the Stellarton Basin Nova Scotia property. Subsequent to December 31<sup>st</sup>, 2008, on February 11, 2009, Stealth closed the sale of its Stellarton Basin Coalbed Methane assets. The effective date for the transaction was December 19, 2008. In consideration Stealth recovered its performance bond and received 1,000,000 shares of the purchaser, private company East Coast Energy Inc.

#### The Cumberland Basin (Nova Scotia) - 100% Working Interest

Stealth initially acquired a 75% working interest in the 177,000 acre Exploration Agreement by way of farm-in and purchase in 2005 and 2006 which was finalized later that year with the buyout of Stealth's 25% WI partner. Early in 2006 the first operated well penetrated 430 meters of coal (in the number 6 seam) horizontally, while two additional horizontal wells were completed prior to the end of 2006. The second well penetrated 738 lateral meters of coal in the Number 2 seam, and the third achieved a lateral of 1,041 meters in the "Marker O" coal seam. These wells comprise the major producing assets on the property.

On October 25<sup>th</sup>, 2007 Stealth signed a 10 year coal-gas production agreement with the Government of Nova Scotia. The Cumberland Basin represents a gas resource play in Nova Scotia estimated by Sproule Associates Limited to contain 1.18 TCF of discovered CBM resource which is in close proximity to the Maritimes & Northeast pipeline, and is expected to have access to low-pressure gas infrastructure built by Heritage Gas of Dartmouth, Nova Scotia, in addition to other sales options. The current expenditure commitments for 2009 are \$1,500,000 for the Cumberland Basin.

Effective the date of this report the Company is actively seeking capital partners to help accelerate the development of the Cumberland Basin property and reduce its capital commitments which will allow Stealth to continue its focus on Wildmere while still exploring the significant potential of CBM in Nova Scotia. All three wells are currently suspended awaiting the outcome of this marketing process.

#### Saskatchewan

Subsequent to year-end, on March 9, 2009, the Company closed the sale of its working interests in the Elcott, Weyburn, and Ferrier properties in Saskatchewan and Alberta. These non-core, non-operated assets were sold in exchange for a cash payment of \$600,000, adjusted to the effective date of December 31, 2008.

#### 2008 Summary

- Drilled and or re-completed 81 gross wells on the Company's shale gas properties in Alberta
- Sold its Working Interest in the Stellarton Basin Coalbed Methane (CBM) project in Nova Scotia
- Increased Q4 shale gas production 192% to 2409 mcf/d. Yearly Average 1546 mcf/d a 233% increase compared to 2007
- Closed the year with 126 sections of land with immediate 4 wells per section down spacing
- Initiated a normal course issuer bid in October 2008 and purchased and cancelled 1,553,500 shares
- Lowered "full cycle" (drill, complete and tie-in) costs from \$373,000/per well to \$300,000/per well a 20% reduction

- Sold its Working Interest in the, Elcott, Weyburn and Ferrier properties
- Established a 3.1 million dollar credit facility

## RESULTS OF OPERATIONS

Production	Three months ended December 31		Twelve Months ended December 31	
	2008	2007	2008	2007
Natural gas (mcf/d)	2,409	711	1,546	302
Oil and natural gas liquids (bbl/d)	16	24	24	35
Barrels of oil equivalent (boe/d @ 6:1)	418	143	282	85

Natural gas production averaged 2,409 mcf/d in the fourth quarter of 2008, compared to 711mcf/d for the same period in 2007. Oil and natural gas liquids production averaged 16 bbl/d, a decrease from 24 bbl/d reported the three months ended December 31 of the prior year. Fourth quarter production increased from 143 boe/d to 418 boe/d, an increase of 192 percent from a year earlier. This was a result of the majority of wells in the 2008 program coming on-stream in November and December.

In the twelve months ended December 31, 2008 natural gas production averaged 1,546 mcf/d. Natural gas production was 302 mcf/d for the same period of 2007. Oil and natural gas liquids production averaged 24 bbl/d, compared to 35 bbl/d reported in the twelve months ended December 31, 2007. Production for the twelve months of 2008 increased 233 percent from 85 boe/d to 282 boe/d, compared to the same period of 2007. This can be attributed to the results of the 2008 drilling program.

Revenue	Three months ended December 31		Twelve Months ended December 31	
	2008	2007	2008	2007
Natural gas	1,365,998	361,765	4,117,478	632,634
Oil and natural gas liquids	81,936	94,945	904,200	900,640
Interest and other income	36,462	52,727	242,738	534,332
Total revenue	1,484,396	609,437	5,264,416	2,067,606

For the three months ended December 31, 2008, gross revenue was \$1,484,396 compared to \$609,437 for the same period in 2007. Gross revenue for the twelve months ended December 31, 2008 was \$5,264,416, up from \$2,067,606 for the same period in 2007. This is primarily a result of the ongoing increase in production of shale gas.

Commodity Prices	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Natural gas (\$/mcf)	6.16	5.53	7.30	5.99
Oil and natural gas liquids (\$/bbl)	55.66	43.00	103.22	72.98
Sale price per BOE	37.65	34.71	49.26	49.42

Stealth receives daily spot gas pricing in the form of AECO C, 5A at the wellhead for 100% of its gas production. Subsequent to December 31, 2008 the company entered into the following fixed price contract:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
February 1, 2009-October 31, 2009	Fixed price	800 GJ	\$5.48

The Company enters into this contract with a well established counterparty, to protect a portion of its future earnings and cash flows from operations from the volatility of petroleum and natural gas prices.

### Royalties

Royalties are paid to the provincial government and owners of the mineral rights with whom leases are held. Alberta gas crown royalties are invoiced based on the Crown's share of production based on a monthly published Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowance. On both oil and gas the Company's royalty rate as a percentage of sales increase or decrease on sliding scales with price and production fluctuations. The effective crown royalty rate will decrease as production rates decline. Also included in this royalty rate is the Gross Overriding Royalties paid to third parties.

On March 3, 2009 the Government of Alberta announced an additional incentive program in respect of oil and gas wells drilled on Alberta Crown lands. This program provides that, in respect of any wells drilled between April 1st, 2009 and April 1, 2010, the operator will receive (a) a drilling credit equal to \$200 of royalty per meter drilled on oil and natural gas wells and (b) a maximum royalty rate of 5% on such wells until the first to occur of twelve calendar months, 50,000 barrels of oil production or 500 million cubic feet (MMcf) of gas production.

	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Royalties	216,302	71,890	724,466	161,591
% of sales	14.9	15.7	14.4	10.5
\$/boe	5.86	5.46	7.04	5.21

During the fourth quarter of 2008 royalties averaged 14.9 percent compared to 15.7 percent over the same quarter last year.

For the twelve months ended December 31, 2008 royalties as a percentage of sales averaged 14.4 percent, an increase from the 10.5 percent for the same period last year. When royalty review rates are implemented in 2009, it is estimated the effective rate will be well below 10%. This increase in royalty is attributed to the overriding royalties paid to third parties on the production.

## Operating Costs

The Company's operating expenses include all expenses related to the day-to-day well and facility operations.

	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Oil and gas operating	303,564	47,929	986,066	209,768
\$/boe	8.22	3.64	9.67	10.08

Operating costs were \$303,564 in the fourth quarter of 2008 compared to \$47,929 during the same period a year earlier. On a unit-of-production basis, operating costs averaged \$8.22/boe in the fourth quarter of 2008 compared to \$3.64/boe for the fourth quarter of 2007.

For the twelve months ended December 31, 2008 operating costs were \$986,066, an increase from \$209,768 spent in 2007. On a unit-of-production basis, operating costs averaged \$9.67/boe versus \$10.08 in 2007. This decrease in operating costs can be attributed to the economy of scale of multiple locations as well as the implementation of cost savings measure in operations.

Netbacks (\$/boe)	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
Sale price	37.65	34.71	49.26	49.42
Less:				
Royalties	(5.86)	(5.46)	(7.04)	(5.21)
Operating costs	(8.22)	(3.64)	(9.67)	(10.08)
<b>Field Netback</b>	<b>23.57</b>	<b>25.61</b>	<b>32.55</b>	<b>34.13</b>
General and administrative	(21.68)	(54.76)	(32.38)	(88.06)
Interest income	0.99	4.60	2.38	17.22
<b>Cash netback</b>	<b>2.88</b>	<b>(24.55)</b>	<b>2.55</b>	<b>(36.71)</b>

Field netback has decreased through the three and twelve month reporting period, from a high of \$32.55 for the twelve months ended December 31, 2008, to \$23.57 for the three months ended December 31, 2008. This can be attributed to the increased royalty paid in 2008 versus the prior year period.

General and Administrative	Three months ended December 31		Twelve months ended December 31	
	2008	2007	2008	2007
G&A expenses	838,260	722,988	3,311,270	2,811,855
Overhead recoveries	(4,328)	(2,550)	(10,314)	(79,688)
Net G&A expenses	833,932	720,438	3,300,956	2,732,167
\$/boe	21.68	54.76	32.38	88.06
Stock-based Compensation	713,046	463,700	1,190,446	2,034,373

General administration expenses increased 14% to \$833,932 for the fourth quarter 2008 from \$720,438 in the same quarter of 2007. Stock-based compensation increased to \$713,046 in the period from \$463,700 in the fourth quarter of 2007. The increase is attributable to the cancellation and repricing of stock options.

Stock-based compensation is expensed per quarter as options vest using the Black-Scholes option pricing model. For the twelve months ended December 31, 2008, general administration expenses increased to \$3,300,956 for the period, from \$2,732,167 in the same period of 2007. In addition to the above, for the nine months ended

September 30, 2008 office rent was more than twice as great as in 2007 because Stealth doubled its office space during the third quarter of 2007. Although general administration expense increased materially for the third quarter of 2008, it is expected that Stealth will approximately meet its general administrative expense budget for 2008 of approximately 3.2 million dollars. Stock-based compensation decreased to \$1,190,446 in the period from \$2,034,373 in the twelve months ended December 31, 2007.

### Capital Expenditures

Net capital expenditures for the fourth quarter of 2008 totaled \$10.3 million. Exploration and development activities represented \$5.4 million or 55% of the total spent, and expenditures on equipment and facilities totaled 4.4 million or 44% of total expenditures.

For the twelve months ended December 31, 2008, exploration and development activities were \$19.1 million or 66% of the total expenditures, and spending on equipment and facilities totaled \$8.9 million. The following table is a summary of capital expenditures for the quarter and twelve months ended December 31, 2008.

	Three months ended December 31		Twelve months ended December 31	
(\$000)	2008	2007	2008	2007
Land	391	1,079	779	1,920
Geological and geophysical	-	4	8	519
Drilling	1,835	1,347	10,146	5,826
Equipment and facilities	4,935	2,432	8,949	3,067
Completions	3,153	3,357	8,878	6,814
Office and computer equipment	15	41	100	141
Total capital expenditures	10,329	8,260	28,860	18,287

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, 2008:

	Benchmark	Foreign
	AECO Spot Gas Price CDN\$ / MMBTU	Exchange \$ 1 US / Cdn. \$
2009	\$ 7.20	\$1.00
2010	\$ 7.89	\$1.00
2011	\$ 8.21	\$1.00
2012	\$ 8.72	\$1.00
2013	\$ 9.24	\$1.00

Escalated at the rate of 2% thereafter.

An impairment was recognized in the amount of \$1.8 million. This impairment was realized due to technical revisions in the independent reserves evaluators report based on the AECO price deck used therein.

**Summary of 2008 Quarterly Results**

	Q4	Q3	Q2	Q1
<b>Operations</b>				
Production				
Natural gas (mcf/d)	2,409	1,240	1,265	1,261
Oil (bbl/d)	16	22	27	35
Barrels of oil equivalent (boe/d @ 6:1)	418	229	238	245
Average product prices				
Natural gas (\$/mcf)	6.16	7.20	9.52	7.26
Oil (\$/bbl)	55.66	117.2	118.5	92.48
<b>\$/BOE</b>				
Average sale price (\$/boe)	37.65	50.28	64.02	50.65
Average royalties paid (\$/boe)	5.86	6.65	9.30	6.28
Average operating expenses	8.22	12.07	9.98	9.65
Field netback (\$/boe)	23.57	31.56	44.78	33.46
General & administrative expense (\$/boe)	21.68	50.23	29.91	34.17
Interest income (\$/boe)	0.99	5.70	2.22	1.72
Cash netback (\$/boe)	2.88	(12.97)	17.09	1.01
<b>Financial (\$000)</b>				
Oil and gas sales	1,484	1,058	1,387	1,129
Interest and other income	36	120	48	38
Royalties	216	140	201	167
Funds from operations	131	(285)	370	25
Funds from operations per unit	0.86	(13.97)	16.90	1.13
Earnings / (Loss)	(4,807)	(7,939)	6,799	(1,242)
Earnings / (Loss) per share	(0.05)	(0.09)	0.11	(0.02)
Capital expenditures	9,842	12,323	2,507	3,808
Weighted average shares	90,649	91,682	71,101	61,955

**Summary of Quarterly Results**

	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	Jun 30 2007	Mar 31 2007
<b>Net Revenue</b>	1,232,095	1,037,677	1,233,447	1,000,737	537,547	471,071	505,599	391,798
<b>Net Loss</b>	(4,807,123)	(7,938,983)	6,798,503	(1,241,720)	(7,054,697)	(4,977,062)	(1,273,678)	(1,072,760)
<b>Net Loss per Share</b>	(0.05)	(0.09)	0.11	(0.02)	(0.13)	(0.08)	(0.02)	(0.02)

**Depletion, Depreciation and Accretion**

The fourth quarter provision for depletion, depreciation and accretion totaled \$1,162,874, compared to \$278,024 in the fourth quarter of 2007. Depletion, depreciation and accretion for the twelve months ended December 31, 2008, totaled \$2,528,305. The increase is a result of increased production and more producing wells.

**Net Loss**

The Company had a net loss for the year of \$7,189,323, compared to a loss in the year-ended December 31, 2007 of \$13,728,197. This is mainly attributed to a write-down in the value of an investment (13 million shares of Panterra Resource Corp.) of \$1,885,000 and the impairment write-down of \$1,826,800. The net loss before these items is \$3,477,523 for the year. Although net oil and gas sales increased from prior periods, this increase did not reflect the rapid increase in revenue currently occurring because of an increase in gas production, as a result of connecting new producing gas wells.

**Commitments**

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 (\$1.5 of that is for the Cumberland Basin Production Permit for fiscal 2009), 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.

Stealth has entered into lease arrangements for office space to September 30, 2010. The future minimum annual lease payments total approximately \$267,295 plus operating costs.

**Related Party Transactions**

Included in consulting fees for the 12 month period ending December 31, 2008 is \$7,340 (2007 - \$36,000) paid to a company owned by a former Director of the Company.

An officer of the Company is also a Director of an entity, with whom Stealth has executed a management services agreement. No compensation was paid to the officer by the entity during 2008. Except for visits to the CBM project in China, the officer has not spent material management time providing services to the entity.

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

### Off Balance Sheet Arrangements

The Company enters lease agreements in the normal course of operations. All leases are treated as operating leases whereby lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases in the balance sheet as of December 31, 2008. The Company holds no financial derivatives, however subsequent to December 31, 2008 has entered into a fixed price contract.

### Financial Condition, Liquidity and Capital Resources

The Company had cash and cash equivalents of \$544,944 and a working capital deficiency of \$3,171,029 at December 31, 2008. As the operator of its major properties, Stealth controls the timing and amount of capital expenditures on its material assets. Subsequent to December 31, 2008, it was recognized by management that the commodity pricing environment on which the company depends for operating revenue had changed and could be depressed. This could extend the history of operating losses sustained by the Company, and together with negative working capital could cast doubt on the Company's ability to continue to meet its obligations as they become due. Accordingly, management embarked upon a program of capital and administrative cost containment in order to match revenues and cash costs. In addition, the Company executed a physical hedge at \$5.48/mcf on a portion of its production in January 2009 in order to protect revenue on expanding production. These measures will mitigate the extent of potential losses in a declining gas price environment over the coming twelve months.

Subsequent to December 31, 2008, the Company increased its demand operating credit facility from \$3.1 million to \$5 million. Stealth may borrow via Prime-based loans bearing interest at the prime bank rate plus 225 basis points per annum, subject to a minimum interest rate of 5%. The facilities do not contain any financial covenants. The credit facility is subject to periodic review, with the next required prior to April 30, 2010. The facility is collateralized by a \$10 million demand fixed and floating debenture over all of Stealth's assets. It revolves (interest only) until review. As at December 31, 2008, \$Nil had been drawn against these facilities.

The Company will continue to monitor its counterparty credit positions to mitigate any potential credit losses. For activities conducted with joint venture partners, Stealth collects its partners' share of capital and operating expenses on a monthly basis. These revenues are subject to normal collection risk. At December 31, 2008, the Company had no material accounts receivable that it deemed uncollectible. Accounts payable consist of amounts payable to suppliers relating to head office, field operating activities and capital spending activities. Stealth endeavors to process these invoices within the Company's normal payment period.

Funds from Operations (\$000)	Three Months ended December 31		Twelve Months ended December 31	
	2008	2007	2008	2007
Net Loss	(4,807)	(6405)	(7,189)	(13,728)
Items not requiring cash:				
Unrealized loss in value of investments	1,235	(130)	1,885	650
Future income tax expense	-	(1,451)	-	(1,450)
Depletion, depreciation and accretion		277	2,528	1,497
Stock based compensation	1,163	464	1,190	2,034
Writedown on PPE		7,088	1,827	7,088
Loss on sale of assets	713	(76)	-	2,873
	1,827			
	-			
Funds from operations	131	(231)	241	(1,036)
Funds from operations/boe	0.86	(17.54)	2.34	(33.39)

The Company continuously manages the pace of its capital spending program by monitoring forecasted production, commodity prices and resulting cash flows. Current volatility in commodity prices creates uncertainty as to the funds from operations and capital budget. Monthly financial and cash variance analysis are conducted. Should circumstances affect cash flow in a detrimental way, the Company is capable of altering its capital spending activity.

For the fourth quarter funds from operations totaled \$130,593 or \$0.86 per boe, compared to \$(230,820) in the prior year.

During the twelve months ended December 31, 2008 funds from operations was positive at \$241,228, while a year earlier it was \$(1,035,920). During this same period funds from operations per unit for 2008 was \$2.34 and 2007 \$(33.39).

### Securities issued during the period

During the three month period ended March 31, 2008, the Company issued no additional securities.

During the three month period ended June 30, 2008, the Company issued the following securities:

- 29,726,956 units at a subscription price of \$0.75 per unit. Each unit consists of one common share and one-half 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 \$0.85 until May 30, 2010, subject to an extension in the term of the warrant until May 30, 2011, upon Stealth receiving Tier One status on the TSX Venture Exchange or upon listing its shares on the TSX. All securities issued pursuant to this private placement, including any securities issued in payment of commissions or finders' fees, are subject to a hold period in Canada until October 1, 2008.

During the three month period ended September 30, 2008, the Company issued no additional securities.

During the three month period ended December 31, 2008, the Company issued no additional securities. The Company initiated a normal course issuer bid to buy back up to 6,504,000 shares of the Company and subsequently cancel these shares. The bid commenced October 2, 2008 and terminates on October 1, 2009.

As at December 31, 2008, the Company had purchased 1,553,500 shares at an average price of \$0.17 per share for a total cost of \$267,020. The shares were cancelled and the average par value of \$0.75 (\$1,126,409) was booked to share capital with the remaining booked to contributed surplus.

### Capital Stock, Options and Warrants

Authorized	Unlimited common shares without par value
Issued and outstanding as at December 31, 2008	90,128,043 common shares

#### *Schedule of Warrants and Options outstanding as at April 27, 2008:*

	<u>Number of Shares</u>	<u>Price</u>	<u>Expiry Date</u>
Options:	250,000	\$0.55	March 2010
	100,000	\$1.20	February 2009
	50,000	\$2.30	February 2009
	100,000	\$0.98	May 2010
	1,290,000	\$0.98	June 2013
	2,989,000	\$0.25	December 2013
	<u>450,000</u>	\$0.25	December 2013
	5,229,000		
Warrants:			
	14,863,478	\$0.85	May 2010
	<u>1,781,818</u>	\$0.75	May 2010
	16,645,296		
Total:	21,874,296		

### Critical Accounting Estimates

#### *Significant accounting policies*

#### *Property and equipment*

The Company follows the full cost method of accounting whereby all costs related to the exploration for and development of oil and gas reserves are accumulated in one Canadian cost centre. Costs include lease acquisition, geological and geophysical expenditures, carrying costs of non-productive properties, the drilling of productive and non-productive wells and related plant and production equipment costs. Proceeds received from the disposal of properties are normally deducted from the full cost pool without recognition of a gain or loss, unless such sale results in a change in the rate of depletion of 20% or more.

#### *Depletion and Depreciation*

Depletion and depreciation of oil and gas properties and equipment is computed using the unit-of-production method where the ratio of production to proved reserves, before royalties, determines the proportion of depletable costs to be expensed in each period. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or impairment occurs. Volumes are converted to equivalent units using

the ratio of one barrel of oil to six mcf of natural gas. Depreciation on computer equipment and automobile is provided for on a 30% declining balance method.

#### *Recovery of capitalized costs*

The Company performs a cost recovery test which recognizes impairment when the carrying amount of the property and equipment, by cost centre, exceeds its undiscounted future cash flows from proved reserves based on estimated future commodity prices. If impairment is recognized, the amount of impairment is determined as the excess of the carrying amount over the fair value. Fair value is based on the present value of expected cash flows, reflecting discounting at the risk-free rate of interest. Both proved and probable reserves are used in estimating fair value. This cost centre impairment test is conducted at each balance sheet date or more frequently if conditions indicating potential impairment are present.

#### *Revenue Recognition*

Oil and natural gas sales are recognized when commodities are sold and title passes to the customer.

#### *Use of estimates*

The amounts recorded for depletion and depreciation of property and equipment, the accretion expense associated with the asset retirement obligation and the cost recovery assessments for property and equipment are based on estimates of proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

#### *Business risks*

An investment in Stealth should be considered highly speculative due to the nature of Stealth's involvement in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas reserves and its current stage of development. Oil and gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Stealth.

#### *Change in accounting policies*

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

#### Capital disclosures

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

#### Financial instruments – disclosure and presentation

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

### *Future accounting policies*

#### International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board (“ASCB”) confirmed the changeover from Canadian GAAP to IFRS will be required for publically accountable profit-orientated enterprises for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The changeover from Canadian GAAP to IFRS represents a change in accounting standards and is a significant undertaking that may materially impact the Company’s financial statements. The Company is currently reviewing the standards to determine the potential impact.

#### Good Will and Intangible Assets

As of January 1, 2009, the Company will be required to adopt CICA section 3064 “Goodwill and Intangible Assets” which replaces Section 3062 “Goodwill and Other Intangible Assets” and section 3450 “Research and Development Costs.” The Company is currently assessing the impact of this standard.

### *Subsequent events*

#### Commodity Price Risk Management

Subsequent to December 31, 2008 the company entered into the following fixed price contract:

<b>Natural Gas Period Hedged</b>	<b>Type</b>	<b>Daily Volume</b>	<b>Price (CAD)</b>
February 1, 2009–October 31, 2009	Fixed price	800 GJ	\$5.48

The Company enters into this contract with a well established counterparty, to protect a portion of its future earnings and cash flows from operations from the volatility of petroleum and natural gas prices.

#### Property Sales

On March 9, 2009, the Company closed the sale of its working interests in the Elcott, Weyburn, and Ferrier properties in Saskatchewan and Alberta in exchange for a cash payment of \$600,000.

#### Panterra – Sale of Shares

Stealth sold its share position of Panterra Resource Corp. for proceeds of \$709,000.

### **Outlook**

Stealth exited 2008 with 81 gross new shale gas wells completed in Wildmere, Alberta. For the fiscal year the Company averaged \$300,000/well (includes drilling, completing and pipelining) which equaled 20% decrease in capital per well. Production was ramped up to a peak of 550 BOE/D in December and none core assets were divested bringing in capital and allowing the Company to focus on its core asset the Colorado.

Stealth now has the shale gas play in Wildmere and the Cumberland Basin Coalbed Methane play in Nova Scotia, which as of the date of this report, is being marketed for farm-in opportunities. This strategy was aggressively implemented in the fourth quarter and remains core to the Company: retain as much of the possible attractive large resource base while conserving capital while increasing revenue and cash flow.

By the end of 2008, and ongoing the effective date of this report, the economic and financial environment deteriorated materially on a global basis. Commodity prices have generally suffered dramatic decreases in the face of a global recession, and natural gas has not escaped this reality. Stealth’s management and directors are aware of these changed circumstances and through the effective implementation of set strategy has kept the Company as flexible as possible. Current to the effective date of this report the Company is evaluating acquisition targets on a value creation basis.

On March 3, 2009 the Government of Alberta announced an additional incentive program in respect of oil and gas wells drilled on Alberta Crown lands. This program provides that, in respect of any wells drilled between April 1st, 2009 and April 1, 2010, the operator will receive (a) a drilling credit equal \$200 of royalty per meter drilled on conventional oil and natural gas wells and (b) a maximum royalty rate of 5% on such wells until the first to occur of twelve calendar months, 50,000 barrels of oil production or 500 million cubic feet (MMcf) of gas production. The new Alberta royalty regime will impact Stealth's future drilling decisions to the extent it affects acceptable rates of return on Stealth's capital deployed and for the Company's shale play this is going to mean a decrease in royalties paid from an average of 8% to a maximum of 5% starting April 1, 2009. Management will continue to monitor natural gas pricing and the supply and demand balance as it relates to the 2009 drilling program.

**Directors and Officers**

Derek Krivak, Calgary, Alberta, President/CEO and Director

Mark J. Roth, Calgary, Alberta, CFO

Gary Addison, Calgary, Alberta, VP Exploration

Chris Morrison, Calgary, Alberta, VP Operations

Lori Bobye-Magnusson, Calgary, Alberta, Controller

W. Robert Bell, Calgary, Alberta, Board Chairman

Rudy Cech, Calgary, Alberta, Director

Ian McMurtrie, Calgary, Alberta, Director

Murray Smith, Calgary, Alberta, Director

Glenn R. Yeadon, Vancouver, BC, Corporate Secretary

**Contact Stealth Ventures Ltd.**

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**FORWARD LOOKING STATEMENTS**

Certain information set forth in the Management's Discussion and Analysis contained herein including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, drilling and re-completion plans, timing of drilling, re-completion and tie-in of wells, productive capacity of wells and productive capacity of wells and capital expenditures and the timing thereof may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. By their nature, forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from

internal and external sources. The recovery and reserve estimates of Stealth Venture Ltd's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhausted. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Additional information relating to Stealth Ventures Ltd's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), and Stealth Venture Ltd's website ([www.stealthventures.ca](http://www.stealthventures.ca)).