

Stealth Ventures Ltd.

Suite 1200, 633 6th Avenue SW
Calgary, Alberta
T2P 2Y5

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Stealth Ventures Ltd.

Balance Sheets

Unaudited

Assets	September 30, 2010	December 31, 2009
Current Assets		
Cash and cash equivalents (Note 8)	\$ 1,489,663	\$ 295,558
Accounts receivable	196,172	517,564
Prepaid expenses	280,337	538,402
	1,966,172	1,351,524
Furniture and fixtures	170,954	221,433
Petroleum and natural gas properties (Note 5)	18,485,410	19,708,988
	\$ 20,622,536	\$ 21,281,945
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 1,668,659	\$ 578,254
Bank debt (Note 6)	2,153,446	3,195,725
	\$ 3,822,105	3,773,979
Asset retirement obligations (Note 5)	1,937,737	1,815,349
Shareholders' equity		
Share capital (Note 7b)	65,462,509	64,994,373
Purchase warrants (Note 7d)	5,852,415	9,202,031
Share subscription receivable (Note 7c)	-	(1,035,599)
Contributed surplus (Note 7f)	12,235,626	8,725,946
Deficit	(68,687,856)	(66,194,134)
	14,862,694	15,692,617
	\$ 20,622,536	\$ 21,281,945

See accompanying notes to the financial statements

Future operations [Note 1]

Commitments [Notes 5 and 11]

Approved by the Board

[signed] "Derek Krivak"

Derek Krivak

Director

[signed] "Subra Subramaniam"

Subra Subramaniam

Director

Stealth Ventures Ltd.

Statements of Operations, Comprehensive Loss and Deficit

Unaudited

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Revenue				
<i>Petroleum and natural gas sales</i>	\$ 592,954	\$ 707,820	\$ 2,054,504	\$ 2,701,019
<i>Royalties</i>	(31,606)	(82,936)	(7,902)	(257,911)
<i>Interest and other income</i>	461	14,866	959	15,334
	561,809	639,750	2,047,561	2,458,442
Expenses				
<i>Oil and gas operating</i>	\$ 439,162	\$ 471,473	\$ 1,367,195	\$ 1,339,392
<i>Depletion ,depreciation and accretion</i>	517,568	745,482	1,895,976	2,653,732
<i>General and administration</i>	431,327	583,721	1,182,292	1,933,362
<i>Interest expense</i>	39,145	49,346	95,820	96,811
<i>Stock based compensation</i>	-	36,792	-	111,462
<i>Gain on sale if equipment</i>	-	-	-	(947)
	1,427,202	1,886,814	4,541,283	6,133,812
<i>Gain (loss) on investments (Note 5)</i>	-	-	-	75,500
<i>Loss before income taxes</i>	(865,393)	(1,247,064)	(2,493,722)	(3,599,870)
<i>Capital tax</i>	-	(513)	-	15,303
<i>Net loss and comprehensive loss</i>	(865,393)	(1,246,551)	(2,493,722)	(3,615,173)
<i>Deficit, beginning of period</i>	(67,822,463)	(29,858,514)	(66,194,134)	(27,489,893)
<i>Deficit, end of period</i>	\$ (68,687,856)	\$ (31,105,065)	\$ (68,687,856)	\$ (31,105,066)
<i>Loss per share – basic and diluted</i>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
<i>Weighted average shares outstanding</i>	127,658,358	90,128,043	127,041,323	90,128,043

See accompanying notes to the financial statements

Stealth Ventures Ltd.

Statements of Cash Flows

Unaudited

	Three months ended September 30, 2010	<i>Three months ended September 30, 2009</i>	Nine months ended September 30, 2010	<i>Nine months ended September 30, 2009</i>
Cash provided by (used in):				
Operating activities				
Net loss	\$ (865,393)	\$ (1,246,552)	\$ (2,493,722)	\$ (3,615,173)
<i>Items not involving cash</i>				
Depletion, depreciation and accretion	517,568	745,482	1,895,976	2,653,732
Stock based compensation	-	36,792	-	111,462
Write down on investment	-	-	-	(75,500)
Gain on sale of equipment	-	-	-	(945)
	(347,825)	(446,278)	(597,746)	(926,426)
Change in non cash working capital related to operations	222,627	114,768	1,669,862	(4,302,012)
	(125,198)	(349,510)	1,072,116	(5,228,438)
Financing				
Issue of share	468,136	-	1,503,735	-
Warrants issued with shares	160,064	-	160,064	-
Increase in bank debt	202,331	531,368	(1,042,279)	4,066,532
	830,531	531,368	621,520	4,066,532
Investing activities				
Exploration and development expenditures	(87,504)	(214,249)	(492,476)	(769,560)
Furniture and fixtures	(7,055)	-	(7,055)	-
	(94,559)	(211,249)	(499,531)	699,068
Increase in cash	610,774	(32,391)	1,194,105	(462,838)
Cash and cash equivalents, beginning of period	878,889	114,497	295,558	544,944
Cash and cash equivalents, end of period	\$ 1,489,663	\$ 82,106	\$ 1,489,663	\$ 82,106
Interest paid during the period	\$ -	\$ -	\$ -	\$ -
Taxes paid during the period	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements

Stealth Ventures Ltd.

NOTES TO FINANCIAL STATEMENTS

Unaudited

(Tabular amounts in thousands except per share amounts)

Note 1: Future Operations

Stealth Ventures Ltd. ("Stealth" or "the Company") is engaged primarily in exploration for, and production of, petroleum and natural gas reserves in Western Canada and Nova Scotia. At the date of this report the Company's production was 100% natural gas.

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation 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.

For the three months ended September 30, 2010, the Company reported a net loss of \$865,393 and a working capital deficiency of \$1,855,933. Working capital deficiency includes \$911,604 cash that is being held in trust for a Joint Venture partner for land acquisitions. The Company also closed the first tranche of a private placement and raised gross proceeds of \$671,600 in July 2010. Proceeds will be used to manage working capital and pursue strategic opportunities in India.

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. 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.

The financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, they have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2: Significant Accounting Policies

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

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Specifically, the amounts recorded for depletion, depreciation and accretion of petroleum and natural gas assets and asset retirement obligations are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and gas prices, future costs and other relevant assumptions. The amounts for stock based compensation are based on estimates of risk-free rates, expected lives, forfeitures and volatility. Future income taxes are based on estimates as to the timing of the reversal of the temporary differences and tax rates substantively enacted. By their nature, these estimates are subject to change and the effect on the financial statements of changes in such estimates in future periods could be significant.

These unaudited interim financial statements follow the same accounting policies as the financial statements for the year ended December 31, 2009. These financial statements should be read in conjunction with, the audited financial statements for the fiscal year ended December 31, 2009

Note 3: Changes in and Future Accounting Policies

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently well positioned to meet the deadlines involved in adopting IFRS.

Note 4: Investments

During 2007 the Company exchanged its interest in certain Saskatchewan properties for 13 million common shares of PanTerra Resources Corp ("PanTerra") valued at a cost of \$0.25 per share. The Company's holding represented approximately 19.5% of the outstanding common shares of PanTerra.

During the second quarter of 2009, the remaining 8,234,000 shares of PanTerra were sold at an average price of 0.048552 per share for proceeds of \$399,777. A loss of \$39,670 was recognized from the sale of the shares. The Company currently holds no shares in PanTerra.

During 2008 the Company acquired 6 million shares of a foreign unlisted private company Golden Hill International Holdings Limited. During the second quarter of 2009, the Company sold its entire investment for \$150,000. A gain of \$72,000 was realized from the sale

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Note 5: Property and equipment

September 30, 2010	Cost	Accumulated depletion and amortization	Net book value
Computer and office equipment	\$ 413,237	260,563	\$ 152,674
Leasehold improvements	62,376	44,096	18,280
Petroleum and natural gas properties	71,494,504	53,009,094	18,485,410
	<u>\$ 71,970,117</u>	<u>53,313,753</u>	<u>\$ 18,656,364</u>
December 31, 2009			
Computer and office equipment	\$ 406,958	223,357	\$ 183,601
Leasehold improvements	61,600	22,785	38,815
Petroleum and natural gas properties	70,911,849	51,203,844	19,708,005
	<u>\$ 71,380,407</u>	<u>51,449,986</u>	<u>\$ 19,930,421</u>

At September 30, 2010, petroleum and natural gas properties included \$750,000 (September 30, 2009 - \$14,942,719) relating to unproved properties which have been excluded from the depletion calculation, and future development costs of \$11,004,000 (2009 - \$20,850,000) were included in the depletion calculation. No general and administrative costs were capitalized during the quarter or the year.

The Company applied the ceiling test to its capitalized assets at September 30, 2010. No impairment was recognized

Note 6: Asset retirement obligation

Asset retirement obligations	Nine months ended September 30, 2010	Year ended December 31, 2009
Beginning of period	\$ 1,815,349	\$ 1,924,456
Liabilities incurred	-	-
Liabilities disposed	-	(231,067)
Accretion expense	122,388	121,960
Asset retirement obligations, end of period	<u>\$ 1,937,737</u>	<u>\$ 1,815,349</u>

Note 7: Credit facility

During the quarter the Company's bank review was completed. The result was a reduction in the operating facility from \$4.0 million to \$2.5 million. The reduction was due to a reserve write-down at yearend 2009. Stealth may borrow via Prime-based loans bearing interest at the greater of 7% (minimum rate) or prime bank lending rate plus 4.25%. The facilities do not contain any financial covenants. The credit facility is subject to periodic review. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility which may require a repayment to the lender. The facility is collateralized by a \$5.0 million demand fixed and floating debenture over

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all of Stealth's assets. As at September 30, 2010, \$2,153,446 had been drawn against these facilities. Subsequent to the end of the quarter the Company secured private financing and repaid the entire bank debt.

Note 8: Share Capital

a) Authorized:

Unlimited number of common shares with no nominal or par value

b) Shares and warrants:

	Number	Amount
Voting common shares issued:		
Balance, December 31, 2008	90,128,043	\$ 63,311,540
Private placement, \$0.07 per unit	35,658,643	1,782,753
Share issue costs		(99,920)
Balance, December 31, 2009	125,786,686	64,994,373
Private placement, \$0.10 per unit	6,716,000	511,536
Share issue costs		(43,400)
Balance September 30, 2010	132,502,686	\$ 65,462,509
Purchase warrants issued:		
Balance, December 31, 2008	24,082,096	8,488,680
Expired	(7,436,800)	-
Transfer to contributed surplus		(2,868,180)
Balance December 31, 2009	16,645,296	5,620,500
Private placement	17,829,322	713,351
Expired	(1,781,818)	-
Transfer to contributed surplus		(641,500)
Private placement	3,358,000	160,064
Warrant equity September 30, 2010	36,050,800	5,852,415
Share capital, September 30, 2010		\$ 71,314,924

In December 2009, the Company closed a non-brokered private placement, consisting of the sale of 35,658,643 units at a price of \$0.07 per unit to raise gross proceeds of up to \$2,496,104. Each unit consisted of one (1) common share and one-half (1/2) of a non-transferable share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.15 for a period of two (2) years from closing, provided that, in the event the closing price of Stealth's shares as traded on the TSX Venture Exchange is \$0.25 or greater for a period of 30 consecutive trading days, it may give notice of an earlier expiry of the warrants, in which case the warrants would expire 30 calendar days from the giving of such notice. The private placement closed in two tranches, the second closing December 31, 2009. The Company also closed

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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. All of the securities issued in connection with the closing of this initial tranche are subject to a hold period in Canada until December 1, 2010. The proceeds from these private placements will be used for working capital purposes, including allowing Stealth to explore potential strategic opportunities in Asia with a focus in India.

c) Contributed Surplus

	Contributed Surplus
Balance December 31, 2008	\$ 7,908,255
Stock Based compensation	817,691
Balance December 31, 2009	8,725,946
Expiry of warrants (2008)	2,868,180
Expiry of warrants (2010)	641,500
Balance September 30, 2010	\$ 12,235,626

d) Stock options:

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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	Number of options	Weighted average exercise price
Balance December 31, 2008	5,229,000	\$ 0.52
Cancelled	(390,000)	0.59
Expired	(543,000)	0.42
Balance December 31, 2009	4,296,000	0.50
Expired	(250,000)	0.55
Forfeited	(1,900,000)	0.56
Balance September 30, 2010	2,146,000	\$ 0.44

The following table summarizes information about the stock options outstanding at September 30, 2010:

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	
\$ 0.25	1,596,000	3.18	\$ 0.25	1,596,000	\$ 0.25	
0.98	550,000	2.68	0.98	550,000	0.98	
\$ 0.25-0.98	2,146,000	3.05	\$ 0.44	2,146,000	\$ 0.44	

Additional capital disclosure

The capital structure of the Company is as follows:

	September 30, 2010	Change %	December 31, 2009
Total shareholders' equity	\$ 14,862,694	(5.3)	\$ 15,692,617
Total shareholders' equity as a % of total capital	87%		83%
Short and long term debt	2,153,446	(32.6)	3,195,725
Total debt as a % of total capital	13%		17%
Total capital	\$ 17,016,140		\$ 18,888,342

Stealth's primary capital management objective is to maintain a strong balance sheet affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's

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capital structure is dependent on the Company's expected business growth and changes in the business environment.

The Company manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust capital spending, issue new shares, issue new debt or repay existing debt. During the quarter the Company's credit line was reduced from \$4.0 million to \$2.5 million, as a result of the bank review. In July 2010, gross proceeds of \$671,600 were raised in a non-brokered private placement, with the funds to be used to manage working capital and pursue opportunities in India. The Company does not have any capital leases or any off balance sheet arrangements. No dividends have been paid or declared on any of the Company's shares since the date of incorporation. This policy is based on operational results, financial policy and financing requirements and is continuously reviewed by the Company. The Company is not subject to any externally imposed capital requirements. However, debt is subject to borrowing base reviews.

The Company intends to use its capital to explore potential strategic opportunities in Asia with a focus in India. Commitments exist to issue common shares in connection the established stock option plan with such share issuances to occur from treasury.

Note 9: Financial instruments and risk management

(a) Credit risk:

Portions of the Company's accounts receivable are with joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company's accounts receivable is made up of \$11,362 over 90 days and \$184,810 less than 90 days. \$196,130 in the less than 90 days category is from the Company's gas purchaser. Purchasers of the Company's oil and natural gas products are subject to an internal credit review designed to mitigate the risk of non-payment.

(b) Commodity price risk:

The Company is subject to commodity price risk on the sale of natural gas. The Company entered into a fixed price physical sales contract with a well established counterparty, to protect a portion of its future earnings and cash flows from operations from the volatility of natural gas prices.

Natural gas period	Type	Daily Volume	Price (CAD)
November 1, 2009 – December 31, 2010	Fixed price	800 GJ	\$4.90

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(c) Foreign currency risk:

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

(d) Interest rate risk:

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact the Company's cash and cash equivalents that have a floating interest rate. The Company had no interest rate swaps or hedges at September 30, 2010.

(e) Fair value of financial instruments:

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, bank debt, accounts payable and accrued liabilities. Cash and cash equivalents are classified as held-for-trading financial assets. Accounts receivable are classified as loans and receivables and bank debt and accounts payable are classified as other financial liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities.

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet as at September 30, 2010 are as follows:

	Carrying amount	Fair value
Cash and cash equivalents	\$ 1,489,663	\$ 1,489,663
Accounts receivable	196,172	196,172
Accounts payable and accrued liabilities	1,668,659	1,668,659
Bank debt	2,153,446	2,153,446

Cash and cash equivalents and accounts payable include \$911,604 that is being held in trust for a Joint Venture partner for land acquisitions.

Note 10: Commitments

a) The Company has executed various farm-in and permit agreements. These agreements require Stealth to incur total expenditures of \$2.0 million which is for the Cumberland Basin Production Permit for fiscal 2010; however, the asset with a carrying value of \$750,000 may be surrendered as an option. Nova Scotia commitments in future years increase with commercial development projections, but in each case the requirements are reviewed yearly.

(b) The company has entered a commitment to acquire land with a partner under a farm-in agreement. The Company will hold in trust \$1.0 million on behalf of the partner to acquire land. Within thirty days of the first year anniversary date of the Joint Venture an additional two million may be committed to trust (50 % each party) provided that mutually acceptable terms can be negotiated. During the second quarter, \$98,882 was

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spent to acquire 17 sections of land under farm-in agreement. Subsequent to the end of the quarter this agreement was terminated and the excess funds returned to the partner.

(c) Office lease agreement:

The Company has entered into an agreement to lease office space until November 30, 2010. The future minimum lease payment is expected to be \$56,015 in 2010. Included in this amount is October and November lease payment that will be paid from the deposit being held.

Note 11: Subsequent events

Subsequent to the end of the quarter the Company:

- The second, and final, tranche of the private placement announced June 17, 2010 was closed and consisted of the sale of 3.5 million units at a price of 10 cents per unit for gross proceeds of \$350,000, each unit consisting of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of 25 cents until October 26, 2012. All of the securities issued in connection with the closing of this second tranche are subject to a hold period in Canada until February 27, 2011.
- A Strategic Alternatives Process was initiated to identify, examine and consider a range of strategic alternatives available for enhancing shareholder value and has engaged Sayer Energy Advisors to assist in this review process.
- Effective November 02, 2010 the Company terminated the land acquisition and farm-in agreement for the Wildmere region and returned the unspent funds to the partner
- Effective November 01, 2010 Mr. Roger Harman joined the Company as Chief Financial Officer, bringing a strong diversified background to the Stealth management team.
- As at September 30, 2010, Stealth had drawn \$2,153,446 against a \$2,500,000 credit facility at a Canadian Chartered Bank. Subsequent to the end of the quarter the Company secured a loan arrangement from a private group for \$2,000,000 and settled in full, all outstanding payments to the Bank. The short-term loan facility is structured in six month renewable increments and pays a flat interest of 10% per annum.