

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2008  
FORM 51-102F1**

## **Date and Subject of this Report**

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 six month period ended June 30, 2008. The MD&A includes comparisons for the corresponding three and six month periods ended June 30, 2007. It should be read in conjunction with the interim unaudited financial statements for the three months ended June 30, 2008, and the audited financial statements for the year ended December 31, 2007. This MD&A has been prepared effective August 25<sup>th</sup>, 2008.

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).

## **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 Coalbed Methane (CBM), Shale Gas, and tight gas sand reservoirs. The Company operates in two geographic areas and two types of strategic plays: CBM at Cumberland, Nova Scotia, and biogenic shale gas in Alberta. However, the focus for Stealth is clearly its shale gas development in Alberta where the Company is producing gas and cash flow – and will spend more than 90% of its capital budget in 2008.

In the second quarter of 2008 Stealth:

- Spent \$2.5 million capital, including \$2.3 million on drilling, completion, and facilities on its properties in Alberta and Nova Scotia, compared to \$2.5 million total spent in the second quarter of 2007.
- Increased second quarter 2008 cash from operations to \$370,141 from \$25,169 in the first quarter of 2008. Cash from operations in the second quarter of 2007 was negative.

- More than tripled revenue from oil and gas sales to \$1,185,443 for the second quarter of 2008 as compared to the second quarter of 2007. This was generated by increasing average production from 64 BOED in the second quarter of 2007 to 236 BOED in the second quarter of 2008.

### The Colorado Shale in Alberta

No wells were drilled on Stealth's land in Alberta during the second quarter. The second quarter will always be a "shoulder" season for drilling/field operations due to wet spring "break-up". In addition to this the Company was preoccupied with a major financing during this period. Stealth averaged production of approximately 1.25 MMcf/d (net) from 23.3 net shale gas wells at quarter-end, representing normal production levels drilled preceding and during the first quarter of 2008.

Subsequent to quarter-end on July 3, 2008 Stealth commenced drilling operations. Previously Stealth assigned a capital budget of nearly \$26 million to drill and bring on-stream a maximum of 80 new gas wells total for 2008. At the time of writing operations were ahead of schedule and under the budgeted \$350,000 (tied-in) per-well cost. The capital budget for shale drilling may expand if additional corporate resources become available.

### Nova Scotia

In late 2007 Stealth stimulated the CMB 13 well in the Cumberland basin – via a large fresh water frac. The well was placed back on test status following the operation, and through the first and second quarter of 2008 the Company pumped water from the coal. This clean-up operation has now recovered all of the frac fluid used during stimulation. Gas production has been recorded, and Stealth is hopeful that it will grow as the test proceeds. The Company is following prescribed CBM pump placement procedure designed to arrive at an effective wellbore production string configuration. Sproule Associates estimates that the discovered resource (gas in place) at Cumberland is 1.18 TCF. Stealth intends to continue testing the coals in pursuit of proving commercial gas production rates.

### Corporate

On April 14, 2008 Stealth announced that it retained a syndicate of agents led by D&D Securities Company and SMH Capital Inc. and including Union Securities Ltd. to offer a brokered private placement of up to \$20 Million in Units. D&D led the financing in Canada and SMH was co-agent responsible for US placement. Each Unit consisted of one common share and one-half of one common share purchase warrant, as in previous private placements. On May 30, 2008 that financing was closed, increasing to \$22.3 million at a subscription price of \$0.75 per Unit. Each whole warrant entitles 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. The proceeds from this private placement are being used, primarily, to fund and accelerate ongoing development activities on Stealth's shale gas properties. Stealth will not be forced to return to the equity markets after this financing for this project, as the production generated from its shale gas drilling will make it cash-flow independent on a corporate basis.

Subsequent to quarter-end Stealth continued its corporate evolution by appointing Derek Krivak President and CEO of the Company. W. Robert Bell stepped aside to assume the role of Chairman of the Board. This was a natural development for the Company as it focuses intensely on its shale gas play, which Mr. Krivak brought to Stealth after years of technical work in shale in North America. At about the same time Mr. Murray Smith of Calgary joined the Board of Directors and Mr. Harold Kettleon resigned from it. The Company is very excited at the prospect of Mr. Smith's involvement in strategic planning, and it thanks Mr. Kettleon for his devotion and guidance over the years he served as a valued Board Member of Stealth.

## **Oil & Gas Properties:**

### **Colorado Shale Gas – Alberta Wildmere**

The shale gas play at 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 Cretaceous Colorado to a development play in shale gas. At the end of the second quarter 2008 49 gross wells (38.3 net) were drilled or re-entered over a large 600 section geographical area. Subsequent to quarter-end and as of the date of this report a further 27 gross wells have been drilled. On March 4<sup>th</sup>, 2008, the Company announced the results of the December 31, 2007 (effective date) independent reserve evaluation report written by Sproule Associates Limited. It describes shale gas reserves at Wildmere of 12.4 BCF (2.07 MMBOE) proved plus probable from 39 gross (29.25 net) wells delineated over 15 townships of land. The reserve life index for this reserve is 15.7 years, and calculated proved plus probable finding and development costs equal \$13.68/BOE. This comprehensive year-end reserve report based on NI 51-101 Standards of Disclosure for Oil and Gas Activities can be found at [www.sedar.com](http://www.sedar.com).

The land acquired thus far on this play totals 78,734 acres gross (53,531 net), acquired strategically by way of joint venture with several companies and crown land sales. The Company's average working interest in land has grown to 68% at the end of the period, and it will increase as the Company acquires larger WI positions and more land/license. There may also be opportunities to acquire assets and land through accretive corporate transactions. Stealth's drilling program commenced subsequent to quarter-end on July 3, 2008. This program budgeted times to drill/complete/tie-in of 2 days, 0.5 day, and 7 days per crew respectively.

### **The Cumberland Basin - 100% working interest**

Early in 2006 the first operated well penetrated 430 meters of coal horizontally, while two additional horizontal wells were completed prior to the end of 2006. The first well penetrated 738 lateral meters of coal in the Number 2 seam, and the second achieved a lateral of 1,041 meters in the "Marker O" coal seam. These wells comprise the major producing assets on the property.

The Cumberland CBM license is comprised of 177,000 acres. Total net coal thicknesses are up to 90 feet, found generally 2,000 to 5,000 feet below surface. Coal ranks range from high volatile A to low volatile bituminous, with measured gas contents ranging from 100 to 510 scf/ton. Stealth holds a 10 year coal-gas production lease granted November 2007. 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.

The Company owns additional minor assets in Nova Scotia and in southern Saskatchewan. These assets become increasingly less material as the shale gas is developed (and in the case of Stellarton, Nova Scotia, the asset was written down in 2007), and all of them are either being marketed for sale or are considered non-core and could be marketed at any time.

## Production

Quarter ending	March 31, 2008	June 30, 2008	6 months June 30, 2008
Average oil production, barrels per day	35	27	31
Average gas production, mcf per day	1,265	1,254	1,263
Average BOE per day	245	236	242
Average price oil per barrel (CAD)	92.45	118.46	103.71
Average price gas per mcf (CAD)	7.26	9.53	8.39
Royalties %	12.5	14.5	14.4
Average operating expenses per BOE (CAD)	9.40	9.00	9.41
Average net back per BOE (CAD)	34.82	45.84	39.56

Oil and gas production above reflects normal declines through the second quarter with no additions, as no new wells were drilled. In the second quarter there is an evident rapid increase in the price of crude (reflecting world markets) and the price of AECO C spot, which the company receives for its gas. Royalties paid increased as price increased. On both crude and gas the Company's royalty payments increase on sliding scales with price. Operating expense decreased slightly from the first quarter to the second, reflecting improving experience with new gas wells and improving operating procedures. Netback therefore increased 32%, caused primarily by rising prices, and less so by slightly decreased overall costs.

Non-GAAP Measurements - Within the Management's Discussion and Analysis 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 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 is 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. Total BOEs are calculated by multiplying the daily production by the number of days in the period.

## Operating Results (three month period ended June 30, 2008)

### *Revenue*

Revenue for the three months ended June 30, 2008 was \$1,233,447, compared to \$505,599 in the same quarter of 2007. This is primarily a result of the ongoing increase in production in shale gas (7+ times from 2007), and also as a result of dramatically improved commodity pricing in 2008 (>35%). Interest and other income were one quarter of that recorded in the same quarter of 2007, due to lower cash balances during most of the period. Royalties were correspondingly higher with increases in commodity prices.

### *Operating Expense*

Operating expenses increased from \$42,553 in the second quarter of 2007 to \$215,883 in the second quarter of 2008. Higher expenses in the period resulted from the addition of new gas wells from the second quarter of 2007.

### *General Administration and Stock-based Compensation*

General administration expenses decreased to \$647,423 for the period from \$839,211 in the same quarter of 2007. This 23% decline is attributed to several factors. Director's fees were paid during the second quarter of 2007 that were not paid in 2008. Also, listing/filing fees for the 2008 financing were delayed, and there were drops in professional and consulting fees, as well as office expenses and travel. Rent increased with an increase in office space leased, and IR increased as the company marketed the 2008 financing. Stock-based compensation decreased to \$82,200 in the period from \$603,900 in the second quarter of 2007. Stock-based compensation is expensed per quarter as options vest using the Black-Scholes option pricing model.

### *Depletion, depreciation and accretion*

Depletion, depreciation and accretion increased to \$444,438 in the period from \$293,613 in the second quarter of 2007, in line with increased production and more producing wells.

### *Net Earnings*

The net earnings for the period is \$6,798,503, compared to a loss in the second quarter of 2007 of \$1,273,678. This is mainly attributed to an unrealized gain in the value of an investment (13 million shares of Panterra Resource Corp.) of \$6,019,000. The net loss before this item is \$156,497 for the quarter, compared with a net loss before gain for the second quarter of 2007 of \$1,273,678. Although net oil and gas sales increased by more than three times and expenses decreased by 22% over the second quarter of 2007, it was not sufficient to eliminate the loss before the unrealized gain.

### Capital Expenditures (\$000)

Office & Computer Equipment	41
Land and Property Acquisitions	183
Geological & Geophysical	0
Drilling	529
Completions	1,299
Equipment & Facilities	455
Asset Additions	2,507
Non-cash Abandonment asset additions	0
Total Asset Additions	2,507

Although the Company did not drill wells in the second quarter, it prepaid steel expenses and paid pre-drilling expenses like surveying costs.

## Operating Results (six month period ended June 30, 2008)

### Revenue

Revenue for the six months ended June 30, 2008 was \$2,234,184, compared to \$897,397 in the same quarter of 2007. This is primarily a result of the 10 fold increase in production in shale gas recorded above, compared with same period 2007 levels. Interest and other income were one quarter of that produced in the same period of 2007, due primarily to higher cash balances over the period.

### Operating Expense

Operating expenses increased from \$100,152 in the six months ended June 30, 2007 to \$428,504 in the same period of 2008. Higher expenses in the period resulted from additional producing gas wells.

### General Administration and Stock-based Compensation

General administration expenses remained fairly constant at \$1,410,370 for the period, from \$1,411,742 in the six months ended June 30, 2007. Although investor relations, office lease costs and salaries were higher in the six months ended June 30, 2007, all other material administration costs were lower and offset the increases. As noted above some expenses like Directors fees were paid in 2007 and not paid in the six months ended June 30, 2008. Salaries were notably higher due to more staff on average; consulting fees were lower as staff replaced consultants. Office rent is more than twice as great as in 2007 because Stealth doubled its office space after the second quarter of 2007. Stock-based compensation decreased to \$180,700 in the period from \$1,148,773 in the six months ended June 30, 2007. Stock-based compensation is charged per quarter as options vest using the Black-Scholes option pricing model.

	First Quarter 2008	Second Quarter 2008	Six months 2008
Salaries	\$252,025	\$271,812	\$523,837
Professional Fees	110,794	79,857	190,651
Consulting Fees	31,275	30,293	61,568
Office	125,214	60,616	185,830
Rent	94,408	98,305	192,713
Investor Relations	103,143	75,773	178,916
Telephone	11,366	12,329	23,695
Listing/Filing Fees	8,999	3,596	12,595
Travel, Business Meals	25,723	14,842	40,565
Total	\$726,947	\$647,423	\$1,410,370

#### *Depletion, depreciation and accretion*

Depletion, depreciation and accretion increased to \$897,827 in the period from \$583,168 in the six months ended June 30, 2007, in line with increased production and more producing wells.

#### *Net Earnings*

The net earnings for the period is \$5,556,783, compared to a loss in the six months ended June 30, 2007 of \$2,346,438. This is mainly attributed to an unrealized gain in the value of an investment (13 million shares of Panterra Resource Corp.) of \$5,304,000. The net loss before this item is \$683,217 for the six months ended June 30, 2008, compared with a net loss before gain for the six months ended June 30, 2007 of \$2,346,438. This loss has been reduced by over 70% between periods, and given the drilling program underway the loss should be eliminated in future periods.

#### *Capital Expenditures (\$000)*

Office & Computer Equipment	61
Land and Property Acquisitions	365
Geological & Geophysical	1
Drilling	2,368
Completions	2,384
Equipment & Facilities	1,029
Asset Additions	6,208
Non-cash Abandonment asset additions	107
Total Asset Additions	6,315

## STEALTH VENTURES LTD. SUMMARY OF QUARTERLY RESULTS

\$	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006
Net Revenue (after royalties)	1,233,447	1,000,737	537,547	471,071	505,599	391,798	307,621	183,322
Net Earnings	6,798,503	(1,241,720)	(7,054,697)	(4,977,062)	(1,273,678)	(1,072,760)	(872,093)	(1,107,587)
Net Earnings per Share	0.10	(0.02)	(0.13)	(0.08)	(0.02)	(0.02)	(0.02)	(0.03)

### *Commitments*

The Company has executed various farm-in and Permit agreements. These agreements require Stealth to incur total expenditures of approximately \$1.9 million per year, but in each case the asset may be surrendered as an option. Nova Scotia commitments in future years increase with commercial development projections, but in each case the requirements are reviewed yearly.

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*

The Chief Financial Officer of the Company is also a Director of Golden Hill International Holdings Limited ("Golden Hill") of Hong Kong, with whom Stealth has executed a management services agreement. No compensation has been paid to the Chief Financial Officer by Golden Hill during the second quarter of 2008, and the Chief Financial Officer has not spent material management time providing services to Golden Hill.

### *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 June 30, 2008. The Company has not entered into any commodity hedging programs to date, and holds no financial derivatives.

## Financial Condition, Liquidity and Capital Resources

The Company had cash and term deposits of \$19,570,128 and working capital of \$20,022,503 at June 30, 2008. Cash and working capital increased from the second quarter of 2007 by \$2.1 million and \$1.0 million respectively. Cash and working capital were higher as a result of a large financing closed May 30, 2008. Net oil and gas sales increased to \$1,185,443 in the quarter ended June 30, 2008, and will increase again in 2008 as the Company continues its drilling program and ties in gas wells. Stealth controls the timing and amount of capital expenditures on its material assets. The Company had funds on hand to meet all of its expected immediate future obligations, and in future periods it should prove that it is cash flow self-sufficient. Stealth had access to an operating line of credit of \$70,000 with a Canadian chartered bank, secured by a General Security Agreement, and used for VISA credits.

Receivables will be collected in due course and payables paid. 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 June 30, 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.

The Company continuously manages the pace of its capital spending program by monitoring forecasted production, commodity prices and resulting cash flows. It conducts monthly financial and cash variance analysis. Should circumstances affect cash flow in a detrimental way, the Company is capable of altering its capital spending activity. The 2008 capital expenditure budget is approximately \$26 million, but may be adjusted by the Board according to capital available for investment.

## 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:

1. 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.

## Capital Stock, Options and Warrants

Authorized unlimited common shares without par value  
 Issued and outstanding as at June 30, 2008 91,681,543 common shares

*Schedule of Warrants and Options outstanding as at August 25, 2008:*

	<u>Number of Shares</u>	<u>Price</u>	<u>Expiry Date</u>
Options:	50,000	\$0.25	October 2008
	200,000	\$0.50	November 2009
	600,000	\$0.55	April 2010
	300,000	\$0.65	June 2010
	400,000	\$0.80	November 2009
	150,000	\$0.80	October 2012
	100,000	\$0.80	February 2013
	300,000	\$0.98	June 2010
	1,565,000	\$0.98	June 2013
	500,000	\$1.20	October 2010
	743,000	\$1.50	November 2010
	100,000	\$1.50	March 2012
	<u>250,000</u>	<u>\$2.30</u>	<u>May 2011</u>
	5,258,000		
Warrants:	6,640,000	\$1.50	October 26, 2008
	796,800	\$1.25	October 26, 2008
	14,863,478	\$0.85	May 2010
	<u>1,781,818</u>	<u>\$0.75</u>	<u>May 2010</u>
	24,082,096		
Total:	29,340,096		

## 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. See note 8, Capital Management, for further disclosure.

### Financial instruments – disclosure and presentation

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

### *Future accounting policies*

#### International Financial Reporting Standards

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

#### 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.

## **Outlook**

Barring weather or other disruptions, currently Stealth is drilling a shale gas well on its land in east central Alberta approximately every two days (one well was drilled in as little as 6 hours drilling time). Since the start of the current program on July 3, 2008, it has drilled 27 wells to the date of this report. Fracture stimulation operations are underway and 6 wells have been tied-in to initial production. Drilling, completing, and field tie-ins will now proceed simultaneously until the current program is complete. The Company continues to employ new technologies, and this has included the trial of a cutting-edge propane fracture stimulation. The testing results thus far are within expected averages for the field, and Management is satisfied with all of the early progress.

In Nova Scotia Stealth will retain as much as possible the attractive large resource base while conserving as much capital as possible. At Stellarton it will do this by potentially bringing a capital partner to continue exploration work, or it will market the entire property to a buyer. At Cumberland Stealth will continue to adjust its facilities to bring commercial production to the field.

During the recent spring shoulder gas price season Stealth was thrilled with the increase in Nymex/AECO pricing, speculating that perhaps in the future the traditional 10:1 relationship would start to reappear between crude and natural gas. Recent rapid decreases in crude pricing also brought decreases in gas pricing, resulting in the current ratio of approximately 14:1. Irrational decreases in the prices of natural gas company stocks across North American markets accompanied this change. Stealth's advantage in this short term bear market is that it is a growth story in both production and the creation of valuable long-life reserves. Management will continue to tell this story as it applies to move from the TSX Venture to the TSX exchange, through analyst reports expected in the next quarter, and through its operation updates as it completes its current major drilling program.

## **Disclosure Controls and Procedures (MI 52-109)**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed controls for this process and have conducted an evaluation which has identified certain weaknesses in our controls. Due to the limited number of staff at the Company, there is an inherent weakness in the system of internal controls due to our inability to achieve appropriate segregation of duties. The limited number of staff may also result in identifying weaknesses with respect to accounting for complex and non-routine accounting transactions as the Company does not have a sufficient number of finance personnel with technical accounting knowledge to address all complex and non-routine accounting matters that may arise. As a result of these weaknesses there is no guarantee that a material misstatement would not be prevented or detected. These items have been classified as material weaknesses. Management and Board review are utilized to mitigate the risk of material misstatement; however, we do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement. Stealth currently has no plans to remediate these weaknesses because the Company believes that an adequate control environment exists at this time.

## 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  
W. Robert Bell, Calgary, Alberta, Board Chairman  
H.R. (Bob) MacDonald, Truro, Nova Scotia, Director  
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 of the statements 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. 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. Additional information on these and other factors that could effect Stealth Venture 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)), at Stealth Venture Ltd's website ([www.stealthventures.ca](http://www.stealthventures.ca)). 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.

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.