

Stealth Ventures Ltd.

Statements of Financial Position (unaudited)

Assets	Note	September 30, 2011	December 31, 2010
Current Assets			
Cash and cash equivalents		\$ 486,007	\$ 315,816
Accounts receivable		1,052,021	235,912
Prepaid expenses		376,616	252,244
		1,914,644	803,972
Computer and office equipment	6	103,015	129,226
Petroleum and natural gas properties	6	3,832,741	4,486,900
Exploration and evaluation assets	7	750,000	750,000
		\$ 6,600,400	\$ 6,170,098
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,132,315	\$ 1,262,159
Loans and borrowings	14	1,000,000	2,000,000
		2,132,315	3,262,159
Long term liabilities			
Convertible debentures	11	888,613	-
Decommissioning liability	13	2,951,677	2,657,479
Shareholders' equity			
Share capital	9	67,959,801	67,959,801
Purchase warrants	9	2,248,893	7,227,893
Equity component of convertible debentures	11	23,315	-
Share subscription receivable		-	(2,480,852)
Contributed surplus		17,736,210	12,235,626
Deficit		(87,340,424)	(84,692,008)
		627,795	250,460
		\$ 6,600,400	\$ 6,170,098

See accompanying notes to the financial statements

Future operations [Note 1]

Subsequent event [Note 16]

Stealth Ventures Ltd.

Statements of Operations and Comprehensive Loss

(unaudited)

	Note	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenue					
Petroleum and natural gas sales		\$ 353,636	\$ 592,954	\$ 1,341,854	\$ 2,054,504
Royalties		8,919	(31,606)	(49,301)	(7,902)
		362,555	561,348	1,292,553	2,046,602
Expenses					
Oil and gas operating		332,713	439,162	1,087,637	1,367,195
Depletion and depreciation	6	194,928	232,089	582,488	973,443
General and administration		500,257	431,327	1,216,655	1,182,292
Stock based compensation	10	-	-	521,584	-
Impairment of petroleum and natural gas properties	8	322,033	1,016,344	380,708	5,388,474
		1,349,931	2,118,922	3,789,072	8,911,404
Loss from operating activities		(987,376)	(1,557,574)	(2,496,519)	(6,864,802)
Financing income	4	(1,023)	(461)	(5,716)	(959)
Financing expense	4	43,549	66,416	165,385	175,947
Net finance costs		42,526	65,955	159,669	174,988
Net loss and comprehensive loss before taxes		(1,029,902)	(1,623,529)	(2,656,188)	(7,039,790)
Deferred tax recovery		7,772	-	7,772	-
Net loss and comprehensive loss		\$ (1,022,130)	\$ (1,623,529)	\$ (2,648,416)	\$ (7,039,790)
Loss per share – basic and diluted	12	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.06)
Weighted average shares outstanding	12	161,002,686	127,658,358	161,002,686	127,041,323

See accompanying notes to the financial statements

Stealth Ventures Ltd.

Statements Changes in Shareholders' Equity

(unaudited)

	Note	Number of Common Shares	Number of Warrants	Share capital	Equity Component of Convertible Debentures	Purchase Warrants	Share subscription receivable	Contributed surplus	Deficit	Total Equity
Balance January 2010	9	125,786,686	41,911,418	\$66,062,020	\$ -	\$9,202,031	\$(1,035,599)	\$ 8,725,946	\$(72,502,505)	\$ 10,451,893
Receipt of subscription receivable		-	-	-	-	-	1,035,599	-	-	1,035,599
Issue of shares		6,716,000	-	468,136	-	-	-	-	-	468,136
Issue of warrants		-	3,358,000	-	-	160,064	-	-	-	160,064
Expiry of warrants		-	(9,218,618)	-	-	(3,509,680)	-	3,509,680	-	-
Loss for the period		-	-	-	-	-	-	-	(7,039,790)	(7,039,790)
Balance Sept 30, 2010		132,502,686	36,050,800	\$66,530,156	-	\$5,852,415	\$ -	\$12,235,626	\$ (79,542,295)	\$ 5,075,902
Balance Dec 31, 2010		161,002,686	50,300,800	\$67,959,801	\$ -	\$7,227,893	\$(2,480,852)	\$12,235,626	\$ (84,692,008)	\$ 250,460
Receipt of subscription receivable	9	-	-	-	-	-	2,480,852	-	-	2,480,852
Share based payments	10	-	-	-	-	-	-	521,584	-	521,584
Expiry of warrants		-	(14,863,478)	-	-	(4,979,000)	-	4,979,000	-	-
Convertible debentures		-	-	-	23,315	-	-	-	-	23,315
Loss for the period		-	-	-	-	-	-	-	(2,648,416)	(2,648,416)
Balance Sept 30, 2011		161,002,686	35,437,322	\$67,959,801	\$ 23,315	\$2,248,893	\$ -	\$17,736,210	\$ (87,340,424)	\$ 627,795

See accompanying notes to the financial statements

Stealth Ventures Ltd.

Statements of Cash Flows

(unaudited)

	Note	<i>Nine months ended</i> September 30, 2011	<i>Nine months ended</i> September 30, 2010
Cash provided by (used in):			
Operating activities			
Net loss		\$ (2,648,416)	\$ (7,039,790)
<i>Items not involving cash</i>			
Depletion and depreciation		582,488	973,443
Accretion		66,149	80,127
Stock based compensation		521,584	-
Deferred tax recovery		(7,772)	-
Impairment of petroleum and natural gas properties		380,708	5,388,474
		(1,105,259)	(597,746)
Change in non cash working capital related to operations	5	(1,070,325)	1,669,862
		(2,175,584)	1,072,116
Financing activities			
Share subscription receivable		2,480,852	1,503,735
Issue of convertible debentures		919,700	
Repayment of bank debt		(1,000,000)	(1,042,279)
Warrants issued with shares		-	160,064
		2,400,552	621,520
Investing activities			
Petroleum and natural gas properties		(55,778)	(492,476)
Furniture and fixtures		1,001	(7,055)
		(54,777)	(499,531)
Increase in cash		170,191	1,194,105
Cash and cash equivalents, beginning of period		315,816	295,558
Cash and cash equivalents, end of period		\$ 486,007	\$ 1,489,663

See accompanying notes to the financial statement

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 1: Reporting entity:

Stealth Ventures Ltd. ("Stealth" or the "Company") is engaged in exploration for, and production of, petroleum and natural gas reserves in Western Canada and Nova Scotia. At the date of this report the Company's production was 100% natural gas from Western Canada. The Company conducts some of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities. For the nine months ended September 30, 2011, the Company reported a net loss of \$2,648,416 and a working capital deficiency of \$217,670 (Current assets - \$1,914,644 less current liabilities - \$2,132,314). The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financings, borrowings and operations to be able to meet its obligations as they become due. These financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management believes that a going concern assumption is appropriate for these financial statements. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary.

Note 2: Basis of presentation:

(a) Statement of compliance:

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These condensed interim financial statements are for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. They do not include all of the information required for full annual financial statements. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 15. This note includes reconciliations of equity and comprehensive income for comparative periods previously reported under Canadian GAAP. The interim financial statements were authorized for issuance by the Board of Directors on November 28, 2011.

(b) Basis of measurement:

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

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NOTES TO INTERIM FINANCIAL STATEMENTS
Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 2: Basis of presentation (continued):

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

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

- (d) Use of estimates and judgments:

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

Note 3: Significant Accounting Policies:

The accounting policies as set out in note 3 of the March 31, 2011 interim financial statements have been applied consistently to all periods presented in these interim financial statements.

Note 4: Finance income and expenses:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Finance Income				
Interest income on deposits	\$ 1,023	\$ 461	\$ 5,716	\$ 959
	1,023	461	5,716	959
Financing expenses				
Interest on loans and borrowings	23,507	39,145	99,236	95,820
Accretion on decommissioning liabilities	20,042	27,271	66,149	80,127
	43,549	66,416	165,385	175,947
Net finance expenses	\$ 42,526	\$ 65,955	\$ 159,669	\$ 174,988

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 5: Supplemental cash flow information:

Changes in non cash working capital is comprised of:

	September 30, 2011	September 30, 2010
Source (use) of cash		
Accounts receivable	\$ (816,109)	\$ 321,392
Prepaid expenses	(124,372)	258,065
Accounts payable and accrued liabilities	(129,844)	1,090,405
	(1,070,325)	1,669,862
Related to:		
Operating activities	(1,070,325)	1,669,862
	\$ (1,070,325)	\$ 1,669,862

Note 6: Property and equipment:

	Oil and natural gas assets	Computer and office equipment	Total
Cost or deemed cost:			
Balance at January 1, 2010	\$ 14,541,005	\$ 468,559	\$ 15,009,564
Additions	305,593	-	305,593
Disposals	-	(69,129)	(69,129)
Balance December 31, 2010	14,846,598	399,430	15,246,028
Additions	283,827	-	283,827
Disposals	-	(1,001)	(1,001)
Balance September 30, 2011	\$ 15,130,425	\$ 398,429	\$ 15,528,854
Depletion, depreciation and amortization:			
Balance January 1, 2010	\$ -	\$ (246,143)	\$ (246,143)
Depletion, depreciation and amortization	(1,293,866)	(11,404)	(1,305,270)
Impairment loss	(9,065,832)	-	(9,065,832)
Loss on disposal	-	(35,442)	(35,442)
Disposals	-	22,785	22,785
Balance December 31, 2010	(10,359,698)	(270,204)	(10,629,902)
Depletion, depreciation and amortization	(557,278)	(25,210)	(582,488)
Impairment loss	(380,708)	-	(380,708)
Balance September 30, 2011	\$ (11,297,684)	\$ (295,414)	\$ (11,593,098)
Net book value September 30, 2011	\$ 3,832,741	\$ 103,015	\$ 3,935,756
Net book value December 31, 2010	\$ 4,486,900	\$ 129,226	\$ 4,616,126

a) Security:

At September 30, 2011 and December 31, 2010 all of the Company's properties are pledged as security for the term loan.

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NOTES TO INTERIM FINANCIAL STATEMENTS
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Note 6: Property plant and equipment (continued):

b) Contingencies:

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

Note 7: Exploration and evaluation assets:

	Exploration and evaluation assets
Cost:	
Balance at January 1, 2010	\$ 750,000
Additions	-
Balance at December 31, 2010	<u>750,000</u>
 Additions	 -
Balance at September 30, 2011	<u>\$ 750,000</u>

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

Note 8: Impairment loss:

The Company looks for indicators of impairment at each financial statement date. Due to the declines in the forward curve for natural gas prices the Company tested its CGU for impairment at September 30, 2011 which resulted in an impairment of \$322,033 (September 2010 - \$1,016,344). The recoverable amount of the CGU was estimated based on the higher of the value in use and the fair value less cost to sell. The estimate of the fair value less cost to sell was determined using a discount rate of 10 percent and forecast cash flows, with escalating prices and future development costs, as obtained from the reserve report. The prices used to estimate the fair value less cost to sell are those used by independent industry reserve engineers.

Based on this assessment, the carrying amount of the CGU was determined to be higher than its recoverable amount by \$1,016,344 for the three months ended September 31, 2010 and \$322,033 for the three months ended September 30, 2011 and thus an impairment was recorded in the periods.

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NOTES TO INTERIM FINANCIAL STATEMENTS

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Note 9: Share Capital:

a) Authorized:

Unlimited number of common shares with no nominal or par value

Shares and warrants:

	Number	Amount
Voting common shares issued:		
Balance, January 1, 2010	125,786,686	\$ 66,062,020
Private placement \$0.10 per unit (i)	6,716,000	511,536
Private placement \$0.10 per unit (i)	3,500,000	271,242
Private placement \$0.10 per unit (ii)	25,000,000	1,203,280
Share issue costs		(88,277)
Balance December 31, 2010 and September 30, 2011	161,002,686	\$ 67,959,801
Purchase warrants issued:		
Balance January 1, 2010	41,911,418	\$ 9,202,031
Expired	(7,436,800)	(2,868,180)
Expired	(1,781,818)	(641,500)
Private placement (i)	3,358,000	160,064
Private placement (i)	1,750,000	78,758
Private placement (ii)	12,500,000	1,296,720
Balance, December 31, 2010	50,300,800	7,227,893
Expired	(14,863,478)	(4,979,000)
Balance, September 30, 2011	35,437,322	2,248,893
Share capital, September 30, 2011		\$ 70,208,694

As at September 30, 2011, purchase warrants outstanding are:

Exercise Price	Expiry Date	Fair Value	Number of Warrants	Amount
\$0.15	December 31, 2011	\$ 0.040	17,829,322	\$ 713,351
\$0.25	July 12, 2012	0.048	3,358,000	160,064
\$0.25	October 26, 2012	0.045	1,750,000	78,758
\$0.25	December 24, 2012	0.104	12,500,000	1,296,720
		\$ 0.063	35,437,322	\$ 2,248,893

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

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

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Note 9: Share Capital (continued):

placement announced June 17, 2010 closed on October 26, 2010 and consisted of the sale of 3,500,000 units at a price of \$0.10 per unit for gross proceeds of \$350,000. Each unit consists of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 until October 26, 2012. (ii) The Company also closed a non-brokered private placement consisting of the sale of 25,000,000 units at a price of \$0.10 per unit for gross proceeds of \$2,500,000. Each unit consists of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 until December 24, 2012. Share subscription receivable was the balance of the funds from the private placement that closed December 24, 2010. All funds were received in the first quarter of 2011.

Note 10: Share based payments:

The shareholders approved a new Incentive Stock Option Plan (Plan) at the Annual General Meeting held in Calgary on September 22, 2011 in replacement of the existing plan (Old Plan). The Plan is a 10% rolling stock option plan, where the Old Plan was a fixed plan, fixing the number of stock options that could be granted under the plan at a maximum of 18,000,000 options. The maximum under the Plan is 10% of the issued and outstanding number of Common Shares of the Company. Both the Old Plan and the Plan are 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 is subject to the following additional limitations: (a) the aggregate number of Common Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Company, must not exceed five (5% percent of the then outstanding Common Shares (on a non-diluted basis); (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-dilutive basis) may be reserved at any time for insiders under the Plan, together with all other security based compensation arrangements of the Company; (c) the number of securities of the Corporation issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares; (d) options shall not be granted if the exercise thereof would result in the issuance

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NOTES TO INTERIM FINANCIAL STATEMENTS

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Note 10: Share based payments (continued):

of more than two (2%) percent of the issued Common Shares of the Company in any 12 month period to any one (1) consultant of the Company (or any of its subsidiaries); and (e) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Company in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one-quarter (1/4) of the options vesting in any three (3) month period.

All current outstanding options at September 30, 2011 were issued under the Old Plan and roll into the New Plan.

	Number of options	Weighted average exercise price
Balance January 1, 2010	4,296,000	\$ 0.50
Expired	(350,000)	0.67
Forfeited	(2,050,000)	0.50
Balance December 31, 2010	1,896,000	0.46
Granted	5,350,000	0.15
Forfeited	(946,000)	0.44
Balance September 30, 2011	6,300,000	\$ 0.20

The following table summarizes information about the stock options outstanding under the Old Plan at September 30, 2011:

		Options Outstanding			Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price		
\$ 0.98	300,000	1.68	\$ 0.98	300,000	\$ 0.98		
0.25	650,000	2.18	0.25	650,000	0.25		
0.15	5,350,000	4.38	0.15	5,350,000	0.15		
\$ 0.15-0.98	6,300,000	4.02	\$ 0.20	6,300,000	\$ 0.20		

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NOTES TO INTERIM FINANCIAL STATEMENTS

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Note 10: Share based payments (continued):

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

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

As the options were immediately vested, no forfeiture rate was used as all expense was incurred immediately. Stock based compensation of \$521,584 was expensed in the nine months ended September 30, 2011 (September 30, 2010 – nil). There were no options granted in 2010 or the second and third quarters of 2011.

Note 11: Convertible Debentures:

On September 28, 2011, the Company issued \$1.0 million of convertible debentures (“Debentures”). The Debentures have a face value of \$10,000 and bear interest at a rate of 10% per annum paid annually in arrears on the anniversary of the issue date, and mature 2 years from issue date. The Debentures are convertible into Underlying Units at the holder’s option at a conversion price of \$0.12 per common share (the “Conversion Price”), subject to adjustment in certain events. Each Underlying Unit is comprised of one common share and one Warrant, each Warrant entitling the holder to acquire one additional common share at a price of \$0.15 for two years from the original issuance date of the Debenture. The Company can require the holder to convert the Debenture when the 21 day volume weighted average trading price of the common shares on the TSX Venture exchange is at or above \$0.20 per common share.

The Debentures were determined to be compound instruments. As the Debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. Using the residual method, the carrying amount of the conversion features is the difference between the principal amount and the carrying value of the financial liability. The Debentures, net of the equity component and issue costs are accreted using the effective interest rate method over the term of the Debentures, such that the carrying amount will equal the total face value of the Debenture at maturity.

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NOTES TO INTERIM FINANCIAL STATEMENTS

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Note 11: Convertible Debentures (continued):

	Proceeds	Debt component	Equity component
Balance January 1, 2011	\$ -	\$ -	\$ -
Debentures issued September 28, 2011	1,000,000	966,199	33,801
Issue costs	(80,300)	(77,586)	(2,714)
Deferred tax liability	-	-	(7,772)
Balance September 30, 2011	\$ 919,700	\$ 888,613	\$ 23,315

Note 12: Loss per share:

Basic and diluted loss per share was calculated as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30 2010
Loss for period	\$ (1,022,130)	\$ (1,623,529)	\$ (2,648,416)	\$ (7,039,790)
Common shares outstanding at January 1	161,002,686	125,786,686	161,002,686	125,786,686
Common shares outstanding end of period	161,002,686	132,502,686	161,002,686	132,502,686
Weighted average number of common shares (basic)	161,002,686	127,658,358	161,002,686	127,041,323
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.06)

Note 13: Decommissioning liability:

The Company's decommissioning liability results from net ownership interests in oil and gas assets including well sites and gathering systems. The Company estimated the net present value of the decommissioning obligations to be \$2,951,677 at September 30, 2011 (December 31, 2010 - \$2,657,479), based on an undiscounted inflation adjusted total future liability of \$3,935,698 (December 31, 2010 - \$3,935,698) which will be incurred between 2016 and 2023. A risk-free rate of 2.74% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligations.

Asset retirement obligations	September 30, 2011	Year ended December 31, 2010
Beginning of year	\$ 2,657,479	\$ 2,639,073
Change in estimate	228,049	(89,268)
Accretion expense	66,149	107,674
Asset retirement obligations, end of period	\$ 2,951,677	\$ 2,657,479

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Note 14: Loans and borrowings:

At September 30, 2011 the Company had a \$1.5 million term loan from a private group with \$1.0 million drawn on it (December 2010 \$2.0 million). The term loan bears a fixed interest rate of 9% and is secured by the assets of the Company. With the final closing of the Convertible Debentures, anticipated in the fourth quarter of 2011 this loan will be repaid and the security released.

Note 15: Adoption of International Financial Reporting Standards:

The accounting policies in Note 3 have been applied in preparing the interim financial statements for the three and nine months ended September 30, 2011 and the comparative information for the three and nine months ended September 30 2010. In preparing the condensed interim financial statements for the three and nine months ended September 30, 2011 the comparative information for the three and nine months ended September 30, 2010 have been adjusted from the amounts previously reported in the financial statements prepared in accordance with Canadian GAAP.

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

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NOTES TO INTERIM FINANCIAL STATEMENTS

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Reconciliation of shareholders' equity from Canadian GAAP to IFRS as at September 30, 2010

Assets	<i>Note</i>	<i>Canadian GAAP</i>	<i>Impairment</i>	<i>Exploration & evaluation assets</i>	<i>Decommissioning liabilities</i>	<i>Depletion</i>	<i>Flow through shares</i>	<i>IFRS</i>
Current Assets								
<i>Cash and cash equivalents</i>		\$ 1,489,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,489,663
<i>Accounts receivable</i>		196,172	-	-	-	-	-	196,172
<i>Prepaid expenses</i>		280,337	-	-	-	-	-	280,337
		1,966,172	-	-	-	-	-	1,966,172
<i>Computer and office equipment</i>		170,954	-	-	-	-	-	170,954
<i>Petroleum and natural gas properties</i>	<i>a,b,c,d</i>	18,485,410	(9,229,400)	(750,000)	-	224,071	-	8,730,081
<i>Exploration and evaluation assets</i>	<i>b</i>	-	-	750,000	-	-	-	750,000
		20,622,536	(9,229,400)	-	-	224,071	-	11,617,207
Liabilities								
Current liabilities								
<i>Accounts payable and accrued liabilities</i>		1,668,659	-	-	-	-	-	1,668,659
<i>Bank loan payable</i>		2,153,446	-	-	-	-	-	2,153,446
		3,822,105	-	-	-	-	-	3,822,105
<i>Decommissioning liability</i>	<i>e</i>	1,937,737	-	-	781,463	-	-	2,719,200
Shareholders' equity								
<i>Share capital</i>		65,462,509	-	-	-	-	1,067,647	66,530,156
<i>Purchase warrants</i>		5,852,415	-	-	-	-	-	5,852,415
<i>Contributed surplus</i>		12,235,626	-	-	-	-	-	12,235,626
<i>Deficit</i>		(68,687,856)	(9,229,400)	-	(781,463)	224,071	(1,067,647)	(79,542,295)
		14,862,694	(9,229,400)	-	(781,463)	224,071	-	5,075,902
		\$ 20,622,536	\$ (9,229,400)	\$ -	\$ -	\$ 224,071	\$ -	\$ 11,617,207

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Reconciliation of total comprehensive income for the three months ended September 30, 2010

	Note	Canadian GAAP	Impairment	Decommissioning liabilities	Depletion	IFRS
Revenue						
Petroleum and natural gas sales		\$ 592,954	\$ -	\$ -	\$ -	\$ 592,954
Royalties		(31,606)	-	-	-	(31,606)
		561,348	-	-	-	561,348
Expenses						
Oil and gas operating		439,162	-	-	-	439,162
Depletion and depreciation	c	456,160	-	-	(224,071)	232,089
General and administration		431,327	-	-	-	431,327
Impairment of oil and gas properties	d	-	1,016,344	-	-	1,016,344
		1,326,649	1,016,344	-	(224,071)	2,118,922
Net loss from operating activities		(765,301)	(1,016,344)	-	224,071	(1,557,574)
Financing income		(461)	-	-	-	(461)
Financing expense		100,553	-	(34,137)	-	66,416
Net finance costs		100,092	-	(34,137)	-	65,955
Net loss and comprehensive loss		\$ (865,393)	\$ (1,016,344)	\$ 34,137	\$ 224,071	\$ (1,623,529)

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Reconciliation of total comprehensive income for the nine months ended September 30, 2010

	Note	Canadian GAAP	Impairment	Decommissioning liabilities	Depletion	IFRS
Revenue						
Petroleum and natural gas sales		\$ 2,054,504	\$ -	\$ -	\$ -	\$ 2,054,504
Royalties		(7,902)	-	-	-	(7,902)
		2,046,602	-	-	-	2,046,602
Expenses						
Oil and gas operating		1,367,195	-	-	-	1,367,195
Depletion and depreciation	c	1,773,588	-	-	(800,145)	973,443
General and administration		1,182,292	-	-	-	1,182,292
Impairment of oil and gas properties	d	-	5,388,474	-	-	5,388,474
		4,323,075	5,388,474	-	(800,145)	8,911,404
Net loss from operating activities		(2,276,473)	(5,388,474)	-	800,145	(6,864,802)
Financing income		(959)	-	-	-	(959)
Financing expense		218,208	-	(42,261)	-	175,947
Net finance costs		217,249	-	(42,261)	-	174,988
Net loss and comprehensive loss		\$ (2,493,722)	\$ (5,388,474)	\$ 42,261	\$ 800,145	\$ (7,039,790)

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 15: Adoption of International Financial Reporting Standards (continued):

Notes to reconciliation:

- a) Property Plant and Equipment ("PP&E") – The Company's PP&E assets were allocated to its CGU's unlike under Canadian GAAP where all oil and natural gas assets are accumulated into one cost centre. The deemed cost of the Company's oil and natural gas assets were allocated to its defined CGU's based on the Company's total proved plus probable reserve values as at January 1, 2010, in accordance with IFRS 1. These CGU's were aligned with the major regions in which the Company operates and could change in the future as a result of a significant acquisition or disposition activity. With all of the Company's assets that are associated with proved and probable located in the Wildemere area of Alberta all of the reserves are located within the Wildmere CGU, resulting in no change in the transition from Canadian GAAP to IFRS.
- b) Exploration and Evaluation ("E&E") expenditures – Upon transition to IFRS, the Company reclassified all E&E expenditures that were included in the PP&E balance on the statement of financial position. The only E&E expenditures that the Company holds are the assets in the Cumberland CGU, the assets in Nova Scotia. E&E assets will not be depleted and will be assessed for impairment when indicators of impairment exist. At September 30, 2010 and September 30, 2011 the only assets in E&E are the assets in the Cumberland CGU located in Nova Scotia.
- c) Depletion expense – The Company has chosen to calculate its depletion using a reserve base of total proved plus probable reserves as compared to using only proved reserves under Canadian GAAP. As a result, the depletion expense decreased as compared to its current calculation under Canadian GAAP.

	Three months ended September 30 2010	Nine months ended September 30 2010
Decrease in depletion	\$ (224,071)	\$ (800,145)
Decrease deficit	\$ 224,071	\$ 800,145

STEALTH VENTURES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 15: Adoption of International Financial Reporting Standards (continued):

- d) Impairment of PP&E assets – Under IFRS, an impairment test of PP&E is performed at the CGU level as opposed to the entire PP&E balance, which was required under Canadian GAAP through the full cost ceiling test. Under IFRS the Company used a discount rate of 10% rather than the 5% used under Canadian GAAP.
- e) Decommissioning liabilities – Under IFRS the Company re-measured its liabilities for asset retirement obligations using the risk free rate of interest. IFRS requires that asset retirement obligations be re-measured each reporting period for changes in the discount rate with a corresponding adjustment to the cost of property, plant and equipment. At September 30, 2010 the Company's total decommissioning liabilities increased by \$781,463 to \$2,719,200 as the liability was revalued to reflect the estimated risk free rate of 4.08% as compared to the credit adjusted risk free rate of 8% used previously under GAAP. At December 31, 2010 the Company changed the risk free rate to 3.51% based on the long term bond rate.

	As at September 30, 2010	
Increase in decommissioning liabilities	\$	781,463
Increase deficit	\$	(781,463)

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

STEALTH VENTURES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS
Three and nine months ended September 30, 2011 and 2010 (unaudited)

Note 16: Subsequent event:

Subsequent to the end of the quarter the Company announced the signing of a binding agreement to acquire a private company (Target Company) that has working interests in producing oil & gas assets coupled with exploration acreages, in India.

The transaction, valued at about USD 45 million, is contemplated as a Plan of Arrangement that involves the acquisition of the entire equity shares of the Target Company. The purchase consideration will be settled with a split of USD 20 million in cash and the equivalent of USD 25 million in non-voting shares of the Company. The Transaction will be completed soon after the required approvals from the Government of India are received.