

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011**

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 period ended September 30, 2011. The MD&A includes comparisons for the corresponding year ended December 31, 2010 and the three and nine months ended September 30, 2010. It should be read in conjunction with the unaudited interim financial statements for September 30, 2011 and the audited financial statements for the year ended December 31, 2010. The audited financial statements for the year ended December 31, 2010 were prepared under Canadian GAAP. This MD&A has been prepared effective November 28, 2011

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

**Non-IFRS Measurements** - Within Management's discussion and analysis, references are made to terms commonly used in the oil and natural gas industry. Management uses "funds from operations" and the "ratio of debt to funds from operations" to analyze operating performance and leverage. Funds from operations, as presented, does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. 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. Operating netbacks equal production revenue and realized gains or losses on financial instrument contracts, less royalties, transportation and operating expenses calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period. Management uses these terms to analyze operating performance and leverage. Disclosure provided herein in respect of boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Total boe are calculated by multiplying the daily production by the number of days in the period.

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

Stealth Ventures Ltd. is a Calgary based junior oil and gas exploration and development company incorporated under the *Company Act* (British Columbia) on December 19, 1996, and filed a Transition Application under the *Business Corporations Act* (British Columbia) on August 2, 2005. Stealth's shares are listed on the TSX Venture Exchange, symbol SLV. Stealth is a reporting issuer in the provinces of British Columbia and Alberta, with its head and principal office located at Suite 3300, 250 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7.

### **Corporate Strategy**

Stealth's corporate strategy is to bring its experience, expertise and technology that it has gained in the Canadian industry, into the international marketplace, in general and more specifically, into Asia. After closing a \$2.5-million

private placement in 2010, along with changes at the board level, Stealth began to move the focus of the Company into the international arena with an immediate focus on India and Indonesia, while keeping a close watch on other opportunities in and around Asia. The Company's mandate is to leverage its core competency by analyzing and developing high-impact unconventional oil and gas resource plays primarily in India as well as South and East Asia. In September, 2010, the Company entered into a Joint Study Agreement (JSA) with the Oil and Natural Gas Corp. Ltd., the National Oil Company of India, (ONGC) to evaluate emerging unconventional resource plays and opportunities in India. Stealth is drawing on its extensive unconventional resource-play experience, expertise and technology utilization to favorably position itself in the early life cycle of such resource development with the ultimate objective of adding shareholder value and growth. Stealth continues to aggressively execute its primary strategy of growing its presence in the international oil and gas sector, and, as such, the Board determined that it was an appropriate time to assess strategic options to enable the Company to complete its transformation into the international arena.

## **Oil and Gas Properties**

### **Wildmere, Alberta - The Colorado Group**

The unconventional gas play at Wildmere has grown and matured to encompass a critical mass of land, technology, and production so that it has now evolved from being described as an exploration discovery in the Colorado Group to a development play in unconventional gas. To date Stealth has completed testing and production drilling designed to delineate appropriate technologies and further confirm geological characteristics.

With almost four years of production from the field, and two key sections of land being drilled to 4 wells per section as a pilot for economic viability, Stealth began the process of filing for holdings on its Wildmere property in late 2009. As per definition 5.200 of the Oil and Gas Regulations 151/71 of the Oil and Gas Conservation Act, a Holding is defined as; whole, contiguous drilling spacing units of common ownership. As such Stealth had applied for Holding Approval to have 8 drilling spacing units (wells) per section of land on 29 Sections in the Wildmere area. This is an increase from the 4 wells per section currently permitted under Energy Resources Conservation Board (ERCB) regulations. To date Stealth has received 100% success rate on the applications filed and has succeeded in securing 29 sections to 8 wells per section in its core area. These positions for infill drilling are in the most prolific areas of the land base, and Stealth plans to resume drilling as and when gas prices look favorable to support additional capital and operating costs.

Further regulatory compliance was met when Stealth received co-mingling approval for all wells within the Colorado Group. This will allow go forward developments to include multiple horizons increasing the recoverable reserves within the shale package compared to a single perforation horizon alone.

The current pricing for natural gas has made it a challenge to operate and develop this property. The Company has done extensive work to reduce the operating costs to improve the netback received. These measures continue into 2011 and will continue to add to the bottom line of Stealth.

### **Cumberland, Nova Scotia - The Cumberland Basin, Coalbed Methane**

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

On October 25<sup>th</sup>, 2007 Stealth signed a 10 year Coal-gas Production Agreement with the Government of Nova Scotia. The Cumberland Basin represents a gas resource play in Nova Scotia estimated by Sproule Associates Limited to contain 1.18 trillion cubic feet of discovered CBM resource; which is in close proximity to the Maritimes & Northeast pipeline, and is expected to have access to low-pressure gas infrastructure built by Heritage Gas of Dartmouth, Nova Scotia, in addition to other sales options such as Underground Coal Gasification (UCG) or electrical generation.

Early in 2009, Stealth Ventures Ltd. informed the Department of Energy that it was actively looking for a joint venture partnership to continue exploring the Cumberland Basin through the use of farm-in dollars. To facilitate the marketing of the Cumberland Basin, Stealth contracted PLS/Divestpro in the spring of 2009 and a strong push was made to market the property to their proprietary data base of prospective farm in candidates, which is both global and accredited.

## RESULTS OF OPERATIONS

Sales volumes	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Natural gas (mcf/d)	<b>1,210</b>	1,714	<b>1,421</b>	1,780
Barrels of oil equivalent (boe/d @ 6:1)	<b>202</b>	286	<b>237</b>	297

Natural gas sales averaged 1,210 mcf/d in the third quarter of 2011 and 1,421 mcf/d in the nine months ended September 30, 2011 compared to 1,714 mcf/d for the third quarter 2010 and 1,780 mcf/d in the nine months ended September 30, 2010. This reduction is due to normal declines with no added production as no new drilling was done due to the low commodity prices.

Revenue \$	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Natural gas	<b>353,636</b>	592,954	<b>1,341,854</b>	2,054,504
Interest and other income	<b>1,023</b>	461	<b>5,716</b>	959
Total revenue	<b>354,659</b>	593,415	<b>1,347,570</b>	2,055,463

For the three months ended September 30, 2011, gross revenue was \$353,636 compared to \$592,954 for the same period in 2010 and \$1,341,854 in the nine months ended September 30, 2011 compared to \$2,054,504 in the nine months ended September 30, 2010. The quarterly difference can be attributed to continued downward pressure on commodity prices and lower production, combined with the expiry of the gas price hedge the Company had in 2010.

Commodity prices	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Natural gas (\$/mcf)	<b>3.18</b>	3.76	<b>3.46</b>	4.23
Sale price per boe	<b>19.06</b>	22.56	<b>20.75</b>	25.36

Stealth received daily spot gas pricing in the form of AECO C, 5A at the wellhead for 100% of its gas production.

## Royalties

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

Royalties	Three months ended September 30	Nine months ended September 30

	<b>2011</b>	2010	<b>2011</b>	2010
Royalties (dollars)	<b>(8,919)</b>	31,606	<b>49,301</b>	7,902
% of sales	<b>(2.52)</b>	5.3	<b>3.67</b>	0
\$/boe	<b>(0.48)</b>	1.20	<b>0.76</b>	0.10

During the third quarter of 2011 royalties averaged (2.52%) compared to 3.67% over the same quarter in 2010. The credit in the third quarter of 2011 is due to annual Gas Cost Allowance (GCA) adjustment. Included in this royalty rate are the GOR's that various companies have on parts of Stealth's land base.

### Operating Costs

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

Operating costs	Three months ended September 30		Nine months ended September 30	
	<b>2011</b>	2010	<b>2011</b>	2010
Gas operating (dollars)	<b>332,713</b>	439,162	<b>1,087,637</b>	1,367,195
\$/boe	<b>17.93</b>	16.71	<b>16.82</b>	16.87

Operating costs were \$332,713 in the three months ended September 30, 2011 and \$1,087,637 for the nine months ended September 30, 2011 compared to \$439,162 during the three months ended September 30, 2010 and \$1,367,195 in the nine months ended September 30, 2010. The reduction in operating costs is the result of continual cost control including the reduced costs from shutting in a number of wells with lower production.

Netbacks (\$/boe)	Three months ended September 30		Nine months ended September 30	
	<b>2011</b>	2010	<b>2011</b>	2010
Sale price	<b>19.06</b>	22.56	<b>20.75</b>	25.36
Less:				
Royalties	<b>0.48</b>	(1.20)	<b>(0.76)</b>	(0.10)
Operating costs	<b>(17.93)</b>	(16.71)	<b>(16.82)</b>	(16.87)
<b>Field Netback</b>	<b>1.61</b>	4.65	<b>3.17</b>	8.39
General and administrative	<b>(26.96)</b>	(16.41)	<b>(18.81)</b>	(14.59)
Interest income	<b>0.06</b>	0.02	<b>0.09</b>	0.01
Interest on debt	<b>(1.27)</b>	(1.49)	<b>(1.53)</b>	(1.18)
<b>Cash netback</b>	<b>(26.56)</b>	(13.23)	<b>(17.09)</b>	(7.37)

For the three months ended September 30, 2011 the field netback decreased to \$1.61 from \$4.65 in the three months ended September 30, 2010 and decreased to \$3.17 in the nine months ended September 30, 2011 from \$8.39 in the nine months ended September 30, 2010. The decrease is due to the reduced volumes and continuing pressure on gas prices.

### Depletion and Depreciation

Depletion and depreciation for the three months ended September 30, 2011 was \$194,928 down from \$232,089 for the three months ended September 30, 2010 and for the nine months ended September 30, 2011 was \$582,488 down from \$973,443 in the nine months ended September 30, 2010. The decrease is a result of the asset impairment write down at year end 2010 and the first and third quarters of 2011.

General and Administrative Costs	Three months ended September 30		Nine months ended September 30	
	<b>2011</b>	2010	<b>2011</b>	2010
G&A expenses	<b>500,257</b>	431,327	<b>1,216,655</b>	1,182,292
\$/boe	<b>26.96</b>	16.41	<b>18.81</b>	14.59
Share-based compensation	-	-	<b>521,584</b>	-

General and administrative costs increased to \$500,257 in the three months ended September 30, 2011 from \$431,327 in the three months ended September 30, 2010 and increased slightly to \$1,216,965 in the nine months ended September 30, 2011 from \$1,182,292 in the nine months ended September 30, 2010. The general and administrative costs have been reduced dramatically on the domestic front, but these savings have been offset by the increased costs pursuing the international projects. As all the domestic projects are in the pre-license phase all costs continue to be expensed directly to general and administrative costs,

### Impairment on Petroleum and Natural Gas Assets

The Company tested the recoverable amount of the cash generating unit (“CGU”) against the carrying value of the CGU. The carrying value of the CGU was higher than the recoverable amount by \$58,675 at March 31, 2011 (March 31, 2010 - \$4,286,149) and an impairment was recorded in the first quarter of 2011. There were no indications of impairment, or reversals of impairments at June 30, 2011 so there was no impairment test done at June 30, 2011. The recoverable amount of the CGU was higher than the carrying value at September 30, 2011 by \$322,033 and an impairment was recorded. (Impairment at September 30, 2010 - \$1,016,344).

### Net Loss

The Company had a net loss for the three months ended September 30, 2011 of \$1,022,130 compared to a loss of \$1,623,529 in the three months ended September 30, 2010 and in the nine months ended September 30, 2011 the Company had a net loss of \$2,648,416 compared to a loss in the nine months ended September 30, 2010 of \$7,039,790. The decrease in the net loss for 2011 is mainly due to the large impairments in the 2010 slightly offset by the continued downward pressure on commodity prices.

### Capital Expenditures

Net capital expenditures for the three months ended September 30, 2011 totaled (\$500) compared to \$94,559 for the three months ended September 30, 2010, and for the nine months ended September 30, 2011 was \$54,777 compared to \$499,531 in the nine months ended September 30, 2010. Capital costs have been curtailed until the natural gas prices recover.

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Land - lease rentals	(1)	66,605	20,372	167,970
Geological and geophysical	-	-	-	128
Drilling (clean-up and lease rentals)	-	19,736	27,615	58,486
Equipment, facilities and pipeline	-	2,143	-	257,833
Completions	-	6,075	7,792	8,059
Office and computer equipment	(500)	-	(1,001)	7,055
Total capital expenditures	(501)	94,559	54,778	499,531

### Selected Quarterly Information

(amounts in thousands, except per share amounts and prices)

IFRS
------

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
<b>Operations</b>				
Natural gas (mcf/d)	1,210	1,588	1,469	1,636
Barrels of oil equivalent (boe/d @ 6:1)	202	265	245	273
Natural gas (\$/mcf)	3.18	3.58	3.56	4.21
<b>Financial</b>				
Oil and gas sales	354	518	471	637
Interest and other income	1.0	3.7	1.0	0.7
Royalty expense / (credit)	(9)	30	28	23
Funds / (Loss) from operations	(493)	(180)	(432)	(1,039)
Funds / (Loss) from operations / boe	(26.56)	(7.49)	(19.61)	(41.42)
Earnings / (Loss)	(1,030)	(405)	(1,221)	(5,150)
Earnings / (Loss) per share	(0.01)	(0.00)	(0.01)	(0.04)
Capital expenditures	(0.5)	33.4	21.9	(112)
Weighted average shares outstanding	161,003	161,003	161,003	136,916
<b>\$/boe</b>				
Average sale price	19.06	21.50	21.36	25.28
Average royalties paid (credit)	(0.48)	1.26	1.26	0.93
Average operating expenses	17.93	17.71	14.91	15.67
Field netback	1.61	2.53	5.19	8.68
Interest income /boe	0.06	0.15	.05	0.03
Interest on debt /boe	1.27	1.09	2.24	1.86
Cash netback (Loss) /boe	(26.56)	(7.49)	(19.60)	(41.43)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009
<b>Operations</b>		<b>IFRS</b>	<b>IFRS</b>	<b>C GAAP<sup>(1)</sup></b>
Natural gas (mcf/d)	1,714	1,823	1,787	1,929
Barrels of oil equivalent (boe/d @ 6:1)	286	304	298	3

Natural gas (\$/mcf)	3.76	4.13	4.78	4.57
	<b>Q3 2010</b>	<b>IFRS</b>	<b>IFRS</b>	<b>C-GAAP</b>
<b>Financial</b>		<b>Q2 2010</b>	<b>Q1 2010</b>	<b>Q4 2009</b>
Oil and gas sales	593	684	777	810
Interest and other income	0.5	-	0.5	13
Royalty expense / (credit)	32	(86)	(62)	(79)
Funds / (Loss) from operations	(348)	(272)	21	178
Funds / (Loss) from operations / boe	(13.25)	(9.80)	0.80	6.00
Earnings / (Loss)	(1,623)	(725)	(4,691)	(35,089)
Earnings / (Loss) per share	(0.01)	(0.01)	(0.04)	(0.37)
Capital expenditures	95	106	298	419
Weighted average shares outstanding	129,510	125,786	125,786	95,207
\$/boe				
Average sale price	22.56	27.83	28.70	27.40
Average royalties paid (credit)	1.20	(3.11)	2.30	(2.67)
Average operating expenses	16.71	21.87	11.92	8.78
Field netback	4.65	9.07	14.48	21.29
G & A expense /boe	0.02	-	12.66	13.97
Interest on debt /boe	1.49	1.08	0.99	1.71
Cash netback (Loss) /boe	(13.23)	(6.72)	0.85	6.04

<sup>(1)</sup> 2009 numbers are not restated for IFRS and thus still shown as reported per Canadian GAAP

## Commitments

The Company has executed various farm in and permit agreements. These agreements require Stealth to incur total expenditures of \$3.0 million which is for the Cumberland Basin Production Permit for fiscal 2011; however, the asset with a carrying value of \$750,000, at September 30, 2011, 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.

## Lease Agreements

Stealth has entered into lease arrangements for office space to October 31, 2012. The future minimum lease payments total approximately \$107,250 plus operating costs. Included in this amount is September and October 2012 lease payments that will be paid from the deposit being held.

## 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. The Company holds no financial derivatives.

## Financial Condition, Liquidity and Capital Resources

The Company had cash and cash equivalents of \$486,007 and a working capital deficiency of \$217,670 (Current assets - \$1,914,644 less current liabilities - \$2,132,314) as at September 30, 2011.

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 September 30, 2011, 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 will require both short term and long term capital as it continues to move into the projects in India and Southeast Asia. The Company is looking at many financing options including debt or new financings as the market allows and requirements dictate. Management of the Company is well connected into the financial market and believes that raising capital for the exciting upcoming projects will be manageable.

### Capital Stock, Options and Warrants

	Number	Amount
Voting common shares issued:		
Balance, January 1, 2010	125,786,686	\$ 66,062,020
Private placement \$0.10 per unit	6,716,000	511,536
Private placement \$0.10 per unit	3,500,000	271,242
Private placement \$0.10 per unit	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	3,358,000	160,064
Private placement	1,750,000	78,758
Private placement	12,500,000	1,296,720
Warrant equity December 31, 2010	50,300,800	7,227,893
Expired	(14,863,478)	(4,979,000)
Warrant equity September 30, 2011	35,437,322	2,248,893
Share capital September 30, 2011		\$ 70,208,694

Options	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

## Critical Accounting Estimates

The financial statements are prepared in accordance with IFRS. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period ended. Certain of these estimates may change from period to period resulting in a material impact on the Company's results of operations, financial position, and change in financial position.

### *Estimating oil and gas reserves*

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the amount of oil and gas reserves at least annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the definitions of reserves prescribed by National Instrument 51-101 (NI 51-101) and the Canadian Oil and Gas Evaluation (COGE) Handbook.

Proved plus probable reserves are defined as the estimated quantities of crude oil, natural gas liquids including condensate and natural gas that geological and engineering data demonstrate a 50% probability of being recovered at the reported level. Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's plans.

### *Impairment testing*

As a result of applying IFRS 1 exemption for deemed cost at January 1, 2010, the Company was required to test its CGU for impairment. Due to the declines in the forward curve for natural gas prices the Company tested its CGU for impairment at March 31, 2010, September 30, 2010, September 30, 2010, December 31, 2010, March 31, 2011 and September 30, 2011. There were no indications of impairment, or reversals of impairments at June 30, 2011 so there was no impairment test done at that date. 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.

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.

### *Decommissioning liabilities - ARO*

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of the Company's wells is estimated to take place far in the

future. Therefore, changes in estimated timing of future expenses, estimated logistics of performing abandonment work and the discount rate used to discount future expenses would have a significant effect on the carrying amount of the decommissioning provision.

#### ***Valuation of trade and other receivables, and prepayments to suppliers***

Management estimates the likelihood of the collection of trade and other receivables and recovery of prepayments based on an analysis of individual accounts. Factors taken into consideration include the aging of receivables in comparison with the credit terms allowed to customers and the financial position and collection history with the customer. Should actual collections be less than estimates, the Company would be required to record additional impairment expense

#### **International Financial Reporting Standards (IFRS)**

The Company adopted IFRS effective January 1, 2011. As a result, the Company's financial results for the nine months ended September 30, 2011 and comparative periods are reported under IFRS while selected historical data before 2010 continues to be reported under previous CGAAP. (Refer to note 16 of the interim financial statements for the period ended March 31, 2011 and note 14 of the interim financial statements for the period ended September 30, 2011 for the Company's assessment of the impacts of the transition to IFRS).

#### **Future Changes in Accounting Policies**

IFRS 13: Fair Value Measurement. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for all fair value measurements; clarifies the definition of fair value; and enhances the disclosures on fair value measurement. Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted.

#### **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

#### **Outlook**

The Company continues to aggressively execute on its primary strategy of growing its presence in the international oil and gas sector. An immediate focus was placed on India and on September 9, 2010 Stealth successfully signed a Joint Study Agreement (JSA) with the Oil and Natural Gas Corp. Ltd., the National Oil Company of India, (ONGC), focusing on unconventional hydrocarbon exploration and development in India. By sticking to the Company's core competency of analyzing and developing high impact unconventional oil and gas resource plays Stealth is well positioned to enter into India's unconventional sector. By diversifying out of the North American gas markets and into emerging marketplaces the Company is bringing its extensive unconventional resource play experience, expertise and technology, to position itself in the early lifecycle of such resource development and ultimately to add shareholder value and growth. The Company continues to assess other oil & gas opportunities in the Asian region, with a view to acquire exploration and production acreages that present a strong upside to the unconventional resource plays, besides having untapped potential in the conventional resource recoveries. The long term objective of the Company is to position itself as a leader of the unconventional resource plays in the international oil & gas market.

Stealth Ventures Ltd. is a Calgary based junior oil and gas exploration and Development Company focused on the exploration for, acquisition, development and production of unconventional hydrocarbon reserves, derived primarily from shale, Coalbed Methane (CBM) and tight sand reservoirs.

**Directors and Officers**

Subra Subramaniam, Calgary, Alberta, Chairman and CEO  
Roger Harman, Calgary, Alberta, Director and CFO

Rudy Cech, Calgary, Alberta, Director  
Ashok Bhasin, Calgary, Alberta, Director  
Siva Chidambaram, Calgary, Alberta, Director  
Trevor Wong-Chor Alberta, Corporate Secretary

**Contact Stealth Ventures Ltd.**

Subra Subramaniam, Chairman and CEO  
Stealth Ventures Ltd.  
3300, 205 – 5<sup>th</sup> Avenue SW  
Calgary, Alberta, T2P 2V7  
P. 1 403 514 9998  
F. 1 403 514 9995

**FORWARD LOOKING STATEMENTS**

Certain information contained herein may contain forward looking statements including management's assessment of future plans and operations, drilling plans and the timing thereof, commodity price risk management strategies, expected 2011 average production and exit rate, expected first quarter 2011 average production and production to be tied in, updating of ceiling test calculations, plans and timing related to the adoption of IFRS and the effects thereof, elections anticipated to be made under IFRS, anticipated liquidity of the Company and various matters that may impact such liquidity, expected 2011 operating expenses and general and administrative expenses, 2011 capital expenditures budget and the nature of capital expenditures and the timing and method of financing thereof, method of funding drilling commitments, commodity prices and expected volatility thereof, estimated amount and timing of incurring asset retirement obligations and use of proceeds from recent financings, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, 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 the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. In addition, forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information in order to provide shareholders with a more complete perspective on the Company's future operations. Such information may prove to be incorrect and readers are cautioned that the information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking

statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Additional information on these and other factors that could affect the Company'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 the Company's website ([www.stealthventures.ca](http://www.stealthventures.ca)). Furthermore, the forward-looking statements contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes