



STEALTH ENERGY INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2009



Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of **Stealth Energy Inc.:**

We have audited the consolidated balance sheet of Stealth Energy Inc. as at February 28, 2009 and the consolidated statements of loss and deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at February 28, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at February 29, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 19, 2008.

"Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC
May 26, 2009

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STEALTH ENERGY INC.
CONSOLIDATED BALANCE SHEETS

	February 28, 2009	February 29, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 57,602	\$ 819,139
Short term investment (note 5)	-	50,000
Receivables (note 6)	45,744	601,076
Prepaid expenses and deposits	24,803	50,535
	<u>128,149</u>	<u>1,520,750</u>
Oil and Gas Properties (Note 7)	9,737,883	74,004
Conservation Bond (Note 9)	<u>44,100</u>	<u>-</u>
	\$ 9,910,132	\$ 1,594,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,004,729	\$ 44,308
Short term loans	243,680	-
Due to related parties	36,266	7,104
Share subscription advances	434,900	-
	<u>1,719,575</u>	<u>51,412</u>
Asset Retirement Obligations (Note 8)	<u>55,842</u>	<u>-</u>
Total Liabilities	1,775,417	51,412
Shareholders' Equity		
Share capital (Note 10)	8,141,160	2,442,727
Contributed surplus (Note 10)	2,206,086	60,637
Deficit	<u>(2,212,531)</u>	<u>(960,022)</u>
	8,134,715	1,543,342
	\$ 9,910,132	\$ 1,594,754
Nature of Operations (Note 1)		
Commitments (Note 14)		
Subsequent Events (Note 15)		
On behalf of the Board:		
<u>"Robert Gardner"</u> Robert Gardner, Director	<u>"John Campbell"</u> John Campbell, Director	

The accompanying notes are an integral part of these consolidated financial statements.

STEALTH ENERGY INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT FOR THE YEARS ENDED**

	February 28, 2009	February 29, 2008
Revenues		
Petroleum and natural gas sales	\$ 388,008	\$ -
Cost of revenues		
Depletion and depreciation expenses	12,854	-
Lease taxes recovery (expenses)	57,731	-
	317,423	-
Expenses		
Accounting and legal	\$ 110,410	\$ 115,842
Consulting fees	334,068	98,390
Office and general	215,044	38,618
Property investigation costs	794	-
Stock based compensation	679,000	-
Travel expense	66,894	-
Transfer agent fees and filing fees	36,177	28,085
	(1,442,387)	(280,935)
Other income (loss)		
Gain (loss) on foreign exchange	(132,801)	12,356
Interest income	5,256	-
	(127,545)	12,356
Income (loss) before income taxes	(1,252,509)	-
Current income taxes recovery	-	-
Net loss and comprehensive loss for the period	(1,252,509)	(268,579)
DEFICIT, BEGINNING OF THE PERIOD	(960,022)	(691,443)
DEFICIT, END OF THE PERIOD	\$ (2,212,531)	\$ (960,022)
Basic and diluted loss per share	\$ (0.05)	\$ (0.03)
Weighted average number of common shares	27,664,646	9,010,485

The accompanying notes are an integral part of these consolidated financial statements.

STEALTH ENERGY INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED**

	February 28, 2009	February 29, 2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	\$ (1,252,509)	\$ (268,579)
Adjustment for item not involving cash:		
Depletion and depreciation expenses	6,699	-
Interest expenses	6,154	-
Stock based compensation	679,000	-
Foreign exchange loss	-	(955)
Changes in non-cash operating working capital:		
Decrease (increase) in receivables	555,333	5,991
Decrease (increase) in prepaid expenses and deposits	38,197	(32,369)
Increase(decrease) in accounts payable and accrued liabilities	1,040,058	15,105
Net cash flows from (used in) operating activities	1,072,932	(280,807)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Short term investment	50,000	(50,000)
Conservation bond	(44,100)	-
Acquisitions and expenditures on oil and gas properties	(9,629,554)	(53,529)
Net cash flows (used in) investing activities	(9,623,654)	(103,529)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Advances from shareholders	66,780	-
Due to a related party	36,284	7,104
Proceeds from short term loan	176,900	-
Shares issued for cash, net	7,164,882	1,054,697
Share subscriptions advance	434,900	-
Net cash flows from (used in) financing activities	7,879,746	1,061,801
Effect of exchange rate changes on cash and cash equivalents	(90,561)	(7,116)
(Decrease) in cash and cash equivalents	(761,537)	670,349
Cash and cash equivalents, beginning of year	819,139	148,790
Cash and cash equivalents, end of period	\$ 57,602	\$ 819,139
Supplemental disclosure with respect to cash flows:		
Interest paid in cash	\$ -	\$ -
Income tax paid in cash	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

STEALTH ENERGY INC.
CONSOLIDATED SCHEDULE OF OIL AND GAS PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES FOR YEAR ENDED

	For the Year Ended					For the Year Ended				
	February 28, 2009					February 29, 2008				
	East Teapot	Central Montana	Bethel Prospect	Total		East Teapot	Central Montana	Bethel Prospect	Total	
Balance, beginning of year	\$ -	\$ 9,829	\$ -	\$ 9,829	\$ -	\$ 9,143	\$ -	\$ 9,143	\$ -	\$ 9,143
Acquisition Cost	6,577,425	140,702	-	6,718,127	-	686	-	686	-	686
Balance, end of year	6,577,425	150,531	-	6,727,956	\$ -	\$ 9,829	\$ -	\$ 9,829	\$ -	\$ 9,829
Deferred Exploration Expenditures										
Balance, beginning of year	\$ 5,452	\$ 46,673	\$ 12,050	\$ 64,175	\$ -	\$ 5,524	\$ -	\$ 5,524	\$ -	\$ 5,524
Lease payment		414,072		414,072		14,330	12,050	14,330	12,050	26,380
Field Exploration Cost										
Manpower	560,299	505,542		1,065,841		16,766		16,766		16,766
Geotech	114,457	96,910		211,367	5,452	6,638		6,638		12,090
Transportation	228,050	8,260		236,310		1,309		1,309		1,309
Equipment rent	92,788	50,031		142,819		1,676		1,676		1,676
Secretarial	1,840	2,348		4,188		131		131		131
Material & Maintenance	389,288	402,732		792,020		-		-		-
Others	29,259	15,551		44,810		299		299		299
Assets Retirements Cost	34,325	-		34,325		-		-		-
Sub-total	1,450,306	1,081,374		2,531,680	5,452	26,819		26,819		32,271
Balance, end of year	\$ 1,455,758	\$ 1,542,119	\$ 12,050	\$ 3,009,927	\$ 5,452	\$ 46,673	\$ 12,050	\$ 46,673	\$ 12,050	\$ 64,175
Total	\$ 8,033,183	\$ 1,692,650	\$ 12,050	\$ 9,737,883	\$ 5,452	\$ 56,502	\$ 12,050	\$ 56,502	\$ 12,050	\$ 74,004

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Stealth Energy Inc. (the “Company”) was incorporated on February 21, 2006 under the laws of British Columbia. The Company’s principal business activity is in the acquisition of, exploration for and development of oil and gas properties. On May 17, 2006 the Company incorporated its subsidiary company, Stealth Energy USA, Inc.

The accompanying consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company’s investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has incurred losses since inception. As at February 28, 2009, the Company had a working capital deficiency of \$1,591,426 (2008 – working capital of \$1,469,338), and has recorded a deficit of \$2,212,531 (2008 - \$960,022).

To help manage liquidity, the Company has completed a private placement subsequent to the year end (Note 15), and continues to monitor additional financing opportunities to fund future prospects and commitments. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stealth Energy USA Inc. All significant inter-company transactions and balances have been eliminated upon consolidation.

Estimates, Assumptions and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The amounts recorded for depletion, depreciation and amortization of oil & gas properties and the provision for future asset retirement obligations are based on estimates of proved reserves, production rates, oil and gas prices, future prices and other relevant assumptions. Computation of stock based compensation expense includes estimates of future stock price volatility and dividend policies.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. There were no cash equivalents as at February 28, 2009 and February 29, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Short Term Investment

Short term investment represents a fixed term deposit held at the bank with a maturity of more than three months at the time of issuance, and is recorded at its fair value. As at February 28 2009, the Company has a short term investment of \$Nil (February 29, 2008 - \$50,000).

Deferred Charges

The Company adopted Emerging Issues Committee (EIC) 94, "Accounting for Corporate Transaction Costs." Costs incurred in connection with a proposed corporate transaction eligible for deferral are recorded as a non-current deferred charge.

Oil and Gas Properties

(i) Capitalized costs:

The full cost method of accounting is followed for oil and gas properties whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized into a cost centre for each respective country in which the Company has operations. Such costs include lease acquisitions, geological and geophysical activities, lease rentals on undeveloped properties, the drilling of productive and non-productive wells, and administration expenses directly related to the acquisition, exploration and developments activities.

(ii) Depletion and depreciation:

Total capitalized costs in each cost centre are depleted and depreciated using the unit of production method based on the Company's share of estimated gross proved oil and gas reserves as determined by independent reserve engineers. For purposes of the depletion and depreciation calculation, proved oil and gas reserves are converted to a common unit of measure on the basis of their approximate relative energy content.

The carrying value of unproved properties, including the cost of remote exploratory test wells, is initially excluded from the depletion calculation. A separate impairment test is performed on these assets to determine whether the carrying value exceeds the fair value. A property is considered to be impaired when its carrying value is less than its fair value. When proved reserves are assigned to a property or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Proceeds from the sale of oil and gas properties are applied against capitalized costs except when the sale results in a change in the rate of depletion rate of greater than 20%. When depletion rate changes are greater than 20%, gains or losses on disposition of petroleum properties are recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(iii) Ceiling test:

Oil and gas assets in each cost centre are evaluated in each reporting period to determine that the carrying amount is recoverable and does not exceed the fair value of the properties.

The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. Expected future asset retirement costs, discounted at the Company's credit adjusted risk free rate, are recorded as liabilities, and the carrying amount of the related long-lived asset is increased by the same amount.

Impairment of Long-Lived Assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Earnings (Loss) Per Share

Basic earning (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earning (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share because common share equivalents consisting of warrants and options to acquire common shares that are outstanding at February 28, 2009 and February 29, 2008 are anti-dilutive; however, they may be dilutive in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Stock-Based Compensation

The Company accounts for stock options granted using CICA Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". Under this Handbook section, the Company is required to expense, over the vesting period, the fair value of the options and awards granted. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Revenue Recognition

Revenue from the sales of natural gas, natural gas liquids and crude oil owned by the Company are recognized when title passes from the Company to its customers. As at February 28, 2009, the Company had generated a revenue of \$388,088 (February 29, 2008 - a revenue of \$0).

Risk Management

The Company is engaged in the acquisition of, exploration for and development of oil and gas properties. Although the Company has taken steps to verify title to oil and gas properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

The Company's principal business operation is exposed to environmental risks associated with oil and gas exploration activity. The Company records liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign Currency Translation

The accounts of the subsidiary, which is considered to be an integrated foreign operation, are translated into the Company's functional currency of Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

Financial Instruments

On March 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments - Recognition and Measurement" and Section 3861 "Financial Instruments - Disclosure and Presentation".

Section 3855 establishes standards for measuring and recognizing financial assets and financial liabilities and non-financial derivatives in the balance sheet. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings; non-financial derivative are measured at fair value with changes in fair value recorded in net earnings unless cash flow hedge accounting is applied, in which cash changes in fair value are recorded in other comprehensive income.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income comprises items recognized in comprehensive income, but excluded from net income calculated in accordance with Canadian GAAP.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of these accounting polices had no impact on the Company's prior year financial statements.

Upon adoption of these new standards, the Company classified its cash and cash equivalents and short term investment as held-for-trading, which are measured at fair value; receivables as loans and receivables, which are measured at amortized cost and accounts payable and accrued liabilities and due to a related party are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Adoption and Application of Accounting Policies

The Company adopted the following new accounting policies on a prospective basis as of March 1, 2008:

(a) Capital Disclosures

Handbook Section 1535 details the disclosure obligations relative to (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not so complied, the consequences of such non-compliance.

The Company has included disclosure recommended by the new Handbook section in note 3 to these consolidated financial statements.

(b) Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company has included disclosures recommended by the new Handbook sections in note 4 to these consolidated financial statements.

(c) General Standards of Financial Statement Presentation

Handbook Section 1400 includes requirements to assess and disclose an entity's ability to continue as a going concern. This adoption of the new standard did not have any significant impact on the consolidated financial statements of the Company.

Future Accounting Pronouncements

(a) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter 2011 filing, comparative financial statements in accordance with IFRS for the three months ended May 31, 2010.

(b) Goodwill and Intangible Assets

Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The new standard is effective as of January 1, 2009. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition of, exploration for and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Although the Company has commenced the oil and gas production during the year ended February 28, 2009 and generated certain revenue and cash flows, the Company is still dependent on external financing to fund its future business plan until it achieves a profitable level of operations. The Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to explore for its existing properties and will also look into other new properties if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended February 28, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, receivables, conservation bond, accounts payable and accrued liabilities, short term loans, due to related parties, and share subscription advances.

Financial instruments must be classified into one of five categories: held for trading, held to maturity, receivables, available for sale financial assets or other financial liabilities. All financial instruments, including all derivatives, are required to be recognized on the balance sheet initially at fair market value. Subsequent measurement of all financial assets and liabilities except those held for trading and available for sale are measured at amortized cost using the effective interest rate method. Held for trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available for sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recorded in net earnings. The Company has classified its cash and cash equivalents and conservation bond as held for trading; receivables are classified as loans and receivables, and accounts payable and accrued liabilities, short term loans, due to related parties and share subscription advances are classified as other financial liabilities.

As at February 28, 2009, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, receivables, conservation bond, accounts payable and accrued liabilities, short term loans, due to related parties and share subscription advances are the same due to their short terms to maturity.

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash and cash equivalents and bank indebtedness. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations.

4. FINANCIAL INSTRUMENTS (cont'd...)

Receivables consist of accounts receivable, goods and services tax due from the Federal Government of Canada and interest receivable. Management believes that the credit risk concentration with respect to accounts receivable and other receivables is remote. Management does not believe the receivables are impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital to fund planned exploration work and ongoing operating expenditures. As at February 28, 2009, the Company had a working capital deficiency of \$1,591,426 (February 29, 2008 - a working capital of \$1,469,338).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalent balances. The Company has no significant cash balances and no interest-bearing debt.

(d) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company's functional currency is the Canadian dollars and major transactions are transacted in Canadian dollars and US dollars. The Company maintains US dollar bank accounts to support the cash needs of its operations. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. As at February 28, 2009, approximately C\$32,029 of the cash and cash equivalents in bank were held in US dollars.

(e) Price risk

The Company is exposed to risk of commodity prices (i.e. crude oil prices). Commodity price risk is defined as the potential adverse impact on the Company's earnings due to movements in commodity prices or general movements in the level of the commodity market. The Company monitors the movements of the commodity market to determine the appropriate course of action to be taken by the Company.

5. SHORT TERM INVESTMENT

Short term investment, which consists of a fixed term deposit held at the bank with a maturity of more than three months at the time of issuance, is recorded at its fair value. As at February 28, 2009, the Company had a short term investment of \$Nil (February 29, 2008 - \$50,000).

STEALTH ENERGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2009

6. RECEIVABLES

Receivables consist of the followings:

	February 28, 2009	February 29, 2008
Accounts receivable	\$38,821	\$ -
GST receivable	6,160	1,076
Interest receivable	763	-
Share subscriptions receivable	-	600,000
Total	\$45,744	\$ 601,076

7. OIL AND GAS PROPERTIES

A summary of the Company's oil and gas properties is as follows:

February 28, 2009	Balance as at February 29, 2008	Additions	Accumulated depletion and depreciation	Balance as at February 29, 2009
USA:				
Oil and gas properties	\$ 74,004	\$ 9,670,165	\$ (6,286)	\$ 9,737,883

February 29, 2008	Balance as at February 28, 2007	Additions	Accumulated depletion and depreciation	Balance as at February 29, 2008
USA:				
Oil and gas properties	\$ 14,667	\$ 59,337	\$ -	\$ 74,004

As at February 28, 2009, \$1,725,556 (2008 - \$nil) of undeveloped land costs have been excluded from the depletion base. Future development costs of \$19,000,000 (2008 - \$nil) were included in the calculation of depletion.

The Company has performed a ceiling test calculation at December 31, 2008 to assess the recoverable value of the oil and gas properties. The commodity price used in the calculation was \$65 per barrel. Based on these assumptions the undiscounted value of the future net revenues from the Company's proved reserves exceeded the carrying value of the oil and gas properties.

(1) Proved properties

a) *Natrona County, East Teapot Property*

Pursuant to an agreement entered between the Company and Crazy Mountain Group, LLC ("Crazy Mountain Group") on February 29, 2008, Crazy Mountain Group leased to the Company certain oil and gas interests described as the "East Teapot Dome Field" in Natrona County, Wyoming, USA (the "Properties"). The lease commences March 1, 2008 and expires on September 1, 2013. The Company will pay an amount of US\$150,000 per month as rent during the term of the lease; however, the Company, at its sole discretion and at any time on or before June 1, 2008, may prepay an amount of US\$6 million (the "Prepayment Amount") in satisfaction of all monthly rent due under the lease.

7. OIL AND GAS PROPERTIES (cont'd...)

In consideration of US\$600,000, Crazy Mountain Group also granted an option (the "Option") to the Company for the purchase of the Properties. At any time during the term of the lease, the Company may, in its sole discretion, exercise an option to purchase the Properties at an exercise price of US\$500,000, provided that all lease payments (US\$6,000,000) have been paid in full. In the event that the Company has not paid the Prepayment Amount (as described above) or exercised the option before August 1, 2013, the issuer will pay an additional amount of US\$6,000,000 to Crazy Mountain.

Pursuant to the above noted agreement, the total aggregate consideration for the lease payment is a minimum of US\$6 million to maximum of US\$9.9 million. In terms of the option payment, the total aggregate payment is a minimum of US\$600,000 plus an additional of US\$500,000 (exercise prices) to the maximum of US\$6.5 million upon exercise, as described.

During the period, the Company exercised its option to acquire the Properties by payment of USD\$6,500,000. The Company commenced production in March 2008 and has generated related petroleum and natural gas revenue of \$388,088 for the fiscal year ended February 28, 2009.

(2) Unproved properties

a) *Property, Wyoming, USA*

West Shannon Property

On May 17, 2006, the Company signed an arms-length acquisition agreement to acquire a 100% working interest, subject to royalties of 32% (68% net revenue interest), in 100 acres of oil and gas leases with five substantially shut-in wells and two drilling locations paid by the issuance of 1,000,000 treasury shares of the Company valued at \$0.10 per share for total consideration of \$100,000. As at November 30, 2008, these shares are subject to escrow restriction, 10% is releasable on the date of listing (released) and 15% every 6 months.

b) *State of Montana Leases, Stillwater and Carbon County, Montana*

On March 6, 2007, the Company acquired two oil and gas leases from the State of Montana covering 640 acres for annual rent of US\$960 (C\$1,114) each, equivalent to US\$1.50 per acre. The term of the lease is ten years. The royalty rate on oil is 16.67% free of all costs and deductions, on the average production of the oil from producing wells under this lease for each calendar month. The royalty rate on gas is 16.67%, free of costs and deductions with a shut in gas royalty of US\$400 per year or the amount of annual rental provided, whichever is greater. As at February 28, 2009, the Company paid lease payments of US\$ 3,840 (C\$ 4,143).

On December 4, 2007, the Company acquired one oil and gas lease from the State of Montana covering 640 acres for annual rent of US\$6,720 first year and US\$960 (C\$1,114) each year thereafter. The term of the lease is ten years. The royalty rate on oil is 16.67% free of all costs and deductions, on the average production of the oil from producing wells under this lease for each calendar month. The royalty rate on gas is 16.67%, free of costs and deductions with a shut in gas royalty of US\$400 per year or the amount of annual rental provided, whichever is greater. As at February 28, 2009, the Company paid lease payments of US\$6,720 (C\$6,814). The Company paid US\$960 for the payment of the lease renewal.

On December 9, 2008, the Company entered into two lease agreements with the State of Montana, through its Board of Land Commissioners containing 640 acres at a cost of US\$1.5 and US\$5 per acre, respectively in Stillwater County, Montana. No operations are required during the lease term. The lease is subject to a 16.67% royalty. The Company paid of US\$4,210 for the lease payments.

7. OIL AND GAS PROPERTIES (cont'd...)

c) Central Montana Leasing Property, USA

(i) BLM Leases, Stillwater and Wheatland Counties, Montana

During fiscal 2007, the Company acquired five oil and gas leases from the U.S. Bureau of Land Management ("BLM") covering 3,014 acres for an aggregate cost of US\$11,203 (C\$13,009), which includes the first year lease payment of US\$4,521 (C\$5,250) and acquisition cost of US\$6,683 (C\$7,759). The term of each lease is ten years. The annual rental is US\$1.50 per acre for the first five years commencing July 1, 2007. Thereafter the annual rental is US\$2.00 per acre. The royalty rate is 12.5% of production removed or sold, provided that the minimum royalty is not less than the annual rental. During the fiscal year 2008, the Company paid the second year lease payment of US\$4,521 (C\$4,602). As at February 28, 2009, the Company paid the third year lease rental of US\$4,523 (C\$4,601).

On February 8, 2008, the Company acquired one oil and gas lease from the BLM covering 273.56 acres for an aggregate cost of US\$1,099 (C\$1,096), which includes the first year lease payment of US\$411 (C\$410) and acquisition cost of US\$688 (C\$686). The term of the lease is ten years. Each lease costs US\$1.5 per acre for the first 5 years and thereafter US\$2. The royalty rate is 12.5% of production removed or sold, provided that the minimum royalty is not less than the annual rental.

(ii) Independent Leases, Stillwater and Wheatland and Carbon Counties, Montana

Stillwater and Wheatland Counties, Montana

During fiscal 2007, the Company signed two three-year paid up leases of 1,040 net acres (Mosdal) and 320 acres (Lynn) and paid US\$5,200 (C\$6,037) and US\$1,600 (C\$1,858), respectively and two four-year paid up leases of 258 net acres (Owens) and 258 net acres (Jerin) and paid US\$1,289 (C\$1,497) for each. No operations are required during the lease term. The leases are subject to a 12.5% royalty. An annual rental of US\$1.00 per acre is payable in the event of shut-in wells. Since the Company only intends to verify title to the drill sites on the oil and gas property prior to drilling, there is no guarantee of the Company's title on these oil and gas properties. As a result, the Company has expensed all costs incurred during the fiscal year 2007 until such time the title ownership is confirmed.

Carbon County, Montana

During fiscal 2007, the Company signed five four-year paid up leases of 1,285 net acres (Arthun), 320 net acres (Grewell), 320 net acres (Grewell), 600 net acres (Arthun) and 429 net acres (Arthun). Each lease cost US\$5.00 per acre for US\$6,425 (C\$7,461), US\$1,600 (C\$1,858), US\$1,600 (C\$1,858), US\$3,000 (C\$3,484) and US\$2,143 (C\$2,489), respectively. No operations are required during the lease term. The leases are subject to a 12.5% royalty. Since the Company only intends to verify title to the drill sites on the oil and gas property prior to drilling, there is no guarantee of the Company's title on these oil and gas properties. As a result, the Company has expensed all costs incurred during the fiscal year 2007 until such time the title ownership is confirmed. During the fiscal 2008, the Company paid the balance of US\$450 (C\$508) and US\$100 (C\$113) to S. Arthun and P. Arthun each for the lease fees.

During the fiscal 2008, the Company signed two four-year paid up leases of 300 net acres (Golden – March 2, 2007) and 746 acres (Johnson - March 12, 2007). Each lease cost US\$5.00 per acre for US\$1,500 (C\$1,737) and US\$3,731 (C\$4,137), respectively. No operations are required during the lease term. The leases are subject to a 12.5% royalty.

7. OIL AND GAS PROPERTIES (cont'd...)

Stillwater and Wheatland Counties, Montana

During the fiscal 2008, the Company signed four four-year paid up leases, know as the Farewell Prospect, of 179.98 net acres (Helen R. Blackford – November 1, 2007), 13.333 net acres (Harvey James Blackford – November 5, 2007), 13.333 net acres (Robert Blackford – November 5, 2007) and 13.333 net acres (Shirley Dana – November 5, 2007). Each lease cost US\$5.00 per acre for US\$899.90 (C\$845), US\$66.66 (C\$67), US\$66.66 (C\$64), US\$66.66 (C\$78), respectively. No operations are required during the lease term. The leases are subject to a 12.5% royalty.

On February 18, 2008, the Company acquired one oil and gas lease agreement from Blackford containing 220 net acres at a cost of US\$5 per acre with a primary term of four years. The Company paid US\$1,100 (C\$1,280) for the net leased acres 220 acres, 25% of total acres.

On April 11, 2008 the Company signed two four-year paid up leases, known, of 280 acres (70 net acres) (Helen R. Blackford– April 11, 2008) and (Byrl T. Blackford – April 11, 2008). Each lease costs US\$5.00 per acre for US\$350 (C\$356) and US\$350 (C\$356), respectively. No operations are required during the lease term. The leases are subject to a 12.5% royalty. For the year ended February 28, 2009,, the Company paid \$US350 (C\$352) for lease rental respectively. The Company paid US\$350 (C\$357) for renewal lease rental on December 6, 2008.

On May 22, 2008, the Company entered into a four-year paid up lease agreement with Patti M. Mirsberger containing 320 acres and 160 acres in net at a cost of US\$5 per acre. No operations are required during the lease term. For the year ended February 28, 2009, the Company paid US\$800 (C\$804) for lease rental.

On May 25, 2008, the Company signed a five-year paid up lease agreement with Kirchner family trust containing 2,080 acres and 1,200 in net acres at a cost of \$10 per acre in Stillwater County Montana. For the fiscal year ended at February 28, 2009, the Company paid US\$11,200 (C\$11,502).

On June 6, 2008, the Company signed a five-year paid up lease agreement with Florence C. Hossfeld, Dennis R. Hossfeld and Rondald L. Hossfeld, Co-Trustees of the Florence C. Hossfeld Trust containing 1,766.88 acres and 1,453.28 acres in net at a cost of \$10 per acre in Stillwater County Montana for a total of US\$14,533 (C\$14,805).

On June 6, 2008, the Company signed a five-year paid up lease agreement with Dennis R. Hossfeld and Kathryn J. Hossfeld covering 640 acres and 320 in net acres at a cost of US\$10 per acre in Stillwater County Montana for a total of US\$3,200 (C\$3,260).

On August 28, 2008, the Company signed a one year paid up lease agreement with BTC Oil Properties LLC and Steward Geological Inc. containing 584.24 acres in Musselshell County, Montana. The total acquisition cost was US\$20,000. As at February 28, 2009, the Company paid US\$15,000 (C\$15,405) and US\$5,000 (C\$5,135) to each of the above noted parties, respectively.

On September 24, 2008, the Company entered into a four-year paid up lease agreement with Frank B. Ebersole containing 80 net acres at a cost of US\$10 per acre in Stillwater County, Montana. No operations are required during the lease term. The lease is subject to a 12.5% royalty. The Company paid US\$800 for the lease payment.

7. OIL AND GAS PROPERTIES (cont'd...)

On October 1, 2008, the Company entered into three five-year paid up lease agreements with Donald W. Hageman, Joe B. Hageman and Lynn Louise Langeliers containing 3,398.67 acres and 1,619.1 acres in net at a cost of US\$10 per acre in Stillwater County, Montana. No operations are required during the lease terms. The leases are subject to a 12.5% royalty. The Company paid US\$16,193 for the lease payments.

On October 2, 2008, the Company signed a five-year paid up lease agreement with Diane M. Rausch aka Diane Loomer Rausch containing 320 acres at a cost of US\$5 per acre in Still County, Montana. No operations are required during the lease terms. The Company paid US\$1,600 for the lease payment.

On October 20, 2008, the Company signed a five-year paid up lease agreement with Darlene E. Cash containing 3,558.67 acres and 1,779.34 in net at a cost of US\$10 per acre in Still County, Montana. No operations are required during the lease terms. The Company paid US\$16,99 for the lease payment.

(iii) Northwest Farm Credit Services Leases

During fiscal 2007, the Company has signed two five-year leases encompassing a 50% interest in 471.72 acres located in Stillwater County, Montana for an aggregate cost of US\$1,426.95 (C\$1,657), which includes first year lease payment of US\$236 (C\$274) and acquisition cost of US\$1,191 (C\$1,383). The Company can pay US\$0.50 per acre to delay operations for one year. Thereafter the Company can pay a delay rental of US\$0.50 per acre. The leases are subject to the greater of a 15% royalty or the annual delay rental. During the fiscal year 2008, the Company paid the second year lease of US\$236 (C\$240). As at February 28, 2009, the Company paid the third year lease of US\$236 (C\$241).

On April 29, 2008, the Company has signed four five-year leases encompassing a 50% interest in 242.50 acres, 80 acres, 40 acres, 200 acres located in County of Carbon, Montana. A total of US\$2,109 (C\$2,135) was paid. The Company will pay US\$1.00 per acre to delay operations for one year. The leases are subject to the greater of a 15% royalty or the annual delay rental.

On May 20, 2008, the Company signed an agreement with Hallador Petroleum Company ("Hallador") to acquire 100% of Seller's working interest with Northwest Farm Credit Services FLCA dated 15 February, 2007 for five years lease agreement comprising 160 acres, 160 acres, and 628.6 acres, respectively, located in County of Stillwater, Montana. The Company paid US \$0.50 per acre. For the fiscal year ended February 28, 2009, the Company paid the annual lease of US\$160 (C\$172), US\$80(C\$86), and US\$314.30 (C\$337) respectively.

(iv) Robert S. Bradbrook and Bradbrook Inc.

In April 30, 2008, the Company entered an Assignment and Bill of Sale agreement with Lakota Energy, Inc. to acquire right, title, and interest in a Paid Up Oil and Gas Lease and Exclusive Option to Lease entered between Bradbrook, Inc., and Lakota Energy, Inc. on July 27, 2007. As at February 28, 2009, the Company paid US\$100,000 (C\$100,510) to Lakota Energy, Inc. pursuant to the agreement.

On April 30, 2008 the Company signed a four-year paid up lease, containing 10,811.57 acres at a cost of US\$10 per acre with Bradbrook Inc. No operations are required during the lease term. The lease is subject to a 12.5% royalty. As at February 28, 2009, the Company paid rent of US\$68,126.48 (C\$68,474).

7. OIL AND GAS PROPERTIES (cont'd...)

(v) On May 20, 2008, the Company signed an agreement with Hallador to acquire 100% of Seller's working interest with a corresponding net revenue interest of 81% proportionately reduced in the event the leases cover less than the entire fee simple mineral interest or if Hallador owns less than 100% of the leasehold working interest for paying US\$230,000. The leases cover 18,620 gross and 12,537 net acres for US\$18.35 per acre. On May 23, 2008 the Company paid US\$175,000 for the lease rent and the balance of the rent of US\$55,000 shall be paid on the earlier of November 23, 2008 or spud of a second well on the Leases or on lands or leases pooled therewith.

On June 6, 2008, the Company entered into two lease agreements with Hallador through the Board of Land Commission covering net acres 640 each in Stillwater county Montana. Annual rental for the first year in advance is US\$1,120 (C\$1,126) and US\$960(C\$965) each year thereafter.

(vi) Father Flanagan's Boys Home, Montana, USA

On April 8, 2008, the Company acquired one oil and gas lease from Father Flanagan's Boys Home, State of Montana covering 4,053.22 net acres (8,545.73 gross acres). This paid-up lease has a term of four (4) years. The Company shall deliver 1/8 of all oil produced to the credit of the lessor, free of cost in the pipeline and saved from said land. Each year 1/8 of gross proceeds will be paid for the gas from each well and in the production of gasoline royalty 1/8 monthly payable at prevailing market rate for gas. The Company will pay the royalty owners one (1) US dollar per year per net royalty acre retained where gas from a well capable of producing gas is not sold or used. The Company made lease payment of US\$20,266 (C\$20,542) on May 7, 2008.

8. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations were estimated by management based on the Company's net working interest in all wells and facilities, estimated costs to reclaim abandoned wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted estimated cash flows required to settle the asset retirement obligation are approximately US\$224,000 which will be incurred over the next fifteen years. A credit adjusted risk-free rate of 15% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligation as at February 28, 2009.

	February 28, 2009
Balance, beginning of period	\$ -
Obligation – initial measurement	49,688
Accretion expense	6,154
Balance, end of period	\$ 55,842

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9. CONSERVATION BOND

Conservation bond (the "Bond") represents a reclamation bond, which is required by the Board of Oil and Gas Conservation (the "Board") in the Department of Natural Resources and Conservation of USA and the BLM. On May 19, 2008, the Company had deposited \$10,645 (US\$10,000) into the Stockman Bank of Montana and the Bond is subject to a written demand by the Board for delivery of the proceeds pursuant to the conditions of the Bond. This assignment to the Board remains in effect until revoked in writing by the Board. The Bond is interest bearing at annual yield of 2.65%. On June 10, 2008, the Company deposited a US\$25,000 cash bond with the BLM. The bond constitutes coverage of all operations conducted by or on behalf of the Company, on Wyoming Federal oil and gas leases issued under the authority of Mineral Lands Leasing Act. Termination of the period of liability under this bond will be permitted only after this office is satisfied that there is no outstanding liability on the bond or until satisfactory replacement bond coverage is furnished. As at year ended February 28, 2009, the Company had conservation bonds of \$44,100 (US\$35,000) (February 29, 2008 - \$0).

10. SHARE CAPITAL

a) *Authorized:* Unlimited common shares with no par value.

b) *Issued and outstanding:*

	Number of Shares	Value
Balance, February 28, 2007	8,188,332	\$ 848,667
Shares issued at \$0.23 per share	2,200,000	506,000
Share issued at \$0.25 per share	5,000,000	1,250,000
Share issuance cost	-	(161,940)
Balance, February 29, 2008	15,388,332	2,442,727
Share issued at \$0.50 per share	14,655,000	5,857,310
Share issued at \$0.50 per share, agent's commission in kind	45,150	22,575
Share issuance cost	-	(193,018)
Exercise of agent's options at \$0.23 per share	34,020	11,566
Balance, February 28, 2009	30,122,502	\$ 8,141,160

During the year ended February 28, 2007, the Company initially issued 14,100,000 common shares at \$0.0001 per share, 1 common share at \$0.01, 1,575,000 common shares at \$0.10 per share and 596,667 common shares at \$0.15 per share for a total of 16,271,668 common shares for proceeds of \$248,310.

On February 28, 2007, the Company returned 14,100,001 issued and outstanding common shares back to treasury and issued in replacement 6,016,665 common shares. 4,516,665 common shares were issued at a price of \$0.025 per share, 350,000 common shares were issued at a price of \$0.05 per share and 1,150,000 common shares were issued at a price of \$0.10 per share. All of these shares are subject to escrow restriction and are deemed as if they have been issued at \$0.10 per share. As a result, these common shares were re-valued at \$0.10 per share and the Company recognized a stock based compensation of \$356,250.

10. SHARE CAPITAL (cont'd...)

On October 26, 2007, the Company incurred share issuance costs that included cash costs of \$101,303 and 550,000 agents' options as part of the initial public offering. The agent options were granted to the agent with an exercise price of \$0.23 and expire after 2 years. In accordance with CICA Handbook Section 3860, the agent's options were valued at fair value of \$60,637 determined by using the Black-Scholes option pricing model assuming a risk-free return of 3.75%, volatility of 86.50% and a life of 2 years. These costs have been recorded as the share issuance costs.

On February 25, 2008, the Company completed the offering of 5,000,000 units at a price of \$0.25 per unit, each unit consisting of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share at a price of \$0.30 per common share for a period of two years. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares and \$Nil was allocated to share purchase warrants.

On March 12, 2008, the Company issued 34,020 common shares in connection with the exercise of agent options at \$0.23 per share for total proceeds of \$7,824.

On May 1, 2008, The Company completed a non brokered private placement consisting 14,655,000 units at a price of \$0.50 per unit for gross proceeds of \$7,327,500. Each unit is comprised of one common share and one non transferable two year warrant, which entitles the warrant holder to buy one common share at \$0.60 in the first year and \$0.75 in the second year. The fair value of the corresponding 14,700,150 warrants as calculated under the residual value method was \$1,470,190. This private placement was subject to a maximum of 7% commission in whole or in part and in cash or in kind. The Company paid commissions on a portion of the funds raised which amounted to \$170,443 in cash, and \$22,575 in kind (45,150 units). Each unit is comprised of one common share and one non transferable two year warrant, which entitles the warrant holder to buy one common share at \$0.60 in the first year and \$0.75 in the second year.

c) Escrow Shares

At February 28, 2009, the Company has 3,670,000 (February 29, 2008 – 5,505,332) common shares held in escrow by the Company's transfer agent. All of the common shares in escrow will be released as follows: 10% on the date the Company's securities are listed on a Canadian exchange (released) and 15% every six months thereafter.

d) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

On May 26, 2008, the Company granted 2 million share options under its stock option plan at an exercise price of \$0.65, to its officers, directors, employees and consultants. The options vested immediately.

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10. SHARE CAPITAL (cont'd...)

The weighted average fair value of the options granted on May 26, 2008 was estimated at \$0.3395 per share using the Black-Scholes option-pricing model, using the following assumptions: risk-free interest rate of 3.29%, dividend yield of 0%, volatility of 98.82% and expected life of approximately 2 and 1/2 years. During the fiscal year ended February 28, 2009, stock based compensation of \$679,000 was recognized (February 29, 2008 - \$nil)

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the far value of the Company's stock options.

A summary of stock option activity for the years is as follows:

	Number of options	Weighted average exercise price
Balance, February 29, 2008	-	\$ -
Options granted	2,000,000	0.65
Balance, February 28, 2009	2,000,000	\$ 0.65

As at February 28, 2009, all of the above outstanding stock options were exercisable.

e) Share Purchase Warrants

At February 28, 2009 there were 18,700,150 (February 29, 2008 – 5,000,000) share purchase warrants outstanding:

Expiry	Exercise Price	Number
March 4, 2010	\$ 0.30	5,000,000
May 1, 2010	1 st year \$0.60 and 2 nd year \$0.75	14,700,150
		19,700,150

f) Agent Options

At February 28, 2009 there were 515,980 (February 29, 2008 – 550,000) agent options outstanding. On March 12, 2008, the Company issued 34,020 common shares in connection with the exercise of options at \$0.23 per share. As at February 28, 2009, there were 515,980 agent options outstanding and exercisable:

	Exercise Price	Number
Balance at February 29, 2008	\$ 0.23	550,000
Exercised	\$ 0.23	(34,020)
Balance at February 28, 2009	\$ 0.23	515,980

STEALTH ENERGY INC.
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10. SHARE CAPITAL (cont'd...)

g) Contributed Surplus

A reconciliation of contributed surplus is provided below:

	Amount
Balance, February 28, 2007	\$ -
Agent options for IPO	60,637
Balance, February 29, 2008	\$ 60,637
Exercise of agent's options	(3,741)
Measurement of shares and warrants issued	1,470,190
Options granted	679,000
Balance, February 28, 2009	\$ 2,206,086

h) Subscriptions Received in Advance

During the year ended February 28, 2009, the company received \$434,900 in advance for a private placement completed subsequent to year end (Note 15).

11. RELATED PARTY TRANSACTIONS

During the fiscal years ended at February 28, 2009 and February 29, 2008, the Company was charged the following amounts by directors and companies controlled by directors of the Company:

	February 28, 2009	February 29, 2008
Consulting fee	\$ 149,500	39,600
Total	\$ 149,500	39,600

Included in accounts receivable is an amount of \$37,871 (February 29, 2008- \$50,535) due from a shareholder of the Company.

Included in prepaid expenses and deposits is an amount of \$478 (February 29, 2008 - \$0) prepaid to a shareholder of the Company.

Account payables and accrued liabilities include amounts of \$1,322 and \$34,962 (February 29, 2008- \$7,104) due to a director of the Company and companies controlled by directors of the Company, respectively. There was \$715,260 due to a shareholder of the Company for oil and gas exploration services performed.

Included in the short term loans, \$8,820 and \$97,180 were due to a related party and a shareholder of the Company (February 29, 2008 - \$7,104 and \$0) represent loans from a director and a shareholder of the Company which were unsecured, non-interest bearing and due on demand.

Included in the oil and gas properties, the Company paid a property acquisition fee \$6,577,425 (US\$6,500,000) to a company controlled by directors of the Company as at February 28, 2009

During the year ended February 28, 2009, the Company was charged \$1,138,720 (US\$1,098,255) by a shareholder of the Company for oil and gas exploration services. This amount has been included in the balance of oil and gas properties.

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11. RELATED PARTY TRANSACTIONS (cont'd...)

All transactions have been completed on the basis of general market terms and conditions and been recorded at the exchange amount.

12. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of oil and gas properties. All of the Company's oil and gas properties are located in the United States.

As at February 28, 2009, the Company's assets are located in the following geographic locations:

	Current	Long Term	Total
Canada	\$ 53,857	\$ -	\$ 53,857
USA	74,292	9,781,983	9,856,275
	\$ 128,149	\$ 9,781,983	\$ 9,910,132

As at February 29, 2008, the Company's assets are located in the following geographic locations:

	Current	Long Term	Total
Canada	\$ 1,055,642	\$ -	\$ 1,055,642
USA	465,108	74,004	539,112
	\$ 1,520,750	\$ 74,004	\$ 1,594,754

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss for the period	\$ (1,252,509)	\$ (268,579)
Income tax recovery at statutory rates	\$ (375,753)	\$ (84,602)
Foreign tax rate differences	(14,108)	(12,415)
Temporary difference	156,412	(19,018)
Non-deductible expense for tax	8,402	-
Unrecognized benefit of non-capital losses	225,047	116,035
Income tax expense	\$ -	\$ -

13. INCOME TAXES (cont'd...)

Future income tax assets arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities as at February 28, 2009 and February 29, 2008 are as follows:

	2009	2008
Future income tax assets relating to:		
Net operating loss carryforwards	\$ 396,414	\$ 200,305
Petroleum and natural gas properties	(2,614)	-
Benefit of share issuance costs	65,979	34,427
Valuation allowance	(459,779)	(234,732)
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses carryforwards of approximately \$734,050 (2008-\$450,859), which expire in 2027 to 2030 for Canadian tax purposes and US\$515,668 (2008- US\$162,977), which expire in 2026 to 2027 for U.S. tax purposes. The benefits of these losses have not been reflected in these financial statements as management cannot reasonably determine that it is more likely than not that the benefits will be realized.

14. COMMITMENTS

A consulting agreement was entered on August 31, 2006 (amended on May 1, 2008) between the Company and a consultant of the Company, to provide services on the subsidiary's leasing program and exploration activities for a fee of US\$6,000 per month plus expenses for services. The effective date of the agreement was September 1, 2006 for a 5 year term.

On April, 2008, a base contract for sale and purchase of natural gas ("Base Contract") was entered into between the Company and Jefferson Energy Trading, LLC (the "buyer"). These general terms and conditions are intended to facilitate purchase and sales transactions of gas on a firm or interruptible basis at a contract price as agreed to by parties in a transaction. The Company shall deliver gas to the buyer. All transaction confirmations, invoices, payments and other communications made pursuant to the Base Contract shall be made to the addresses specified in writing by the respective parties from time to time. During the period ended February 28 2009, there were no transactions between the parties as the production of natural gas had not yet commenced.

A fiscal agency agreement for financial advisory services was entered into on February 20, 2009, for a 1 year term commencing March 1, 2009. In addition to fees of €50,000, the Company will pay any of the expenses reasonably incurred by the Agent in connection with the implementation of the agreement to the extent that such expenses are pre-approved by the Company.

On February 3, 2009, the Company entered into an operating agreement with Beacon Resources Ltd. whereby in return for Beacon funding 100% of the drilling cost for gas wells in Stillwater County, Montana, it will participate in 50% of the revenue with Company after production costs and payback. It is anticipated that there will be an initial 3 well program, with Beacon having the option to drill up to 15 wells during the first phase of the agreement.

15. SUBSEQUENT EVENTS

On March 19, 2009, the Company entered into a joint venture with Seven Oceans Ltd. (“Seven”) of Hong Kong to develop gas wells for production in the Company’s pipeline in Stillwater County, Montana. The overall commitment is to drill and develop 24 wells over a four year period. Pursuant to the agreement, Seven will pay for 100% of the drilling on a turnkey basis. After initial payback, Seven will participate in 50% of the net revenue with the Company. On May 1, 2009, the Company signed a drilling agreement with Seven to develop four natural gas wells on Stealth’s property in Montana at a cost of \$200,000 USD per well. The Company will immediately commence drilling the first two wells upon receipt of \$400,000 USD in funds from Seven.

On March 31, 2009, the Company made a further payment on a verbally renegotiated extension of the oil and gas lease with Hallador, known as the Red Beer Prospect in Stillwater County, Montana. The final balances of US\$55,000 plus additional renegotiated fees of US\$27,500 were paid within two months by May 30, 2009. This lease brings the total prospective gas acres in Stillwater County to 32,286 acres.

On April 24, 2009, the Company completed a non-brokered private placement consisting of 15,000,000 units at \$0.10 per unit, for gross proceeds of \$1,500,000. Of this amount, 8,826,000 units (\$882,600) were issued for cash, and 6,174,000 units (\$617,400) were issued in satisfaction of an account payable outstanding balance to a shareholder of the Company. A commission on a portion of the proceeds raised was payable in the amount of \$7,000 in cash and 10,500 (\$1,050) in units. Each unit is comprised of one common share and one-half of a non transferable share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share at \$0.15 per share for a period of 24 months. The net cash proceeds will also be used for the payment and development of the Company's oil and gas properties, and for general working capital.