

**STEALTH ENERGY INC.**  
**Management Discussion and Analysis**  
**For the Year Ended February 28, 2009**

***General***

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The following information, prepared as of June 29, 2009, should be read in conjunction with the audited financial statements of Stealth Energy Inc. (the “Company”) for the year ended February 28, 2009, as well as audited financial statements of the Company for the year ended February 29, 2008. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Company’s critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

On October 30, 2007, the Company officially began trading on the Canadian Trading and Quotation System Inc. (the “CNQ”) under the stock symbol “STLH”. As the CNQ has been changed into Canadian National Stock Exchange (the “CNSX”) and adopted a new trading symbol format, the symbol of Company has been changed to “SLH” effective September 26, 2008.

On July 28, 2008, the Company’s shares were officially listed for trading on the Frankfurt Stock Exchange, under the stock symbol “S16”, and the “Wertpapierkennnummer” (WPKN), the German securities identification code, is A0Q22Q.

On October 10, 2008, the Company submitted an application to The Toronto Stock Exchange (the “TSX”) to have its shares listed on that exchange.

***Forward Looking Statements***

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*Certain statements contained in this Management Discussion & Analysis (the “MD&A”) document constitute forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as “believes”, “anticipates”, “expects”, “plans”, “may”, “estimates”, or words of a similar nature. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made. Readers are therefore advised to consider the risks associated with any such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth herein.*

*In certain parts of this document, the term BOE (Barrel of Oil Equivalent) is used. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf (1,000 Cubic Feet) to 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

## ***Description of Business***

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The Company was incorporated on February 21, 2006 under the laws of British Columbia. The Company's principal business activity is the exploration of oil and gas properties with a view to production. On May 17, 2006 the Company incorporated its subsidiary company, Stealth Energy USA, Inc.

The Company is a junior oil and gas exploration and development company engaged in the business of acquiring, drilling, developing and evaluating natural resource properties. The Company is currently actively drilling its East Teapot Dome property in Natrona County, Wyoming and its various gas properties under its Central Montana Leasing Program.

## ***Overall Performance***

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The following discussion of the Company's financial performance is based on the audited financial statements for the year ended February 28, 2009 and audited financial statement for the year ended February 29, 2008.

The Balance Sheet as of February 28, 2009 indicates a cash position of \$57,602 (February 29, 2008 - \$819,139) and total current assets of \$128,149 (February 29, 2008 - \$1,520,750). The decrease in cash was mainly caused by the Company's expenditures on its oil and gas properties, particularly the East Teapot Dome property.

Current liabilities at February 28, 2009 total \$1,719,575 (February 29, 2008 - \$51,412). Shareholders' equity is comprised of share capital of \$8,141,160 (February 29, 2008 - \$2,442,727), contributed surplus of \$2,206,086 (February 29, 2008 - \$60,637) and the deficit of \$2,212,531 (February 29, 2008 - \$960,022) for a net \$8,134,715 (February 29, 2008 - \$1,543,342). The increase in capital stock is due to the exercise of options and private placements completed during the year ended February 28, 2009.

Working capital, which is current assets less current liabilities, is -\$1,591,426 at February 28, 2009 compared to \$1,469,338 at February 29, 2008. Working capital at February 28, 2009 includes cash of \$57,602 and receivables of \$45,744, among other current assets. Management continues to seek additional capital through public and/or private offerings, and intends to increase revenue by targeting strategic partners in and through strategic acquisitions. The Company is committed to finding the remaining minimal capital it believes will be necessary to start production on its Montana natural gas project, thereby increasing cash flows. Together with increased revenues from oil sales in Wyoming, management intends to systematically eliminate the current deficiency and avoid future deficiencies. Management believes that there will be sufficient working capital to cover administration and office expenses in addition to making necessary lease payments. Despite management plans, there is no guarantee the Company will be able to overcome this deficiency,

During the year ended February 28, 2009, the Company reported a net loss of \$1,252,509 (\$0.05 basic and diluted loss per share) compared to a net loss of \$268,579 (\$0.03) basic and diluted loss

per share) reported for the year ended February 29, 2008. Losses in years ended February 28, 2009 and February 29, 2008 represent operating expenses of \$1,442,387 and \$280,935, respectively.

The weighted average number of common shares outstanding for the year ended February 28, 2009 was 27,664,646 (February 29, 2008 – 9,010,485). Weighted average number of common shares outstanding changed from the previous year end February 29, 2008 because 34,020 common shares were issued at \$0.23 per share in connection with the exercise of options, 14,700,150 common shares were issued at \$0.50 per shares upon the completion of a non-brokered private placement.

The deficit at the beginning of the period was \$960,022 and increased to \$2,212,531 due to net loss for the year of \$1,252,509.

### **Results of Operations**

During the year ended February 28, 2009, the Company reported a net loss of \$1,252,509 (\$0.05 basic and diluted loss per share) compared to a loss of \$268,579 (\$0.03) basic and diluted loss per share) reported for the year ended February 29, 2008. Petroleum and natural gas revenues for the year ended February 28, 2009 were \$388,088 as compared to \$nil for the year ended February 29, 2008. The increased revenues were a result of production volumes. The Company commenced production in March 2008 and no revenue was recognized in previous years. The cost of revenues for the year ended February 28, 2009 includes depletion and depreciation expenses of \$12,854 and lease taxes of \$57,731.

	Year ended February 28, 2009	Year ended February 29, 2008
\$/BOE	\$ 109.27	\$ nil
BOE	3,551	nil
Petroleum and natural gas sales (\$)	\$ 388,008	\$ nil

Expenses for the year ended February 28, 2009 include accounting & legal of \$110,410 (February 29, 2008– \$115,842), consulting fees of \$334,068 (February 29, 2008– \$98,390), office & general of \$215,044 (February 29, 2008 - \$38,618), stock based compensation of \$679,000 (February 29, 2008 - \$nil), travel expenses of \$66,894 (February 29, 2008 - \$nil), and filing & transfer agent fees of \$36,177 (February 29, 2008– \$28,085). The difference in expenses in years ended February 28, 2009 (\$1,442,387) and February 29, 2008 (\$280,935) stems mainly from the fact that consulting fees of \$334,068, office & general of \$215,044, stock-based compensation of \$679,000, and travel expenses of \$66,894 were recorded for the year ended February 28, 2009, whereas only \$98,390 in consulting fees, \$38,618 in office & general, and \$nil in stock-based compensation and travel expenses were recorded for the year ended February 29, 2008.

As the Company is a junior oil and gas exploration company without any significant revenue, it will continue to require funds to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular period or if available, that it can be obtained on terms satisfactory to the Company.

### Selected Annual Information

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The following financial data is derived from the Company's audited financial statements for the three most recently completed financial years:

Item	February 28, 2009	February 29, 2008	February 28, 2007	Previous Year
Total Revenue	388,008	Nil	Nil	N/A
Net Loss	(1,252,509)	(268,579)	(691,443)	N/A
Basic and Diluted Loss Per Share	(0.05)	(0.03)	(0.46)	N/A
Total Assets	9,910,132	1,594,754	190,524	N/A
Long Term Liabilities	Nil	Nil	Nil	N/A
Dividends	Nil	Nil	Nil	N/A

#### Net Loss

During the year ended February 29, 2009, the Company reported a net loss of \$1,252,509 (\$0.05 basic and diluted loss per share) compared to a net loss of \$268,579 (\$0.03 basic and diluted loss per share) reported for the year ended February 29, 2008. The fiscal year 2009 expenses incurred were due to the costs related to various consulting fees, general and administrative expenses and were higher than that of the fiscal year 2008 because of the consulting fees of \$334,068, and office and general of \$215,044. Additional explanation for the fluctuation in net loss has been summarized below by separately identifying 2 major categories of expenses, stock-based compensation and property investigation costs.

#### *Stock-Based Compensation*

For the 2009 fiscal year, \$679,000 in stock-based compensation expense was recorded whereas no stock based compensation was recorded in fiscal 2008.

During the year ended February 29, 2008, the Company did not issue any incentive stock options to any directors, officers or consultants to purchase common shares, except the 550,000 options granted to the IPO agent (the "Agent Compensation Options") exercisable at \$0.23 per share for a period of twenty-four months from closing of the IPO. The Agent Compensation Options are recorded as share issuance costs and credited to contribute surplus which is included in shareholders' equity. For the year ended February 28, 2009, the Company has also granted 2,000,000 incentive stock options under its stock option program at an exercise price of \$0.65 per share, to its officers, directors, employees and consultants. (Refer to Subsequent Events below).

Stock-based compensation reflected in the financial statements of 2009 was the result of the options granted has been recorded in the statements of operations and credited to share capital.

### *Property Investigation Costs*

As at February 29, 2008, all title ownership to the Company's properties were confirmed and as a result, the Company reversed the property investigation costs recorded during fiscal 2008 and capitalized all such costs into "oil and gas properties", leaving property investigation costs for the year ended February 29, 2008 at \$nil.

As at February 28, 2009, \$794 of investigation costs were recorded in the Company's financial statements as the title ownership of certain properties were not confirmed at the time the financial statements were prepared.

### Total Assets

Total assets of \$9,910,132 as at February 28, 2009 continue to increase commensurate with cash from the subsequent private placement and oil sales revenues.

### **Summary of Quarterly Results (unaudited)**

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The following table sets out selected unaudited quarterly financial information of the Company for the eight most recently completed quarters of operation. This information is derived from unaudited quarterly financial statements prepared by management. The Company's interim financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	<b>4<sup>th</sup> Quarter February 28, 2009</b>	<b>3<sup>rd</sup> Quarter November 30, 2008</b>	<b>2<sup>nd</sup> Quarter August 31, 2008</b>	<b>1<sup>st</sup> Quarter May 31, 2008</b>
Revenue	14,968	67,179	173,415	132,446
Net Loss	(941,626)	(153,337)	(133,714)	(23,832)
Basic and Diluted Loss Per Share	(0.03)	(0.01)	(0.00)	(0.00)

	<b>4<sup>th</sup> Quarter February 29, 2008</b>	<b>3<sup>rd</sup> Quarter November 30, 2007</b>	<b>2<sup>nd</sup> Quarter August 31, 2007</b>	<b>1<sup>st</sup> Quarter May 31, 2007</b>
Revenue	nil	nil	nil	nil
Net Loss	(114,273)	(45,952)	(36,194)	(72,160)
Basic and Diluted Loss Per Share	(0.011)	(0.005)	(0.004)	(0.09)

### Net Loss

Expenses for the quarters ended February 28, 2009, November 30, August 31 and May 31, 2008 include stock based compensation of \$607,427, \$28,399, \$41,058 and \$2,116 representing a non-cash charge incurred in connection with the granting of stock options. The Company recorded stock-based compensation of \$nil for the quarters ended February 29, 2008, November 30, August 31, and May 31, 2007 as no stock options were granted during such period.

Expenses for the quarters ended February 28, 2009, November 30, August 31 and May 31, 2008 include filing & transfer agent fees of \$12,189, \$5,015, \$9,328, \$9,645 (February 29, 2008- \$ 28,085). Lease taxes of \$44,391, (\$34,154), \$35,060 and \$12,434 were recorded for the quarters ended February 28, 2009. No lease taxes were incurred in previous quarters because the Company were not required to pay lease taxes until it started generating revenue in the first quarter of fiscal 2009.

Overall, consulting fees, filing & transfer agent fees and stock-base compensation are the major components that caused variances in net loss from quarter to quarter.

### ***Oil and Gas Properties***

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The Company currently has interests in oil and gas properties in Montana and Wyoming.

1. Central Montana Leasing Program, USA

A. BLM Leases, Stillwater and Wheatland Counties, Montana

During fiscal 2007, the Company acquired five oil and gas leases by auction from the U.S. Bureau of Land Management (the "BLM") covering a total of 3,014.40 net acres. The leases are dated June 12, 2006 with an effective date of July 1, 2006. The leases were acquired at a competitive BLM auction for an aggregate cost of \$13,009 which includes payment of the first year annual rentals of \$5,250 (US\$4,521) and the acquisition cost of \$7,759 (US\$6,682). The annual rental is US\$1.50 per acre for the first five (5) years and US\$2.00 per acre thereafter. The royalty rate is 12.5% of production removed or sold, provided that the minimum royalty is not less than the annual rental. Surface use is prohibited from December 1, to March 1 to protect wildlife. The leases are registered as MTN95785 to 95789 and cover the following lands in Montana:

T6 N, R. 17E PMM Sec 2 Lots 1, 2, 3, 4, 6, 7, 8, 10-14 inclusive; 2N2SW; Wheatland County  
T6 N, R. 18E PMM Sec 18 E2NE, N2SE; Wheatland County  
T3 N, R. 20E PMM Sec 4 SWNE, S2S2; Sec 10 W2; Sec 12 N2NW, SWNW, Stillwater County  
T4 N, R. 20E PMM Sec 30 Lots 3, 4; Sec 30 E2SW, SE; Sec 32 N2; Stillwater County  
T3 N, R. 21E PMM Sec 22 SWNE, NWNW, S2NW; Sec 26 All, Stillwater County

On June 20, 2008, the Company paid the third year annual rental due for the period from July 1, 2008 to June 30, 2009.

On February 8, 2008, the Company acquired another one oil and gas lease from the BLM covering 273.56 net acres for an aggregate cost US\$1,099 (C\$1,096), which includes the first year lease payment of US\$441 (C\$410) and acquisition cost of US\$668 (C\$686). The term of the lease is ten years. Each lease costs US\$1.50 per acre for the first 5 years and thereafter US\$2.00 per acre. The royalty rate on gas is 12.5% of production removed or sold, provided that the minimum royalty is not less than the annual rental.

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 US\$960 and US\$3,800 respectively, totals \$4,210 for the lease payments.

## B. Independent Leases

The Company has entered into 12 paid-up leases as follows:

- (1) Mosdal Lease – dated May 17, 2006 as to 1,040 net acres located in Township 3 North Range 21 East, MPM; Sec 12, Sec 14 E2, SW and Sec 23 N2, Stillwater County. The lease cost of US\$5,200 (C\$6,037) included the annual rental for the three years of the primary term (a paid-up lease). The primary term can be extended for two years by the annual payment of US\$3.00 per acre. If oil or gas is produced during or after the primary term, the lease will continue in force so long as oil or gas is produced. An annual rental of US\$1.00 per acre is payable in the event of shut in wells.
- (2) Lynn Lease – dated June 19, 2006 as to 320 net acres located in Township 6 North Range 17 East, MPM; Sec 10 NW, N2SW, W2NE, Wheatland County. The lease cost of US\$1,600 (C\$1,858) included the annual rental for the three years of the primary term (a paid-up lease). The primary term can be extended for two years by the annual payment of US\$3.00 per acre. If oil or gas is produced during or after the primary term, the lease will continue in force so long as oil or gas is produced. An annual rental of US\$1.00 per acre is payable in the event of shut in wells.
- (3) Owens Lease – dated September 20, 2006 as to 257.87 net acres located in Township 3 North, Range 20 East, MPM; Sec. 4: Lot 4 (31.60), SWNW, NWSW; Sec. 5: Lots 1 (31.12), 2 (30.35), 3 (29.59), 4 (28.82), S2N2, S2, Stillwater County. The lease cost of US\$1,289 (C\$1,497) included the annual rental for the four years of the primary term (a paid-up lease). If oil or gas is produced during or after the primary term, the lease will continue in force so long as oil or gas is produced. There is no renewal term. The lease was signed by Big Snowy Resources LP on behalf of the Company. An assignment of the lease to the Company was registered on April 24, 2007.
- (4) Jerin Lease – dated September 18, 2006 as to 257.87 net acres located in Township 3 North, Range 20 East, MPM; Sec. 4: Lot 4 (31.60), SWNW, NWSW; Sec. 5: Lots 1 (31.12), 2 (30.35), 3 (29.59), 4 (28.82), S2N2, S2, Stillwater County. The lease cost of US\$1,289 (C\$1,497) included the annual rental for the four years of the primary term (a paid-up lease). If oil or gas is produced during or after the primary term, the lease will continue in force so long as oil or gas is produced. There is no renewal term. The lease was signed by Big Snowy Resources LP on behalf of the Company. An assignment of the lease to the Company was registered on April 24, 2007.

The eight paid-up leases described below as numbers 5 – 12 are located in Carbon County, Montana, each with a primary term of four years comprising in the aggregate, 3,999.91 acres as follows:

- (5) Stanley C. Arthun, Trustee for the Stanley C. Arthun Revocable Trust and Phyllis A. Arthun as Trustee of the Phyllis A. Arthun Revocable Trust Lease – dated January 25, 2007 as to 1,284.99 net acres located in Township 3 South, Range 23 East, MPM; Sec. 17: W2W2, E2, E2SW; Sec. 18: NENE, S2W2, W2NE, NENW, W2SE, SESE, SENE, NESE; Sec. 19: Lot 1 (39.97), E2, NENW, Sec. 20: NW, W2SW, N2NE, N2S2NE; Sec. 21: N2, SW, W2SE, NESE, Sec. 22: N2NW, W2NE, NWSE. The lease cost is US\$6,425 (C\$7,461).
- (6) John L. Grewell and Betty Grewell Lease – dated January 26, 2007 as to net 320 acres located in Township 3 South, Range 23 East, MPM; Sec. 21: SESE; Sec. 22: SE, Sec. 28: NWNW; Sec. 29: NE, NESE. The lease cost is US\$1,600 (C\$1,858).
- (7) Richard Grewell and Kathleen M. Grewell Lease – dated February 22, 2007 as to 320 net acres located in Township 3 South, Range 23 East, MPM; Sec. 20: E2SE; Sec. 28: NWNW; Sec. 29: ne, NESE. The lease cost is US\$1,600 (C\$1,858).
- (8) Patricia J. Arthun as Trustee of the Patricia J. Arthun Revocable Trust Lease – dated February 5, 2007 as to 600 net acres located in Township 3 South, Range 22 East, MPM; Sec. 13: S2NW, N2SW, SWSE; Sec. 14: N2, SE; and Township 3 South Range 23 East, MPM; Sec. 17: E2NW. The lease cost is US\$3,000 (C\$3,484).
- (9) David P. Arthun Lease – dated February 14, 2007, for a total of 428.66 net acres located in Township 3 South, Range 22 East, MPM; Sec. 12: Lot 4 (35.98); Sec. 13: Lots 1 (36.23), 2 (36.45), W2NE, NWSE; and Township 3 South, Range 23 East, MPM; Sec. 18: S2NW, NWNW. The lease cost is US\$2,143 (C\$2,489).
- (10) Glenn F. Golden as Trustee of the Annabel T. Golden Living Trust Lease – dated March 2, 2007, for a total of 300 net acres located in Township 3 South, Range 22 East, MPM; Sec. 10: N2NE, SENE, E2SE, SWSE; Sec. 11: SE, SWSE, E2SW; Sec. 12: SWSW; Sec. 13: NWNW. The lease cost is US\$1,500 (C\$1,737).
- (11) Shawn and Cinthia C. Johnson Lease – dated March 12, 2007, for a total of 746.26 net acres located in Township 3 South, Range 22 East MPM; Sec. 11: NE; Sec. 12: Lots 1 (35.14), 2 (35.42), 3 (35.70), NW, W2NE, N2SW, SESW, W2SE; and Sec. 13: NENW. The lease cost is US\$3,731 (C\$4,137).
- (12) On February 18, 2008, the Company acquired one oil and gas lease agreement from Byrl T. 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).

As all of the above 12 independent leases are paid up, no operations are required during the initial term. Each lease is subject to a 12.5% royalty of all oil and gas produced. If oil or gas is produced during or after the primary term, the leases will continue in force so long as oil or gas is produced. There is no renewal term.

During fiscal 2008, the Company signed four four-year paid up leases, known 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\$64), US\$66.66 (C\$64) and US\$66.66 (C\$78), respectively. No operations are required during the lease term. The leases are subject to a 12.5% royalty.

On April 11, 2008, the Company signed two lease agreements (Helen R. Blackford and Byrl T. Blackford) in Central Montana covering 280 acres each at a cost of US\$5 per acre. On April 22, 2008 and May 1, 2008, the Company paid US\$350 (C\$356) for the net acres of 70 acres, 25% of total acres of each lease.

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. On May 31, 2008, 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 2080 acres and 1200 in net acres at a cost of \$10 per acre in Stillwater County Montana. On June 20, 2008, 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 covering 1,766.88 acres and 1,453.28 acres in net at a cost of \$10 per acre in Stillwater County Montana. During the quarter ended August 31, 2008, The Company paid 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. On the same day, the Company paid US\$3,200 (C\$3,260).

On August 28, 2008, the Company signed one year (“primary term”) 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. On the same day, The Company paid US\$15,000 (C\$15,405) and US\$5,000 (C\$5,135) to each of the party, 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.

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\$16,193.40 for the lease payments.

On October 2, 2008, the Company signed a five-year paid up lease agreement with Diane M. Rausch aka Diane Lommer 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 1,699.34 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\$16,993.35 for the lease payment.

#### C. Northwest Farm Credit Leases

The Company is party to two five-year leases dated June 21, 2006, for a 50% interest in 471.72 net acres located in Stillwater County, Montana, acquired at a cost of \$1,657 (US\$1,427). The Company has the option to pay annual delay rentals of US\$0.50 per acre in lieu of operations for each year of a lease. The leases are subject to the greater of a 15% royalty or the annual delay rental payable to Northwest Farm Credit Services. In the event of a shut in well due to a lack of market or pipeline the Company will pay the greater of the annual delay rental or \$100 per well. After the primary term the fee for a shut in well is US\$1.60 per acre. If oil or gas is produced during or after the primary term, the leases will continue in force so long as oil or gas is produced. There is no renewal term. The leases are described as:

T3 N, R. 21 E MPM: Sec. 14: SE4 80 net acres

T4 N, R. 20 E, MPM: Sec. 30 Lots 1, 2, E2NW4, NE4 155.86 net acres

On June 9, 2008, the Company paid the third year annual rental due for the period from June 21, 2008 to June 20, 2009.

On April 29, 2008, the Company acquired 50% interest in four oil and gas leases from Northwest Farm Credit Services, FLCAs covering a total of 562.5 net acres for the Central Montana Leasing Program. No warranty of title is made as to its ownership or working interest. Annual royalty is 15% and the term of the leases is for 5 years. The Company has made lease payment of US\$2,109 (C\$2,135).

#### D. State of Montana Leases, Stillwater County, Montana

The Company entered into two leases each for 640 net acres, dated March 6, 2007, with a primary term of ten years, at a cost of US\$960 (C\$1,114) per lease. The leases are located in Township 3 North, Range 21 East, Sec. 16: All; and Sec. 24: All. An annual rental of US\$960 is payable for each year during the primary term of each lease. The royalty rate is 16.67% of all oil and gas produced. The lease may be terminated by the State of Montana if a) no drilling has commenced within five years of the effective date of the lease; or b) the Company has not paid

in advance a delay drilling penalty of US\$1.25 per acre per annum for the sixth year of the lease in addition to the annual rental; or c) the Company has not paid in advance a delay drilling penalty of US\$2.50 per acre per annum for the seventh through tenth year of the lease in addition to the annual rental. There is no renewal term.

On December 4, 2007, the Company acquired one oil and gas lease from the State of Montana covering 640 net acres for annual rent of US\$960 (C\$1,114). The term of the lease is ten years. The leases are located in Township 3 South, Range 23 East, Sec. 16: All. 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 \$400 per year or the amount of annual rental provided, whichever is greater. As at August 31, 2008, the Company paid US\$6,720 as rental for the first year.

E. 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) 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.

F. Bradbrook Inc. Montana, USA

In April, 2008, the Company entered into 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 agreement entered between Bradbrook, Inc., and Lakota Enrgy, Inc. on July 27, 2007. As at the period ended August 31, 2008, the Company paid US\$100,000 (C\$100,510) to Lakota Energy, Inc.

On April 30, 2008, the Company signed one lease agreement with Bradbrook Inc. under its Central Montana Leasing Program covering 10,811.57 net acres for a term of four (4) years. On April 25, 2008, the Company made total lease payments of \$68,126.

G. Hallador Petroleum Company, Stillwater County, Montana, USA

On May 20, 2008, the Company signed a lease agreement with Hallador Petroleum Company (the Red Bear Prospect) in Stillwater County, under the Central Montana Leasing Program. The lease covers 12,537 net acres with gross lease coverage of 18,620 acres. The Company can purchase 100% of the working interest with a corresponding net revenue interest of 81% for US\$230,000. The Company paid US\$175,000 on May 23, 2008, with the balance of US\$55,000 due on 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 Petroleum Company 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.

The Company has drilled its first gas well (“Hailstone #23-1”) to a depth of 1,690 feet in Stillwater County, Montana. A total gas monitor in the return fluid stream showed a significant gas increase peaking at 400 units. The gas show was present over an interval of 60 feet, which is classified geologically as the Big Elk, a primary source for gas production in this area. Several commercial gas producing wells in the region, have reported similar comparable gas indicators at this stage.

The Company has also drilled its second gas well (“Hailstone #23-2”) to a depth of 2,400 feet, and continuing to an approximate depth of 3000’, in Stillwater County, Montana. A total gas monitor in the return fluid stream showed a significant gas increase peaking at approximately 600 units at a depth of 900 feet and again at approximately 100 units at a depth of 1,300 feet. These pay zones are classified geologically as the Frontier, a primary source for gas production in this area. Several commercial gas producing wells in the region, have reported similar comparable gas indicators at this stage.

The Company has completed 9 miles of buried 6” pipe and tapped in to the SAGA 12” sales pipeline. The Company has decided to increase the length of its pipeline from 10 mile to 12 miles, which allows for greater access for future gas well development.

On October 30, 2008, the Company received approval from The Montana Board of Oil and Gas Conservation with its application of designating 160 acre temporary spacing units in certain lands in Stillwater County. After this approval, Stealth is now able to drill 1 well per every 160 acres per formation, or 4 wells per Section per formation, with the well set back only 660 feet from the Section lines.

2. West Shannon Property, Natrona County, Wyoming, USA

On May 17, 2006 (fiscal 2007), the Company signed an arms-length acquisition agreement with Big Snowy LP 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 issue of 1,000,000 treasury shares of the Company at a deemed price of \$100,000.

3. East Teapot Dome Property, Natrona County, Wyoming, USA

The Company has signed an agreement with Crazy Mountain LLC of Montana USA on February 29, 2008 for the lease of 45 wells located within the Powder River Basin in Natrona County, Wyoming, USA and known as the East Teapot Dome. As there are interests held by directors of the Company in Crazy Mountain LLC and associated companies doing business with Crazy Mountain, the negotiation and approval of the transaction has been carried out by the independent directors of the Company.

An independent valuation of the property was conducted by Jake Oil & Gas Consultants LLC of Billings, Montana USA, who placed a fair market value for the East Teapot Dome at US\$16.699 million. The lease is for US\$150,000 a month commencing March 1, 2008 and expiring September 1st 2013. There is provision to prepay the lease at the sole discretion of the Company before June 1, 2008, for \$6 million US. In consideration of US\$600,000 the Company may at any time during the term of the lease exercise a right to purchase the title for an exercise amount of US\$500,000 so long as the prepayment amount is satisfied. As at the date of this MD&A, the Company has exercised its right by making payments totaling US\$6.5 million to Crazy Mountain LLC.

East Teapot Dome is adjacent to the U.S. Naval Petroleum Reserve #3 and has produced 2.5 million barrels of oil. The independent analysis for the project estimates the working interest reserve potential at 7.6 million net barrels.

On March 1, 2008, the lease agreement on East Teapot Dome came into effect. As of the date of the MD&A, the Company has now 'worked over' a significant number of wells totals of six wells, which are now on production. The 'work over' program continues with an objective of in excess of thirty five wells for production. The Company's engineering consultants in charge of the program have now identified the first of eight wells which present as favorable targets for deepening into the 'Shales' formation. Oil production from the East Teapot Dome is already committed under contract with Shell Trading of Houston, Texas.

During the month of April 2008, the field produced approximately 3 tanker truck loads ("loads"), with each load carrying approximately 250 barrels of oil, which were sold under its contract with Shell Oil. During the month of May production increased to approximately 4 "loads" of which only 2, due to weather restrictions, were shipped. June's production started at the same pace, with an overall expected increase as the 'work over' continues to completion. The BLM has approved the Company's application to deepen eight wells at East Teapot. Stealth has currently put out for drilling bids, 3 of these wells.

As at August 6, 2008, well TR #1, also known as well #1 Track 2, has been production tested and is producing straight oil (without water) out of the Shannon and Shales. At this stage the amount of production increase is yet to be determined. The RD20 drilling rig is now positioned over well #55 Track 5 and so far the well has been deepened to 1,800 feet and drilling is continuing to the Shales. During the month of August, the Company also concluded its drilling to deepen well #55 Track 5 to a depth of 3,300 feet. There were multiple oil shows from approximately 1,500 feet, which was beneath the casing for the original well. The most significant show was at the 3000' level from the Steele and Niabrara shales. The Company is now in the process of running rods and tubing for production. These activities are all part of the Company's development program. Upon completion, the RD20 rig will be set up at its next drill site. These are all parts of the Company's development program to deepen, and upon permitting, laterally drill at East Teapot Dome in Wyoming, USA.

Since the Company commenced production in East Teapot Dome in March 2008, it has generated total petroleum and natural gas revenue of \$388,008.

### ***Capital Expenditures***

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The Company has incurred capital expenditures of \$9,737,883 during the fiscal 2009 compared with \$59,337 in 2008. The difference stems mainly from the fact that the Company recorded significant lease payments to acquire interests in its oil and gas properties in the year ended February 28, 2009 compared to the year ended February 29, 2008.

### ***Financing Activities***

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Since incorporation on February 21, 2006, the Company has engaged in the following financing activities:

1. On February 21, 2006, the Company issued one (1) common share at a price of \$0.01 per share for gross proceed of \$0.01 and 2,750,000 common shares at a price of \$0.0001 per share for gross proceeds of \$275 as the initial investment in the Company.
2. On May 17, 2006, the Company issued 1,000,000 common shares as consideration for acquiring the West Shannon property.
3. On July 19, 2006, the Company issued 9,850,000 common shares at a price of \$0.0001 per share for gross proceeds of \$985; 1,575,000 common shares at a price of \$0.10 per share for gross proceeds of \$157,500 and 450,000 common shares at a price of \$0.15 per share for gross proceeds of \$67,500.
4. On September 22, 2006, the Company issued 146,667 common shares at a price of \$0.15 per share for gross proceeds of \$22,000.
5. On September 29, 2006, the Company issued 500,000 common shares at a price of \$0.0001 per share for gross proceeds of \$50.
6. On February 28, 2007, 14,100,000 common shares previously issued at a price of \$0.0001 per share and one common share previously issued at a price of \$0.01 were returned to treasury. Following the return to treasury of such 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.
7. On August 7, 2007, the Company closed its initial public offering (the "IPO") of 2,200,000 common shares at a price of \$0.23 per share for aggregate gross proceeds of \$506,000. Expenses of the issue were \$60,637 (\$0.034 per share) giving net proceeds of \$430,400.
8. On February 25, 2008, the Company issued 5,000,000 units at \$0.25 per unit for gross proceeds of \$1,250,000 pursuant to a private placement. Each unit is comprised of one common share and one non-transferable warrant. Each whole warrant entitles the warrant holder to buy one common share at \$0.30 per share until March 4, 2010. All of the securities issued pursuant to the private placement will be subject to a four-month hold period. No commissions or fees were paid.

9. On March 12, 2008, the Company issued 34,020 common shares in connection with the exercise of options at \$0.23 per share for total proceeds of \$7,824.
10. On May 1, 2008, the Company issued 14,655,000 units at \$0.50 per unit for gross proceeds of \$7,327,500 pursuant to a private placement. Each unit is comprised of one common share and one non-transferable warrant. Each whole warrant entitles the warrant holder to buy one Common Share at \$0.60 per share in the first year and \$0.75 per share in the second year. The Company paid \$170,442 in cash commission and issued 45,150 units at \$0.5 per unit as a finder's fee.

### ***Liquidity and Capital Resources***

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The Company's aggregate operating, investing and financing activities for the year ended February 28, 2009 resulted in a cash decrease of \$761,537. As at February 28, 2009, the Company's cash balance was recorded as \$57,602 and the Company had a negative working capital of \$1,591,426. At February 28, 2009, the Company has paid-up capital of \$8,141,160 representing 30,122,502 common shares and a deficit of \$2,212,531.

As at February 28, 2009, the Company has put into commercial production its East Teapot Dome Property and made shipments to Shell Oil (see Oil and Gas Properties above). The Company generated revenues from operations of \$388,008 for the year ended February 28, 2009 (February 29, 2008-\$nil). Since the production at the East Teapot Dome Property is in its early stage, the Company is still dependent on the equity markets as its major source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company will continue to require funds to meet its obligations under its property lease agreements and as a result, will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

### ***Transactions with Related Parties***

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During the year ended February 28, 2009, the Company was charged \$149,500 by directors and companies controlled by directors of the Companies. Included in the receivables was \$37,871 due from a shareholder of the Company. Included in the accounts payable and accrued liabilities was \$1,322 and \$34,962 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. As at February 28, 2009, the Company recorded loans from a director of the Company of \$8,681 and a shareholder of the Company of \$97,180, respectively that are unsecured, non-interest bearing and due on demand. As described in more detail in note 11 of

the financial statements, as at February 28, 2009, the Company paid a property acquisition fee \$6,577,425 (US\$6,500,000) to a company controlled by directors of the Company.

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

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

#### ***Fourth Quarter***

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The Company recorded a net loss of \$941,626 during the fourth quarter ended February 29, 2009, primarily due to the stock based compensation in the amount \$607,427.

#### ***Off Balance Sheet Arrangements***

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To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

#### ***Critical Accounting Estimates***

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The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the audited financial statements as at February 28, 2009. There is no accounting estimates considered to be significant to the Company.

#### ***Financial Instruments***

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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, short term investment, receivable, conservation bond, accounts payable and accrued liabilities and due to a related party.

The Company has classified its cash and cash equivalents, short term investment and conservation bond as held for trading, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to a related party are classified as other financial liabilities, which are measured at amortized cost.

At February 28, 2009, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, receivable, conservation bond, accounts payable and accrued liabilities and due to a related party 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 short term investment. 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:

### 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. Receivables consist of accounts receivable and 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.

### 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 near term planned exploration work and ongoing operating expenditures. As at February 28, 2009, the Company had a negative working capital of \$1,591,426 (February 29, 2008 - \$1,469,338).

### 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 balances. The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

### 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 dollars 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 \$25,391 of the cash was held in US dollars.

### 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.

### **Outstanding Share Data**

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The following information relates to share data of the Company as at February 28, 2009.

#### Share capital

- (a) Authorized:
  - o An unlimited number of common voting shares with no par value.
- (b) Issued:

The Company has 30,122,502 common shares issued and outstanding and its share capital is \$8,141,160.

#### Options

The Company has granted 550,000 Agent Compensation Options to Union Securities Ltd. who acted as agent in the IPO. These options have an exercise price of \$0.23 for a period of twenty-four months from the closing of the IPO. 34,020 of the Agent Compensation Options were exercised on March 12, 2008. As at February 28, 2009, 515,980 Agent Compensation Options remain outstanding.

On May 26, 2008, the Company approved and granted 2 million options under its stock option plan to its officers, directors, employees and consultants. The options bear an exercise price of \$0.65 per share and are vested at a rate that is less than 20% each year for five (5) years, expiring on the date that is five (5) years from the date of grant.

As at February 28, 2009 and the date of this MD&A, there are a total of 2,515,980 options outstanding.

#### Warrants

As at February 28, 2009 and the date of this MD&A, the Company has a total of 19,700,150 common shares purchase warrants, of which 4,000,000 common share purchase warrants are exercisable at \$0.30 per share until March 4, 2010 and 14,700,150 common share purchase warrants are exercisable at \$0.60 per share until April 30, 2009 and at \$0.75 per share from May 1, 2009 to May 1, 2010.

### **Additional Disclosure Requirements**

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#### **Disclosure Controls and Procedures**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management in order to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures, as of February 28, 2009, are effective and provide reasonable assurance that material information related to the Company is made known to them by others. It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### **Additional Disclosure for Venture Issuers without Significant Revenue**

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The Company has expensed the following material cost components:

		Year ended February 28, 2009		Year ended February 29, 2008
Accounting & Legal	\$	110,410	\$	115,842
Consulting Fee	\$	334,068	\$	98,390
Office & General	\$	215,044	\$	38,618
Stock Based Compensation	\$	679,000	\$	-

\$149,500 of the consulting fees incurred and expensed in the year ended February 28, 2009 were made to directors and companies controlled by directors of the Company. (See Related Party Transactions above).

Stock based compensation was expensed in accordance to GAAP and \$679,000 was recorded during the year ended February 28, 2009.

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

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Effective March 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") pertaining to CICA Handbook relating to capital disclosures, financial instruments and general standards of financial statement presentation. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

### 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 this disclosure as recommended by the new Handbook section in note 3 to the audited interim consolidated financial statements ended February 28, 2009.

### 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 this disclosure as recommended by the new Handbook section in note 4 to the audited annual consolidated financial statements ended February 28, 2009.

### 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 new standard does not have any significant impact on the annual consolidated financial statements ended February 28, 2009.

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

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It is management's position to only disclose the effect of new accounting pronouncements which are expected to have an impact on the Company's financial reporting policies. As a result, accounting pronouncements which are not expected to be applicable to the Company are not disclosed.

The following new accounting recommendations have been issued by the CICA but are not yet required to be adopted by the Company.

### 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.

## 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.

## **Risks and Uncertainties**

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The Company operates on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent upon it achieving and maintaining profitable results, receiving support from its lenders and attracting sufficient resources to explore and develop oil and natural gas properties. There is no certainty that management will be able to resolve these matters.

The business of exploring, developing, acquiring and producing oil and natural gas reserves is subject to a variety of operational, financial and regulatory risks, including:

1. **Operational Risks** – oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, including fire, explosions, blowouts, formation damages and oil spills, all or any of which could have a negative impact on oil and gas wells, production facilities, related property, the environment, or in personal injury. Operational risks also include finding and developing oil and natural gas reserves on an economically viable basis, reservoir production performance, marketing, and assessing contract services on a cost-effective basis.
2. **Financial Risks** – Financial risks including commodity and market fluctuations, interest rates and any rates of applicable currency exchange. The Company's results of operations and financial considerations are dependent on the prices received for oil and natural gas production from reserves in which it has a working interest. Oil and natural gas prices have fluctuated widely in the past, with oil in particular subject to national and international supply and demand ratios, along with political development and instability in the Middle East. In addition, the marketability of the Company's products also will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial legislation on such production, and the general economic conditions of the marketplace.
3. **Price Volatility of Publicly Traded Securities** – In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, with the market price of securities of many companies undergoing wide fluctuations in price, which have not necessarily been related to operating performance, underlying asset value or prospects.
4. **Development of Additional Reserves** – The future success of the Company may also depend on its ability to find or acquire additional oil and gas reserves that are economically recoverable.

5. Competition – The oil and natural gas industries are extremely competitive, and, as such, the Company will continue to seek out potential joint venture partners, capital, and undeveloped land with a variety of other companies.
6. Regulatory Risks – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

### ***Subsequent Events***

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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 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 US\$27,500 fees payment were completed 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 transferrable 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.

### ***Additional Information***

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Additional information about the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).