STEALTH ENERGY INC.
Management Discussion and Analysis
For the Second Quarter Ended August 31, 2010

General

The following information, prepared as of October 28, 2010, should be read in conjunction with the unaudited consolidated financial statements of Stealth Energy Inc. (the "Company") for the quarter ended August 31, 2010, as well as audited financial statements of the Company for the year ended February 28, 2010. The consolidated 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 "Wertpapierkennummer" (WPKN), the German securities identification code, is A0Q22Q.

Forward Looking Statements

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

The Company was incorporated on February 21, 2006 under the laws of British Columbia. The Company's principal business activity is the exploration and production of petroleum and natural gas. 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 evaluating, acquiring, drilling, and developing natural resource properties. The Company is performing regular maintenance work at its East Teapot Dome property in Natrona County, Wyoming and working towards production startup at its oil and gas properties in Montana.

Overall Performance

The following discussion of the Company's financial performance is based on the unaudited consolidated financial statements for the quarters ended August 31, 2010 and audited consolidated financial statement for the year ended February 28, 2010.

The Balance Sheet as of August 31, 2010 indicated a cash position of $720,185 (February 28, 2010 - $24,605) and total current assets of $1,060,622 (February 28, 2010 - $59,982). The decrease in cash was mainly caused by the Company's lease, acquisitions and expenditures on its oil and gas properties, particularly the properties in Montana and Wyoming.

Current liabilities at August 31, 2010 was $469,653 (February 28, 2010 - $1,211,731). Shareholders' equity was comprised of share capital of $13,083,896 (February 28, 2010 - $9,612,056), contributed surplus of $2,735,550 (February 28, 2010 - $2,224,190) and a deficit of $3,509,935 (February 28, 2010 – $2,690,743) for a net $12,309,511 (February 28, 2010 - $9,145,503). The increase in capital stock was due to a private placement completed in the period ended August 31, 2010.

Working capital, which was current assets less current liabilities, was of $590,969 at August 31, 2010 compared to a deficit of $1,151,749 at February 28, 2010. Working capital at August 31, 2010 included cash and cash equivalents of $720,185 and receivables of $53,629, among other current assets.

During the quarter ended August 31, 2010, the Company reported a net loss of $306,513 ($0.01 basic and diluted loss per share) compared to a net loss of $94,648 ($0.00 basic and diluted loss per share) reported for the quarter ended August 31, 2009. Losses in quarters ended August 31, 2010 and August 31, 2009 represented operating expenses of $347,998 and $165,453, respectively.

The weighted average number of common shares outstanding for the quarter ended August 31, 2010 was 47,383,618 (August 31, 2009 – 33,903,324). Weighted average number of common shares outstanding changed from the previous year ended February 28, 2010 because 21,025,000 common shares were issued at $0.20 per share upon the completion of a non-brokered private placement and 50,000 common shares were issued at $0.15 per share upon the exercise of the warrants.

The deficit at the beginning of the quarter was $3,203,422 and increased to $3,509,935 due to a net loss for the quarter of $306,513.

Results of Operations

During the second quarter ended August 31, 2010, the Company reported a net loss of $306,513 ($0.01 basic and diluted loss per share) compared to a loss of $94,648 ($0.00 basic and diluted loss per share) reported for the quarter ended August 31, 2009. Petroleum and natural gas revenues for the three months ended August 31, 2010 were $50,350 as compared to $86,910 for the three months ended August 31, 2009. The decrease in revenue for the three months ended August 31, 2010 compared with the same period ended August 31, 2009 was due to the drop of petroleum sales volume. Revenues were a result of production in East Teapot property in Wyoming. The Company commenced production in March 2008 and no revenue was recognized in previous quarters. The

cost of revenues for three months ended August 31, 2010 included depletion, depreciation and accretion expenses of $3,489 and lease taxes recovery expenses of $9,942, as compared to $3,947 and $9,164 for the three months ended August 31, 2009. The decreased amount of recovery tax was due to the decreased revenue. The decrease of depletion, depreciation and accretion expenses, were due primarily to the decrease of the sales of petroleum volume.

	Three months ended August 31, 2010	Three months ended August 31, 2009
$/BOE	$ 65.28	$ 62.25
BOE	771.29	1,396
Petroleum and natural gas sales ($)	$ 50,350	$ 86,910

The operating expenses were $347,998 for the three months period ended August 31, 2010, as compared to $165,453 for the three months period ended August 31, 2009. This represented an increase of $99,412. The increase was attributable to an increase in accounting & legal expenses from $6,767 during the three months ended August 31, 2009 to $25,070 during the three months ended August 31, 2010, an increase in consulting fees from $91,772 during the three months ended August 31, 2009 to $125,744 during the three months ended August 31, 2010 and an increase in travel expenses from $9,666 during the three months ended August 31, 2009 to $31,966 during the three months ended August 31, 2010. The increased expenses reflected the property equipment purchases. The Company had no stock options granted related to stock-based compensation during the three months ended August 31, 2010, as well as for the quarter ended August 31, 2009.

The general and administrative expenses for the three months period ended August 31, 2010 was $148,422 compared to general and administrative expenses of $52,859 for the three months period ended August 31, 2009. This represented an increase in general administrative expense of $95,563. The increased expense reflected the Company's increased operating activities.

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 in future periods. 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.

Summary of Quarterly Results (unaudited)

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 consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	2nd Quarter August 31, 2010	**1st Quarter May 31, 2010**	**4th Quarter February 28, 2010**	**3rd Quarter November 30, 2009**
Revenue	50,350	44,070	41,619	58,271
Net Loss	(306,513)	(512,679)	(278,257)	(70,151)
Basic and Diluted Loss Per Share	(0.01)	(0.01)	(0.01)	(0.02)

	2nd Quarter August 31, 2009	1st Quarter May 31, 2009	4th Quarter February 28, 2009	3rd Quarter November 30, 2008
Revenue	86,910	93,653	14,968	67,179
Net Loss	(94,648)	(35,156)	(941,626)	(153,337)
Basic and Diluted Loss Per Share	(0.00)	(0.00)	(0.03)	(0.01)

Net Loss

Expenses for the quarters ended August 31, May 31, February 28, 2010, and November 30, 2009 include filing & transfer agent fees of $4,178, $8,578, $14,751 and $1,757, respectively.

Expenses for lease taxes of $9,942, $10,154, $7,075, $7,075, $9,164, $9,530, $44,391, ($34,154), and $35,060 were recorded for the quarters ended August 31, May 31, February 28, 2010, November 30, August 31, May 31, February 28, 2009, November 30, August 31 and May 31, 2008. No lease taxes were incurred in previous quarters because the Company was not required to pay lease taxes until it started generating revenue in the first quarter of fiscal 2009.

Overall, consulting fees, office and general, filing & transfer agent fees are the major components that caused variances in net loss from quarter to quarter.

Oil and Gas Properties

The Company currently has interests in oil and gas properties in Montana and Wyoming. The Company's oil and gas properties were disclosed in Note 6 to the audited consolidated financial statements as at February 28, 2010.

On May 21, 2010, the Company entered into a Letter Of Intent to acquire 8,500 acres of oil leases in Montana (Trailblazer project and Winnett project) with Flint Energy LLC ("Flint"). On June 11, 2010, the Company formalized the agreements and on June 15, 2010 made first payment of US$471,900 (C$485,585) to Flint ($219,000 for Trailblazer and $252,900 for Winnett). Under the agreement the Company is obligated to drill 3 wells on the Trailblazer project (first well no later than September 1, 2010, second no later than November 1, 2010 and third no later than July 1, 2011). Second and final payment of US$252,900 for Winnett is due on December 15, 2010. Second and final payment of US$219,000 for Trailblazer is due within 30 days after third well reaches total depth.

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 into 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 amended this contract and agreed to develop four natural gas wells on Stealth's property in Montana at a cost of US$200,000 per well. The Company will commence drilling the first two wells upon receipt of US$400,000 in funds from Seven. As at August 31, 2010, the Company has received US$245,000 of the above agreement.

On April 1, 2010, the Company signed a (5) five year Surface Use Agreement ("SUA") with Staple Three Sheep Co., Inc. ("Owner") in regards to the Company's East Teapot project in Wyoming. A

payment is due on April 1 of each year for purposes of conducting oil and gas operations. Payments are calculated on an agreed set schedule based on number of: wells, tank batteries, rods and other general charges based on cleanliness and reclamation. The Company made the payment of US$28,348 in full for 2010.

On April 1, 2010, the Company signed a (5) five year Surface Use Agreement ("SUA") with Meadow Creek, LLC ("Owner") in regards to the Company's East Teapot project in Wyoming. A payment is due on April 1 of each year for purposes of conducting oil and gas operations. Payments are calculated on an agreed set schedule based on number of: wells, tank batteries, rods and other general charges based on cleanliness and reclamation. The Company made the payment of US$7,425 in full for 2010.

On April 1, 2010, the Company signed a (5) five year Surface Use Agreement ("SUA") with Meadow Creek, LLC ("Owner") in regards to the Company's Antelope field in the East Teapot project in Wyoming. A payment is due on April 1 of each year for purposes of conducting oil and gas operations. Payments are calculated on an agreed set schedule based on number of: wells, tank batteries, rods and other general charges based on cleanliness and reclamation. As at August, 31, 2010, the Company paid US$15,000 towards the total payment of US$25,578 for 2010, leaving a balance owning of US$10,578. As at August 31, 2010, the Company made the payment in full for 2010.

On March 5, 2009, the Company entered into an operating agreement with Consolidated Beacon Resources Ltd. ("Beacon") (since changed name to Zone Resources Inc.) 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 are recovered. 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. No portion of this agreement has yet been consumated.

In March 2009, the Company's application to discharge water on surface at the little Basin (Hailstone) gas project was favourably considered by the Montana Department of Environmental Quality. The Company has now received its first written authorization for discharge, an essential element of which is the high standard water quality involved. This helps the bottom line as it saves the Company from having to make alternative discharge arrangements and augers well for the future, as a large number of gas wells should be similarly considered.

Since the Company commenced production in East Teapot Dome in March 2008, as at August 31, 2010, it has generated total petroleum revenues of $762,881 by selling and shipping to Shell Oil. The Company generated revenues from operations of $94,420 during the six months period ended August 31, 2010.

Capital Expenditures

The Company had incurred capital expenditures of $1,425,280 during the quarter ended August 31, 2010 compared with $148,532 for the period ended August 31, 2009. The difference stems mainly from the fact that the Company recorded significant capital expenditure in its oil properties in Wyoming and Montana in the quarter ended August 31, 2010 compared to the quarter ended August 31, 2009.

Financing Activities

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 $75,600 ($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 $170,443 in cash commission and issued 45,150 units at $0.5 per unit as a finder's fee.

11. On April 24, 2009, the Company issued 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 $11,000 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.

12. On April 21, 2010, the Company issued 50,000 common shares in connection with the exercise of warrants exercise at $0.15 per share for total proceeds of $7,500.

13. On April 22, 2010, the Company completed a private placement consisting of 21,025,000 units at $0.20 per unit, for a total value of $4,205,000. Each unit consisted of one common share and one common share warrant. Each warrant can be exercised to purchase one additional common share at $0.25 for a period of 2 years. Of this amount, 16,600,000 units ($3,240,000) were issued for cash, and 4,825,000 units ($965,000) were issued in satisfaction of outstanding accounts payable to a shareholder and minority shareholder of the Company. A commission on a portion of the proceeds raised was paid in the amount of $181,600 and payable in the amount of $120,000 in cash and 200,000 ($18,260) broker warrants at $0.25 for a period of 2 years. The net cash proceeds will be used for development of the Company's oil and gas properties, and for general working capital.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for the quarters ended August 31, 2010 resulted in a cash increase of $695,580. As at August 31, 2010, the Company's cash balance was recorded as $720,185 and the Company had a working capital of $590,969. At August 31, 2010, the Company had paid-up capital of $13,083,896 representing 47,383,618 common shares and a deficit of $3,509,935.

As at August 31, 2010, the Company has developed its East Teapot Dome Property and made shipments to Shell Oil (see Oil and Gas Properties above). The Company generated revenues from operations of $50,350 for the quarter ended August 31, 2010 (August 31, 2009 - $86,910). 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

During the three months period ended August 31, 2010, the Company was charged $36,000 by entities controlled by directors of the Company. Included in the prepaid expenses and deposits was

$36,991 due from an entity controlled by a director of the Company. Included in the account due to related parties, there was amount of $15,574 due to entities controlled by directors of the Company for operating expenses.

The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Company and the related parties.

Commitments

On February 15, 2010, the Company entered into an IR/PR Service Agreement with Delphina Group Corp. ("Delphina") a Company in Toronto, Ontario to provide consulting services, including but not limited to advice regarding various additional supportive; advising and assisting client in its current financing activities and organization of road show meetings in Germany and other countries for a period of three months. The Company agreed to pay US$60,000 per month for a total of US$180,000. The Company also agreed to pay a commission or success fee to Delphina in connection with any financing, credit lines, stock loans, acquisition projects etc as set in the agreement. The commission paid will be 8% on any amount raised up to $1,000,000; 7.5% between $1,000,001 and 3,000,000; 7% between $3,000,000 and $4,000,000 and 6% on $4,000,001 and greater. As of August 31, 2010, the Company made the payment $180,070 (US$180,000) in full.

On February 15, 2010, the Company signed an office lease agreement with Polaris Realty (Canada) Limited ("Landlord") for a period of (5) five years, starting September 1, 2010 and ending August 31, 2015, comprising of approximately 2,637 square feet of rentable area. The Company delivered a refundable security deposit of $11,000 to the Landlord upon execution of the lease agreement. The Company has agreed to pay the landlord, on the first day of each month, $10,696.99 (total rent plus GST) for the first 2 years, $10,927.73 per month for the third year and $11,158.47 per month for the fourth and fifth years.

On January 1, 2010, the Company signed an office lease agreement with Makenna Hotel Investments, LLC (Makenna) located in Billing Montana for a period of (5) five years commencing on June 1, 2010 and expiring on December 31, 2015. The Company agreed to pay $2,274.64 USD from months 6 to 24, $2,340.54 USD from months 25 to 48 and $2,412.82 from months 49 to 60 based on 2,551 square feet of rental area.

In the prior year, the Company entered a lease agreement for office space commencing January 1, 2008 having a three-year term that commits the Company to the basic and in the current year, the Company entered an additional lease agreement and a sub-lease agreement as described below:

Year ended	Amount
2011	$132,156
2012	$179,494
2013	$152,976
2014	$156,479
2015	$156,479

On April 20, 2010, the Company entered into a fourteen week service agreement with Accelerize New Media, Inc. ("ACLZ"), a company in Los Angeles, California, to provide marketing solutions and strategies. In consideration of the services provided, the Company agreed to make three payments totalling $36,000. The first payment is $15,000 due upon signing, the second is $15,000 due May 15, 2010 and the last payment is $6,000 due June 15, 2010. On August 12, 2010 the Agreement had been renewed for additional (4) four months term. In consideration of the services provided, the Company agreed to make four payments totalling $28,000. As of August 31, 2010, the Company paid $7,000.

On April 28, 2010, the Company signed an office sublease agreement with Genco Resources Ltd. (the "Landlord") for a period of (4) four months, starting 1 May 2010 and ending August 31, 2010, comprising approximately 1,337 square feet of rentable area. The Company delivered a refundable construction security deposit of $4,000 to the Landlord upon execution of the lease. The Company has agreed to pay the landlord, on the first day of each month, $5,412 (total rent plus GST/HST) for the months of: May, June, July and August 2010. As of August 31, 2010, the Company paid $21,648 to the Landlord in full.

Off Balance Sheet Arrangements

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

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 consolidated financial statements as at February 28, 2010. There is no accounting estimates considered to be significant to the Company.

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.

The capital of the Company consists of the items included in the consolidated shareholders' equity. In order to maintain or adjust its capital structure the Company may issue new shares or debt. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

Although the Company has oil production during the quarter ended August 31, 2010 and generated 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.

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

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, receivable, conservation bond and bank indebtedness, accounts payable and accrued liabilities and due to related parties.

The Company has classified its cash and cash equivalents, conservation bond, and bank indebtedness 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 related parties are classified as other financial liabilities, which are measured at amortized cost.

At August 31, 2010, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, receivable, conservation bond and bank indebtedness, 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. 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 through its equity financing. As at August 31, 2010, the Company had a working capital of $590,969 (February 28, 2010 – working capital deficiency of $1,151,749).

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 no significant cash balances and no interest-bearing debt.

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 August 31, 2010, approximately $188,658 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

The following information relates to share data of the Company as at August 31, 2010.

Share capital

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

(b) Issued:
The Company had 66,208,002 common shares issued and outstanding and its share capital was $14,554,086.

Escrow Shares

At August 31, 2010, the Company has 917,500 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.

Broker Warrants
On April 22, 2010, the Company granted 200,000 Broker Warrants to the agent that acted in the Company's private placement at an exercise price of $0.25; the warrants expire 24 months from

completion of the private placement, on April 23, 2012. As at August 31, 2010 there were 200,000 broker warrants outstanding.

Options

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.

On March 1, 2010, the Company granted 1 million share options under its stock option plan at an exercise price of $0.25, to its officers, directors, employees and consultants. The options vested immediately. The weighted average fair value of the options granted on March 1, 2010 was estimated at $0.0725 per share using the Black-Scholes option-pricing model, using the following assumptions: risk-free interest rate of 2.52%, dividend yield of 0%, volatility of 93.156% and expected life of approximately 5 years. During two quarters ended August 31, 2010, stock based compensation of $72,600 was recognized (February 28, 2010-$0).

As at August 31, 2010 and the date of this MD&A, there were a total of 3,000,000 options outstanding.

Warrants

As at August 31, 2010 and the date of this MD&A, the Company had a total of 28,475,000 common shares purchase warrants, of which 7,500,000 common share purchase warrants are exercisable at $0.15 per share until April 23, 2011, of which 50,000 were exercised and 21,025,000 common share purchase warrants are exercisable at $0.25 per share until April 23, 2012.

Additional Disclosure Requirements

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 August 31, 2010, 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

The Company expensed the following material cost components:

		Quarters ended August 31, 2010		Quarters ended August 31, 2009
Accounting & Legal	$	30,016	$	21,174
Consulting Fee	$	388,379	$	169,461
Office & General	$	306,444	$	92,311
Stock Based Compensation	$	72,600	$	-

$72,000 of the consulting fees incurred and expensed in two quarters ended August 31, 2010 was made to entities controlled by directors of the Company. (See Related Party Transactions above).

Critical Accounting Estimates

A summary of Stealth's accounting policies are summarized in Note 2 of the audited consolidated financial statements at February 28, 2010 and in Note 2 of the unaudited consolidated financial statements for the six months ended August, 2010. These policies are subject to estimates and judgements about future events, many of which may beyond the control of management. The following is a discussion of the accounting estimates that are critical to the preparation of the financial statements.

Oil and Gas Accounting

Stealth follows the full-cost accounting guideline to account for its petroleum and natural gas operations. Under this method, all costs associated with exploration for the development of petroleum and natural gas reserves are capitalized in cost centres by country.

Depletion and depreciation expense is based on the amortization of net capitalized costs less unproved property costs plus future development costs for oil and natural gas exploration and development activities using the unit-of-production method. This method of costs amortization is based on the ratio of oil and natural gas sales to estimated proved oil and natural gas reserves. The evaluation of estimated proved oil and natural gas reserves is prepared by independent petroleum consultants and reviewed by the Company's Board of Directors. The process of estimating proved reserves. The evaluation of estimated proved oil and natural gas reserves estimates and future development costs change over time based on development and production activities and changing economic conditions. Unproved property costs are reviewed by management on a quarterly basis to determine if they should no longer be excluded from the cost based for amortization when proved reserves have been established or if the properties have become impaired. Changes to any of the aforementioned estimates could affect depletion and depreciation expense.

Asset Retirement Obligations

The Company's future asset retirement obligation is a fair value determination based upon the present value of estimated costs and anticipated future timing to complete the abandonment and reclamation of Stealth's interest in wells and facilities. Cost estimates associated with abandonment and reclamation requires judgment concerning the method, timing and extent of future retirement activities. The present value calculations, which give rise to crretion expense adjustments each quarter of the year, are based on management's estimate of the Company's credit-adjusted risk-free interest rate. The future obligation and current accretion expense are subject to revision based on

changes in technologies, abandonment timing, reclamation costs, discount rates and the regulatory environment.

Impairment of Petroleum and Natural Gas Assets

Companies that use the full-cost method of accounting for oil and natural gas operations are required to perform an impairment test (the "ceiling test") that calculates a limit for the net carrying cost of petroleum and natural gas assets. The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test. The ceiling test is a two-stage process. The first stage of the test is a recovery test which compares the undiscounted future cash flows from proved reserves at a forecast prices plus the cost, less impairment, of unproved properties to the net book value of the petroleum and natural gas assets to determine if the assets are impaired. An impairment loss exists when the net book value of the petroleum and natural gas assets exceeds such undiscounted cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the petroleum and natural gas assets exceeds the future discounted cash flows from proved plus probable reserves at the forecast prices. If reserve estimates are revised downward, net income could be affected by any additional depletion and depreciation recorded under the ceiling test calculated and could result in the significant accounting expense for particular period.

Stock-based compensation

Stock options issued under the Company's stock option plan are accounted for using the fair value method. Stock-based compensation cost is determined on the date of an option grant using the Black-Scholes option pricing model, which requires the estimation of several variables including volatility in Stealth's share prices, expected life of the option and the risk-free interest rate. Changes to these estimates would alter the valuation of the option granted and its related charge to stock-based compensation expense.

Changes in Accounting Policies

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 unaudited interim consolidated financial statements ended August 31, 2010.

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 unaudited interim consolidated financial statements ended August 31, 2010.

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 interim consolidated financial statements ended August 31, 2010.

Future Changes in Accounting Policies

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. However, these new policies are not reflected in these financial statements due to a changeover in accounting personnel.

The changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company's reported financial position and reported results of operations.

The Company has developed a plan to be compliant with this changeover by January 1, 2011. The changeover plan includes an analysis of the differences between IFRS and Canadian GAAP and recognition of the policy choices available. It also includes subsequent discussion of the business process and information system changes necessary, as well as the financial impact of each.

The Company has completed its initial assessment of the effects of adopting IFRS, and has identified the following areas as having the most significant potential impact to the consolidated financial statements. This list should not be regarded as a comprehensive list of the changes expected by conversion to IFRS, but is intended to inform the reader of the areas believed to be the most affected.

Property, plant, and equipment

IFRS 6 – Exploration for and Evaluation of Mineral Resources

Implementation of IFRS 6, Exploration for the Evaluation of Mineral Resources represents a departure from Canadian GAAP by segregating pre-production costs must be assessed as pre-exploration, exploration and evaluation assets, and post-exploration assets. Pre-exploration costs are those costs incurred prior to obtaining the right to explore, must be expensed, and post-exploration assets must be evaluated, impaired if necessary, and then transferred to development and production assets. Initially, the Company has the option of either expensing or capitalizing Exploration and Evaluation costs prior to being evaluated, and expects that it will choose to capitalize.

IAS 16 – Property, Plant and Equipment

Major components of Property, Plant, and Equipment must be identified and depreciated separately over their useful lives. This differs from Canadian GAAP in that, under full cost accounting, all oil and gas assets are separate as intangible or tangibles, but depleted over substantially the same reserve base. Replacements and major overhauls must be recorded by removing old associated components from Property, Plant and Equipment and capitalized the new.

Under Canadian GAAP, small dispositions were credited against the full cost pool. Under IFRS, gains and losses must be recognized on all dispositions.

IAS 36 – Impairment of Assets

IAS 36 requires that impairments be assessed at a cash-generating unit ("CGU") level, as opposed to a full cost pull allowed currently under Canadian GAAP. A CGU is the smallest group assets capable of generating largely independent cash inflows.

Under IFRS, impairment tests must be done at least annually, and the carrying value can be compared to either the "value in use" or "fair value less costs to sell". Value in use is defined as the present value of expected future cash flows. In the absence of an active market, fair value less costs to sell may also be determined using discounted future cash flows. This differs from Canadian GAAP where impairment testing is a two-step process and compares the carrying value of asset to undiscounted cash flows. The Company expects that implementation of this IFRS will result in more frequent impairments of assets due to the lower level of testing against comparatively smaller values of cash flows. However, also under IAS 36, previous impairment losses can be reversed depending upon circumstances, which also represents a departure from Canadian GAAP.

Contingent liabilities and assets, and decommissioning liabilities

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets

The probability threshold for recognizing contingent liabilities and assets is higher under Canadian GAAP than IFRS, and as such it is possible that some contingent liabilities that may not have met the recognition criteria under Canadian GAAP will be required to be recognized under IFRS. Under IAS 37, a provision must be recognized when:

a) there is a present obligation as a result of a past transaction or even;
b) it is probable that an outflow of resources will be required to settle the obligation, and;
c) a reliable estimate of the obligation can be made.

Regarding asset retirement obligation, Canadian GAAP requires the use of a credit-adjusted risk-free rate to discount the future obligations, whereas IFRS requires the use of a current market-based discount rate. The difference in discount rates is expected to impact the Company's asset retirement obligations, although it is not known at this time the extent or direction of the impact.

IFRS 1 – First-term Adoption of International Financial Reporting Standards

IFRS 1 allows for a few alternatives for retrospective application of certain standards, as well as requiring significant disclosures of accounting policies, and IFRS 1 mandatory and elective exemptions. It is expected that the disclosures for the Company will be substantial.

The Company may revise its estimate of the policy choices and potential impact as it works through the conversion as new facts and circumstances arise and decisions are made. Until the majority of these decisions can be made and their impact assessed, the Company has not yet completed the quantification of the effects.

Senior management of the Company have been reviewing the impact on the Company's future financial position and results of operations under IFRS, and reports the results of this review to the Board and Audit Committee on a periodic basis. During 2011, the Company will complete the implementation of its changeover plan. The Company will also monitor standards development as issued by the IASB and the AcSB as well as regulatory developments by the Canadian Securities Administrators (CSA), which may affect the timing, nature, or disclosure of the adoption of IFRS.

Risks and Uncertainties

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. Recent Economic Risks – The global credit crisis in 2008 and 2009, severely declining valuations on equity markets worldwide, weakening economic growth, and sharp falls in commodity prices have generated significant uncertainty for the energy sector in North America. Commodity prices, primarily crude oil, have rebounded strongly in late 2009 and into 2010. This has improved financial markets somewhat, however volatility still remain. Energy producers will still encounter difficult times in accessing new equity capital, while their credit conditions and availability may tighten despite low interest rates.

4. 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.

5. 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.

6. 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.

7. Regulatory Risks – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

Additional Information

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.