

Stream Oil & Gas Ltd.

Form 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter ended May 31, 2008

The following is management's discussion and analysis (MD&A) of the financial condition and results of the operations of Stream Oil & Gas Ltd. (the "Company" or "Stream") for the three month and seven month periods ended May 31, 2008. The Company's operations began in November 2007 and therefore prior year comparative information is not available.

This MD&A includes information and expectations concerning the Company's outlook based on currently available information and should be read in conjunction with the Company's unaudited, interim consolidated financial statements and related notes for the corresponding period.

Share Exchange Agreement

The Share Exchange Agreement between the Company and Stream Oil & Gas (CI) Ltd. (the Acquisition) received shareholder approval at the Company's annual and special meeting held on March 11, 2008 and the acquisition closed effective April 4, 2008. A detailed discussion of the Share Exchange Agreement and of Stream Oil & Gas (CI) Ltd. and its oil and gas properties is included in the Notice of Meeting and Information Circular of the Company dated February 12, 2008 and available on SEDAR at www.sedar.com.

Name change, share consolidation, and escrow cancellation

In conjunction with the Acquisition, effective April 4, 2008, the Company consolidated its share capital on a four old shares for one new share basis as approved by the shareholders at the meeting. In addition, the Company cancelled 15,000,000 pre-consolidated shares and the Company changed its name to "Stream Oil & Gas Ltd."

All figures are in United States dollars unless otherwise stated.

This MD&A is prepared as of July 25, 2008.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements, which reflect, among other things, management's expectations regarding the Company and the Company's properties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements.

Such forward-looking information, including but not limited to statements such as production targets, timing of the company's planned work program and management's belief as to the potential of certain properties, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

Such factors include, among others, risks and uncertainties associated with exploration, petroleum operations and risks associated with equipment procurement and equipment failure as well as those described under "Business Risks and Uncertainties" in the Company's Information Circular.

The Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this MD&A should not be unduly relied upon.

OVERVIEW

Stream is an emerging oil and gas production, development and exploration company, currently focused on its three oil fields and a gas field in Albania. The Company's shares are listed for trading on the TSX-Venture Exchange, symbol "SKO" and on the CNQ, symbol "STRM".

Petroleum Agreements

Stream has entered into Petroleum Agreements with Albpetrol Sh.A. the Albanian state exploration and production company, to evaluate and redevelop three onshore oil fields and one onshore gas field under four separate 25-year license agreements with Albania's National Petroleum Agency. Stream has the right to take over the operations of all wells in the fields and produce the remaining reserves, and will be doing so on a staged basis. Under the agreements Stream is entitled to 100% of the incremental production and a share of current baseline production. The operations are subject to royalties of between 2% and 6% based on an R factor of revenues and petroleum costs.

To earn its rights under the agreements, Stream is required to spend a total US\$4.8 million over an 18 month period in respect of the oil fields and 24 months for the Delvina gas field. Stream's current work programs, which were submitted to and approved by the Albanian Ministry of Natural Resources (AKBN) on October 30, 2007, total \$17.3 million. Subject to the availability of oil field equipment and services, management plans to complete the work programs by the end of 2008.

Producing oil and gas assets:

Stream is currently conducting an 18-month initial field reactivation and redevelopment program to maximize reservoir performance and substantially increase production through advanced well re-activation and rehabilitation methods. In the gas field, a seismic program to update mapping and reserve estimates is now in progress.

The Company plans to complete a full review of its four oil and gas fields in accordance with NI 51-101 standards by the end of 2008, to update and determine the corresponding recoverable reserves.

As of May 31, 2008, no proven reserves or value can be attributed to the Company's interests in the Albanian properties according to NI 51-101 requirements.

Since beginning operations in November 2007, to the end of May 2008, Stream had taken over 68 wells, of which 38 were producing. A further 19 wells were taken over in June 2008 for a total of 87 wells, 45 of which are currently producing.

Stream's currently sells its oil and gas production to the ARMO refinery via Albpetrol's treatment facilities. Stream currently receives an average of \$38.00 per barrel for all oil, \$17 per mcf for gas and \$82 per bbl for condensate.

A well rehabilitation program is ongoing with a scope to understand well behavior and define appropriate methods to enhance and increase crude oil production.

A 3D passive seismic program is running over the Delvina gas field in order to map the existing production area and define upside potential. Preliminary results are encouraging and indicate more than sufficient micro-seismic event presence to allow us to obtain a subsurface model.

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The following is a summary of current activity on Stream's four Albanian properties:

Delvina gas and condensate field- discovered in 1987, a gas limestone field with a depth of 2800-3500m, currently producing from two wells out of four. The Company is currently upgrading the infrastructure and optimizing production control of the gas and condensate. Once the rig is available for the Cakran-Mollaj field, it will be used for a rehabilitation program on the two producing wells and to check the condition of the other two shut-in wells. A 3D passive seismic program is continuing over the field. Field production, when the refinery operates, is about 16000 cubic meters gas per day and 20 bopd condensate. Of this production, 9900 cubic meters of gas per day and 11 bopd of condensate are attributable to Stream as at June 30, 2008.

Gas and condensate production was down in the last quarter because the refinery had significant servicing down-time.

The Company currently runs a rehabilitation program on the two producing wells and a 3D passive seismic program over the field.

The Company plans to rework all existing wells and is in the process of hiring an appropriate drilling rig. PVT analysis is under way in order to understand the phase characteristics of the gas. Current exploration and development activity includes passive seismic and 2D seismic for mapping and estimating upside potential. Gas tests to understand phase behaviour are ongoing.

The Company is evaluating various options including the development of the field by drilling extra production wells for gas power generation and upgrading condensate production and storage.

Effective June 30, 2008, the Company has accepted a proposal from Pöyry Energy (Italy) to conduct a scoping study for a 100 MW well-head-to-wire gas fired power plant in Albania.

Ballsh-Hekaj heavy oil field- discovered in 1966, is an 11 API limestone field currently producing from 81 wells out of 212. The Company is conducting a staged rehabilitation program on 16 producing wells in the field and has taken over another eight for reactivation. Field production is 550 bop/d, of which 53bop/d are attributable to Stream as at June 30.

Gorischt-Kocul heavy oil field- discovered in 1965, is a 15 API limestone field currently producing from 135 wells out of 295. This carbonate field still has good potential to increase production. Well depths range from 400-1250 m.

The Company is now running a staged rehabilitation program on 13 producing wells in the field and has taken over another 14 for reactivation. Field production is around 925 bop/d, of which 26 bop/d are attributable to Stream as at June 30, 2008.

Cakran-Mollaj medium oil field- discovered in 1977, is a 25 API limestone field currently producing from 27 wells out of 65. This is the deepest of the carbonate oil fields at 2650-3700 m. Management's goal for the project is to increase production three to five fold by using modern technology.

The Company is currently working on infrastructure upgrades. Once a proper rig is available, we will start a staged rehabilitation program on the 14 producing wells that operate in the field and reactivate

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another that was taken over recently. Field production is 650 bop/d, of which 47 bop/d are attributable to Stream as at June 30, 2008.

The Company currently runs a rehabilitation program on 14 producing wells in the field and has take over another 20 for reactivation.

Fracture monitoring is planned for key wells. The Company has now engaged a second Albpetrol WO rig to initiate basic work overs until a bigger rig arrives.

Third quarter plans include full take-over of the south part of the field and the corresponding gathering and processing station.

For further detail regarding the Albanian properties, please refer to the Information Circular, the Sproule NI 51-101 Report, and Stream Oil & Gas's February 29, 2008 interim statements, available on SEDAR.

Mineral Property

As of May 31, 2008, the Company owns a 100% interest in one mineral resource property comprising approximately 186 hectares in the New Westminster Mining Division of British Columbia (the "**Jack Property**"). The Company acquired the Jack Property in May, 2005 for a purchase price of \$1.00 and a 3% net smelter returns royalty from Leon F. Anderson, a former officer and director of the Company. As at November 30, 2007, the Company had incurred an aggregate of \$12,111 in geological consulting fees on the Jack Property.

A NI 43-101 technical report on the Jack Property dated October 3, 2005 is available on SEDAR.

Management has not made a decision with respect to further work on the Jack property.

WORK PROGRAM AND STRATEGY (2008-2009)

Oil Fields

Management expects that the ongoing program of basic well work-over with perforations and acidizing including PCP pumps placement and testing will at least double current production. However, the Company's primary objective is to grow production by using enhanced recovery techniques for carbonate reservoirs such as the radial jetting developed in Canada and US and tested worldwide.

Management is discussing a number of alliances to maximize value and is evaluating various development options including a radial jetting program and engaging a heavy oil rig to operate in deeper wells.

Management plans to complete its oil field evaluation in 2009 and submit a Development Program for AKBN approval.

Delvina Gas Field

Management is preparing to develop the Delvina gas field with infill drilling and plans to use the gas for power generation. The Company is conducting a 3D passive seismic program over the Delvina gas field in order to construct a subsurface model, map the existing production area and define upside potential.

The Company is also evaluating a number of options which will include scoping and feasibility studies for a gas fired electrical power plan.

Management plans to complete and submit a Development Program for AKBN approval in 2009.

FINANCIAL AND OPERATIONS OVERVIEW

Second Quarter Results

Financial (\$US)	Period ending May 31, 2008	
	3 months	7 months
Oil and gas revenue		
Crude Oil	\$367,220	\$576,866
Gas	203,045	379,078
Condensate	13,983	81,250
Total oil and gas revenue	\$584,247	\$1,037,194
Operating expenses	\$226,921	\$369,852
Sales and transportation	\$78,296	\$128,010
Net operating income	\$279,030	\$539,332
General and administration	\$603,669	\$1,152,608
Net loss	(\$273,940)	(\$541,220)
after other income/expenses		
Net loss per share - basic and fully diluted ⁽¹⁾	(\$0.01)	(\$0.01)
Shares Outstanding ⁽²⁾	40,066,211	39,961,079
Capital expenditures		
Seismic survey	\$272,485	\$773,216
Work-overs (preparation operating and production)	\$818,425	\$861,172

(1) Based on the weighted average number of shares outstanding during the period.

(2) Shares outstanding are as at the end of the respective quarters.

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	3 months	7 months
Operating		
Average daily production		
Crude oil	103 bopd	113 bopd
Gas	122 mcf/d	209 mcf/d
Condensate	4.9 bopd	8.4 bopd
Average price during previous four month period:		
Crude oil	\$37.70/bbl	\$32.73/bbl
Gas	\$ 17.00/ mcf	\$14.14/mcf
Condensate	\$82.00/bbl	\$80.86/bbl

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$ 1,328,465 as at May 31, 2008 including cash on hand and short term investments of \$1,569,316. This does not include the restricted cash balance of \$2,810,630

The Company has, to date, relied upon external financing to fund its activities. While its current cash holdings are sufficient to support the immediate programs on existing properties, additional financing will be required to raise the funding necessary to pursue the Company's exploration and development plans and meet future operating expenses.

RELATED PARTY TRANSACTIONS

During the 7-month period ended May 31, 2008:

\$156,614 is due to a director of the Company. The amount is non-interest bearing without specific terms of repayment.

\$773,216 for seismic survey work was paid to a private company with a director in common with the Company.

Management and office fees of \$69,750 were paid to a private company controlled by a director of the Company.

Management and consulting fees of \$82,000 were paid to a private company owned by an officer of the Company.

Two vehicles valued at \$68,040 were contributed to the Company by an officer and insider of the Company.

COMMITMENTS

In November 2007, the Stream Oil & Gas (CI) Ltd. Plan of Development for the Albanian oil and gas properties was approved by the National Petroleum Agency of Albania (NPA).

As of May 31, 2008, the Company, as required under its Agreement with Albpetrol, holds \$\$2,810,630 in restricted cash.

Stream Oil & Gas is committed to spend a total of \$4,800,000 in expenditures relating to its Albanian properties by September 9, 2009. The Company has spent \$1,989,370 of the amount required as of May 31, 2008. If Stream does not meet its expenditure requirements, it must pay the National Agency of Natural Resources in Albania, the difference between the \$4,800,000 committed and the amounts actually incurred. As of May 31, 2008, a balance of \$2,810,630 remains restricted and is guaranteed through a bank letter of credit.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As of the date of this MD&A, following the closing of the Share Exchange agreement and related transactions, the Company's authorized capital consists of an unlimited number of common shares without par value. The Company has 38,680,341 common shares issued and outstanding. A further 1,100,000 common shares have been reserved for issuance on exercise of stock options to purchase common shares of the Company at \$1.50 per share until April 4, 2010 which were granted to directors and consultants concurrent with completion of the Acquisition.

A further 7,063,434 shares have been reserved for issuance on the exercise of outstanding warrants. On a fully diluted basis, the issued share capital would be 46,843,775 common shares.

Escrowed Shares

25,000,000 post-consolidated common shares of the Company issued in connection with the Acquisition are subject to the escrow requirements of the CNQ and/or potential requirements of the TSX Venture Exchange and will be releasable from escrow in stages in accordance with securities regulatory requirements.

ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and management has not made any assumptions regarding critical accounting estimates in the preparation of such financial statements.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make judgements, assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and

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expense for the period reported. The significant accounting policies used by the company are disclosed in the Notes to the Consolidated Financial Statements.

Changes in Accounting Policies including Initial Adoption

On December 1, 2006 the Company adopted CICA Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3865, "Hedges" as more particularly disclosed in Note 2(j) of the Company's audited financial statements for the year ended November 30, 2007 (the "**2007 Audited Financial Statements**"). Effective November 30, 2007 the Company also adopted the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs as more particularly disclosed in Note 2(k) of the 2007 Audited Financial Statements.

There were no significant changes in the Company's accounting policies during the seven month period ended May 31, 2008. See Note 2 of the May 31, 2008 Consolidated Financial Statements for further details of the Company's significant accounting policies and for a description of future accounting changes that will take effect for interim and annual financial statements beginning on December 1, 2007.

Financial and Other Instruments

See note 13 of the Company's consolidated financial statements for the period ended May 31, 2008 for details of the Company's use of financial instruments.

Non-GAAP Measures

Certain measures in this MD&A do not have any standardized meaning as prescribed Canadian GAAP such as Cash Flow from Operations, EBITDA and Cash Flows and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.

PRINCIPAL BUSINESS RISKS

The Company's principal business, oil and gas exploration, development and production, is subject to a high degree of risk, which even a combination of experience, knowledge and careful evaluation may fail to overcome. Such risks include but are not limited to the uncertainty to finding oil and gas in commercial quantities, securing markets for production, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations including regulations relating to prices, taxes, royalties and environmental protections. The oil and gas industry is very competitive and Stream Oil & Gas competes with a large number of companies with greater resources.

Stream Oil & Gas's ability to increase its reserves in future will depend on its ability to develop its current properties and in its abilities to acquire new properties. This will require sufficient capital from outside sources to be available as needed. The availability of equity or debt financing is affected by many factors which are beyond the control of the company.

Stream Oil & Gas's current investment focus is its Albanian properties. There are a number of risks involved in conducting foreign operations over which Stream oil & Gas has no control, including political stability, potential and actual civil disturbances, ability to repatriate funds, changes in laws affecting foreign ownership and existing contracts, environmental regulations, oil and gas prices, production regulations, royalty rates, tax law changes, potential expropriation of property without fair compensation

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and restrictions on exports. Additional risks which may affect Stream Oil & Gas are set out in the Information Circular filed on SEDAR.

CONTROLS AND PROCEDURES

The Company is a Venture Issuer and therefore under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), has not made representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the Chief Executive Officer and the Chief Financial Officer, the Company's certifying officers, have not made any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Company has engaged an audit firm to review internal controls at the Albania office.

The Company has adopted a Delegation of Signing Authority, Code of Business, and Disclosure Policies. These will be available on the Company's website.

CORPORATE GOVERNANCE

The Company's Terms of Reference for the Board of Directors and Committee Charters for the Audit Committee, Reserves Committee and Compensation Committee, will be available on the Company's website.

OUTLOOK

The Company's objective is to grow production by focusing on the development of its Albanian assets. Plans to use enhanced recovery techniques for carbonate reservoirs such as the radial jet developed in Alberta for the foothills projects are currently underway. Management is finalizing agreements with various service companies. Management is also discussing a number of local alliances to maximize value.

Following completion and testing of advanced recovery techniques by September 2008, the Company will present a plan to increase production by selectively taking over the remaining wells in the fields.

The Company is preparing to develop the Delvina gas field with infill drilling and plans to use the gas for power generation. A scoping study is under way.

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Management expects that the production share to Stream for the next operating quarter ending August 31, 2008 will be around 170 bopd of crude. Gas and condensate sales will remain the same, as additional demand for the gas has not yet been developed.

From September 2008 to the end of 2008, management is targeting the following average daily production: 200-400 bopd; 300 – 400 Mcf/d of gas, and 15-30 bopd condensate. The Company is examining the possibility of increasing condensate production to supply a brick factory.

APPROVED BY THE DIRECTORS:

“Sotirios Kapotas”
_____ Director

“Leslie Goodman”
_____ Director