

Stream Oil & Gas Ltd.

Form 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter ended August 31, 2008

Management's Discussion & Analysis

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 ten month periods ended August 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 October 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".

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.

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 24 month evaluation and exploration program is in place and 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 August 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 August 2008, Stream had taken over 87 wells, 43 of which are currently producing.

Stream currently sells its oil and gas production to the ARMO refinery via Albpetrol's treatment facilities. Over the three-month period ended August 31, 2008, the Company received an average of \$ 46.31 per barrel for all oil, \$17 per mcf for gas and \$82 per bbl for condensate. Effective August 1st 2008 the company has entered into a new agreement for crude price based on Brent average that is substantially higher than the previous fixed price. The new formula is:

$$\text{Price} = 100/1.8 + (\text{Brent average} - 100)/3 - 2.5 \text{ USD/bbl}$$

A well rehabilitation program is ongoing with a scope to understand well behavior and define appropriate methods to enhance and increase crude oil production. Radial Jetting tests began around mid August.

Management's Discussion & Analysis

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.

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.

The Company has reserved the required rig to do rehabilitation work in this field and the Cakran-Mollaj field for January 2009, subject to the Company's ability to raise capital to fund the work.

A 3D passive seismic program is continuing over the field.

Field production, when the refinery operates, is about 16,000 cubic meters gas per day and 20 bopd condensate. Of this production, 3,300 cubic meters of gas per day and 5 bopd of condensate are attributable to Stream as at August 31, 2008. This is down from the previous quarter mainly due to the shut-down of the ARMO refinery for over a month and a half.

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 once the drilling rig has been hired. 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 and a PVT analysis study has been completed.

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.

Delvina Gas Power Plant Project Scoping Study conducted by Pöyry Energy results:

Pöyry Energy is a global consulting and engineering company and a worldwide leader in the energy sector. Pöyry's core areas of expertise are management consulting, hydropower, renewable energy, power & heat, oil & gas. In addition, Pöyry holds a strong position within engineering and project services for nuclear technology, transmission and distribution as well as industrial processes.

The Delvina Power Plant Project includes the conversion into electricity by a combined cycle plant located in close proximity to the Delvina gas field. Initially, the size of this plant would be around 100 MW, with an extension to 150 MW at a later stage. The gas consumption of a 100 MW power plant at base load is around 480 MNcm³/d, which is in line with Company's gas production forecast from the Delvina gas field.

According to the study, overall investment cost for a 100MW station is approximately 90 M Euro (\$126M USD) and with a lifetime of 20 years is economic even under the assumption of current local pricing for gas at around \$15 Nmcf which represents three fourths of the operating costs.

The results of this scoping study suggest that an investment a gas fired power plant as planned the Company in Albania is viable because:

Management's Discussion & Analysis

- Albania needs to diversify its primary energy supply for electricity generation. The country currently depends on hydropower plants with varying generation capacity caused by fluctuating precipitation
- Albania needs additional domestic power generation capacity due to high demand growth
- Capacity shortages are likely to result in high electricity prices
- There is an attractive investment climate for foreign direct investment in the power sector

Furthermore, the study indicates:

Attractive investment climate in Albania – Many investors in the power sector are targeting the country and recent developments show that the Albanian government is favoring foreign investment. The current state of the generation, transmission and distribution assets requires significant investment.

Electricity Regulator and permitting scheme have been defined – The existence of an independent electricity-regulating agency and the availability of formal permitting procedures are encouraging signs for investors in the power sector.

The Company has initiated the necessary steps in order to obtain the required permits and has been in contact with several strategic partners in order to consider its options to proceed to a full feasibility study.

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 44bop/d are attributable to Stream as at August 31, 2008.

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 51 bop/d are attributable to Stream as at August 31, 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. As mentioned above we have reserved a proper rig for January 2009, subject to fund raising, in order start a staged rehabilitation program on the 14 producing wells that operate in the field and reactivate another that was taken over recently. Field production is 650 bop/d, of which 67 bop/d are attributable to Stream as at August 31, 2008.

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

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Fracture monitoring is planned for key wells. The Company has now engaged Seismotech in order to deploy equipment and monitor microfracing for one month in this field and will continue in the two other oil fields for one month each.

Fourth quarter plans include full take-over of the remaining field and the corresponding gathering and processing stations.

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.

Radial jetting started mid August 2008 in the Ballsh-Hekal field for Ba-193 production and Ba-69 shut in wells. Following re-activation and perforation of Ba-186 a PCP pump will be installed and tested, similarly for BA-193 following its radial jetting test.

In Gorisht-Kocul production wells Go-95, Go-103 and Go-165 have been selected for radial jetting. Also PCP pumps are planned to be installed in Go-64, Go-103, Go-136, Go-165 and Go-185 production wells.

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

Management plans to continue and complete its oil field evaluation by Q1 2009 and based on the results of the applications mentioned above submit a Development Program for AKBN approval.

Delvina Gas Field

Management is preparing to develop the Delvina gas field with infill drilling and plans on an option 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 has completed a scoping study and is evaluating a number of options to conduct a full feasibility study for a gas fired electrical power plan.

Management plans to complete and submit a Development Program for AKBN approval in Q3, 2009.

FINANCIAL AND OPERATIONS OVERVIEW

Third Quarter Results

Financial (\$US)	Period ending August 31, 2008	
	3 months	10 months
Oil and gas revenue		
Crude Oil	559,851	1,136,717
Gas	172,820	551,898
Condensate	21,776	103,026
Total oil and gas revenue	754,447	1,791,641
Operating expenses	201,116	570,968
Sales and transportation	80,055	208,065
Net operating income	473,276	1,012,608
General and administration	(708,454)	(1,894,256)
Net loss	(225,844)	(767,064)
after other income/expenses		
Net loss per share - basic and fully diluted ⁽¹⁾	(0.01)	(0.02)
Shares Outstanding ⁽²⁾	38,680,341	38,680,341
Capital expenditures		
Seismic survey	264,714	1,037,930
Work-overs (preparation operating and production)	1,105,309	1,966,481

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

(2) Shares outstanding at the end of the quarter.

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	3 months	10 months
Operating		
Average daily production		
Crude oil	162 bopd	128 bopd
Gas	108 mcf/d	178 mcf/d
Condensate	5 bopd	7.4 bopd
Average price during previous period:		
Crude oil	\$46.31bopd	\$36.80/bbl
Gas	\$17.00mcf/d	\$14.14/mcf
Condensate	\$82.00bopd	\$80.86/bbl

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$ 350,952 as at August 31, 2008 including cash on hand and short term investments of \$703,425. In addition the Company had a restricted cash balance of \$2,015,590. The restricted cash is for capital and operating expenditures on the Company's properties in accordance with its property agreements.

The Company has, to date, relied upon external financing to fund its activities. While its cash holdings are sufficient to support current operations on existing properties, additional financing of about \$ 5 million is required within the next six months to fund the Company's exploration and development plans and meet future operating expenses.

RELATED PARTY TRANSACTIONS

Related party transactions for the ten months ended August 31, 2008 are as follows:

- a) The amount due to the related party is non-interest bearing without specific terms of repayment. \$136,894 of the amount due to the related party was waived during the period ending February 29, 2008 and \$50,000 was repaid during the period ended August 31, 2008, leaving a balance due of \$106,614.
- b) The Company incurred \$1,037,930 in seismic survey work to a private company with a director in common with the Company.
- c) The Company incurred \$219,249 in management and office fees to a private company controlled by a director of the Company.
- d) The Company incurred \$124,750 in consulting and management fees to a private company owned by an officer of the Company.

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- e) Two vehicles valued at \$68,040 were contributed to the Company by an officer and insider of the Company.
- f) The Company incurred \$29,882 in directors fees to several directors 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 August 31, 2008, the Company, as required under its Agreement with Albpetrol, holds \$2,015,590 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 \$2,784,410 of the amount required as of August 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. If the Company fails to make the required payments, it risks losing its property assets. As of August 31, 2008, a balance of \$2,015,590 remains restricted and is guaranteed through a bank letter of credit. The Company is in good standing with respect to property expenditures.

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 6,535,656 shares have been reserved for issuance on the exercise of outstanding warrants. On a fully diluted basis, the issued share capital would be 46,315,997 common shares.

Escrowed Shares

Of the 25 million escrowed shares issued in connection with the Acquisition, 2.5 million (10%) were released from escrow effective April 4, 2008, concurrent with the Company's listing on the TSX Venture Exchange. The remaining 22,500,000 escrow shares of the Company remain subject to the escrow requirements of the TSX Venture Exchange and will be released 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 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.

Management's Discussion & Analysis

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 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 adopted a Delegation of Signing Authority, Code of Business, and Disclosure Policies. These are 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, are 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 has finalized the first test of radial jetting and is waiting for production tests. PCP pump purchase and installation on selective wells will continue, as test results were very encouraging. Management is also discussing a number of local and international 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.

Management's Discussion & Analysis

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 has been completed as mentioned above and considerations for a full feasibility study are under way.

Management expects that the production share to Stream for the next operating quarter ending November 30, 2008 will be around 170 bopd of crude. Gas and condensate sales will remain the same, until additional demand for the gas has 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 and other local industries.

APPROVED BY THE DIRECTORS:

"Sotirios Kapotas"

_____ Director

"Leslie Goodman"

_____ Director