

Stream Oil & Gas Ltd.

Form 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter

Three month and six month periods ended May 31, 2009

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This Management Discussion & Analysis (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.

Non-GAAP Measures

Stream Oil & Gas Ltd. (Stream or the Company) uses the following common oil and gas industry non-GAAP measures in discussing its operating results:

- Net operating income is revenue net of royalties, operating and sales and transportation costs. This provides a useful comparative measure of the Company's operations before general and administration costs and other expenses and income.
- Operating net back per barrel (bbl) is determined by dividing net operating income by Stream's share of total production. The oil and gas industry uses this measure to indicate the contribution per barrel.

1. INTRODUCTION

The Company 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 trade on the TSX-Venture Exchange under the symbol "SKO".

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 six month periods ended May 31, 2009, with comparisons to the three-month and seven month periods ended May 31, 2008.

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 management-prepared financial statements and related notes for the corresponding period.

All figures are in United States dollars unless otherwise stated.

This MD&A is prepared as of July 24, 2009

2. OVERALL PERFORMANCE

Results

Stream has one operating and reportable segment: all exploration and production operations in this operating segment are conducted in Albania through the Company's wholly owned subsidiary Stream Oil & Gas (CI) Ltd. The Company has 71 employees, operates four separate oil and gas fields and three administrative and corporate offices in Albania and Canada.

In accordance with its Petroleum Agreements, Stream's share of production is based on a formula whereby the Company receives 30 to 35% of baseline production, established at the time of well take over and declining at a rate of 10% per year, plus 100% of incremental production. Stream must pay an additional 2-4% royalty depending on a cost recovery factor and an additional 0.4 to 1.2 % of profits.

In 2008, a new royalty law passed whereby 10% of revenue must be paid to the state. Under the Petroleum Agreements, such new royalties must have a neutral effect and Stream is therefore in the process of negotiating amendments to its Agreements.

Stream expects current discussions to conclude favorably however the process is taking longer than expected as a result of the recent election.

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	Three months ended May 31		Six/seven months ended May 31	
	2009	2008	2009	2008
Financial (000s USD)				
Oil & gas revenue	766,149	584,247	1,575,263	1,037,194
Net operating income	482,790	279,030	767,590	539,332
Income (loss) for period	(214,536)	(273,940)	(470,210)	(541,220)
Funds from operations	142,167	2,047,306	(213,667)	1,231,578
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)
Additions to property, plant and equipment	401,743	1,301,615	924,229	1,926,220

Total oil & gas revenue (net of royalties) increased 31% to \$766,149 for Q2 compared to \$584,247 for Q2, 2008 and increased 55% to \$1,575,263 for the first six months in 2009 compared to \$1,037,194 for the first seven months of operations in 2008. Revenue increases through Q1 were mainly the result of increased oil production from well takeovers and workovers. Lower oil prices and lower gas sales resulted in a decrease in revenue in Q2, 2009 compared to the previous quarter. Similar results are expected for Q3, 2009.

The net loss of \$214,536 for Q2, 2009 compared to \$273,940 for Q2, 2008 included higher non-cash items, including stock-based compensation of \$184,792. The Company maintained positive operating cash flow during Q2, 2009.

Cash flow and working capital

As of May 31, 2009, the Company's cash balance was \$533,148. Accounts receivable from AlbPetrol sh.a (Albpetrol), net of Albpetrol's payable was \$1,379,045 and accounts payable, not including amounts payable to Albpetrol was \$1,804,114. Working capital was about \$160,533.

As of July 24, 2009, the Company has maintained similar cash and working capital balances. Cash is used mainly for operating expenditures as the Company has been able to negotiate favourable payment arrangements with key suppliers in Albania and with Canadian technical management contractors.

Stream continues to have discussions with Albpetrol in settling outstanding receivables. Stream has not received any payments from Albpetrol since November 2009. Stream has offset part of the receivable by using Albpetrol for various field services. Although the Company still expects discussions to conclude favorably, a final resolution, which involves state oil company and government officials has been delayed because of recent election and post-election political activity in Albania.

In March 2009, Stream entered into a sales contract with a new local customer to take up part or all of Stream's share of crude oil production from Cakran and Gorisht fields. This new sales contract has had a positive impact on cash flow because the customer pays for production before delivery. The contact has been renewed to the end of the year and the current prices is LEK 2400 (\$24)/bbl

Stream is continuing to negotiate sales arrangements, especially for gas, directly with the new ARMO refinery owners. The new agreements will provide for direct payments for the remainder of

2009. A proposal was presented to ARMO using international gas pricing adjusted for local conditions and the Company is currently waiting for final acceptance.

Because of Albanian infrastructure limitations, Stream is not yet in a position to market its gas and therefore gas production is limited to the amount that can be sold to the refinery for the refinery's operating requirements. In Q2, gas sales were significantly lower compared to Q1 as a result of the refinery being shut down for maintenance and upgrades in line with the plans of the new refinery owners.

Capital Expenditures

Capital expenditures were cut back to \$401,743 in Q2, 2009, down from \$1,301,615 in Q2 2008. Capital expenditures were funded by increased accounts payable as the company was able to make deferred payment arrangements with suppliers.

Due to capital market uncertainties, the Company has deferred significant capital expenditures until later in the year.

Strategic Priorities

During the second quarter of 2009 the Company:

- Finalized consulting agreements and engaged additional technical and marketing expertise to develop the Company's assets and prepare a three-year plan of development by September 2009. The development plan will cover proving the fields, and, subject to available funding, drilling new horizontal wells, increasing oil and gas production, and cash flow.
- Reduced dependence on Albpetrol, secured new local customers, and continued to investigate export opportunities.

The safety of Stream's employees and positive community relationships is paramount as is improving and maintaining high environmental standards. Stream will continue to strengthen relationships with the Albanian authorities, local communities, employees and investors.

Performance Measures

Performance goals in Q2, 2009 have been to improve cash flow, reduce G&A costs and re-allocate resources to completing the Company's development plan.

Cash flow has significantly improved as a result of new sales contracts. Production and total sales will remain at current levels until the complete takeover of the Cakran field.

The Company general and administrative costs (including management, travel and consulting fees) decreased to \$361,356 in Q2, 2009 compared to \$603,669 in Q2, 2008. In the second quarter, 2008, consulting expenses were mainly comprised of legal fees relating to the share exchange and reverse takeover transaction, going public and stock exchange listing costs.

In Q2, 2009 consulting costs included fees incurred for four additional consultants who were appointed as officers of the Company. This new technical and business development management team is focused on completing the Company's property development plans. In order to conserve

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cash for operating purposes, payment of most of the consulting fees will be on a shares-for-services basis.

Industry and Economic Factors

US dollar/Albanian Lek and US dollar/Canadian dollar exchange rate fluctuations expose Stream to foreign exchange losses. The Company records sales and accounts receivable in Albanian Lek. Because the Company's outstanding \$1,379,045 accounts receivable balance at the end of Q2 is receivable in Lek, the depreciation of the Lek against the US dollar negatively impacted the Company in Q2, resulting in a foreign exchange loss of \$97,788, compared to a gain of \$4,630 in Q2, 2008. Stream's Albanian employees' contracts require payment in US dollars. Stream holds most of its cash in US dollars. Fluctuations in the Canadian dollar expose the Company to changes in head office costs, including professional fees. The lower Canadian dollar compared to the same period in 2008 contributed to a reduction in head office costs.

Pricing for the Company's production in Q2, 2009 and to date depends on pricing negotiated directly with the customer. The current price is about \$24/bbl, down from \$35/bbl in Q1, 2009. In Q2, 2008, the Company received payment based on a Brent-based formula.

Albania held a general election on June 28, 2009 and because the results were very close, the final outcome has not yet been determined but will likely be a coalition government. The Company does not expect the results of the election to impact the Company however there have been delays in resolving various contract issues involving government ministries.

3. RESULTS OF OPERATIONS

	Three months ended May 31		Six/seven months ended May 31	
	2009	2008	2009	2008
Operating				
Avg daily oil production (bopd)	231	103	230	113
Average price	24.00	37.70	29.00	32.73
Avg condensate production (bopd)	13	5	12	8
Avg gas (mcf/day)	275	122	275	209
Avg gas price (\$/mcf)	\$12.00	\$17.00	12.00	14.14
Avg condensate price (\$/bbl)	\$65.00	\$82.00	65.00	80.86

Production and revenue

Under its Petroleum Agreements, Stream has the right to takeover a total of 574 wells, 244 of which are currently in production. To the end of its second quarter 2009, Stream has taken over a total of 87 wells, 44 of which are currently producing. No new wells were taken over in the second quarter of 2009

From these 44 wells, Stream produced a total of 42,780 barrels (bbls) over the three month period ended May 31, 2009. Stream's share of this production was 21,252 bbls.

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Stream's daily production from the wells it operates currently averages 465 bbls per day, 231 bbls net to Stream.

In addition, during Q2, the Company produced a maximum of about 536 mcf of gas per day, of which 275 mcf per day was attributed to Stream; and 26 bbls of condensate, 13 bbls of which were attributed to Stream.

Stream currently sells its share of oil production to Globe Oil, and gas production to a local refinery. Total revenues net of royalties from Stream's share of production were \$ 766,149 during the Company's second quarter 2009 (\$ 584,247 in Q2 2008).

Over the past quarter, Stream received an average of about \$24/bbl of oil, \$12/ mcf for gas and \$65/bbl for condensate.

The Company is currently in discussions with Albpetrol regarding the takeover of the remaining wells in the Cakran field, under its Petroleum Agreement. Following the takeover of these wells, the Company shares of average daily production will increase to about 500 bbls by the end of 2009.

Stream's share of average daily oil production was 231 bbls in Q2, compared to 103 bbls/day in the second quarter of 2008. Stream has made all required expenditures under its Petroleum Agreements and now needs to conserve cash pending fund raising. Further development work has therefore been minimal and as a consequence, Stream did not increase production during its first quarter of 2009.

Stream's average price per barrel of oil during Q2 was about \$ 24 compared to \$37.70 during the second quarter of 2008.

In order to reduce payment delays, Stream reduced its dependence on Albpetrol and the Company is now selling all of its net production to Globe Oil. Stream's sales contract with Globe Oil has been extended to the end of 2009.

Stream's share of gas production averaged 275 mcf of gas per day and 13 bopd of condensate during the second quarter of 2009, compared to 122 mcf of gas and 5 bbls condensate/day in Q2 2008. The price per mcf of gas is currently being negotiated with the ARMO refinery and the Company expects that it will remain at around \$12 in Q2 2009, as compared to \$17 in Q2 2008. For condensate the price per barrel was \$65 in Q2 2009 compared to \$82/bbl in Q2 2008.

Operating costs

During Q2 2009, the Company's operating costs were \$271,256 compared to \$226,921 in Q2 2008. The increased costs are the result of the Company's well takeovers. Most of the operating costs are for field personnel payroll, currently at 71 employees.

General and Administrative (G&A)

- Management fees and salaries were reduced to \$65,407 in Q2, 2009 compared to \$267,018 in Q2, 2008. The reduction is the result of reduced management salaries in Albania and other administrative cost-cutting measures. The company operates four different oil and gas fields in Albania and maintains two administrative offices in Albania, and a Vancouver, Canada corporate office.

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- Professional fees were reduced to \$207,328 in Q2, 2009 compared to \$221,529 in Q2, 2008, mainly due to lower legal fees, partly offset by an increase in consulting fees.
- Travel costs were reduced to \$12,472 in Q2 compared to \$31,182 in Q2, 2008.

Capital Expenditures

In Q2, 2009 Stream spent \$396,810 on its properties, mainly for seismic work and well workovers, compared to \$1,132,781 in Q2, 2008. Acquisition of equipment was \$4,933 compared to \$168,834 in Q2, 2008. The Company has made all required capital expenditures under its petroleum agreements and has been able to significantly cut back on its capital expenditure program pending fund raising.

Amortization and Depletion

Amortization and depletion increased to \$53,390 in the second quarter of 2009 compared to \$23,266 in the second quarter of 2008. The increase reflects mainly amortization of equipment acquired during the previous year.

Stock-based compensation

The Company uses a Black-Scholes model to calculate stock-based compensation costs. Additional stock option grants have increased the stock-based compensation expense to \$184,792 in Q2, 2009 compared to nil in Q2, 2008.

Activity Highlights:

Reactivation and Development Program

The Company's 2009 work program and budgets were approved by the Albanian National Agency of National Resources (AKBN) in March 2009.

The 2009 Work Program and Budget (WP&B) objectives are to reach 500 bopd net by year-end.

Based on the success ratios in some wells and assuming that all the new requested wells to be taken over will have similar success ratios the Company plans to take-over 47 wells by Q3-2009.

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 was completed in Q2. Preliminary interpretation results are now under review by company experts and a final processing report is currently being compiled.

The Company has engaged an independent petroleum engineering firm in Calgary to review the Company's data for its four oil and gas fields in order to plan for a NI 51-101 compliant reserve valuation by the end of 2009.

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

Delvina field was discovered in 1987, and is a gas condensate field with reservoirs at a depth of 2800-3500m. Delvina is the largest gas field in the country. The field is currently producing from two wells out of four. The Company upgraded the infrastructure and optimized production control of the gas and condensate. Gas tests to understand phase behaviour and a PVT analysis study were also completed. Stream management is evaluating the results of passive seismic and 2D seismic work for mapping and estimating upside potential.

The Company has engaged a heavy work over rig for rehabilitation work in the Cakran-Mollaj field and plans to use it in Delvina once additional funding is available.

Field production, when the refinery operates, is about 18,200 cubic meters gas per day and 25 bopd condensate. Of this production, 10,800 cubic meters of gas per day and 13 bopd of condensate are attributable to Stream as of May 31, 2009.

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.

Ballsh-Hekaj field was discovered in 1966, is a heavy oil field (11 API) 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. The field production as of May 31, 2009 is 550 bop/d, of which 79 bop/d are attributable to Stream.

Gorischt-Kocul field was discovered in 1965, is a heavy oil field (15 API) currently producing from 135 wells out of 295. Well depths range from 400-1250 m. This field still has good potential to further increase production. 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 as of February 28, 2009 is around 925 bop/d, of which 70 bop/d are attributable to Stream.

Cakran-Mollaj field was discovered in 1977 and is currently producing a medium gravity crude (25 API) from 27 wells out of 65. This is the deepest of the Company's 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 performed flow improvement tests and optimized performance on two wells. Infrastructure upgrades are in progress. The Company has reserved a rig, subject to fund raising, in order to start a staged rehabilitation program on the 14 producing wells that Stream operates in the field and reactivation of another well that was taken over recently. Field production as at May 31, 2009 was 650 bop/d, of which 76 bop/d are attributable to Stream.

In addition to the rehabilitation program on 14 producing wells, the Company has taken over another 20 wells for reactivation. Fracture monitoring is underway on key wells. The Company engaged Seismotech in order to deploy equipment and monitor microfracing. For 2009 plans include full take-over of the remaining field and the corresponding gathering and processing stations.

The Company has engaged a heavy work over rig and started rehabilitation work in the Cakran-Mollaj field. Initial work is focused in the Mollaj area and the first PCP pump has been installed. Once production test results are available the company will announce the results.

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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.

Outlook and Plans for Q3- 2009

The Company is currently focused on completing its Plan of Development and on identifying new customers for its production in Albania and the rest of Europe.

Plan of Development (PoD)

Stream is currently working on a PoD which it will submit by September 2009 for the oil fields and by end of 2009 for the gas field. An extension request for the gas field development plan to March 2010 and the exploration phase to September 2010 has been submitted to AKBN. The Company is currently awaiting approval. The conceptual design and a reservoir update are underway. The PoD includes:

- Re-development of wells
- Facilities-identify treatment plant rehabilitation
- Examine gas to power plant
- Reservoir simulations for horizontal drilling
- Complete reservoir model for new well drilling at Cakran and Delvina
- Environmental studies
- Alternative sales opportunities

Stream is also currently:

- Finalizing royalty tax amendments to Agreements.
- Resolving accounts receivable collection delays with Albpetrol and ARMO.
- Negotiating the engagement heavy work over rig and related services in order to implement its program in the Cakran-Mollaj field and be within its capital expenditure budget.

Initial observations of a large number of acoustic emission events from micro seismic monitoring in the Cakran-Mollaj confirm the presence of highly fractured zones in the reservoir production levels. Results from this study will help in our understanding of the behavior of the production formation and will guide the Company's rehabilitation work in this field once the heavy work over rig is engaged.

Rehabilitation work in the Ballsh-Hekal and Gorisht-Kocul oilfields will continue with PCP pump installations and basic work over when required.

Reserve Valuation

The Company expects to obtain a National Instrument 51-101 compliant reserve valuation report during the second half of 2009. The Company continues to update its database from results of the rehabilitation work completed in the crude oil fields and the passive seismic results in the gas field. It will make this data available for the reserve update and evaluation.

Production

Management is targeting an increase of average daily production to 500 bbl/day by the end of the year: In order to reach 500 bbl/day, the Company must takeover and successfully rehabilitate an additional 47 wells and additional capital is required. For gas and condensate production, following successful fundraising to recomplete the production wells, the Company is expected to increase by 3-5 fold the production from 400 mcf/d to 12000-2000 mcf/d by the end of 2009.

Based on the success ratio to date, and assuming all well-takeovers are productive, Stream plans to take-over the following wells by Q3 2009:

- Cakran- remaining 13 wells (Q2)
- Ballsh- another group of 7 wells (Q3)
- Gorisht- all of group six- 27 wells (Q3)

Due to current financial market conditions, Stream will defer significant capital raising plans and will incur minimal property development expenditures

Additions to Management Team

The Company has strengthened its management team with additional technical, engineering and industry expertise in the exploration, development and production of oil and natural gas in Albania. Under Agreements effective March 20, 2009, the Company appointed: Mike Berezowski, Chief Operating Officer, Art Agolli as Executive Vice President Business Development, Richard Enns, Head of Power and Facilities Division and Terry Horkoff, Head of Gas Operations Division. The new team, based in Calgary, will provide technical, business and advisory services, including preparation of Stream's Plan of Development.

Under an Amendment to the Agreements, dated June 22, 2009, the Company subsequently appointed Wayne Arnold as Head of Oil Division.

4. SUMMARY OF QUARTERLY RESULTS

(\$ 000)	2009		2008					2007
	Q2	Q1	Total	Q4	Q3	Q2	Q1*	Q4*
Oil & gas revenue (net of royalties)	766	809	2835	1044	754	584	453	nil
Sales and transportation.	12	59	301	93	80	78	50	nil
Operating expenses	271	465	1,225	654	201	227	143	nil
Net operating income	483	285	1,308	297	473	279	259	nil
General and Administrative	361	365	2,264	403	708	604	549	384
Net income (loss)	(214)	(256)	(1,385)	(618)	(226)	(274)	(267)	(347)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.04)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Additions to property, plant and equipment	180	522	4,475	1,471	1,370	1,091	543	896

Average daily production								
oil (bbl)	231	230	155	235	162	103	120	nil
Gas (mcf)	275	275	215	356	108	122	275	nil
Condensate (bbl)	13	11	8	11	5	5	11	nil

Average price								
oil /bbl	24.00	34.00	38.38	38.00	46.31	37.70	29.00	n/a
Gas/mcf	12.00	12.00	15.83	17.80	17.80	17.00	12.00	n/a
Condensate/bbl	65.00	65.00	84.21	90.50	82.00	82.00	80.00	n/a

* 2007 Q4- Four months of operation from start-up; Q1 four months

Quarterly trends:

- Revenues increased throughout 2008 as a result of higher production resulting from additional takeovers and higher oil prices. Since Q1, 2009, production has not increased significantly and oil prices are lower. Gas sales have been lower as a result of refinery closures.
- Operating expenses have fluctuated as the Company has taken over additional wells and added employees. Q1, 2009 included December when employees received an extra bonus pay.
- G&A has continued to decrease as a result of cost-cutting efforts, despite the addition of four technical management consultants who are working on the development plans for the Company's four oil & gas properties. The consultants are paid \$10,000 each per month. Most of this cash compensation has been deferred subject to funding.

- Higher capital expenditures throughout 2008 compared to the first two quarters of 2009 reflect the Company's 2008 start-up and evaluation phase when it was required to make minimum capital expenditures under its petroleum agreements

5. LIQUIDITY

As of July 24 2009, the Company's cash balance was about \$500,000. Accounts receivable from Albpetrol, net of Stream's Albpetrol payable was about \$1.4 million and accounts payable, not including amounts payable to Albpetrol was \$1.8 million. Working capital was about \$100,000.

The Company is able to fund its operations from current revenues, subject to timely collections. However, Stream's main customer, Albpetrol, a state-owned company, has not made any significant payments since November 2008. The Company stopped further sales to Albpetrol in Q1, 2009. Management is currently discussing payment arrangements and the Company continues to have a positive working relationship with Albpetrol. Management is of the opinion that the outstanding amounts will be collected and therefore has not made any bad-debt provision. Discussions with Albpetrol and appropriate government ministries have been delayed as a result of recent election activity in Albania.

Stream has entered into arrangements with Globe Oil, to which it currently sells all of its oil production. Under these arrangements, Stream now receives weekly payments in advance which have resolved immediate liquidity concerns.

6. CAPITAL RESOURCES

The Company has, to date, relied upon external financing to fund its activities. With its current cash balance and recent improvements to cash flow as a result of cash sales to its new customer (Section 2.) Stream is able to support current operations on existing properties. Additional financing will be required to fund the Company's development and exploration plans.

Commitments for capital expenditures

Stream has completed all capital expenditure requirements on its properties in accordance with its Petroleum Agreements. Stream has submitted all required supporting documentation for approval and expects that AKBN will formally release Stream from any outstanding expenditure commitments.

7. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

8. TRANSACTIONS WITH RELATED PARTIES

During the six months ended May 31, 2009:

- The Company incurred \$540,000 in seismic work costs to Landtech; a private company of which the Company's CEO is a director. The Company owed Landtech about \$433,240 at the end of May 31, 2009. The Company and Landtech have agreed to defer any significant payments until Stream's cash position improved.

- Management office fees of \$80,500 were paid to a private company owned by the Company's CEO. These charges were to cover the cost of administrative support for Stream Albania. Monthly fees have been significantly reduced compared to 2008 as administrative support functions shift to Albania and to the Vancouver corporate office.
- The Company incurred consulting fees of \$61,236 to a private company owned by the Company's CFO and Corporate Secretary. Unpaid fees as of May 31, 2009 were \$24,676.
- Directors' fees of \$25,000 were incurred of which \$23,750 was included in accounts payable as of May 31, 2009
- The Company incurred \$143,373 in consulting fees to private companies owned by officers of the Company. The amount included in accounts payable as at May 31, 2009 was \$134,686

9. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

Change in Accounting Policies

In June 2007, the CICA issued amendments to Section 1400, General Standards of Financial Statement – Presentation” to include requirements to assess and disclose an entity's ability to continue as a going concern. The amendments are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company has applied the new amendments at the beginning of its fiscal year. The implementation did not have a significant impact on the Company's results of operations, financial position or disclosures other than the disclosure in Note 1 of the Company's financial statements.

Future Accounting Policies:

Transition to International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period.

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition of IFRS cannot be reasonably estimated at this time.

10. FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, GST and other receivables, restricted cash, accounts payable and accrued liabilities, and due to related parties. Fair value estimates were made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in

nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

The Company examines the various financial instrument risks to which it is exposed, and assesses any impact and likelihood of those risks. These risks may include currency risk, credit risk, liquidity risk, interest rate risk and other price risks. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, liquidity, interest or other price risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. The Company operates internationally and is exposed to risks from changes in foreign currency rates, particularly the Canadian dollar, the Euro and the Albanian Lek. The Company does not use derivative instruments to reduce its exposure to foreign currency risk

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its own payment obligations. The Company is exposed to the risk that third parties that owe it money or other assets will not perform their obligations.

The Company's accounts receivable is solely with Albpetrol Sh.A, an Albanian state-owned agency. The receivable is currently over 90 days due. Management is of the opinion that this amount is fully collectible as payments from Albpetrol Sh.A typically take more than 90 days to collect. Historically the Company has collected previous sales and accordingly has not recorded a valuation allowance in these accounts

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements.

The Company's objective is to maintain sufficient liquidity in order to meet operational requirements at any point in time. The Company generates cash flow from its operations and has maintained adequate cash balances. The Company is exposed to liquidity risk because it previously depended on one customer, Albpetrol whose outstanding receivable has not yet been settled. This is mitigated by the fact that local vendors are supportive and certain of them have agreed to defer collection of the Company's payables. If required the Company will seek additional working capital funding by means of issuing share capital or debt financing.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does currently hold any financial instruments and is not exposed to any significant interest rate risk on its cash deposits.

Other Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. OTHER

Additional information relating to Stream is on SEDAR at www.sedar.com.

12. OUTSTANDING SHARE DATA

As of July 24, 2009, the Company has 38,680,341 common shares issued and outstanding, 50,492,242 on a fully diluted basis.

Stock Options

5,540,000 common shares have been reserved for issuance on exercise of stock options, under the Company's Stock Option Plan as follows:

- 1,000,000 common shares at \$1.50 per share until April 4, 2010, granted to directors and consultants concurrent with completion of the Acquisition.
- 100,000 common shares at \$1.50, granted to an officer of the Company subject to 18 month vesting until May 8, 2013
- 650,000 common shares to an officer, a consultant and an employee at \$0.20 per share subject to 18 month vesting until February 12, 2014
- 2,800,000 common shares to four new officers, at \$0.20 per share subject to 18 month vesting until March 20, 2012
- 500,000 common shares to an officer and two directors, at \$0.25 per share, subject to 18 month vesting until May 12, 2014.
- 490,000 common shares granted to a consultant at \$0.24 per share subject to 18 month vesting until June 22, 2012

Warrants

6,271,901 shares have been reserved for issuance on the exercise of outstanding warrants. All of the Company's outstanding warrants will expire between August 2 and August 14, 2009.

Escrowed Shares

Of the 25 million escrowed shares issued in connection with the Acquisition, 6,249,997 were released from escrow since the Company's April 4, 2008 listing on the TSX Venture. The remaining 18,750,000 escrow shares of the Company remain subject to the escrow requirements of the TSX Venture Exchange and will be released from escrow in six month stages in accordance

with securities regulatory requirements. The next release, of 3,750,000 escrow share will occur on July 31, 2009, following which the balance in escrow will be 15,000,000 shares.

Shares for Services

The Company has made an application to the TSX Venture Exchange to issue a further 778,567 shares at a deemed price of \$0.24 per shares to three consulting companies owned by Company officers. Under shares for services terms in the Consulting Agreements dated February 12, 2009 and March 20, 2009, in order to conserve cash for operations, the Consultants agreed to receive shares for services. Such shares if and when issued will be subject to a four month hold period.

13. 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:

- 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
- 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.

14. 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.

15. 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 and producing oil and gas in commercial quantities, securing markets for production,

Management's Discussion & Analysis

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

APPROVED BY THE DIRECTORS:

"Sotirios Kapotas"

_____ Director

"Leslie Goodman"

_____ Director