

Stream Oil & Gas Ltd.

Form 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS- ANNUAL

Year ended November 30, 2008

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 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 thirteen month period ended November 30, 2008 and for the three-month period ended November 30, 2008.

Financial information from the Company's now wholly owned subsidiary, Stream Oil & Gas Ltd. (CI) (Stream Cayman) previous year's audited financial statements as at October 31, 2007 has been included. Under a Share Exchange Agreement, Stream Cayman acquired the Company in a reverse takeover transaction effective April 4, 2008. Stream Cayman was incorporated June 11, 2007 and had no significant operating results until November 2007.

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 audited year-end consolidated 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 March 30, 2009

2. OVERALL PERFORMANCE

Results of Operations

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 And Gas (CI) Ltd.

Meaningful financial information for previous years is not available because this is the Company's first year of operations.

During its first year (13- month period) of operations, Stream's total revenue was about \$2,835,000. Production increased throughout the year because of well takeovers, reactivations and successful rehabilitation efforts, which almost doubled average daily production. Stream's average price per barrel of oil increased from about \$29.00 in November 2007 to a high of \$46.31 in Q3 before declining to \$38.00 in November 2008.

In addition to its oil sales, the Company also made some gas and condensate sales. Stream's gas production is currently limited because of a lack of significant market for its gas.

While the Company has positive operating income, its general and administrative expenses have been disproportionately high during its first year of operations. This was because of significant professional fees for financing, going-public and other regulatory filings, and management fees. The Company has over 70 employees, operates four separate oil and gas fields and three administrative and corporate offices in Albania and Canada. Most of these overhead costs are relatively fixed. With relatively low start-up production, the Company has not yet been able to benefit from economies of scale.

Management's Discussion & Analysis

The net loss for the thirteen months ended November 30, 2008 was about \$1.4 million or \$0.04 per share.

Stream expects to increase its revenues and reduce its net loss over the coming year by increasing production to about 500 bbls/day by the end of 2009; The Company is currently negotiating higher prices, using a Brent-based formula, for its production, and has identified additional customers.

Cash flow and working capital

The Company has experienced slow payments from Albpetrol. The Company is endeavoring to address this problem and is investigating alternative markets including exports to ensure more timely and reliable cash flow in the coming year. As of March 20, 2009, the Company's cash balance was about \$434,000, Accounts receivable from Albpetrol, net of Albpetrol's payable were about \$1,343,000 and accounts payable, not including amounts payable to Albpetrol were \$947,000. Working capital was about \$830,000.

Capital Expenditures

The Company spent about \$4.5 million on property development and equipment acquisition in 2008. Due to capital market uncertainties, the Company has deferred further capital expenditures until Q2 2009 at the earliest and has taken a number of steps to conserve its cash.

Strategic Priorities

During the Company's first year of operations, Stream focused on establishing operations, developing relationships with the Albanian authorities, and meeting the requirements of its Petroleum Agreements while conserving cash. Because of unfavorable capital market conditions the Company had to defer additional funding and capital spending plans.

Management priorities for the current year include:

- Bringing in additional technical 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.
- Establishing new markets and investigating export opportunities.
- Identifying strategic partners to develop gas powered power plants in Fier and Delvina.
- Obtaining an independent reserve valuation report

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

Because this is Stream's first year of operations, historical performance information is not available. In order to provide value to its shareholders, the Company plans to improve its 2008 start-up performance by:

- Increasing production volumes while optimizing operating costs
- Developing new markets, obtaining higher prices and ensuring timely payment for its production
- Obtaining a NI-51-101 compliant reserve valuation
- Developing a three-year plan of development
- Maintaining its properties in good standing
- Strengthening relationships within the communities in which it operates
- Maintaining high safety and environmental standards

Industry and Economic Factors

Stream has been dependent on one customer, Albpetrol, selling its production share to the local refinery that determined pricing. At the beginning of its operations, Stream was subject to a fixed price contract of about \$29/bbl for its production. By the time world oil prices fell during the third quarter, the Company had negotiated a relatively favorable Brent-based formula that was effective from August to December 2008.

The refinery on which Stream indirectly relies for payment was privatized in November 2008; however, under its Agreements with Albpetrol, Stream continued to rely on Albpetrol for its share of payment. These payments were unacceptably slow due to Albpetrol's own cash flow difficulties. Stream is now negotiating sales arrangements directly with the new refinery owners, providing for direct payments for the remainder of 2009. Under new pricing formulas, Stream will be vulnerable to changes in world oil prices.

US dollar/Albanian Lek and US dollar/Canadian dollar exchange rate fluctuations expose Stream to foreign exchange losses. The Company received Albanian Lek for its production in 2008. The appreciation of the Lek against the US dollar was also positive for the Company because Stream's Albanian employees' contracts required 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 fall in the Canadian dollar in the second part of the year has been positive for the Company.

Significant 2008 Corporate Transactions and Events

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. (Stream Cayman) 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 annual and special

Management's Discussion & Analysis

meeting held on March 11, 2008. In addition, the Company cancelled 15,000,000 pre-consolidated shares and the Company changed its name to "Stream Oil & Gas Ltd."

3. SELECTED ANNUAL INFORMATION

Financial (\$US)	13 months ended November 30, 2008 ⁽¹⁾	From period of incorporation, June 11, 2007 to October 31, 2007⁽²⁾
Oil and gas revenue	\$ 2,834,723	nil
Net operating income	1,308,029	nil
Net loss	(1,385,460)	(346,681)
Net loss per share – basic and fully diluted ⁽³⁾	(0.04)	(0.01)
Additions to property, plant and equipment	4,350,012	887,119
Total assets	7,434,822	5,963,207
Total long term liabilities	nil	nil
Shareholders' equity	6,403,380	5,360,667

1) Year-end changed from October 31 to November 30.

2) Results from date of incorporation to first audited financial statements for year end, October 31, 2007

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

Management's Discussion & Analysis

Operating	2008*
Oil	
Average net daily production (bbl/day)	155
Average price (\$/bbl)	38.38
Operating Netback (\$/bbl)	25.11
Gas	
Average daily production (mcf/day)	287
Average Price (\$/mcf)	\$15.83
Condensate	
Average daily production (bbl/day)	8
Average price (\$/bbl)	\$84.22

*First year of operations, comparatives not available

4. RESULTS OF OPERATIONS

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. During Stream's first year of operations, Stream took over a total of 87 wells, 44 of which are currently producing.

From these 44 producing wells, Stream produced a total of 134,933 barrels (bbls) over the thirteen month period ended November 30, 2008. Stream's share of this production was 52,101 bbls. Stream's share of daily production currently averages 230 bbls per day.

In addition, over the past 13 months, the Company produced about 117 mcf of gas, of which 53 mcf was attributed to Stream; and 7,027 bbls of condensate, 2,204 bbls of which were attributed to Stream.

Stream delivers its oil and gas production to a local refinery via Albpetrol's treatment facilities. Except for condensate sales, Albpetrol (and indirectly, the Refinery) was Stream's only customer. Total revenues net of royalties from Stream's share of production were \$2,834,723 million during the Company's first 13 months of operations.

Over the past year, Stream received an average of about \$38.38/bbl of oil, \$15.83/ mcf for gas and \$84.22 / bbl for condensate. During the first quarter the Company received a fixed price for oil of about \$29.00/bbl. Effective August 1, the Company entered into a new agreement based on the following pricing formula: $\text{Price} = 100/1.8 + (\text{Brent average} - 100)/3 - 2.5 \text{ USD/bbl}$

This price formula was in effect until the end of December and is currently being renegotiated with Albpetrol and the new refinery owners.

Revenue increases over the past year were limited as a result of the lack of available capital for well takeovers and work overs. The Company will continue with a limited takeover program funded by operating cash flow and expects to be able to increase average daily production to about 500 bbls by the end of 2009. The takeover program will be escalated if the Company is able to secure financing.

Operating costs

The Company's main operating costs were \$750,000 in payroll for its 71 employees in Albania, employee transportation costs of \$54,000 and security services of \$72,800. Sales and transportation costs were \$300,755.

General and Administrative (G&A)

G&A costs have been relatively high during the company's first year of operations due to additional professional fees and regulatory filing costs. Total professional fees were \$691,391. Management fees and salaries were \$1,041,051. The company operates four different oil and gas fields in Albania and maintains two administrative offices in Albania, an office in Athens, where the CEO is located and a Vancouver, Canada corporate office. Office costs totaled \$372,945.

Capital Expenditures

Stream spent \$1,046,327 on a passive seismic program in its Delvina gas field and \$2,550,005 on work-overs and upgrades to the wells taken over during the 13-month period.

Royalties, Direct Expense and Netbacks

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 and amendments to the Agreements will be finalized shortly.

Because Stream is in start-up mode, its share of production is still relatively low. The Company is responsible for all operating costs for the wells it operates. The Company does not yet benefit from significant economies of scale and does not have comparative information. Stream operates in four separate oil and gas fields. The Company is not yet in a position to provide a meaningful analysis of operating costs and netback trends.

Amortization and Depletion

Stream has not yet obtained an independent, NI 51-101 reserve valuation. However, since the Company's properties are in production, and the Company has capitalized property development costs, Generally Accepted Accounting Principles (GAAP) requires management to calculate depletion. Stream has therefore used historical estimates of remaining oil in place to determine a depletion expense of \$10,000. Amortization of equipment and vehicles totaled \$114,943.

2008 Activity Highlights

- Completed reverse takeover, effective April 4, 2008
- Listed first on the CNQ and then on the TSX Venture Exchange
- Established operations which include over 70 employees in Albania
- Took over 44 producing oil and gas wells
- More than doubled initial production share and revenues through on going well takeovers, work-overs and rehabilitation work
- Renegotiated price contract from fixed price low of \$29/bbl to Brent-based formula
- Capital expenditures on were \$4,350,012 and included \$1,046,327 on the seismic program, \$2,550,055 on work-overs and upgrades.
- Gathered data to understand well behavior, for development plan
- Seismic program in Delvina completed and final results are under revision
- Cakran microseismic monitoring completed and data analysis is in progress.
- Development plan extension for the crude oil fields to September 30 2009 approved by AKBN and Albpetrol.
- Completed a pre-feasibility study for a gas-fired power plant
- Cleaned up well sites to meet environmental standards

Preliminary Results

- Success ratio of work overs and methods used varied from well to well
- Perforations and PCP pumps determined as key to production improvement
- Radial jetting tested with variable success must be used selectively in the future
- Build up period for production is longer than expected
- Casing integrity on existing wells is not as good as was thought and existing completion information was unreliable
- Some wells (especially in Cakran) are improving with time due to flow control methods
- Work-overs must be carefully designed during development
- Gas cap must be understood and its usage considered in the future

Management's Discussion & Analysis

Reactivation and Development Program

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

Based on the success ratio 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.

On-going technical initiatives include:

- Proposals to test wells in Cakran and Delvina
- Contracting a 60-ton work over rig to complete the work
- Finalize the reservoir model in Delvina (Passive) and re-estimate reserves
- Understand the Cakran reservoir and fracture distribution
- Provide a full reservoir study for Cakran in order to consider drilling new wells for the Development stage.
- Investigate partnership financing for the gas power plant
- Prepare the Plan of Development by September 2009

Continued Evaluation Commitments

<u>Commitment</u>	<u>Comment</u>
Understand Well and Reservoir Performance	Reservoir behavior varies from field to field; overall rate has potential to be increased.
Understand production and OPEX	Many wells are now understood, but some difficulties exist in sustaining production levels in some.
Understand CAPEX and success ratio	Capex well understood, success ratio still to be determined.
Evaluate wells in Cakran and Delvina area	Tested wells so far show some performance increase. If budget permits, we will try to do a complete work over using the tested methodology.
Reach 500 bopd	Currently at 230 bopd, will require more wells than originally anticipated
Sales	Planning to consider exporting or selling locally due to long payment delays from AMRA

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Identify treatment plant rehabilitation	Part of Plan of Development
Examine gas to power plant	Feasibility will be completed as part of Plan of Development
Reservoir model for new well drilling (Cakran, Delvina)	Part of the Plan of Development and further reservoir modeling
Provide Summary Evaluations Report	Ongoing

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 also plans to complete a full review of its four oil and gas fields in accordance with NI 51-101 standards by the end of 2009, to determine recoverable reserves.

Stream conducted a well rehabilitation program including radial jetting tests to understand well behavior and define appropriate methods to enhance and increase crude oil production.

A 3D passive seismic program was run over the Delvina gas field to map the existing production area and define upside potential. Results were encouraging and indicated more than sufficient micro-seismic event presence to create a subsurface model. The Company is currently conducting a micro seismic fracture-monitoring program in the Cakran field.

The following is a summary of the 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 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.

Subject to additional funding, Stream reserved a rig to do rehabilitation work in this field and the Cakran-Mollaj field.

Field production, when the refinery operates, is about 22,000 cubic meters gas per day and 22 bopd condensate. Of this production, 6,000 cubic meters of gas per day and 8 bopd of condensate are attributable to Stream as of February 28, 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 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

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wells in the field and has taken over another eight for reactivation. Field production is 550 bop/d, of which 79 bop/d are attributable to Stream as February 28, 2009.

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 70 bop/d are attributable to Stream as of February 28, 2009.

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 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 start a staged rehabilitation program on the 14 producing wells that operate in the field and reactivate another taken over recently. Field production is 650 bop/d, of which 76 bop/d are attributable to Stream as at February 28, 2009.

In addition to the rehabilitation program on 14 producing wells, the Company has take 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.

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- Write down

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**"). As at November 30, 2007, the Company had incurred an aggregate of \$12,989 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 decided not to do any further work on the Jack property and therefore has written down the property to nil.

Outlook and Plans for 2009

The Company is meeting its commitments under its Petroleum Agreements. Activities for 2009 will focus on the preparation of the required Development Plans for each of its properties that it will submit to the Ministry of Economy, Trade and Energy for approval by September 9, 2009.

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.

Stream is presently re-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.

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

The Company plans to obtain a National Instrument 51-101 compliant reserve valuation report by 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.

Stream's objective is to continue to increase production by focusing on the development of its Albanian assets.

To the end of 2009, management is targeting the following average daily production: 500 bopd; 300 – 400 Mcf/d of gas, and 15-30 bopd condensate. In order to reach 500 bbl/day, the Company must takeover an additional 47 wells.

Based on the success ratio to date, and assuming all well-takeovers are productive, Stream plans to takeover 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)

The Company is planning to find alternative markets in Albania and the rest of Europe to sell its production.

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 will strengthen its management team with additional technical, engineering and industry expertise in the exploration, development and production of oil and natural gas in Albania. Under a Heads of Agreement dated January 8, 2009, the Company plans to engage a team of contractors to provide technical, business and advisory services, including preparation of Stream's Plan of

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Development. The Company was finalizing agreements with the new team as of the date of this MD&A.

Plan of Development (PoD)

Stream will submit a (PoD) by September 2009 for the oil fields and by March 2010 for the gas field. The conceptual design and a reservoir update is underway. The PoD will cover:

- 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
- Alternative sales opportunities

Stream also plans to:

- Finalize royalty tax amendments to Agreements.
- Resolve accounts receivable collection delays with Albpetrol and AMRA.
- Begin fund-raising program.
- Investigate partnership financing for the gas power plant in Fier.
- Subject to fund raising, engage 60-ton work-over rig for Cakran and Delvina.

Cash flow- the Company expects to maintain positive operating cash flow through 2009. In view of current adverse capital market conditions, the Company has cut back on its capital expenditure program, mainly on work-overs in the heavy oil fields and large infrastructure work. Stream is also in the process of identifying additional customers willing to pay for production on a timelier basis.

5. SUMMARY OF QUARTERLY RESULTS

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

Average daily production	2008 Avg	Q4	Q3	Q2	Q1*	Q4*
oil (bbl)	155	235	162	103	120	nil
Gas (mcf)	215	356	108	122	275	nil
Condensate (bbl)	8	11	5	5	11	nil

Average price	2008 Avg	Q4	Q3	Q2	Q1*	Q4*
oil /bbl	38.38	38.00	46.31	37.70	29.00	n/a
Gas/mcf	15.83	17.80	17.80	17.00	12.00	n/a
Condensate/bbl	84.21	90.50	82.00	82.00	80.00	n/a

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

Stream's quarterly results have varied over the previous 13 months as a result of the following:

- Revenues have increased as a result of higher production resulting from additional takeovers and higher oil prices
- Operating expenses were significantly higher in the fourth quarter as a result of training cost obligations and increased payroll
- G&A was significantly reduced by the fourth quarter as a result of lower professional fees and cost-cutting measures

6. LIQUIDITY

Stream had working capital of about \$ 830,589 as at March 20, 2009 including cash on hand and short term investments of \$434,000. The Company is able to fund its operations from current revenues, subject to timely collections. Stream's main customer, Albpetrol, a state-owned company, has not made any significant payments since November 2008. 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.

In order to minimize future payment delays, the Company is finalizing a contract with the local refinery in order to receive direct payments. Stream has also entered into arrangements with other customers from which it is now receiving timely payments.

7. CAPITAL RESOURCES

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, subject to Albpetrol settling amounts owed to the Company by Q2, additional financing will be required to fund the Company's exploration and development plans.

Commitments for capital expenditures

Under its Petroleum Agreements, Stream committed to spend a total of \$4,800,000 in expenditures relating to its Albanian properties by September 9, 2009. The Company spent about \$6,850,000 in qualifying expenditures to the end of 2008. With its Q1 2009 report to AKBN, Stream will submit supporting documentation for approval. The Company expects that AKBN will then release Stream from any outstanding expenditure commitments

8. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

9. TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the thirteen months ended November 30, 2008 are as follows:

The Company's CEO waived \$136,984 in amounts due to him. The final balance of \$156,614 due to the CEO was repaid during the period ended November 30, 2008. The original liability was incurred as a result of out-of-pocket start-up costs.

Seismic survey expenses of \$1,046,327 were paid under an agreement with Landtech, a private company with a director in common with the Company. Results from Landtech's passive seismic study were presented at the Advisory Committee meeting in Tirana justifying the existing structure size and relocating the top of the structure away from existing wells, thus establishing for the Company a better location to drill another production well. The structure's possible upside is still under technical scrutiny and it is too early to comment upon.

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Management office fees of \$273,287 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 reduced by half as administrative support functions will shift to Albania and the Vancouver corporate office.

Consulting and management fees of \$154,927 were paid to the Company's CFO and Corporate Secretary, through her private consulting company, for compensation and expenses relating to the Company's Vancouver corporate office. In order to conserve cash, a portion of the monthly management fees have been deferred beginning in January 2009.

The Company's independent directors were paid \$41,132 in directors' fees. Beginning 2009, directors' fees will be deferred.

10. FOURTH QUARTER 2008

Production

Crude oil production increased to an average of about 235 barrels per day. This is an increase of 42% compared to the previous quarter ended September 30, 2008 and is higher than the 200 bopd previously projected for the end of 2008. The production increase is mainly the result of rehabilitation work in key wells during the past six months. Gas and condensate production levels, when the Refinery is operational, remained the same at 356 Mcf/d gas and 11 bopd condensate.

Pricing

Average pricing during the last quarter of 2008 was \$38 per barrel for crude oil. Gas and condensate prices remained the same at \$618 MNm³ and \$90.5 per barrel respectively.

11. PROPOSED TRANSACTIONS

While the Company is considering a number of potential transactions, none are sufficiently advanced to assess probability of completion or effect on the Company's financial condition.

Under a Heads of Agreement dated January 8, 2009, the Company plans to engage a team of contractors to provide technical, business and advisory services, including preparation of Stream's Plan of Development. The Company was finalizing agreements with the new team as of the date of this MD&A.

12. CRITICAL ACCOUNTING ESTIMATES

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.

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.

13. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

On November 1, 2007, the Company adopted the CICA Handbook Section 3862, "Financial Instruments – Disclosures", and CICA Handbook Section 3863, "Financial Instruments – Presentation". These standards enhance disclosure requirements, and carry forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

The Company has included disclosures recommended by these handbook sections in note 13 to its financial statements.

As of November 1, 2007, the Company adopted revised CICA Handbook Section 1506 "Accounting Changes", which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted, or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP, or when the change results in more relevant and reliable information

There is no material impact to the Company's financial statements as a result of CICA 1506.

14. 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

Sensitivity Analysis

At November 30, 2008, if the Canadian dollar had fluctuated by 10% against the local functional currencies with all other variables held constant, net loss for the thirteen-month period ended November 30, 2008 would have differed by \$44,000. If the Euro had fluctuated by 10% against

the local functional currencies with all other variables held constant, net loss for the thirteen-month period ended November 30, 2008 would have differed by \$119,000. If the Albanian Lek had fluctuated by 10% against the local functional currencies with all other variables held constant, net loss for the thirteen-month period ended November 30, 2008 would have differed by \$103,000.

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 in managing liquidity risk is to maintain sufficient liquidity in order to meet operational requirements at any point in time. The Company generates cash flow from its operations; however, the Company is exposed to liquidity risk because it currently depends on one customer. The Company may seek additional cash funding by means of issuing share capital or debt financing. As at November 30, 2008, the Company had a cash and cash equivalent balance of \$737,752 and restricted cash of \$711,831 to settle current liabilities of \$1,031,442

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 is exposed to interest rate risk to the extent that it has excess cash held with banks and other financial institutions. The Company currently has no debt or short-term borrowing. In management's opinion, the Company is not exposed to significant interest rate risk

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.

15. OTHER

Additional information relating to Stream, including its 2008 Information Circular is on SEDAR at www.sedar.com.

16. OUTSTANDING SHARE DATA

As of March 20, 2009, the Company has 38,680,341 common shares issued and outstanding.

Stock Options

1,750,000 common shares have been reserved for issuance on exercise of stock options, under the Company's Stock Option Plan as follows:

- 1,000,000 at \$1.50 per share until April 4, 2010, which were 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

Warrants

A further 6,271,901 shares have been reserved for issuance on the exercise of outstanding warrants. On a fully diluted basis, the issued share capital would be 46,702,242 common shares.

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 18,750,003 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.

17. 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.

18. 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.

19. 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.

APPROVED BY THE DIRECTORS:

"Sotirios Kapotas"

_____ Director

"Leslie Goodman"

_____ Director