



STREAM OIL & GAS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED MAY 31, 2011

(Unaudited – Prepared by Management)

These financial statements have not been reviewed by the Company's auditor

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditors.

STREAM OIL & GAS LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(Unaudited – Prepared by Management)

	As at May 31, 2011	As at November 30, 2010
	<u>\$</u>	<u>\$</u>
ASSETS		
Current		
Cash	1,244,747	9,493,004
Accounts receivable (Note 3)	4,874,262	1,775,132
GST and other receivables	50,402	16,751
Inventory	203,825	161,746
Prepaid expenses	244,336	96,958
	<hr/>	<hr/>
	6,617,572	11,543,591
Property and Equipment (Note 4)	22,535,907	14,798,593
	<hr/>	<hr/>
	29,153,479	26,342,184
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	6,551,146	5,310,667
Current portion of capital lease obligation (Note 4)	49,698	19,822
	<hr/>	<hr/>
	6,600,844	5,330,489
Capital lease obligation (Note 4)	169,531	72,068
Asset retirement obligation (Note 11)	491,541	195,690
	<hr/>	<hr/>
	7,261,916	5,598,247
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Shareholders' Equity		
Capital stock (Note 6)	15,794,465	15,309,123
Contributed surplus (Note 6)	10,610,150	10,784,178
Deficit	(4,513,052)	(5,349,364)
	<hr/>	<hr/>
	21,891,563	20,743,937
	<hr/>	<hr/>
	29,153,479	26,342,184
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Nature and continuance of operations (Note 1)

Related party transactions (Note 5)

Contingencies (Note 12)

On behalf of the Board:

"Sotirios Kapotas", Director

"Leslie Goodman", Director

The accompanying notes are an integral part of these consolidated financial statements.

STREAM OIL & GAS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in U.S. Dollars)
(Unaudited – Prepared by Management)

	Three month period ended May 31, 2011	Six month period ended May 31 2011	Three month period ended May 31, 2010	Six month period ended May 31, 2010
	\$	\$	\$	\$
REVENUE				
Oil and gas revenue (Note 3)	4,485,973	6,562,796	1,327,199	2,609,028
EXPENSES				
Operating	1,258,928	1,964,211	194,997	563,426
Sales and transportation	396,442	525,872	31,780	125,133
Consulting fees, management fees and salaries	512,109	1,005,287	355,124	917,468
Office and miscellaneous	251,861	491,111	98,338	217,935
Professional fees	224,223	390,295	154,614	200,515
Travel	47,887	148,463	82,705	137,973
Stock-based compensation	50,453	108,249	263,462	330,323
Accretion	18,515	23,407	-	-
Amortization and depletion	432,527	721,430	77,877	145,265
Foreign exchange (gain) loss	269,034	348,159	109,298	(8,188)
	<u>3,461,979</u>	<u>5,726,484</u>	<u>1,368,195</u>	<u>2,629,850</u>
Earnings (loss) and comprehensive earnings (loss) for the period	1,023,994	836,312	(40,996)	(20,822)
Deficit, beginning of period	(5,537,046)	(5,349,364)	(3,784,184)	(3,804,358)
Deficit, end of period	(4,513,052)	(4,513,052)	(3,825,180)	(3,825,180)
Basic and fully diluted earnings per share	0.02	0.01	0.00	0.00
Weighted average number of shares outstanding	64,100,301	63,948,763	48,270,445	48,270,455

The accompanying notes are an integral part of these consolidated financial statements.

STREAM OIL & GAS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(Unaudited – Prepared by Management)

	Three month period ended May 31, 2011	Six month period ended May 31, 2011	Three month period ended May 31, 2010	Six month period ended May 31, 2010
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss) for the period	1,023,996	836,313	(40,996)	(20,822)
Items not affecting cash:				
Accretion	18,515	23,407	-	-
Amortization and depletion	432,527	721,430	77,877	145,265
Stock-based compensation	50,453	108,249	263,462	330,323
Changes in non-cash working capital items:				
Accounts receivable	(2,699,248)	(3,099,130)	(335,617)	(645,420)
GST and other receivables	(19,066)	(33,651)	5,607	(128,390)
Prepaid expenses	140,298	(147,378)	(252,237)	(252,060)
Inventory	247,244	(42,079)	(77,932)	(86,672)
Accounts payable and accrued liabilities	1,283,494	2,330,523	4,430	(300,800)
Net cash provided by (used in) operating activities	478,213	697,684	(355,406)	(958,576)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	(3,861,639)	(9,141,674)	(526,386)	(1,369,358)
Restricted cash	-	-	-	-
Cash provided by (used in) investing activities	(3,861,639)	(9,141,674)	(526,386)	(1,369,358)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued	94,155	203,065	1,007,454	4,281,710
Share issuance costs	-	-	-	(206,083)
Repayment of capital lease	(2,555)	(7,335)	-	-
Cash provided by (used in) financing activities	91,600	195,730	1,007,454	4,075,627
Net change in cash during the period	(3,291,826)	(8,248,260)	125,662	1,747,693
Cash, beginning of period	4,536,573	9,493,007	1,885,165	263,134
Cash, end of period	1,244,747	1,244,747	2,010,827	2,010,827

Supplemental disclosure with respect to cash flows (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
For the Three and Six Month Period Ended May 31, 2011
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Stream Oil & Gas Ltd. (“the Company”) was incorporated on January 11, 2005 under the British Columbia Business Corporations Act as 713471 B.C. Ltd. and changed its name on April 20, 2005 to L.G.R. Resources Ltd. Effective April 19, 2006, the Company’s common shares were listed for trading on the CNQ. On April 4, 2008, the Company changed its name to Stream Oil & Gas Ltd. and consolidated its capital stock on a four for one basis. On July 25, 2008 the Company’s common shares were listed for trading on the TSX Venture Exchange. The Company’s shares were delisted from trading on the CNQ effective August 15, 2008.

The Company, through its wholly-owned subsidiary, Stream Oil & Gas (CI) Ltd., is in the business of developing oil and gas properties worldwide. It currently operates four producing and exploration oil and gas properties in Albania.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

At May 31, 2011, Stream had accumulated losses of \$4,513,052 since inception, and working capital of \$16,728.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared by the company in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) on a basis consistent with those followed in the Company’s most recent annual consolidated financial statements for the year ended November 30, 2010. These financial statements are stated in US dollars.

These unaudited interim consolidated financial statements do not include all note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunctions with the annual consolidated financial statements for the year ended November 30, 2010.

In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
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(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future Accounting Pronouncement

Business Combinations (Section 1582)

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602)

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations”. The Company does not expect the adoption of these sections to have a significant effect on its financial statements.

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 changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company’s transition date of December 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; asset retirement obligations; impairment of assets; and share-based payments. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending August 31, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal quarter ending November 30, 2011.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
For the Three and Six Month Period Ended May 31, 2011
(Unaudited – Prepared by Management)

3. ECONOMIC DEPENDENCE

For the six month period ended May 31, 2011, the Company sold its oil and gas to customers in Albania and Italy. Gross sales during the six month period ended May 31, 2011 to two customers accounted for 88% of total revenue, as follows: sales totalling \$5,419,414, accounting for 44% of total revenue and sales totalling \$993,535, accounting for 14% of total revenue.

As at May 31, 2011, Stream had two customers accounting for 81% of total accounts receivable as follows: accounts receivable of \$3,427,115, accounting for 70% of total accounts receivable and accounts receivable of \$549,363, accounting for 11% of total accounts receivable.

4. PROPERTY AND EQUIPMENT

May 31, 2011			
	Cost	Accumulated Amortization and Depletion	Net Book Value
Oil and gas properties, proved	\$ 17,625,161	\$ 376,000	\$ 17,249,161
Automotive	431,168	133,880	297,288
Computer hardware	285,015	131,707	153,308
Computer software	87,022	64,639	22,383
Equipment	5,920,059	1,106,292	4,813,767
	\$ 24,348,425	\$ 1,812,518	\$ 22,535,907

November 30, 2010			
	Cost	Accumulated Amortization and Depletion	Net Book Value
Oil and gas properties, proved	\$ 10,791,018	\$ 202,000	\$ 10,589,018
Automotive	277,413	94,984	182,429
Computer hardware	196,391	90,364	106,027
Computer software	57,178	57,178	-
Equipment	4,567,681	646,562	3,921,119
	\$ 15,889,681	\$ 1,091,088	\$ 14,798,593

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
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(Unaudited – Prepared by Management)

4. PROPERTY AND EQUIPMENT (cont'd...)

During the three month period ended May 31, 2011, the Company entered into a 48 month capital lease contract for the purchase of certain automobiles. The automobiles are classified as a depreciable asset and recorded at a cost equal to the present value of the lease payments due of \$152,271. During the fiscal year ending November 30, 2011 the minimum lease payment will be \$20,206 (€14,148), for each 12-month periods from November 30, 2012 to November 30, 2014 the minimum lease payments will be \$40,412 (€28,296), and during the during the fiscal year ending November 30, 2015 the minimum lease payment will be \$20,206 (€14,148),

Future payment obligations are as follows:

2011	\$ 20,206
2012	40,412
2013	40,412
2014	40,412
2015	<u>20,206</u>
	161,648
Less: interest	<u>(24,634)</u>
Total future principal payments	137,014
Less: current portion	<u>(28,915)</u>
Long term portion	<u>\$ 108,099</u>

Oil and Gas Properties, Proved

	May 31, 2011	November 30, 2010
Opening balance	\$ 10,791,018	\$ 6,123,568
Expenditures:		
Work-overs and upgrades	6,561,697	4,442,030
Asset retirement obligations	272,446	177,900
Technical report	-	47,520
	<u>6,834,143</u>	<u>4,667,450</u>
	\$ 17,625,161	\$ 10,791,018

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. RELATED PARTY TRANSACTIONS

Related party transactions for the six months ended May 31, 2011 are as follows:

- a) The Company incurred management fees of \$97,775 (May 31, 2010 - \$48,687) to a director and significant shareholder of Stream. As at May 31, 2011, the total balance payable for unpaid fees was \$44,969 (November 30, 2010 - \$48,798).
- b) The Company incurred consulting fees of \$103,356 (May 31, 2010 - \$48,687) to a private company of which a shareholder is a director and significant shareholder of Stream.
- c) The Company incurred management fees of \$Nil (May 31, 2010 - \$76,184) to a private company owned by an officer of Stream
- d) The Company incurred management fees and salaries of \$227,694 (May 31, 2010 - \$293,810) to private companies owned by an officer of Stream. The amount included in accounts payable at May 31, 2011 for unpaid management, consulting fees and procurement owing to the private company was \$250,379 (November 30, 2010 – \$259,745).
- e) The Company incurred \$76,387 (May 31, 2010 - \$Nil) in management fees to a private company owned by an officer of Stream.
- f) The Company incurred directors fees of \$22,500 (May 31, 2010 - \$22,500) for three directors of Stream included in management fees on the statement of operations. The amount included in accounts payable at May 31, 2011 for unpaid fees owing to the directors was \$23,750 (November 30, 2010 - \$52,500).

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. Amounts due to related parties are unsecured, and non-interest bearing, with no fixed terms of repayment.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
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(Unaudited – Prepared by Management)

6. CAPITAL STOCK

Issued and Outstanding

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance at November 30, 2009	39,939,548	\$ 2,469,286	\$ 6,583,829
Shares issued on financing	16,500,000	7,838,822	5,078,379
Share issue expenses	-	(831,840)	625,757
Shares issued on exercise of warrants	5,315,253	4,540,431	(1,701,216)
Shares issued on exercise of finders warrants	630,500	358,190	(144,857)
Shares issued on exercise of options	1,362,500	934,234	(465,419)
Stock-based compensation	-	-	807,705
Balance at November 30, 2010	63,747,801	15,309,123	10,784,178
Shares issued on exercise of options	500,000	485,342	(282,277)
Stock-based compensation	-	-	108,249
Balance at May 31, 2011	64,247,801	\$ 15,794,465	\$ 10,610,150

On January 4, 2010 the Company issued 10,000,000 units at CAD\$0.35 each through a non-brokered private placement. Each unit included one common share and one-half warrant. The warrants were for a two-year term with a full warrant permitting the purchase of one common share at an exercise price of CAD\$0.55. The Company had the right to force the exercise of the warrants at any time if the shares trade at CAD\$0.75 or higher over a 20 consecutive day period.

On January 27, 2010 the Company became a Tier-1 issuer on the TSX-Venture Exchange. As a result, in accordance with the eighteen month holding period for Tier-1 issuers on the TSX-Venture Exchange, all of the 11,250,003 remaining shares held in escrow were released.

On November 24, 2010 the Company issued 6,500,000 units at CAD\$1.50 per unit through a non-brokered private placement. Each unit included one common share and one-half warrant. The warrants are for a two-year term with a full warrant permitting the purchase of one common share at an exercise price of CAD\$2.00 per warrant during the first 12 month period following closing of the private placement, and at an exercise price of CAD\$2.50 per warrant during the subsequent 12 month period. The Company has the right to force the exercise of the warrants at any time if the shares trade at CAD\$2.75 or higher over a 20 consecutive day period for the first 12 month period and at CAD\$3.75 or higher over a 20 consecutive day period for the second 12 month period.

During fiscal 2010, holders of 5,315,253 warrants exercised their right to receive 5,315,253 common shares at a price of CAD\$0.55 each. Contributed surplus of \$1,701,216 was reallocated to capital stock on the exercise of warrants.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

6. CAPITAL STOCK (cont'd...)

Issued and Outstanding (cont'd ...)

During fiscal 2010, holders of 630,500 finders warrants exercised their right to receive 630,500 finders units consisting of one common share and one-half warrant, at a price of CAD\$0.35 per unit. Contributed surplus of \$144,857 was reallocated to capital stock on the exercise of finders warrants.

During fiscal 2010, 1,362,500 stock options were exercised for gross proceeds of \$468,815. Contributed surplus of \$465,419 was reallocated to capital stock on the exercise of the stock options.

During the six month period ended May 31, 2011, 500,000 stock options were exercised for gross proceeds of \$206,065. Contributed surplus of \$282,277 was reallocated to capital stock on the exercise of the stock options.

Warrants

At May 31, 2011, the following warrants were outstanding:

Number of Warrants	Exercise Price (CAD)	Expiry Date
3,250,000	\$2.00	November 24, 2012

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weight Average Exercise Price (CAD)
Balance, November 30, 2009	-	-
Issued	8,565,253	\$1.10
Exercised	(5,315,253)	\$0.55
Expired	-	-
Balance, November 30, 2010	3,250,000	\$2.00
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, May 31, 2011	3,250,000	\$2.00

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. CAPITAL STOCK (cont'd...)

Warrants (cont'd...)

The following weighted average assumptions were used for the valuation of warrants issued during the period:

	<u>Three months ended</u> <u>May 31, 2011</u>	<u>Year ended</u> <u>November 30, 2010</u>
Risk free rate	-	1.58%
Dividend yield	-	0%
Expected volatility	-	132%
Expected life of warrants	-	2 years

Finders' Warrants

At May 31, 2011, the following finders' warrants were outstanding:

<u>Number of</u> <u>Finders Warrants</u>	<u>Exercise Price</u> <u>(CAD)</u>	<u>Expiry Date</u>
387,168	\$1.50	November 24, 2012

Finders' warrant transactions and the number of finders' warrants outstanding are summarized as follows:

	<u>Number of</u> <u>Warrants</u>	<u>Weight Average</u> <u>Exercise Price</u> <u>(CAD)</u>
Balance, November 30, 2009	-	
Issued	1,017,668	\$0.79
Exercised	(630,500)	\$0.35
Expired	-	
Balance, November 30, 2010	387,168	\$1.50
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, May 31, 2011	387,168	\$1.50

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
For the Three and Six Month Period Ended May 31, 2011
(Unaudited – Prepared by Management)

6. CAPITAL STOCK (cont'd...)

Finders' Warrants (cont'd...)

The following weighted average assumptions were used for the valuation of finders' warrants issued during the period:

	Three months ended May 31, 2011	Year ended November 30, 2010
Risk free rate	-	1.58%
Dividend yield	-	0%
Expected volatility	-	132%
Expected life of finders' warrants	-	2 years

On November 24, 2010, the Company issued 387,168 finders' warrants for finder's fees related to the November 2010 private placement financing with a fair value of \$480,900. The finders' warrants entitle the agent to purchase a finders unit at an exercise price of CAD\$1.50 per unit until November 24, 2012. Each unit is comprised of one common share and one-half warrant. Each whole warrant is exercisable at a price of CAD\$2.00 per warrant during the first 12 months following the closing of the private placement, and at an exercise price of CAD\$2.50 per warrant during the subsequent 12 month period. Stream has the right to force the exercise of the finders warrants at any time if the shares trade at CAD\$2.75 or higher over a 20 consecutive day period for the first 12 month period and at CAD\$3.75 or higher over a 20 consecutive day period for the second 12 month period.

On January 4, 2010, Stream issued 630,500 finders' warrants for finder's fees related to the January 2010 private placement financing with a fair value of \$144,857. The finders' warrants entitled the agent to purchase a finders unit at an exercise price of CAD\$0.35 per unit until January 4, 2012. Each unit is comprised of one common share and one-half warrant. Each whole warrant is exercisable at a price of CAD\$0.55 per warrants for a 24 month period following the closing of the private placement. The units had an accelerated expiry provision if at any time the shares traded at CAD\$0.75 or higher over a 20 consecutive day period. The 630,500 finders' warrants were exercised into 630,500 common shares and 315,250 share purchase warrants, for proceeds of \$221,333 during the year ended November 30, 2010.

Stock Option Plan

The Company has a stock-based compensation plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the greater of CAD\$0.05 per share or the closing price at the date of grant less the maximum discount as may be permitted by the policies of the stock exchange upon which the Company's shares are listed. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Under the option agreement, the options vest on a semi-annual basis with 25% vesting on each vesting date, starting from the grant date and over a subsequent 18-month period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

6. CAPITAL STOCK (cont'd...)

Stock Option Plan (cont'd...)

At May 31, 2011, the following stock options were outstanding:

Number of Options	Exercise Price (CAD)	Expiry Date
2,100,000	\$0.20	March 20, 2012
200,000	\$0.25	April 13, 2013
987,500	\$0.63	May 11, 2013
350,000	\$0.20	February 12, 2014
50,000	\$0.25	May 12, 2014
290,000	\$0.24	June 22, 2014
<u>3,977,500</u>		

	Number	Weighted Average Exercise Price (\$Cdn)	Weighted Average Remaining Life
Balance as at November 30, 2009	4,640,000	0.46	2.80
Granted	1,725,000	0.63	2.45
Exercised	(1,362,500)	(0.35)	-
Expired / Cancelled	(400,000)	(1.50)	-
Balance as at November 30, 2010	4,602,500	0.33	1.98
Granted	-	-	-
Exercised	(500,000)	(0.40)	-
Expired / Cancelled	(125,000)	(0.63)	-
Balance as at May 31, 2011	3,977,500	0.31	1.35
Exercisable as at May 31, 2011	3,608,750	0.28	1.29

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6. CAPITAL STOCK (cont'd...)

Stock-Based Compensation

No stock options were granted during the three month period ended May 31, 2011 (May 31, 2010 – 1,725,000). The total stock-based compensation expense recognized during the three month period ended May 31, 2011 relating to options vested during the three month period was \$50,453 (May 31, 2010 - \$263,462).

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option-pricing model under the following weighted average assumptions:

	Three months ended <u>May 31, 2011</u>	Year ended <u>November 30, 2010</u>
Risk free rate	-	1.43%
Dividend yield	-	0%
Expected volatility	-	104%
Expected life of options	-	3.0 years

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Three month period ended May 31, 2011	Six month period ended May 31, 2011	Three month period ended May 31, 2010	Six month period ended May 31, 2010
Cash paid during the year for interest	\$	\$	\$	\$
Cash paid during the year for income taxes	\$	\$	\$	\$

The Company had the following significant non-cash transactions for the three month period ended May 31, 2011:

- a) The Company reallocated \$204,812 from contributed surplus to capital stock on the exercise of the options (Note 7).
- b) Included in accounts payable is \$2,649,457 (November 30, 2010 - \$3,332,387) in oil and gas properties and property, plant and equipment.

The Company had no significant non-cash transactions for the three month period ended May 31, 2010.

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8. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the development of oil and gas properties in Albania. Geographical information is as follows:

	Three month period ended May 31, 2011	Six month period ended May 31, 2011	Three month period ended May 31, 2010	Six month period ended May 31, 2010
Oil and Gas revenue				
Canada	\$ -	\$ -	\$ -	\$ -
Albania	4,485,973	6,562,796	1,327,199	2,609,028
	\$ 4,485,973	\$ 6,562,796	\$ 1,327,199	\$ 2,609,028
	May 31, 2011	November 30 2010		
Property and Equipment				
Canada	\$ 55,718	\$ 17,005		
Albania	22,480,189	14,781,588		
	\$ 22,535,907	\$ 14,798,593	\$ -	

9. CAPITAL MANAGEMENT

The Company considers its cash and capital stock in the management of capital, which at May 31, 2011 totaled \$1,244,747 and \$15,794,465, respectively.

Stream's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to meet its objectives for managing capital, Stream may issue new shares, which has historically been done through private placements.

The Company's officers and senior management take full responsibility for managing Stream's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

Stream is not subject to any externally imposed capital requirements.

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10. FINANCIAL INSTRUMENTS

The fair values of the Company's accounts receivable, GST and other receivables, and accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets.

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 Stream 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. Stream 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 May 31, 2011, if the United States dollar had fluctuated by 10% against the local functional currencies with all other variables held constant, net loss for the period ended May 31, 2011 would have differed by \$194,000 which is primarily attributable to the Company's cash balance, of which \$1,244,747 is denominated in Canadian dollars.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of accounts receivable are concentrated geographically in Albania. As at May 31, 2011, \$1,426,264 or 29% of accounts receivable (November 30, 2010, \$1,466,522 or 82%) have been outstanding for 90 days or more. The Company believes that the entire balance is collectible. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

Liquidity Risk

Liquidity risk is the risk that Stream 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 Stream's normal operating requirements.

Stream'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, Stream is exposed to liquidity risk because it is subject to the limited local market for sales of its production. The Company may seek additional cash funding by means of issuing share capital or debt financing. As at May 31, 2011, Stream had cash of \$1,244,747 (November 30, 2010 - \$9,493,004) to settle current liabilities of \$6,600,844 (November 30, 2010 - \$5,330,489).

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10. FINANCIAL INSTRUMENTS (cont'd...)

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. Stream currently has no interest bearing debt or short term borrowing. In management's opinion, the Company is not exposed to significant interest rate risk.

Market Risk

Stream 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. Stream closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. ASSET RETIREMENT OBLIGATION

Management estimated the total future asset retirement obligation based on the expected cost to abandon and restore well and facility sites and the estimated timing of the costs to be incurred. As at May 31, 2011, the Company estimated the net present value of its asset retirement obligation to be \$491,541 based on the total undiscounted future obligation of \$52,866,519, and used a credit adjusted risk free rate of 10% and an inflation rate of 2.8% to calculate the present value of the asset retirement obligation. Stream expects asset retirement obligations to be paid in 2061.

The net present value of the Company's asset retirement obligation is summarized as follows:

		May 31, 2011		November 30, 2010
Asset retirement obligation, beginning of year	\$	195,690		-
Liabilities recognized		272,444	\$	177,900
Accretion		23,407		17,790
Asset retirement obligation, end of period	\$	491,541	\$	195,690

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12. CONTINGENCIES

On February 16, 2010, Stream announced that BA Capital Inc., a private consulting company owned by Mr. Art Agolli, has commenced litigation against the Company, claiming damages of \$637,000 arising from the allegedly wrongful termination of a Consulting Agreement with Stream. Management believes the lawsuit to be without merit and intends to defend against the litigation vigorously. At this time, the likelihood of the outcome is not determinable and no liability has been recorded in connection with the litigation.

13. SUBSEQUENT EVENTS

The Company had no significant transactions subsequent to May 31, 2011.