Stream Oil & Gas Ltd.

Form 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter

Three month and nine month periods ended August 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 nine month periods ended August 31, 2009, with comparisons to the three-month and ten month periods ended August 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 October 20, 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 the Albanian government imposed a new 10% royalty on production. The Company's Petroleum Agreements state that should such royalties be introduced, the terms of the Petroleum Agreements shall be amended to neutralize the effects of the royalty. Stream has proposed amendment terms and is confident that the proposal will be accepted however there is no final agreement. Therefore, Stream has been paying the 10% royalty and revenue is net of the 10% royalty.

	Three months ended Aug. 31		nine/ten months ended Aug. 31	
	2009	2008	**2009**	2008
Financial (USD)				
Oil & gas revenue	790,536	754,447	2,365,799	1,791,641
Net operating income	577,376	473,276	1,344,966	1,012,608
G&A	668,263	651,230	1,394,356	1,803,138
Income (loss) for period	(396,165)	(225,844)	(866,375)	(767,064)
Funds from operations	(11,436)	43,102	(3,642)	1,274,680
Loss per share	(0.01)	(0.01)	(0.02)	(0.02)
Additions to property, plant and equipment	371,372	1,654,033	1,295,601	3,580,253

Total oil & gas revenue (net of royalties) increased 5% to $790,536 for Q3 compared to $754,447 for Q3, 2008 and increased 32% to $2,365,799 for the first nine months in 2009 compared to $1,791,641 for the first ten months of operations in 2008. Revenue increases were mainly the result of increased oil production from well takeovers and workovers. This increase was mitigated by a lower average oil price compared to the previous year and a decrease in gas revenue due to refinery closures. Gas sales in Q3 were nil. The average oil price was $40/bbl in Q3 compared to $46/bbl in Q3 2008.

Stream's net loss was $396,165 in Q3, 2009 compared to a loss of $225,844 in Q3, 2008.
The increased net loss was the result of non-cash items: stock-based compensation of $158,985 in Q3 2009 compared to $14,123 in Q3, 2009 and a foreign exchange loss of $113,974 compared to a $2,295 loss in Q3 2008.

Cash flow and working capital

As of August 31, 2009, the Company's cash balance was $600,340. Accounts receivable from AlbPetrol sh.a (Albpetrol), net of Albpetrol's payable was $1,205,744 and accounts payable, not including amounts payable to Albpetrol was $1,588,553. Stream's working capital balance was $217,531.

As of October 20, 2009, the Company's cash balance was about $500,000. Cash is used mainly to cover operating expenditures as the Company has been able to negotiate favourable payment arrangements with key suppliers in Albania and with Canadian technical management contractors.

On September 15, 2009, Stream entered into a formal agreement with Albpetrol sh.a whereby, outstanding balances owed to Stream will be settled by Stream taking a total of 6,021.75 metric tons (About 42,152 barrels of crude oil) over a three month period beginning October 1, 2009. Stream will sell the crude to its main customer (GlobOil) under existing sales contracts. The contract with GlobOil is effective until December 31, 2009. The current price is LEK 26,000/ton ($40)/bbl and GlobOil continues to make weekly payments.

Stream is continuing to negotiate sales arrangements, especially for gas, directly with the new ARMO refinery owners.

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. The Company had nil gas sales in Q3 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 $371,372 in Q3, 2009, a decrease compared to $1,654,033 in Q3 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 following a planned fund-raising in the fourth quarter, 2009

Strategic Priorities

During the third quarter of 2009 the Company fulfilled its commitments and completed the evaluation phases on its three Albanian oil fields (Cakran-Mollaj, Gorisht-Kocul, Ballsh-Hekal). Stream submitted the Plans of Development (PoD) for each of the oil fields on September 4, 2009 to the Albanian authorities. Management expects approval of the PoDs in the near future.

Stream is currently evaluating optimal financing arrangements to fund the PoDs. In parallel the management team is finalizing implementation plans. The PoDs include completing the takeover of all wells in the oil fields within the next 12 months. In addition, the Company is preparing the PoD for its Delvina gas field, which it expects to submit prior to the end of 2009.

Subject to timely approvals and to raising appropriate funding, Stream intends to implement Improved Oil Recovery (IOR) techniques (managed reservoir recompletions) in certain of the recently taken over wells, with the objective, of at least doubling existing production before mid year 2010. Through the balance of 2010, Stream will complete additional takeovers, enabling further IOR production increases, as well as carrying out technical planning for the future deployment of Gorisht water flood and Enhanced Oil Recovery (EOR) testing for the Cakran and Ballsh oil fields.

The safety of Stream's employees is the Company's most important priority. As well, Stream is focused on providing a positive work environment and encouraging employee development. Maintaining a high standard and continuing to improve environmental standards is also of the highest strategic priority for the Company.

Stream has recently developed a strategic investor relations plan and in the coming months will focus on improving communications with existing investors, attracting analyst coverage and generally increasing market awareness of the Company and its progress.

Stream will also continue to strengthen relationships with the Albanian authorities and local communities.

Performance Measures

Because of limited cash the Company did not undertake any well takeovers or reactivations in Q3. Production at 240 bbls/day net to Stream was relatively stable. Production and total sales will remain at current levels until the complete takeover of the Cakran field, expected to begin before the end of the year.

The Company achieved its goals of improving operating efficiency and cost control. Operating netback for Q3 2009 was about $26.27/bbl , with an average oil price of $36.00 per bbl (net of the new 10% royalty) compared to $27.44 in Q3 2008 when Stream was receiving an average of $46.31/bbl

Industry and Economic Factors

US dollar/Albanian Lek, US dollar/Euro and US dollar/Canadian dollar exchange rate fluctuations expose Stream to foreign exchange losses. The Company records sales and accounts receivable in Albanian Lek. Although Stream's Albanian employees' contracts require payment in US dollars, other services are paid in Euros and Lek and Canadian professional, consulting and office costs are paid in Canadian dollars. The decline in the US dollar resulted in foreign exchange losses of $113,974 in Q3 2009 compared to a loss of $2,295 in Q3 2008.

Pricing for the Company's production in Q3 2009 and to date depends on pricing negotiated directly with the customer. The current price is about $40/bbl, compared to $46/bbl received in Q3, 2008. In Q3, 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, a coalition government was not determined until September 2009. The election process and summer holidays in Albania during Q3 resulted in delays in dealings with various Albanian government and company officials. The results of the election are not expected to have any direct impact on the Company. The Company has good relationships with the local authorities.

3. RESULTS OF OPERATIONS

	Three months ended August 31		nine/ten months ended May 31	
Operating	**2009**	2008	**2009**	2008
Avg daily oil production (bopd)	240	162	224	128
Average price	$40.00	46.31	32.67	36.8
Avg condensate production (bopd)	nil	5	7	7.4
Avg gas (mcf/day)	nil	108	550	178
Avg gas price ($/mcf)	n/a	17.8	12.00	14.14
Avg condensate price ($/bbl)	n/a	82	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 third 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 third quarter of 2009

From these 44 wells, Stream produced a total of about 45,030 barrels (bbls) over the three month period ended August 31, 2009. Stream's share of this production was about 21,973 bbls.

Stream's daily crude oil production from the wells it operates currently averages 490 bbls per day, 240 bbls net to Stream. Oil revenue, net of royalties in Q3 was $790,536 compared to $754,447 in Q3 2008. Higher production in Q3 2008 was offset by lower prices and the 10% royalty.

Due to the shut-down of Streams only current gas customer which is the local refinery, gas production and sales were nil during the last quarter. The Company is considering various alternative markets and solutions to the refinery shut-down.

Over the past quarter, Stream received an average of about $40/bbl of oil.

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.

Operating costs

During Q3 2009, the Company's sales, transportation and operating costs were $213,160 compared to $280,000 in Q3 2008. The decreased costs are the result of non-payroll cost-cutting measures. Most of the operating costs are for field personnel payroll, currently at 71 employees.

General and Administrative (G&A)

Total G&A in Q3 2009 was $668,263 compared to $651,130 in Q3 2009. Significant G&A expenses were:

- Management fees and salaries which decreased to $200,282 in Q3, 2009 compared to $273,154 in Q3, 2008. The decrease is the result of lower administration charges and reduced management personnel in Albania.

- Professional fees decreased to $94,488 in Q3, 2009 compared to $154,996 in Q3, 2008, mainly due to lower legal costs

- Consulting Fees increased to $188,590 in Q3 2009 compared to $72,632 in Q3 2008 as a result of four additional engineering consultants engaged to prepare and implement the Company's Plans of Development.

- Office and miscellaneous costs increased to $152,423 compared to $93,817 in Q3 2008 due to increases in various office and general costs in Albania.

Capital Expenditures

In Q3, 2009 Stream spent $341,723 on its properties. This amount compares to $1,369,023 spent in Q3, 2008, mainly for workovers. Acquisition of equipment was $29,648 compared to $285,010 in Q3, 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.

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 $158,985 in Q3, 2009 compared to 14,123 in Q3, 2008.

Activity Highlights:

Oil field Plans of Development

Company fulfilled its commitments and completed the evaluation phases on its three Albanian oil fields (Cakran-Mollaj, Gorisht-Kocul, Ballsh-Hekal). Plans of Development for each of the oil fields were submitted to the Albanian authorities on September 4, 2009 and approval is expected in the near future.

The Plans of Development include completing the takeover of all wells in the oil fields within the next 12 months. In addition, the Company is preparing the Plan of Development for its Delvina gas field, which is expected to be submitted prior to the end of 2009.

Subject to timely approvals and to raising appropriate funding, Stream intends to implement Improved Oil Recovery (IOR) techniques (managed reservoir recompletions) in certain of the recently taken over wells, with the objective, of at least doubling existing production before mid year 2010. Through the balance of 2010, Stream will complete additional takeovers, enabling further IOR production increases, as well as carrying out technical planning for the future deployment of Gorisht water flood and Enhanced Oil Recovery (EOR) testing for the Cakran and Ballsh oil fields.

Funding

The Company is in the process of evaluating various options to finance its PoDs and expects to complete an equity funding before the end of the calendar year.

Independent Reserve Evaluation

AJM Petroleum Consultants completed its Reserve Estimation and Economic Evaluation (the AJM Report) of the Company's properties. The report is dated October 15, 2009 and the valuation is effective as of November 30, 2009. A summary of the report is as follows:

- Before tax present value of Gross Proved plus Probable reserves discounted at 10% at November 30, 2009 is $145,312,000.
- Gross Proved plus Probable reserves are 17,418,000 boe at November 30, 2009.
- Before tax present value of Gross Proved reserves discounted at 10% was $87,044,000 at November 30, 2009.

Gross Proved oil reserves are 13,364,000 boe at November 30, 2009.

The following information is summarized from the AJM Report:

Net Present Value of Reserves (Before Tax) as at November 30, 2009

$USD thousands	Undiscounted	PV 5%	PV 10%	PV 15%
Proved Producing	136,198	82,212	53,758	37,480
Proved non Producing	0	0	0	0
Proved Undeveloped	102,992	58,120	33,287	18,770
Total Proved	239,190	140,332	87,044	56,250
Total Probable	174,667	94,705	58,266	39,579
Total Proved & Probable	413,857	235,037	145,312	95,829

Net Present Value of Reserves (After Tax) as at November 30, 2009

$USD thousands	Undiscounted	PV 5%	PV 10%	PV 15%
Proved Producing	70,520	45,247	31,092	22,640
Proved non Producing	0	0	0	0

Proved Undeveloped	51,688	28,254	14,965	7,029
Total Proved	122,208	73,501	46,057	29,670
Total Probable	89,035	48,915	30,817	21,603
Total Proved & Probable	211,244	122,416	76,874	51,273

Reserves Summary as at November 30, 2009

	Oil Gross mmbbl	Oil Net mmbbl	Natural Gas Gross mmcf	Natural Gas Net mmcf	NGLs Gross mmbbl	NGLs Net mmbbl	Total Gross mmboe	Total Net mmboe
Proved Producing	8,861	5,619	451	245	19	9	8,955	5,669
Proved Non Producing	0	0	0	0	0	0	0	0
Proved Undeveloped	4,503	4411	1,878	1607	79	65	4895	4744
Total Proved	13,364	10030	2,329	1853	97	74	13849	10413
Total Probable	3,304	3275	823	733	128	123	3569	3520
Total Proved & Probable	16,667	13305	3,152	2586	225	197	17418	13933

Gross reserves are the total of the Company's working interest share before deduction of royalties and other government share. Net reserves are gross reserves net of royalty interests owned by others.
Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1).

The reserve values are based on the table of prices below. Oil prices are the equivalent price of Brent Oil discounted for quality based on local market conditions. Gas prices are based on the contract applicable.

Price Forecast

	Brent Oil Real $USD/bbl	Oil $USD/bbl	Gas $USD/mcf	Condensate $USD/bbl
2009 9 mo	64.00	38.40	9.70	89.00
2010	69.00	42.24	9.70	89.00
2011	74.00	46.20	9.89	90.78
2012	79.00	50.31	10.09	92.60
2013	84.00	54.34	10.29	94.46
2014	97.00	58.93	10.50	96.34
2015	94.00	63.51	10.71	98.26
2016	99.00	68.22	10.92	100.23
2017	99.00	69.60	11.14	102.23
2018	99.00	70.98	11.37	104.28
2019+ avg	99.00	82.74	11.59	106.36

Albanian Properties

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. Production, when the refinery operates is currently 465 mcf/d (275 mcf/day net to Stream) and 20 boed of condensate (11boed net to Stream). 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.

Field production was nil in Q3 due to the refinery shutdown. The Company is evaluating various options for the development of the field.

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. Current field production is about 500 bop/d, of which 58 bbl/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. Current field production is around 1,150 bbl/d, of which 82 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 is conducting a staged rehabilitation program on the 14 producing wells that Stream operates in the field and has taken over another 20 wells for reactivation. By the end of 2009 the Company intends to complete a full take-over of the remaining field and the corresponding gathering and processing stations.

Field production in Cakran is currently about 555 bbl/d, of which 91 bop/d are attributable to Stream.

Outlook and Plans for Q4- 2009

The Company is currently focused on starting the implementation of its Plans of Development (PoD).

AKBN approved an extension request for the gas field development plan to March 2010 and the exploration phase to September 2010 . The conceptual design and a reservoir update are underway.

Stream is also currently:

- Finalizing royalty tax amendments to its Petroleum Agreements.

- Arranging for equipment and related services in order to implement its program in the Cakran-Mollaj field.

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

Production

Management is targeting an increase of average daily oil production to 500 bbl/day by the end of the year, subject to the taking over and initiating successful rehabilitation on an additional 47 wells, following fund-raising.

For gas and condensate production, following successful fundraising to recomplete the production wells, the Company is expected to increase production three to five-fold: from 400 mcf/d to 12000-2000 mcf/d by the end of Q1 2010.

To achieve this increased oil and gas production, the Company will need at least $3 million (Q4 2009) for the oil fields and an additional $2 million (Q1 2010) for the gas field.

Based on the success ratio to date, and assuming all well-takeovers are productive, Stream plans to take-over the following wells by Q4 2009:

- Cakran- remaining 13 wells
- Ballsh- another group of 7 wells
- Gorisht- all of group six- 27 wells

4. SUMMARY OF QUARTERLY RESULTS

	2009			2008					2007
($ 000)	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1***	**Q4***
Oil & gas revenue (net of royalties)	791	766	809	2835	1044	754	584	453	nil
Sales and transportation.	79	12	59	301	93	80	78	50	nil
Operating expenses	134	271	465	1,225	654	201	227	143	nil
Net operating income	**577**	**483**	**285**	**1,308**	**297**	**473**	**279**	**259**	**nil**
General and Administrative	668	361	365	2,264	403	651	604	549	384
Net income (loss)	(396)	(214)	(256)	(1,385)	(618)	(226)	(274)	(267)	(347)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.04)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Additions to property, plant and equipment	371	180	522	4,475	1,471	1,370	1,091	543	896

Average daily production									
oil (bbl)	240	231	230	155	235	162	103	120	nil
Gas (mcf)	nil	275	275	215	356	108	122	275	nil
Condensate (bbl)	nil	13	11	8	11	5	5	11	nil

Average price									
oil /bbl	40.00	24.00	34.00	38.38	38.00	46.31	37.70	29.00	n/a
Gas/mcf	n/a	12.00	12.00	15.83	17.80	17.80	17.00	12.00	n/a
Condensate/bbl	n/a	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 2008 four months*

Quarterly trends:

- Revenues increased throughout 2008 and 2009 as a result of higher production resulting from additional takeovers and higher oil prices. 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 generally decreased after Q3 2008, however with the addition of a technical management team in Q3 2009, the consulting fee component of G&A has increased. Other administration costs including professional fees and travel are lower as a result of cost-cutting efforts. The technical consultants are paid $10,000 each per month. Most of this compensation has settled by share issuances or has been deferred subject to funding.

- Higher capital expenditures throughout 2008 compared to the first three 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 October 20, 2009, the Company's cash balance was about $500,000. Accounts receivable from Albpetrol, net of Stream's Albpetrol payable was about $1.2 million and accounts payable, not including amounts payable to Albpetrol was $1.6 million. Working capital was about $100,000.

The Company stopped further sales to Albpetrol in Q1, 2009 as a result of collection delays. The Company entered into an Agreement with Albpetrol effective September 15, 2009 to reconcile and liquidate the mutual obligations between the two companies beginning October 1, 2009 to be completed by December 31, 2009. Under the Agreement, AlbPetrol will deliver to Stream a total of 6,021.75 metric tons of crude oil (About 42,152 bbls). Stream will pay to Albpetrol 41,574,785 LEK (about US $465,638) for operating services.

Stream has entered into arrangements with GlobOil, to which it currently sells all of its oil production. GlobOil will also purchase the additional deliveries to Stream form AlbPetrol. Under its sales contract with GlobOil, Stream now receives weekly cash payments which have resolved immediate liquidity concerns. Other local companies are also willing to purchase Stream production.

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 submitted all required supporting documentation for approval and AKBN released Stream from further expenditure commitments.

7. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

8. TRANSACTIONS WITH RELATED PARTIES

During the nine months ended August 31, 2009:

- The Company incurred $710,000 in seismic work costs to Landtech; a private company of which the Company's CEO is a director. The Company owed Landtech about $570,000 at the end of August 31, 2009. The Company and Landtech have an agreement to defer any significant payments for at least a year and until Stream's cash position improves.

- Management office fees of $123,000 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.

- Directors' fees of $32,500 were incurred of which $23,750 was included in accounts payable as of August 31, 2009.

- The Company incurred $94,950 in consulting fees to a private company owned by an officer of the Company. The amount included in accounts payable at August 31, 2009 for unpaid consulting fees owing to the officer's company was $10,080.

- The Company incurred $288,810 in consulting fees to private companies owned by officers of the Company. The amount included in accounts payable at August 31, 2009 for unpaid consulting fees owing to the officers' companies was $116,960

- The Company issued 736,192 common shares at $0.24 per share to settle consulting fees payable of $176,686 owed to insiders and officers of the Company. The shares are subject to a four month hold which expires on December 11, 2009. The application was accepted by the TSX Venture Exchange.

- Fees due to Consultants for the three month period ended September 30, 2009 will be settled in shares and the Company has made an application to the Exchange for the shares for services transaction in accordance with the policies of the Exchange.

9. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

Goodwill and Intangible Assets

On December 1, 2008, the Company adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets". The new standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including those developed internally. At the same time, the Company adopted amended CICA Handbook Section 1000, "Financial Statement Concepts". This standard was amended to clarify the criteria for recognition of an asset so that items that no longer meet the definition of an asset are no longer recognized as assets. The Company has performed an assessment and believes that there is no material impact to the Company's financial statements as a result of CICA 3064 or amended CICA 1000.

General Standards of Financial Statements Presentation

On December 1, 2008, the Company adopted amended CICA Section 1400, "General Standards of Financial Statements Presentation". This standard was amended to include requirements to assess and disclose an entity's ability to continue as a going concern and disclose any material uncertainty that casts doubt on its ability to continue as a going concern. The implementation of amended CICA 1400 did not have a significant impact on the Company's results of operations, financial position or disclosures, other than the disclosure in note 1 to the financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)

In January 2009, the Emerging Issues Committee ("EIC") issued EIC -173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company's interim and annual consolidated financial statements for the year ended November 30, 2009. The Company has performed an assessment and believes that there is no material impact to the Company's financial statements as a result of EIC-173.

Future Accounting Pronouncements

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effect 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 this section 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 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, 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 fully 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 October 26, 2009, the Company has 39,416,533 common shares issued and outstanding, 44,256,533 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

All 6,271,901of the Company's previously outstanding warrants expired between August 2 and August 14, 2009. The Company has nil warrants outstanding.

Escrowed Shares

Of the 25 million escrowed shares issued in connection with the Acquisition, 6,249,997 were released from escrow following the Company's April 4, 2008 listing on the TSX Venture. A further 3,750,000 escrow shares were released on July 31, 2009. The remaining 15,000,000 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 will be on January 31, 2010.

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 uncertainly to finding and producing oil and gas in commercial quantities, securing markets for production, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations including regulations relating to prices, taxes , royalties and environmental protections. The oil and gas industry is very competitive and Stream Oil & Gas competes with a large number of companies with greater resources.

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

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

"Leslie Goodman"
________________________________ Director

"Sotirios Kapotas"
________________________________ Director