



Stream Oil & Gas Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter

Three Month and Six Month Periods Ended May 31, 2011

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Stream Oil and Gas Ltd. ("Stream" or the "Company") includes information and expectations concerning the Company's outlook based on currently available information and should be read in conjunction with the Company's consolidated financial statements and related notes for the three and six month periods ended May 31, 2011, as well as the annual consolidated financial statements and MD&A for the year ended November 30, 2010. Readers should also read the "Forward-Looking Statements" legal advisory located at the end of this document. Non-GAAP Financial Measures and disclosure regarding use of BOE Equivalents is contained in the "Advisories" section located at the end of this document.

The audited consolidated financial statements and comparative information have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Amounts presented in this MD&A are stated in thousands (000's) of U.S. dollars except per share and boe amounts, unless otherwise stated. This report is prepared as of July 29, 2011.

1. STREAM'S BUSINESS

Stream Oil & Gas Ltd. is a Canadian-based emerging oil and gas production, development and exploration company focused on the re-activation and re-development of three oilfields and a gas/condensate field in Albania. The Company's strategy is to use proven technology, incremental and enhanced oil recovery techniques to significantly increase production and reserves.

Stream's business plan is to increase shareholder value through the effective development, exploration and production of its fields to provide the optimal return, maximizing cash flow and asset value. This will be achieved through the effective execution of primary and secondary extraction techniques, increasing field recovery, production and reserves. Stream has experienced professional, management, technical, and support staff sufficient to carry out its business plan and its exploration, exploitation, development, production, engineering, financial, and administrative functions. The Company's shares trade on the TSX-Venture Exchange under the symbol "SKO".

2. OVERVIEW

<i>(\$000s, except as noted)</i>	Three Months Ended		Six Months Ended	
	2011	May 31, 2010	2011	May 31, 2010
Financial				
Revenue	4,486	1,327	6,563	2,609
Net operating income	2,831	1,100	4,073	1,920
Funds from (used in) operations	478	(355)	698	(959)
Net income (loss)	1,024	(41)	836	(21)
Per share - basic & diluted	0.02	0.00	0.01	0.00
Additions to property, plant & equipment	3,862	526	9,142	1,369
Operating				
Average production (boed)	902	326	690	276
Average price (\$/boed)	66.84	38.70	57.28	41.42
Netback (\$/boed)	44.08	24.81	35.55	24.98
<i>As at</i>			May 31, 2011	Nov.30, 2010
Cash			1,245	9,493
Shareholders' equity			21,892	20,744
Weighted average shares outstanding (#)			63,948,763	51,141,013

Stream focused its activities in the second quarter of 2011 on completing detailed planning, acquiring materials and services, and executing its 2011 growth programs. During this time, several milestones were achieved that provided increases in production, improved prices and laid the foundation for future value creation through the application of both primary and secondary recovery techniques. These included:

- Increased average net production by 176% to 902 boed compared to 326 boed in the second quarter 2010.
 - Current average net production is around 1,000 boed; peak capacity ranges from 1,100 to 1,200 boed when the three newly installed jet pumps in the Cakran-Mollaj field are in operation
- Improved returns over 2010 levels:
 - The average crude price was \$66.84 per barrel, a 73% increase over the \$38.70 per barrel in 2010.
 - Increased revenue by 246% to \$4.5 million for the second quarter of 2011 compared to revenue for the corresponding period in 2010 of \$1.3 million.
 - Funds provided by operating activities of \$0.4 million for the second quarter of 2011 compared to funds used in operating activities of \$0.4 million for the second quarter of 2010.
 - Funds provided by operating activities were \$0.7 million for the first half of 2011 compared to funds used in operating activities of \$1.0 million in the first half of 2010.

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- Concluded negotiations for higher crude prices for local sales to the ARMO refinery, increasing average crude price to around 70% of Brent crude (75% Brent for Cakran-Mollaj production and 60% of Brent price for Ballsh-Hekal & Gorisht-Kocul production).
- Commenced the first phase of the enhanced oil recovery (“EOR”) program at the Gorisht-Kocul oilfield with positive early results.
- Finalized the takeover of the Delvina gas pipeline and infrastructure in the Ballsh-Hekal and Gorisht-Kocul fields.
- Advanced Phase II of the Delvina Block gas exploration program with the award of the seismic tomography contract. The resulting information will be utilized to determine the location of the planned exploration well.
- Strengthened the management team through the appointment of Mr. Fatbardh Ademi to the role of Deputy General Director of Albania.

Subsequent to the quarter, Stream achieved the following:

- Negotiated improved credit terms with major suppliers to smooth cash flow and maintain the schedule for Stream’s 2011 development program.
- Mobilized a hydraulic snubbing rig from Alberta, Canada to the Delvina gas field in Albania for the planned workovers of the producing gas wells. Began working over the Delvina #12 well; workover of the Delvina #4 well will commence thereafter.
- Brought three jet pump systems on line in the Cakran-Mollaj field. Each system is capable of powering three to four wells.

3. RESULTS FROM OPERATIONS

	Three Months Ended May 31		Six Months Ended May 31	
	2011	2010	2011	2010
Average net production				
Crude oil (bopd)	902	326	690	276
Condensate (bopd)	Nil	Nil	Nil	Nil
Natural gas (mcf/d)	Nil	Nil	Nil	Nil
Total (boed)	902	326	690	276
Benchmark average price				
– Brent (\$/bbl)	117.35	80.15	107.35	77.63
Realized prices				
Crude oil (\$/bbl)	66.84	38.70	57.28	41.42
Condensate (\$/bbl)	Nil	42.04	Nil	Nil
Natural gas (\$/mcf)	Nil	Nil	Nil	Nil
Revenue, net of royalties (\$000s)				
Total	4,485,973	1,327,199	6,562,796	2,609,028

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	Three Months Ended May 31		Three Months Ended May 31	
	2011	2010	2011	2010
Netback (\$/boe)				
Realized price	66.84	38.70	57.28	41.42
Operating Expenses, Transportation	22.76	13.89	21.73	16.44
Field netback	44.08	24.81	35.55	24.98

Production and Revenue

Revenue for the second quarter of 2011 increased 246% to \$4.5 million compared to revenue for the corresponding period in 2010 of \$1.3 million. In the first half of 2011, Stream's total revenue was \$6.6 million compared to \$ 2.6 million for the first half of 2010. The increase in revenue is primarily due to higher oil production following field takeovers and improved commodity prices.

For the second quarter of 2011, the Company's average daily net production was 902 boed for the three month period ended May 31, 2011 compared to 326 boed in the comparable period in 2010. During the quarter, Stream's oil production was sold domestically although the Company has the right to export production. The price received by Stream under its ARMO refinery sales agreement is determined by reference to the price of Brent crude oil, subject to production quality. During the quarter, Stream increased average crude price to just over 70% of Brent crude as a result of a new sales contract for sales to the ARMO refinery.

Stream produced negligible amounts of condensate and gas from the Delvina gas field during the second quarter of 2011. Currently, Stream delivers its natural gas via pipeline to a local refinery, which is the Company's only customer. Stream has a pre-existing production ("PEP") obligation to Albpetrol, which continues when the refinery is down for maintenance. When the refinery reopens, Stream is obliged to deliver the accumulated PEP obligation to Albpetrol for the refinery usage. Stream's current production capacity is 670 mcf/d of gas and 32 barrels of condensate per day.

The Company has developed gas utilization plans in order to increase gas and condensate revenue. Implementation of the first phase has commenced with the planned workovers of the two producing wells at the Delvina gas field. In the fourth quarter it is planned to install power generation capacity at the field to make use of the increased gas production after completion of the workovers.

Royalties, Direct Expense and Netbacks

In accordance with its Petroleum Agreements, Stream's share of production is calculated using formula whereby the Company receives a combination of:

- 30% to 35% of pre-existing production or PEP (depending on the field), established at the time of well take over, declining at a rate of 10% per year for the oilfields and 5% for Delvina, plus
- 100% of all increased production over PEP.

The Company is obligated to provide Albpetrol an additional 2% to 4% royalty (calculated based on cumulative capital recovery) following full capital recovery.

In 2008, a new 10% mineral tax was legislated by the Albanian Ministry of Finance. The new royalty tax is applied to gross sales amounts net of PEP royalties in a fashion similar to the share of production royalty payable to Albpetrol. Under the Company's Petroleum Agreements, any new financial burdens (including new mineral taxes) shall be neutralized by amendments to the Petroleum

Agreements. To maintain the benefit to both parties, the Company worked with local officials to generate neutralization options and recommended the optimum solution. Stream is working with the parties toward finalization of terms.

Operating Expenses

Operating expenses increased to \$1,258,928 in the second quarter of 2011 compared to \$194,997 for the same period in 2010 and \$1,964,211 for the first half of 2011 compared to \$563,426 for the same period of 2010. The increase in operating expenses was as a result of the increase in production and sales in the quarter.

Stream is obligated to fund the operating costs of wells taken over, despite benefiting from only 30% to 35% of PEP. With the continuing Cakran-Mollaj oilfield workovers, the Company continues to increase its incremental oil production and the ratio of production to PEP. This is expected to have a positive effect on operating expenses on a per boe basis.

Sales and Transportation Expense

Sales and transportation expenses increased to \$396,442 in the second quarter of 2011 compared to \$31,780 in the second quarter of 2010, and \$525,872 in the first half of 2011 compared to \$125,133 for the same period in 2010. The increase in sales and transportation expenses was proportional to the increase in production, sales and operating expenses in the second quarter of 2011.

General & Administrative Expenses

General and administrative expenses ("G&A") were higher in second quarter of 2011 at \$299,748 compared to \$181,043 in the same period in 2010, and \$639,574 for the first half of 2011 compared to \$355,908 for the same period in 2010. This is due to the increased frequency of travel to Albania by professional and engineering staff and increased office expenses with a larger Canadian office.

On a per boe basis, incremental increases in production from well recompletions resulted in a reduction in fixed G&A. Stream expects to continue to generate economies of scale as production grows in 2011 and beyond.

Consulting Fees, Management Fees and Salaries

Consulting fees, management fees and salaries were \$512,109 in the second quarter of 2011 compared to \$355,124 in the second quarter of 2010, and \$1,005,287 for the first half of 2011 compared to \$917,468 for the same period in 2010. These increases resulted from the addition of technical and operational personnel to support the implementation of Stream's aggressive 2011 growth plans including the takeover of the Delvina gas pipeline and development of infrastructure in the Ballsh-Hekal and Gorisht-Kocul fields.

Professional Fees

Professional fees were \$224,223 in the second quarter of 2011 compared to \$154,614 in the second quarter of 2010, and \$390,295 for the first half of 2011 compared to \$200,515 for the same period in 2010. This increase is largely due to the Company having a greater number of professional staff during 2011.

As of the end of the second quarter of 2011, field employees had decreased to 422 from 452 at the end of the first quarter as operations continued to consolidate. Over 2011, Stream will evaluate its staffing to determine the most effective blend of national and foreign expertise.

Stock-Based Compensation

Stock-based compensation decreased to \$50,453 in the second quarter of 2011 compared to \$263,462 in the second quarter of 2010, and to \$108,240 for the first half of 2011 compared to \$330,323 for the same period in 2010. This decrease was attributed to no stock-based compensation being granted in 2011.

Amortization and Depletion

Amortization and depletion increased to \$432,527 in the second quarter of 2011 compared to \$77,877 in the same period in 2010, and \$721,430 for the first half of 2011 compared to \$145,265 for the same period in 2010. The increase in amortization reflects the increasing amount invested in property and equipment, and the increase in depletion reflects the increased investment in oil and gas properties and the increase in production from those properties compared to the previous year.

Accretion

Accretion of \$18,515 was expensed in the second quarter of 2011 compared to \$Nil in 2010, and \$23,407 in the first half of 2011 compared to \$Nil in 2010. Management determined that accretion and the asset retirement obligation were not significant for 2010.

Income (Loss) and Funds from Operations

Stream recorded income of \$1,023,994, or \$0.02 per share, for the second quarter of 2011 compared to a loss of \$40,996 (\$0.00 per share) for the same period in 2010. Stream recorded income of \$836,312, \$0.01 per share, for the first half of 2011 compared to a loss of \$20,822 (\$0.00 per share) for the same period of 2010.

Funds provided by operating activities were \$478,213 for the second quarter of 2011 compared to funds used in operating activities of \$355,406 in 2010. Funds provided by operating activities were \$697,684 for the first half of 2011 compared to funds used in operating activities of \$958,576 for the same period of 2010.

Capital Expenditures

Capitalized expenditures were \$3.9 million during the second quarter of 2011, compared to \$526,386 in the second quarter of 2010, and \$9.1 million for the first half of 2011 compared to \$1.4 million for the comparable period of 2010. The increase in capital expenditures in 2011 resulted from the takeover of additional fields and the implementation of Stream's development plans. Stream plans to deploy cash from prospective debt facilities and/or financings, along with operating cash flow for further production growth. Management is studying several funding options to accelerate production growth in 2011.

4. OPERATIONAL UPDATE

Stream focused its second quarter activities on completing detailed planning, acquiring materials and services, and executing its 2011 growth programs to access the Company's large resource opportunity. In 2011 management intends to build on the success of 2010 through the deployment of incremental oil recovery techniques, development of its gas resources and the further definition of identified enhanced oil recovery ("EOR") opportunities.

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The Company's 2011 objectives are focused on reaching between 2,250 and 2,600 boed of net production. This reflects a near doubling of production for the year and significantly expands Stream's work programs to encompass both well reactivations/interventions and EOR projects.

Under its Petroleum Agreements, Stream has the right to take over all the existing wells and facilities in its fields. Of the approximately 600 wells, 244 are producing with the remainder having been shut-in. Some of the shut-in wells will be considered for future recompletion and reactivation. By the end of the second quarter of 2011 the Company had taken over a total of 390 wells, of which 182 were producing.

During the second quarter of 2011, Stream continued expanding its jet pump rollouts and progressive cavity pump ("PCP") workovers of existing wells, as well as preparing facilities to roll out the program at the *Cakran-Mollaj* oilfield.

Net production was 523 bopd for this field as of the end of the second quarter of 2011. The Company continues negotiations with suppliers for deeper rigs to enable full depth workovers, better accessing the payzone. During the quarter, three of four jet pumps were installed in the field, while a fourth jet pump addition is scheduled for start-up in mid-July. The second and third jet pump surface equipment units are currently powering one jet pump well each, although each has the capacity to power three individual wells. Following the completion of the fourth well, the Company will proceed with connecting additional wells to the multi-capacity surface units.

With initial oil production rates from wells equipped with jet pumps ranging from 85 to 120 barrels per day, Stream will continue to optimize these installations throughout the summer to establish steady production rates. The Company anticipates having a total of eleven jet pumps installed by the fourth quarter of 2011, nine of which have already been secured.

The first phase of the EOR program at the *Gorisht-Kocul* oilfield commenced with sustained water injection at the waterflood pilot area in April focused on re-pressurizing the reservoir for future alternate gas injection. Early results and analysis have been positive, demonstrating that the water injection program will deliver production increases beyond primary PCP extraction techniques used to date in the field. Data from the ongoing pilot will be used for the commercial waterflood project expected to commence prior to year-end.

The successful implementation of the waterflood pilot and subsequent WAG (water-alternating-gas injection) projects are expected to improve recovery by approximately 10%, converting resources to the proved and probable reserve category and increasing production for the Company. Field production at the end of the second quarter of 2011 was approximately 714 bopd, of which 270 bopd was net to the Company.

Well reactivation and workover preparations continue at the *Ballsh-Hekal* oilfield as the Company works on rehabilitating facilities for the imminent takeover of the entire field, which will add an additional 55 wells available for reactivation and workovers. The takeover of this field is expected to commence in mid-2011 and continue into 2012 with the implementation of reactivations and workovers through the application of western artificial lift technology such as progressive cavity pumps. Thereafter, Stream will focus on the implementation of secondary recovery techniques through a combination of EOR recovery testing and new infill drilling, which provide the potential to substantially increase field recoveries.

The total field production at the end of the second quarter 2011 was 500 bopd, of which 71 bopd was net to the Company from the 23 wells that the Company operates at present. Stream plans to complete 22 reactivations/recompletions to existing wells prior to year-end.

At the *Delvina* gas field, development is well underway with all rig equipment in country. The remaining fracturing materials are inbound and the rig is expected to commence with the first well workover within two weeks initiating the 60 day workover, logging and production testing program. Once the workovers on the two existing wells are complete, Stream will then move towards field development with the commencement of the horizontal drilling program, planned for late 2011. Stream plans to expand its existing gas market and is finalizing gas utilization plans which will support the Delvina field development program timelines. In addition, the location for horizontal drilling in the Delvina lease 34 is being prepared for future drilling.

The *Delvina Block* exploration program is on schedule with the completion of installation of incremental 3D passive seismic stations to monitor the Delvina vertical well program. The field segment of the program commenced in May 2011, providing monitoring of the north, south and east structures adjacent to the existing producing Delvina field. The resulting information will be utilized to determine the location of the planned exploration well for drilling in 2013. The additional seismic data will be integral to the successful execution of the Company's Plan of Exploration ("PoE") on the Delvina Block, accessing over 600 BCF of gas resources.

5. LIQUIDITY & CAPITAL RESOURCES

As of May 31, 2011, the Company's cash balance was \$1.2 million, inventory was recorded at \$203,825, accounts receivable and pre-paid expenses were \$5.2 million and the accounts payable balance was \$6.6 million. Total working capital at May 31, 2011 was \$16,728.

As of July 29, 2011, the working capital deficiency was approximately \$1.1 million. This included cash of approximately \$1.3 million. Accounts receivable and other current assets were \$3.5 million and accounts payable was \$5.9 million.

The Company is able to fund its operations from current revenues, subject to timely collections. Stream has numerous domestic customers for its oil, with the majority of oil transfers occurring after payment receipt in accordance with the sales agreements. Stream also began exporting its oil to diversify its customer base and negotiated higher domestic prices with the ARMO refinery in April 2011.

ARMO refinery maintenance outages have affected Stream's ability to sell its gas on a reliable and consistent basis. Albania's domestic consumption of natural gas is limited. Accordingly, Management is finalizing plans for long-term gas utilization. The plans include both industrial and power generation consumers and are forecast for implementation in mid to late 2011. This will be of benefit to the country as Albania has significant electricity shortages and frequently imports over 1,000MW of power (in 2008 Albania imported 2.475 billion kWh).

The Company has relied on cash flow and minimal external funding to fund its ongoing operations to date. With its current cash balance and recent improvements to cash flow as a result of sales to its new customers, Stream is able to support current operations on existing properties. Additional capital will be required to fully fund the Company's entire exploration and development plans. Stream continues to advance discussions regarding debt facilities and/or equity funding to complete the funding for the Company's incremental exploitation and exploration activities in Albania

6. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

7. TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the three 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.

8. OUTLOOK

Stream's growth strategy is focused on increasing production, reserves, sales and cash flow through the application of improved oil recovery methods. Management expects to continue to achieve substantial production increases in 2011, with the objective of exiting 2011 at between 2,250 – 2,600 boed average net production. This reflects a near doubling of production for the year and significantly expands Stream's work programs to encompass both well reactivations/interventions and EOR projects.

In parallel with increasing production, Stream will continue to focus its technical personnel on further defining its resource potential. Through 2011, the Company will continue additional takeovers in the Ballsh-Hekal field as well as carrying out technical planning for the future deployment of the Gorisht waterflood commercial project and EOR testing for the Cakran-Mollaj, Ballsh-Hekal and Gorisht-Kocul oilfields. The implementation of these programs is expected to lead to further conversion of

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resources to reserves in 2012. In addition, the Company intends to continue to develop export opportunities, thereby proactively managing in-country sales risks and cash flow.

The execution of the Company's growth program, negotiation of longer term export contracts and strengthening of its financial resources is expected to result in additional value to Stream and its shareholders.

9. SUMMARY OF QUARTERLY RESULTS

The following table sets forth certain quarterly financial information of the Company for the eight most recent quarters.

(\$000s)	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Oil & gas revenue , net of royalties	4,486	2,077	705	2,653	1,327	1,282	(151)	791
Sales and transportation	396	129	77	189	32	93	(13)	79
Operating expenses	1,259	705	1,127	739	195	368	570	134
Net operating income (loss)	2,831	1,242	(499)	1,726	1,100	820	(359)	577
General and administrative	300	340	409	123	183	174	126	185
Net income (loss)	1,024	(188)	(2,335)	813	(41)	20	(1,206)	(396)
Earnings (loss) per share - basic and fully diluted	0.02	(0.00)	(0.04)	0.02	0.00	0.00	(0.02)	(0.01)
Additions to property, plant and equipment	3,861	5,007	4,994	533	307	843	620	341

Average daily production								
Crude oil (bbls/d)	902	497	445	388	326	236	250	240
Natural gas (mcf/d)	-	-	-	-	-	247	-	-
Condensate (bbls/d)	-	-	3	4	2	11	-	-

Average price								
Crude oil (\$/bbl)	66.84	40.68	38.70	38.70	38.70	38.70	38.69	40.00
Natural gas (\$/mcf)	-	-	-	-	-	14.00	-	-
Condensate (\$/bbl)	-	-	-	59.09	42.04	47.00	-	-

Fluctuations in quarterly results are due to a number of factors, some of which are not within the Company's control, such as seasonality and exchange rates. Oil revenues have increased due to higher sales volumes and prices. Gas production and sales were negligible due to lack of demand and the scheduled shut-downs of the refinery for maintenance. Operating expenses and G&A have increased as the Company has taken over additional wells and added employees and individuals to the management team to facilitate the execution of its growth plan.

10. OUTSTANDING SHARE DATA

As of May 31, 2011, the Company had 64,247,801 common shares issued and outstanding. As at July 29, 2011, the Company had 64,247,801 common shares issued and outstanding.

Stock Options

As of May 31 and July 29, 2011, 3,977,500 and 3,977,500 common shares were reserved for issuance on the exercise of stock options, respectively, under the Company's stock option plan.

Share Warrants

On November 24, 2010, 3,250,000 warrants were issued for a two-year term with a full warrant required for the purchase of one common share at an exercise price of Cdn \$2.00 per full warrant during the first 12 month period following closing of the private placement, and at an exercise price of Cdn \$2.50 per full warrant during the subsequent 12 month period. All warrants were outstanding as of July 29, 2011.

11. PRINCIPAL BUSINESS RISKS

Stream'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 of 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 competes with a large number of companies with greater resources.

The Company'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's current investment focus is its Albanian properties. There are a number of risks involved in conducting foreign operations over which Stream 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 are set out in the Company's 2011 Annual Information Form filed on SEDAR.

12. FINANCIAL AND OTHER 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 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 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 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. Stream generates cash flow from its operations; however, it 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).

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.

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.

13. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

Future Changes in Accounting Policies:

Transition to International Financial Reporting Standards

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

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2010.

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, 2010. The Corporation has assessed IFRS in relation to Canadian GAAP and does not anticipate any significant quantitative differences between the two standards. The Corporation does however foresee additional note disclosures under IFRS.

The sections of IFRS that will have the greatest impact on Stream are:

a) IFRS 1 First Time Adoption of IFRS

IFRS is retrospective however IFRS 1 provides relief in the form of exemptions and exceptions. In July 2009 the International Accounting Standards Board (IASB) added an exemption that permits first time adopters who followed full cost accounting to elect to measure related petroleum and natural gas assets on the following basis:

Exploration and evaluation (E&E) assets at amounts determined under the entity's previous GAAP; and Petroleum and natural gas assets in the Development and Production (D&P) phases at the amount determined for the cost center under the entity's previous GAAP allocated to the cost center's underlying assets pro rata using reserve volumes or values at the conversion date.

The opening balances of D&P and E&E assets are subject to impairment review when determining the December 1, 2010 opening balances.

First time adoption will also affect share based compensation, cumulative foreign exchange, and decommissioning expense (previously referred to as "future site restoration" and "asset retirement obligations" (ARO) at the conversion date. Any adjustments for the preceding will be adjusted to the opening December 1, 2010 retained earnings.

The Company will also need to determine and disclose adjustments that are due to a correction of previous estimates and due to the conversion to IFRS.

b) IFRS 2 Share-Based Payment

The Company is presently following the fair value method of accounting for share options and does not expect significant adjustments to the income statement. The Company expects to use the IFRS 1 exemption that does not require the retrospective restatement of shares that vest prior to December 1, 2010.

c) IFRS 6 Exploration for and Evaluation of Mineral Resources; International Accounting Standard (IAS) 16 Property, Plant and Equipment

IFRS will replace full cost accounting for oil and gas operations in Canada. IFRS calls for accounting for oil and gas properties, including depletion and depreciation, at the area level and impairment to be measured at the Cash Generating Unit (CGU) level. E&E and D&P assets will be accounted for separately and will be evaluated for impairment at the CGU level. Pre-exploration prospecting costs will be expensed as incurred.

d) IAS 12 Income Taxes

The Company is assessing the impact of deferred income taxes resulting from changes in asset and liability valuations resulting from restatement to IFRS.

e) IAS 36 Impairment of Assets

Canadian GAAP uses a two-step approach for impairment testing of oil and gas assets in the full cost pool. The first step is the comparison of undiscounted cash flows to the full cost pool to see if any impairment exists. If an impairment exists, then the full cost pool carrying value is compared to discounted cash flows to determine the amount of the impairment expense. IFRS calls for a single impairment test at the CGU level but allows for the comparison of the greater of Value in Use (which is determined with reference to discounted cash flows) or Fair Value less Cost to Sell. Under certain circumstances, IFRS permits the reversal of previously recorded write downs if conditions underlying the write down subsequently reverse.

f) IAS 37 Provision, Contingent Liabilities and Contingent Assets

IAS 37 will be used to determine the liabilities for decommissioning of assets and abandonment and clean up of wells and properties. The underlying assets and liabilities will be accounted for at the area level. The liability will be calculated at each reporting period using estimates of risk adjusted future cash outflows discounted using a risk free rate. Changes in the net present value of the decommissioning liability due to accretion will be reported as a finance cost.

On changing to IFRS, the Company will be eligible to make elections under the standard for the transition to IFRS, namely IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. Typically, IFRS requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company, as part of the Plan, will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The Company has completed the majority of its impact assessment phase. The next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, calculating the Company's opening balance sheet under IFRS as at June 1, 2010, related testing and additional training as required. The Company expects to have developed new IFRS-compliant

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accounting policies and calculated its opening balance sheet under IFRS by the end of its fiscal quarter ending May 31, 2012.

The Company commenced assessing the adoption of IFRS for 2011, including the deployment of tools that support appropriate reporting, and in Management's opinion, the Company will be able to meet the stipulated timetable.

Internal Control

The Company has completed a preliminary review of the above areas of potential difference on its information systems and is planning a number of new software implementations as a result. The above changes are not expected to have a significant impact on the Company's information and data systems, business processes, internal controls over financial reporting, disclosure controls and business activities.

14. 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.

15. ADVISORIES

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

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.

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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.

The forward-looking statements contained herein are made as of the date of this document solely for the purpose of generally disclosing Stream's views of its prospective activities. The Company may, as considered necessary in the circumstances, update or revise the forward-looking statements, whether as a result of new information, future events, or otherwise, but Stream does not undertake to update this information at any particular time, except as required by law. Stream cautions readers that the forward-looking statements may not be appropriate for purposes other than their intended purposes and that undue reliance should not be placed on any forward-looking statement. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Non-GAAP Measures

Stream 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.

Non-GAAP measures do not have any standardized meaning and therefore reported amounts may not be comparable to similarly titled measures reported by other companies. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.