



STREAM OIL & GAS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2010

AUDITORS' REPORT

To the Shareholders of
Stream Oil & Gas Ltd.

We have audited the consolidated balance sheets of Stream Oil & Gas Ltd. as at November 30, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

March 23, 2011



STREAM OIL & GAS LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

Current

Cash	9,493,004	263,134
Accounts receivable (Note 3)	1,775,132	10,680
GST and other receivables	16,751	15,994
Inventory	161,746	392,016
Prepaid expenses	96,958	8,723
	11,543,591	690,547
Property and Equipment (Note 4)	14,798,593	6,650,755
	26,342,184	7,341,302

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	5,310,667	1,672,546
Current portion of capital lease obligation (Note 4)	19,822	-
	5,330,489	1,672,546

Due to related parties (Note 6)	-	420,000
Capital lease obligation (Note 4)	72,068	-
Asset retirement obligation (Note 13)	195,690	-
	5,598,247	2,092,546

Shareholders' Equity

Capital stock (Note 7)	15,309,123	2,469,286
Contributed surplus (Note 7)	10,784,178	6,583,829
Deficit	(5,349,364)	(3,804,359)
	20,743,937	5,248,756
	26,342,184	7,341,302

Nature and continuance of operations (Note 1)

Commitments (Note 5)

Related party transactions (Note 6)

Contingencies (Note 14)

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)

	For the Year Ended November 30, 2010	For the Year Ended November 30, 2009
	\$	\$
REVENUE		
Oil and gas revenue, net of royalties (Note 3)	5,966,934	2,214,907
EXPENSES		
Operating	2,429,049	1,439,696
Sales and transportation	391,272	137,348
Consulting fees, management fees and salaries	1,880,888	1,120,637
Office and miscellaneous	562,413	395,645
Professional fees	442,036	277,610
Travel	326,933	100,694
Stock-based compensation (Note 7)	807,705	604,408
Accretion (Note 13)	17,790	-
Amortization and depletion	677,835	277,775
Foreign exchange loss (gain)	(22,289)	3,848
	<u>7,513,632</u>	<u>4,357,661</u>
Loss before other item	<u>(1,546,698)</u>	<u>(2,142,754)</u>
OTHER ITEM		
Interest income	1,693	70,536
	<u>1,693</u>	<u>70,536</u>
Net loss and comprehensive loss for the year	<u>(1,545,005)</u>	<u>(2,072,218)</u>
Deficit, beginning of year	<u>(3,804,359)</u>	<u>(1,732,141)</u>
Deficit, end of year	<u>(5,349,364)</u>	<u>(3,804,359)</u>
Basic and fully diluted loss per share	<u>(0.03)</u>	<u>(0.05)</u>
Weighted average number of shares outstanding	<u>51,141,013</u>	<u>38,942,913</u>

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)

	November 30, 2010	November 30, 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(1,545,005)	(2,072,218)
Items not affecting cash:		
Accretion	17,790	-
Amortization and depletion	677,835	277,775
Stock-based compensation	807,705	604,408
Changes in non-cash working capital items:		
Accounts receivable	(1,764,452)	599,604
GST and other receivables	(757)	8,062
Prepaid expenses	(88,235)	105,045
Consumables & Inventory	230,270	(392,016)
Accounts payable and accrued liabilities	1,759,448	1,117,314
Net cash provided by operating activities	94,599	247,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(6,677,210)	(1,854,423)
Restricted cash	-	711,831
Cash used in investing activities	(6,677,210)	(1,142,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(420,000)	420,000
Capital stock issued	16,438,564	-
Share issuance costs	(206,083)	-
Cash provided by financing activities	15,812,481	420,000
Net change in cash during the year	9,229,870	(474,618)
Cash, beginning of year	263,134	737,752
Cash, end of year	9,493,004	263,134

Supplemental Disclosure with respect to cash flows (Note 8)

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)
November 30, 2010

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 November 30, 2010, Stream had accumulated losses of \$5,349,364 since inception, and had working capital of \$6,213,092. During the year ended November 30, 2010, the Company raised net proceeds of \$16,232,481 from the issuance of capital stock, as disclosed in Note 7.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian GAAP.

Basis of Presentation and Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Stream Oil & Gas (CI) Ltd. All intercompany transactions and balances have been eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to stock-based compensation, the determination of impairment of assets, the ceiling test applied to oil and gas properties, assumptions used in calculating depletion and asset retirement obligations. Actual results could differ from these estimates.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

Oil & Gas Properties

The Company follows the full cost method of accounting for oil and natural gas operations in accordance with Canadian guidelines. Under this method, all costs associated with the acquisition of, exploration for and development of oil and natural gas reserves are capitalized in cost centers on a country-by-country basis. Such costs include property acquisition costs, geological and geophysical studies, carrying charges on non-producing properties, costs of drilling productive wells, and overhead expenses directly related to these activities.

Depletion is calculated for producing properties by using the unit-of-production method based on estimated proved reserves, before royalties, as determined by Management or independent consultants.

Sales or dispositions of oil and natural gas properties are credited to the respective cost centers and a gain or loss is recognized when all properties in a cost center have been disposed of, unless such sale or disposition significantly alters the relationship between capitalized costs and proved reserves of oil and natural gas attributable to the cost center. Costs of abandoned properties are accounted for as adjustments of capitalized costs and written off to expense.

Undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined. A ceiling test is applied to each cost center and for the aggregate of all cost centers by comparing the net capitalized costs to the estimated future net revenues from production of estimated proved reserves without discount, plus the costs of unproved properties net of impairment. Any excess capitalized costs are written off to expense. Further, the ceiling test for the aggregate of all cost centers is required to include the effects of future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. The calculation of future net revenues is based upon prices, costs and regulations in effect at each year end. Unproved properties are assessed for impairment on an annual basis by applying factors that rely on historical experience.

In general, the Company may write-off any unproved property under one or more of the following conditions:

- a) There are no firm plans for further drilling on the unproved property;
- b) Negative results were obtained from studies of the unproved property;
- c) Negative results were obtained from studies conducted in the vicinity of the unproved property; or
- d) The remaining term of the unproved property does not allow sufficient time for further studies or drilling.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Equipment

Equipment is recorded at cost. The Company provides for amortization on the declining balance method at the following annual rates:

Automotive	30%
Computer hardware	30% & 55%
Computer software	100%
Equipment	20%

Additions are amortized at one-half the rate in the year of acquisition.

Foreign Exchange

Stream's functional currency is the Canadian dollar and its subsidiary's functional currency is the United States dollar. For accounting purposes the Company is considered the subsidiary of Stream Oil & Gas (CI) Ltd. and is an integrated operation. Stream's monetary assets and liabilities are translated at the rate of exchange at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations. Transaction gains and losses are reflected in the statement of operations for the periods presented.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Stock-Based Compensation

The Company records a compensation cost attributable to all share options granted at fair value at the grant date using the Black-Scholes valuation model and the cost is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to capital stock.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of Stream's long-lived assets as at November 30, 2010.

Revenue Recognition

Revenue from oil and gas operations is recognized in the accounts when oil and natural gas are shipped, title passes, the price is fixed or determinable and collection of the sale is reasonably assured.

Receivables

Stream records an allowance for doubtful accounts against accounts receivable that management believes are impaired. Specific allowances are recorded against customer receivables based on the Company's knowledge of the financial condition of its customers. The Company also considers the aging of the receivables, customer and industry concentrations, the current business environment and historical experience.

Inventory

Inventory consists of crude oil inventory. The crude oil inventory balance is valued at the lower of cost or market value.

Leases

Leases that substantially transfer all of the benefits and risks of ownership of property to the Company, or otherwise meet the criteria for capitalization under Canadian generally accepted accounting principles, are accounted for as capital leases. An asset is recorded at the time a capital lease is entered into together with its related long-term obligation to reflect its purchase and financing. Rental payments under operating leases are expensed as incurred.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Asset Retirement Obligations (“ARO”)

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in the statement of operations.

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Stream has classified its cash as held-for-trading. Accounts receivable, and GST and other receivables are classified as loans and receivables, accounts payable, accrued liabilities, and due to related parties are classified as other liabilities, which are measured at amortized cost.

CICA Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments - Presentation were amended to place increased emphasis on disclosure about the nature and the extent of risks arising from financial instruments and how the entity manages those risks. Disclosure is also required about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has adopted these amendments for the fiscal year ended November 30, 2010 and the additional required disclosures are included in Note 11.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Change in Accounting Policies

Goodwill and Intangible Assets

Effective December 1, 2009 the Company adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA HB Section 3062, "Goodwill and Intangible Assets," CICA HB Section 3450, "Research and Development Costs," amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," EIC-27, "Revenues and Expenditures during the Pre-operating Period" and CICA HB Section 1000, "Financial Statement Concepts." The standard reduces the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results in closer alignment with U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. Management has evaluated the new section and determined that adoption of these new requirements has had no impact on Stream's consolidated financial statements.

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.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Future Accounting Pronouncements (cont'd...)

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 Company’s 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. 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.

3. ECONOMIC DEPENDENCE

In fiscal 2010 and 2009, the Company sold its oil and gas to customers in Albania. Sales during the year ended November 30, 2010, to three customers accounted for 44% of total revenue, as follows: sales totalling \$1,080,371, accounting for 18% of total revenue; sales totalling \$838,532, accounting for 14% of total revenue; and sales totalling \$713,875, accounting for 12% of total revenue. Sales during the year ended November 30, 2009 totalling \$2,064,403 were made to another customer, accounting for 93% of total revenue.

As at November 30, 2010, Stream had four customers accounting for 95% of total accounts receivable as follows: accounts receivable of \$539,944, accounting for 30.4% of total accounts receivable; accounts receivable of \$508,557, accounting for 28.6% of total accounts receivable; accounts receivable of \$328,120, accounting for 18.5% of total accounts receivable; and accounts receivable of \$314,620, accounting for 17.7% of total accounts receivable.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

4. PROPERTY AND EQUIPMENT

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

November 30, 2009			
	Cost	Accumulated Amortization and Depletion	Net Book Value
Oil and gas properties, proved	\$ 6,123,568	\$ 70,000	\$ 6,053,568
Automotive	120,877	50,344	70,533
Computer hardware	155,442	54,056	101,386
Computer software	57,178	57,178	-
Equipment	606,943	181,675	425,268
	\$ 7,064,008	\$ 413,253	\$ 6,650,755

During the year ended November 30, 2010, 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 \$106,139. During the fiscal years ending November 30, 2011 to November 30, 2014 the minimum lease payments will be \$27,703 (€21,000) for each year.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
November 30, 2010

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

Future payment obligations are as follows:

2011	\$	27,703
2012		27,703
2013		27,703
2014		<u>27,703</u>
		110,812
Less: interest		<u>(18,922)</u>
		91,890
Total future principal payments		<u>(19,822)</u>
Less: current portion		
		<u>\$ 72,068</u>

No amortization was recorded on the automobiles under capital lease as they were not placed into service as at November 30, 2010.

Stream's ceiling test calculations, performed at November 30, 2010, resulted in no impairment loss. The future prices used by the Company in estimating cash flows were based on forecast prices at each year end, adjusted for Stream's quality and other contract differentials. The following table summarizes the benchmark prices used in the calculation:

Calendar Year	Gas Price (US\$/Mcf)	Oil Price (US\$/barrel)
2010	\$ 10	\$ 79
2011	10	84
2012	10	87
2013	10	92
2014	11	96
Average annual increase, thereafter	2%	2% ⁽¹⁾

(1) Average annual increases for oil prices are 7.7% for 2015 and 7.4% for 2016 and 2% thereafter.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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November 30, 2010

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

Oil and Gas Properties, Proved

	November 30, 2010	November 30, 2009
Opening balance	\$ 6,123,568	\$ 4,465,602
Expenditures:		
Seismic program	-	710,000
Work-overs and upgrades	4,619,930	857,747
Technical report	47,520	90,219
	<u>4,667,450</u>	<u>1,657,966</u>
	<u>\$ 10,791,018</u>	<u>\$ 6,123,568</u>

5. COMMITMENTS

Stream holds the rights to four petroleum properties located in Albania. These are the Cakran-Mollaj, Ballsh-Hekal, Gorisht-Kocul and the Delvina Block properties.

The Company committed to spend a total of \$4,800,000 in expenditures relating to its properties by September 9, 2009, or pay the National Agency of Natural Resources in Albania, the difference between the \$4,800,000 committed and the amount it actually incurred. The \$4,800,000 was restricted and guaranteed through a letter of credit by the bank. During the year ended November 30, 2009, Stream incurred the balance of the expenditure requirements relating to its properties.

STREAM OIL & GAS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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November 30, 2010

6. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended November 30, 2010 are as follows:

- a) The Company incurred management fees of \$185,648 (November 30, 2009 - \$Nil) to a director and significant shareholder of Stream. As at November 30, 2010, the total balance payable for unpaid fees was \$46,798 (November 30, 2009 - \$Nil).
- b) The Company incurred consulting fees of \$220,552 (November 30, 2009 - \$167,137) to a private company of which a shareholder is a director and significant shareholder of Stream.
- c) The Company incurred management fees of \$77,387 (November 30, 2009 - \$130,132) to a private company owned by an officer of Stream. The amount included in accounts payable at November 30, 2010 for unpaid consulting fees owing to the officer was \$5,431 (November 30, 2009 - 10,368).
- d) The Company incurred management fees and salaries of \$676,091 (November 30, 2009 - \$394,990) to private companies owned by an officer of Stream. The amount included in accounts payable at November 30, 2010 for unpaid management and consulting fees owing to the private company was \$259,745 (November 30, 2009 - \$118,755).
- e) The Company incurred \$87,093 in consulting and management fees to a former officer of Stream.
- f) The Company incurred \$84,189 in management fees to a private company owned by an officer of Stream.
- g) The Company incurred directors fees of \$40,000 (November 30, 2009 - \$40,000) for three directors of Stream included in management fees on the statement of operations. The amount included in accounts payable at November 30, 2010 for unpaid fees owing to the directors was \$41,250 (November 30, 2009 - \$31,250).
- h) The Company incurred \$Nil (November 30, 2009 - \$710,000) in fees for seismic work to a company with a common director and significant shareholder of Stream. At November 30, 2010, the total balance payable for unpaid fees owing is \$Nil (November 30, 2009 - \$540,000, of which \$420,000 is long-term).
- i) During the year ended November 30, 2009, the Company issued 736,192 common shares at CAD\$0.24 per share to settle consulting fees payable of CAD\$176,686 owed to insiders and officers of the Company. The CAD\$176,686 in consulting fees settled with shares is included in the total of consulting fees incurred as noted in 6(b) and 6(c) above. The shares were subject to a four-month hold period which expired on December 11, 2009.
- j) During the year ended November 30, 2009, the Company issued 523,015 common shares of which 78,571 shares were issued at CAD\$0.21 per share to settle consulting fees payable of CAD\$16,500 and 444,444 shares issued at CAD\$0.27 per share to settle consulting fees payable of CAD\$120,000 for a total of CAD\$136,500 owed to insiders and officers of the Company. The CAD\$136,500 in consulting fees settled with shares is included in the total of consulting fees incurred as noted in 6(b) and 6(c) above. The shares were subject to a four-month hold period which expired on March 2, 2010 (Note 7).

STREAM OIL & GAS LTD.
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6. RELATED PARTY TRANSACTIONS (cont'd...)

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.

7. CAPITAL STOCK

Issued and Outstanding

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance at November 30, 2008	38,680,341	\$ 2,156,100	\$ 5,979,421
Stock-based compensation	-	-	604,408
Shares-for-service – August 11, 2009	736,192	176,686	-
Shares-for-service – October 30, 2009	523,015	136,500	-
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

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.

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

Issued and Outstanding (cont'd ...)

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.

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.

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.

On August 11, 2009, the Company issued 736,192 common shares at CAD\$0.24 per share to settle consulting fees payable of \$176,686 owed to insiders and officers of Stream. The four-month hold period on these shares expired on December 11, 2009. The application was accepted by the TSX Venture Exchange as a shares-for-service transaction (Note 6).

On October 30, 2009, the Company issued 78,571 common shares at CAD\$0.21 per share to settle consulting fees payable of \$16,500; and 444,444 common shares at CAD\$0.27 per share to settle consulting fees payable of \$120,000 owed to insiders and officers of the Company. The shares were subject to a four-month hold period which expires on December 11, 2009. The application was accepted by the TSX Venture Exchange as a shares-for-service transaction (Note 6).

Escrow Shares

As at November 30, 2010, the Company had nil shares in escrow (2009 – 15,000,003). On January 27, 2010, Stream 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 remaining shares held in escrow were released.

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

Warrants

At November 30, 2010, 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, 2008	6,271,901	\$1.67
Issued	-	-
Expired	<u>(6,271,901)</u>	<u>\$1.67</u>
Balance, November 30, 2009	-	-
Issued	8,565,253	\$1.10
Exercised	(5,315,253)	\$0.55
Expired	<u>-</u>	<u>-</u>
Balance, November 30, 2010	<u>3,250,000</u>	<u>\$2.00</u>

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

	<u>Year ended</u> <u>November 30, 2010</u>	<u>Year ended</u> <u>November 30, 2009</u>
Risk free rate	1.58%	-
Dividend yield	0%	-
Expected volatility	132%	-
Expected life of warrants	2 years	-

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

Finders' Warrants

At November 30, 2010, the following finders' warrants were outstanding:

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

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

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

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

	<u>Year ended</u> <u>November 30, 2010</u>	<u>Year ended</u> <u>November 30, 2009</u>
Risk free rate	1.58%	-
Dividend yield	0%	-
Expected volatility	132%	-
Expected life of finders' warrants	2 years	-

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

Finders' Warrants (cont'd...)

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.

During the year ended November 30, 2010, 630,500 finders warrants were exercised into 630,500 common shares and 315,250 share purchase warrants, for proceeds of \$221,333.

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.

At November 30, 2010, 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
1,312,500	\$0.63	May 11, 2013
350,000	\$0.20	February 12, 2014
300,000	\$0.25	May 12, 2014
340,000	\$0.24	June 22, 2014
4,602,500		

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

Stock Option Plan (cont'd...)

	Number	Weighted Average Exercise Price (\$Cdn)	Weighted Average Remaining Life
Balance as at November 30, 2008	1,100,000	1.50	0.62
Granted	4,440,000	0.20	2.85
Exercised	-	-	-
Cancelled	(900,000)	(0.49)	(1.87)
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	(400,000)	(1.50)	-
Balance as at November 30, 2010	4,602,500	0.33	1.98
Exercisable as at November 30, 2010	3,617,500	0.26	1.88

Stock-Based Compensation

The fair value of stock options granted during the year ended November 30, 2010 was estimated at \$763,578 (November 30, 2009 - \$553,170), a weighted average fair value per share of CAD\$0.45 (November 30, 2009 - \$0.12), which is being recognized over the options vesting period. Total stock-based compensation expense recognized during the year ended November 30, 2010 relating to options vested during the year was \$751,678 (November 30, 2009 - \$604,408).

During the year ended November 30, 2010, 400,000 stock options previously granted were re-priced from CAD\$1.50 per option to CAD\$0.25 per option and the expiry date was extended from April 4, 2010 to April 4, 2012. The stock-based compensation recorded in connection with the re-pricing totaled \$56,027 (2009 - \$Nil).

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:

	<u>Year ended November 30, 2010</u>	<u>Year ended November 30, 2009</u>
Risk free rate	1.43%	2.13%
Dividend yield	0%	0%
Expected volatility	104%	100%
Expected life of options	3.0 years	3.84 years

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8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Year ended November 30, 2010	Year ended November 30, 2009
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 year ended November 30, 2010:

- a) The Company reallocated \$465,419 from contributed surplus to capital stock on the exercise of the options (Note 7).
- b) The Company issued finders' warrants with a fair value of \$627,757 in connection with the private placement (Note 7).
- c) The Company reallocated \$1,701,216 from contributed surplus to capital stock on the exercise of warrants (Note 7).
- d) The Company reallocated \$144,857 from contributed surplus to capital stock on the exercise of finders warrants (Note 7).
- e) Included in accounts payable is \$3,332,387 in oil and gas properties and property, plant and equipment.

The Company had the following significant non-cash transactions for the year ended November 30, 2009:

- a) The Company issued 736,192 common shares at CAD\$0.24 per share to settle consulting fees of \$176,686; 78,571 common shares at CAD\$0.21 per share to settle consulting fees payable of \$16,500; and 444,444 common shares at CAD\$0.27 per share to settle consulting fees payable of \$120,000 owed to insiders and officers of Stream (Note 6).
- b) Included in accounts payable is \$1,453,714 in oil and gas properties.

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9. SEGMENTED INFORMATION

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

	November 30, 2010	November 30, 2009
Oil and Gas revenue		
Canada	\$ -	\$ -
Albania	5,966,934	2,214,907
	\$ 5,966,934	\$ 2,214,907
Property and Equipment		
Canada	\$ 17,005	\$ 3,269
Albania	14,781,588	6,647,486
	\$ 14,798,593	\$ 6,650,755

10. CAPITAL MANAGEMENT

The Company considers its cash and capital stock in the management of capital, which at November 30, 2010 totaled \$9,493,004 and \$15,309,123, respectively (November 30, 2009 - \$263,134 and \$2,469,286).

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.

11. FINANCIAL INSTRUMENTS

Stream's financial instruments consist of cash, accounts receivable, GST and other receivables, accounts payable and accrued liabilities, and due to related parties. Fair value estimates are 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.

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

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 November 30, 2010, if the United States dollar had fluctuated by 10% against the local functional currencies with all other variables held constant, net loss for the year ended November 30, 2010 would have differed by \$759,000 which is primarily attributable to the Company's cash balance, of which \$8,797,219 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 November 30, 2010, \$1,466,522 or 82 % of accounts receivable 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 November 30, 2010, Stream had cash of \$9,493,004 (November 30, 2009 - \$263,134) to settle current liabilities of \$5,310,667 (November 30, 2009 - \$1,672,546).

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11. 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.

12. INCOME TAXES

The Company's subsidiary, Stream Oil & Gas (CI) Ltd., was incorporated in the Cayman Islands. Under the income tax laws of the Cayman Islands, at the date hereof, there are no corporate income taxes applicable to companies incorporated in the Cayman Islands. There are no material future income tax assets or liabilities for the year ended November 30, 2010, relating to the Company's subsidiary, Stream Oil & Gas (CI) Ltd. The Company is subject to Canadian corporate income taxes.

Stream's actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial statutory corporate income tax rate to the Company's loss before income taxes. The components of these differences are as follows:

	November 30, 2010	November 30, 2009
	\$	\$
Canadian loss before income tax	(1,630,332)	(1,470,213)
Expected tax recovery	(466,683)	(441,681)
Non-deductible (deductible) items for tax purposes		
Stock-based compensation	231,206	181,576
Finance charges	(34,630)	(23,962)
Other non-deductible expenses	528	14,396
Unrecognized benefit of non-capital losses	269,579	269,671
Income tax recovery	-	-

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12. INCOME TAXES (cont'd...)

The significant components of Stream's future income tax assets are as follows:

	November 30, 2010	November 30, 2009
	\$	\$
Non-capital losses	1,090,791	842,580
Resource properties	3,247	3,247
Equipment	15,594	14,644
Financing costs	47,050	25,774
	<u>1,156,682</u>	<u>886,245</u>
Valuation allowance	(1,156,682)	(886,245)
Net future income tax assets	-	-

As at November 30, 2010, the Company has Canadian non-capital losses carried forward of approximately \$4,363,000. The non-capital losses can be used to offset future taxable income through 2030. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

13. 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 November 30, 2010, the Company estimated the net present value of its asset retirement obligation to be \$195,692 based on the total undiscounted future obligation of \$20,884,065, 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 2060. Management determined that the asset retirement obligation was not significant for the year ended November 30, 2009.

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

	November 30, 2010	November 30, 2009
Asset retirement obligation, beginning of year	-	-
Liabilities recognized	\$ 177,902	\$ -
Accretion	17,790	-
Asset retirement obligation, end of year	<u>\$ 195,692</u>	<u>\$ -</u>

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14. 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.

15. SUBSEQUENT EVENTS

Subsequent to November 30, 2010, the Company entered into the following significant transactions:

- (a) The Company entered into a five year lease agreement for office space, effective December 1, 2010 and expires November 30, 2015. Pursuant to the lease agreement, the minimum obligation is \$28,919 per annum, excluding operating costs, for years one and two, and \$36,806 per annum, excluding operating costs, for years three to five.
- (b) Subsequent to year end, 175,000 stock options were exercised at an exercise price of CAD\$0.63 per option for total proceeds of CAD\$110,250.