



**STREAM OIL & GAS LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2011**

**AMENDED**

(Unaudited – Prepared by Management)

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

	<b>As at February 28, 2011</b>	<b>As at November 30, 2010</b>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	4,536,573	9,493,004
Accounts receivable (Note 3)	2,175,014	1,775,132
GST and other receivables	31,336	16,751
Inventory	451,069	161,746
Prepaid expenses	384,636	96,958
	<hr/> 7,578,628	<hr/> 11,543,591
<b>Property and Equipment</b> (Note 4)	<hr/> 18,053,467	<hr/> 14,798,593
	<hr/> 25,632,095	<hr/> 26,342,184
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	4,348,996	5,310,667
Current portion of capital lease obligation	20,296	19,822
	<hr/> 4,369,292	<hr/> 5,330,489
<b>Capital lease obligation</b>	66,814	72,068
<b>Asset retirement obligation</b> (Note 11)	473,028	195,690
	<hr/> 4,909,134	<hr/> 5,598,247
<b>Shareholders' Equity</b>		
Capital stock (Note 6)	15,495,498	15,309,123
Contributed surplus (Note 6)	10,764,509	10,784,178
Deficit	(5,537,046)	(5,349,364)
	<hr/> 20,722,961	<hr/> 20,743,937
	<hr/> 25,632,095	<hr/> 26,342,184

**Nature and continuance of operations** (Note 1)

**Related party transactions** (Note 5)

**Contingencies** (Note 12)

**On behalf of the Board:**

"Sotirios Kapotas" , Director

"Leslie Goodman" , Director

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

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

	<b>For the three month period ended February 28, 2011</b>	<b>For the three month period ended February 28, 2010</b>
	\$	\$
<b>REVENUE</b>		
Oil and gas revenue, net of royalties (Note 3)	2,076,823	1,281,829
<b>EXPENSES</b>		
Operating	705,283	368,429
Sales and transportation	129,430	93,353
Consulting fees, management fees and salaries	493,179	562,344
Office and miscellaneous	239,248	119,597
Professional fees	166,072	45,901
Travel	100,576	55,268
Stock-based compensation (Note 6)	57,796	66,861
Accretion (Note 11)	4,892	-
Amortization and depletion	288,903	67,388
Foreign exchange loss (gain)	79,126	(117,487)
	<u>2,264,505</u>	<u>1,261,654</u>
<b>Earnings (loss) and comprehensive earnings (loss) for the period</b>	(187,682)	20,175
<b>Deficit, beginning of period</b>	(5,349,364)	(3,804,359)
<b>Deficit, end of period</b>	(5,537,046)	(3,784,184)
<b>Basic and fully diluted loss per share</b>	(0.00)	0.00
<b>Weighted average number of shares outstanding</b>	63,797,801	46,050,659

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

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

	<b>For the three month period ended February 28, 2011</b>	<b>For the three month period ended February 28, 2010</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings (loss) for the period	(187,682)	20,175
Items not affecting cash:		
Accretion	4,892	-
Amortization and depletion	288,903	67,388
Stock-based compensation	57,796	66,861
Changes in non-cash working capital items:		
Accounts receivable	(399,882)	(309,804)
GST and other receivables	(14,585)	(133,997)
Prepaid expenses	(287,678)	177
Inventory	(289,323)	(8,740)
Accounts payable and accrued liabilities	774,591	(305,230)
<b>Net cash used in operating activities</b>	<b>(52,968)</b>	<b>(603,170)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(5,007,593)	(842,972)
Restricted cash	-	-
<b>Cash used in investing activities</b>	<b>(5,007,593)</b>	<b>(842,972)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	108,910	3,274,256
Share issuance costs	-	(206,083)
Repayment of capital lease	(4,780)	-
<b>Cash provided by financing activities</b>	<b>104,130</b>	<b>3,068,173</b>
<b>Net change in cash during the period</b>	<b>(4,956,431)</b>	<b>1,622,031</b>
<b>Cash, beginning of period</b>	<b>9,493,004</b>	<b>263,134</b>
<b>Cash, end of period</b>	<b>4,536,573</b>	<b>1,885,165</b>

**Supplemental Disclosure with respect to cash flows** (Note 7)

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

**STREAM OIL & GAS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AMENDED**  
(Expressed in U.S. Dollars)  
For the Three Month Period Ended February 28, 2011  
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**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 February 28, 2011, Stream had accumulated losses of \$5,537,046 since inception, and had working capital of \$3,209,336.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**STREAM OIL & GAS LTD.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Future Accounting Pronouncement**

**Business Combinations (Section 1582)**

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

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

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

**Transition to International Financial Reporting Standards**

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

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

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

**STREAM OIL & GAS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. ECONOMIC DEPENDENCE**

For the three month period ended February 28, 2011, the Company sold its oil and gas to customers in Albania and Italy. Sales during the three month period ended February 28, 2011, to three customers accounted for 87% of total revenue, as follows: sales totalling \$918,918, accounting for 44% of total revenue; sales totalling \$523,217, accounting for 25% of total revenue; and sales totalling \$362,421, accounting for 18% of total revenue.

As at February 28, 2011, Stream had four customers accounting for 93% of total accounts receivable as follows: accounts receivable of \$753,586, accounting for 35% of total accounts receivable; accounts receivable of \$537,877, accounting for 25% of total accounts receivable; accounts receivable of \$364,372, accounting for 17% of total accounts receivable; and accounts receivable of \$345,101, accounting for 16% of total accounts receivable.

**4. PROPERTY AND EQUIPMENT**

<b>February 28, 2011</b>			
	<b>Cost</b>	<b>Accumulated Amortization and Depletion</b>	<b>Net Book Value</b>
Oil and gas properties, proved	\$ 14,242,119	\$ 270,000	\$ 13,972,119
Automotive	278,926	108,723	170,203
Computer hardware	265,434	100,905	164,529
Computer software	58,211	57,217	994
Equipment	4,588,768	843,146	3,745,622
	\$ 19,433,458	\$ 1,379,991	\$ 18,053,467

<b>November 30, 2010</b>			
	<b>Cost</b>	<b>Accumulated Amortization and Depletion</b>	<b>Net Book Value</b>
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

**STREAM OIL & GAS LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AMENDED  
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**4. PROPERTY AND EQUIPMENT (cont'd...)**

**Oil and Gas Properties, Proved**

	<b>February 28, 2011</b>	<b>November 30, 2010</b>
Opening balance	\$ 10,791,018	\$ 6,123,568
Expenditures:		
Work-overs and upgrades	3,178,655	4,442,030
Asset retirement obligations	272,446	177,900
Technical report	-	47,520
	<u>3,451,101</u>	<u>4,667,450</u>
	\$ 14,242,119	\$ 10,791,018

**5. RELATED PARTY TRANSACTIONS**

Related party transactions for the three months ended February 28, 2011 are as follows:

- a) The Company incurred management fees of \$48,142 (February 28, 2010 - \$52,274) to a director and significant shareholder of Stream. As at February 28, 2011, the total balance payable for unpaid fees was \$46,960 (February 28, 2010 - \$15,726).
- b) The Company incurred consulting fees of \$46,574 (February 28, 2010 - \$33,132) to a private company of which a shareholder is a director and significant shareholder of Stream.
- c) The Company incurred management fees of \$Nil (February 28, 2010 - \$31,934) to a private company owned by an officer of Stream
- d) The Company incurred management fees and salaries of \$122,939 (February 28, 2010 - \$146,110) to private companies owned by an officer of Stream. The amount included in accounts payable at February 28, 2011 for unpaid management and consulting fees owing to the private company was \$204,350 (November 30, 2010 – \$259,745).
- e) The Company incurred \$37,611 (February 28, 2010 - \$Nil) in management fees to a private company owned by an officer of Stream.
- f) The Company incurred directors fees of \$11,250 (February 28, 2010 - \$11,250) for three directors of Stream included in management fees on the statement of operations. The amount included in accounts payable at February 28, 2011 for unpaid fees owing to the directors was \$27,500 (November 30, 2010 - \$41,250).

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**5. 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.

**6. CAPITAL STOCK**

**Issued and Outstanding**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance at November 30, 2009	39,939,548	\$ 2,469,286	\$ 6,583,829
Shares issued on financing	16,500,000	7,838,822	5,078,379
Share issue expenses	-	(831,840)	625,757
Shares issued on exercise of warrants	5,315,253	4,540,431	(1,701,216)
Shares issued on exercise of finders warrants	630,500	358,190	(144,857)
Shares issued on exercise of options	1,362,500	934,234	(465,419)
Stock-based compensation	-	-	807,705
Balance at November 30, 2010	63,747,801	15,309,123	10,784,178
Shares issued on exercise of options	175,000	186,375	(77,465)
Stock-based compensation	-	-	57,796
Balance at February 28, 2011	63,922,801	\$ 15,495,498	\$ 10,764,509

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.

**STREAM OIL & GAS LTD.**  
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**6. CAPITAL STOCK (cont'd...)**

**Issued and Outstanding (cont'd ...)**

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

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

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

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

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

During the three month period ended February 28, 2011, 175,000 stock options were exercised for gross proceeds of \$110,250. Contributed surplus of \$77,465 was reallocated to capital stock on the exercise of the stock options.

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

**Warrants**

At February 28, 2011, the following warrants were outstanding:

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

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

	Number of Warrants	Weight Average Exercise Price (CAD)
Balance, November 30, 2009	-	-
Issued	8,565,253	\$1.10
Exercised	(5,315,253)	\$0.55
Expired	-	-
Balance, November 30, 2010	3,250,000	\$2.00
Issued	-	-
Exercised	-	-
Expired	-	-
<b>Balance, February 28, 2011</b>	<b>3,250,000</b>	<b>\$2.00</b>

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

	<b>Three months ended February 28, 2011</b>	<b>Year ended November 30, 2010</b>
Risk free rate	-	1.58%
Dividend yield	-	0%
Expected volatility	-	132%
Expected life of warrants	-	2 years

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

**Finders' Warrants**

At February 28, 2011, 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
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, February 28, 2011	387,168	\$1.50

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

	<u>Three months ended</u> <u>February 28, 2011</u>	<u>Year ended</u> <u>November 30, 2010</u>
Risk free rate	-	1.58%
Dividend yield	-	0%
Expected volatility	-	132%
Expected life of finders' warrants	-	2 years

**STREAM OIL & GAS LTD.**  
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**6. 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. The 630,500 finders' warrants were exercised into 630,500 common shares and 315,250 share purchase warrants, for proceeds of \$221,333 during the year ended November 30, 2010.

**Stock Option Plan**

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

At February 28, 2011, the following stock options were outstanding:

Number of Options	Exercise Price (CAD)	Expiry Date
2,100,000	\$0.20	March 20, 2012
200,000	\$0.25	April 13, 2013
1,012,500	\$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
<u>4,302,500</u>		

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

**Stock Option Plan (cont'd...)**

	<b>Number</b>	<b>Weighted Average Exercise Price (\$Cdn)</b>	<b>Weighted Average Remaining Life</b>
Balance as at November 30, 2009	4,640,000	0.46	2.80
Granted	1,725,000	0.63	2.45
Exercised	(1,362,500)	(0.35)	-
Expired / Cancelled	(400,000)	(1.50)	-
Balance as at November 30, 2010	4,602,500	0.33	1.98
Granted	-	-	-
Exercised	(175,000)	(0.63)	(2.20)
Expired / Cancelled	(125,000)	(0.63)	(2.20)
Balance as at February 28, 2011	4,302,500	0.31	1.70
Exercisable as at February 28, 2011	3,565,000	0.24	1.60

**Stock-Based Compensation**

No stock options were granted during the three month period ended February 28, 2011 (February 28, 2010 – Nil). The total stock-based compensation expense recognized during the three month period ended February 28, 2011 relating to options vested during the three month period was \$57,796 (February 28, 2010 - \$66,861).

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:

	<b>Three months ended <u>February 28, 2011</u></b>	<b>Year ended <u>November 30, 2010</u></b>
Risk free rate	-	1.43%
Dividend yield	-	0%
Expected volatility	-	104%
Expected life of options	-	3.0 years

**STREAM OIL & GAS LTD.**  
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**7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	<b>Three month period ended February 28, 2011</b>	<b>Three month period ended February 28, 2010</b>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The Company had the following significant non-cash transactions for the three month period ended February 28, 2011:

- a) The Company reallocated \$77,465 from contributed surplus to capital stock on the exercise of the options (Note 7).
- b) Included in accounts payable is \$1,596,127 (November 30, 2010 - \$3,332,387) in oil and gas properties and property, plant and equipment.

The Company had the following significant non-cash transactions for the three month period ended February 28, 2010:

- a) The Company issued finders' warrants with a fair value of \$144,857 in connection with the private placement.

**STREAM OIL & GAS LTD.**  
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**8. SEGMENTED INFORMATION**

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

	<b>February 28, 2011</b>	<b>February 28, 2010</b>
Oil and Gas revenue		
Canada	\$ -	\$ -
Albania	2,076,823	1,281,829
	<b>\$ 2,076,823</b>	<b>\$ 1,281,829</b>

  

	<b>February 28, 2011</b>	<b>November 30, 2010</b>
Property and Equipment		
Canada	\$ 29,119	\$ 17,005
Albania	18,024,348	14,781,588
	<b>\$ 18,053,467</b>	<b>\$ 14,798,593</b>

**9. CAPITAL MANAGEMENT**

The Company considers its cash and capital stock in the management of capital, which at February 28, 2011 totaled \$4,536,573 and \$15,495,498, respectively.

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

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

Stream is not subject to any externally imposed capital requirements.

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**10. FINANCIAL INSTRUMENTS**

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

The Company examines the various financial instrument risks to which it is exposed and assesses any impact and likelihood of those risks. These risks may include currency risk, credit risk, liquidity risk, interest rate risk and other price risks. Unless otherwise noted, it is Management's opinion that Stream is not exposed to significant credit, liquidity, interest or other price risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. Stream operates internationally and is exposed to risks from changes in foreign currency rates, particularly the Canadian dollar, the Euro and the Albanian Lek. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Sensitivity analysis:

At February 28, 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 February 28, 2011 would have differed by \$172,000 which is primarily attributable to the Company's cash balance, of which \$3,858,770 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 February 28, 2011, \$1,420,457 or 65% of accounts receivable (November 30, 2010, \$1,466,522 or 82%) have been outstanding for 90 days or more. The Company believes that the entire balance is collectible. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

**Liquidity Risk**

Liquidity risk is the risk that Stream cannot meet a demand for cash or fund its obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support Stream's normal operating requirements.

Stream's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational requirements at any point in time. The Company generates cash flow from its operations; however, Stream is exposed to liquidity risk because it is subject to the limited local market for sales of its production. The Company may seek additional cash funding by means of issuing share capital or debt financing. As at February 28, 2011, Stream had cash of \$4,536,573 (November 30, 2010 - \$9,493,004) to settle current liabilities of \$4,369,292 (November 30, 2010 - \$5,330,489).

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

**Interest Rate Risk**

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

**Market Risk**

Stream is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Stream closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**11. ASSET RETIREMENT OBLIGATION**

Management estimated the total future asset retirement obligation based on the expected cost to abandon and restore well and facility sites and the estimated timing of the costs to be incurred. As at February 28, 2011, the Company estimated the net present value of its asset retirement obligation to be \$473,028 based on the total undiscounted future obligation of \$52,866,519, and used a credit adjusted risk free rate of 10% and an inflation rate of 2.8% to calculate the present value of the asset retirement obligation. Stream expects asset retirement obligations to be paid in 2061.

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

	<b>February 28, 2011</b>	<b>November 30, 2010</b>
Asset retirement obligation, beginning of year	\$ 195,690	-
Liabilities recognized	272,446	\$ 177,900
Accretion	4,892	17,790
<b>Asset retirement obligation, end of year</b>	<b>\$ 473,028</b>	<b>\$ 195,690</b>

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**12. CONTINGENCIES**

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

**13. SUBSEQUENT EVENTS**

Subsequent to February 28, 2011, the Company entered into the following significant transactions:

- (a) On April 7, 2011, 250,000 stock options were exercised at an exercise price of CAD\$0.25 per option for total proceeds of CAD\$62,500.
- (b) On April 20, 2011, 50,000 stock options were exercised at an exercise price of CAD\$0.24 per option for total proceeds of CAD\$12,000.