



Stream Oil & Gas Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMENDED

Three months ended February 28, 2011

Management's Discussion & Analysis Amended

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 month period ended February 28, 2011, as well as the consolidated financial statements and MD&A for the three month period ended February 28, 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 April 27, 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".

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2. OVERVIEW

(\$000s, except as noted)	Three Months Ended	
	2011	Feb. 28, 2010
Financial		
Revenue	2,077	1,282
Net operating income	1,242	820
Funds from (used in) operations	(53)	(603)
Net income (loss)	(188)	20
Per share - basic & diluted	(0.00)	0.00
Additions to property, plant & equipment	5,007	843
Operating		
Average production (boed)	497	288
Average price (\$/boed)	40.68	38.70
Netback (\$/boed)	26.66	25.18
<i>As at</i>	Feb. 28, 2011	Nov. 30, 2010
Cash	4,537	9,493
Shareholders' equity	20,723	20,744
Weighted average shares outstanding (#)	63,797,801	51,141,013

Stream focused its activities in the first quarter of 2011 on detailed planning to access its large resources and preparing to execute 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. This included:

- Increased average net production by 73% to 497 boed compared to 288 boed in the first quarter 2010.
 - Current average net production is around 900 boed
- Recognized funds used in operating activities of \$52,968 for the first quarter of 2011 compared to funds used in operating activities of \$603,170 for the first quarter of 2010.
- Received final approval for the execution of the Plan of Development for the Delvina gas field from the Albanian Ministry of Economy, Trade and Energy.
- Finalized the takeover of the Gorisht-Kocul oilfield, including all wells, surface infrastructure, treatment facilities and the pipeline connecting the field to the Company's Usoja treatment facilities.
- Concluded negotiations for an export contract with an Italian refinery and completed two exports of crude oil.
- Released its 2010 reserve evaluation that resulted in the following:
 - Total proved reserves increased 38% to 14.3 MMboe from 10.4 MMboe in 2009.

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- Proved plus probable reserves increased 34% to 18.7 MMboe from 13.9 MMboe in 2009.
- Possible reserves of 16.7 MMboe were added to the evaluation for total reserves of 35.4 MMboe.
- Reserve value increased 119% from year-end 2009 on a total proved basis and 75% on a total proved and probable basis, discounted at 10%.
- Net asset value is \$2.99 per common share on a proved basis and \$3.99 per common share on a proved plus probable basis, based on the independently estimated reserve value, outstanding debt and the number of outstanding shares as of February 8, 2011.

Subsequent to the quarter, Stream achieved the following accomplishments:

- Finalized the takeover of the Delvina gas pipeline and infrastructure in the Ballsh and Gorisht fields.
- Advanced the Delvina Block gas exploration program Phase II with the award of the seismic tomography contract. The resulting information will be utilized to determine the location of the planned exploration well.
- Concluded negotiations for higher crude prices for local sales to the ARMO refinery, increasing average crude price to just over 70% of Brent crude.

3. RESULTS FROM OPERATIONS

	Three Months Ended Feb. 28	
	2011	2010
Average net production		
Crude oil (bopd)	497	236
Condensate (bopd)	-	11
Natural gas (mcf/d)	-	247
Total (boed)	497	288
Benchmark average price – Brent (\$/bbl)		
Realized prices		
Crude oil (\$/bbl)	40.68	38.70
Condensate (\$/bbl)	n/a	47.00
Natural gas (\$/mcf)	n/a	14.00
Revenue, net of royalties (\$000s)		
Total	2,077	1,282
Netback (\$/boe)		
Realized price	40.68	38.70
Royalties, Operating Expenses, Transportation	14.02	13.52
Field netback	26.66	25.18

Production and Revenue

Revenue for the first quarter of 2011 was \$2.1 million compared to revenue for the corresponding period in 2010 of \$1.3 million. The increase in revenue is primarily due to higher oil production upon field takeovers and improved commodity prices.

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 first quarter of 2011 the Company had taken over a total of 390 wells, of which 182 were producing.

For the first quarter of 2011, the Company's average daily net production was 497 boed for the three month period ended February 28, 2011 compared to 288 boed in the comparable period in 2010. In addition to domestic sales, Stream's oil production was exported in two shipments to a refinery in Italy. The price received by the Company under its agreement is determined by reference to the price of Brent crude oil, subject to production quality.

Stream produced negligible amounts of condensate and gas from the Delvina gas field, largely due to the refinery being shut down for maintenance during the first 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 is expected to commence in mid-2011.

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 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 pre-existing production 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 expects the finalization of terms to occur shortly. Stream is working with the parties toward finalization of terms.

Operating Expenses

Operating expenses increased to \$705,283 in the first quarter of 2011 compared to \$368,429 for the same period in 2010. The increase in operating expenses was as a result of to the increase in production and sales in the quarter.

Stream is obligated to fund 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 \$129,430 in the first quarter of 2011 compared to \$93,353 in the first quarter of 2010. The increase in sales and transportation expenses was proportional to the increase in production, sales and operating expenses in the first quarter of 2011.

General & Administrative Expenses

General and administrative expenses ("G&A") were higher in first quarter of 2011 at \$339,824 compared to \$174,865 in 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 having a larger Canadian office.

Consulting Fees, Management Fees and Salaries

Consulting fees, management fees and salaries were \$493,179 in the first quarter of 2011 compared to \$562,344 in the first quarter of 2010. This is due to the addition of technical and operational personnel to support the implementation of Stream's aggressive growth plans in 2011, as well as from the takeover of the entire Gorisht field as of December 31, 2010.

Professional Fees

Professional fees were \$166,072 in the first quarter of 2011 compared to \$45,901 in the first quarter of 2010. This increase is largely due to the Company having a greater number of professional staff during the first quarter of 2011.

G&A expenses have increased due to the need for additional consultants to complete the Delvina gas field Plan of Exploration. As of the end of the first quarter of 2011, field employees increased to 452 largely due to the recent takeover of the Gorisht field. As operations are consolidated in the coming months, Stream will evaluate its staffing to determine the most effective blend of national and foreign expertise. The Company conducts business using two field offices and an administrative office in Albania and a Canadian corporate 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 improve such economies of scale as production grows in 2011 and beyond.

Stock-Based Compensation

Stock-based compensation decreased to \$57,796 in the first quarter of 2011 compared to \$66,861 in the first quarter of 2010.

Amortization and Depletion

Amortization and depletion increased to \$288,903 in the first quarter of 2011 compared to \$67,388 in the same period in 2010. The increase mainly reflects amortization of the property and equipment acquired during first quarter 2010.

Accretion

Accretion of \$4,892 was expensed in the first quarter 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 a loss of \$187,682 (\$0.00 per share) for the first quarter of 2011 compared to a profit of \$20,175 (\$0.00 per share) for the same period in 2010.

Funds used in operating activities were \$52,968 for the first quarter of 2011 compared to funds used in operating activities of \$603,170 in 2010. The decrease in funds used in operations is due to the Company operating almost on a break-even basis during the first quarter 2011.

Capital Expenditures

Capitalized expenditures were \$5.0 million during the first quarter of 2011, compared to \$842,972 in the first quarter of 2010. The increase in capital expenditures in the first quarter of 2011 resulted from the takeover of additional fields and the implementation of Stream's development plans. Stream plans to continue deploying cash from financings, along with operating cash flow for further production growth. In addition, Management is studying several funding options to accelerate production growth in 2011.

4. OPERATIONAL UPDATE

Activities in the beginning of 2011 were focused on planning to effectively access Stream's large resources, preparing to efficiently execute 2011 growth programs. Management intends to leverage the success of 2010 in 2011 through the deployment of incremental oil recovery techniques, development of its gas resources and the further definition of identified enhanced oil recovery ("EOR") opportunities.

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.

During the first 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 391 bopd for this field as of the end of the first quarter of 2011. The Company continues negotiations with suppliers for deeper rigs to enable full depth workovers, better accessing the payzone. In addition, Stream is in the process of working over three wells for further jet pump tests.

The **Gorisht-Kocul** oilfield and facilities takeover was completed by December 31, 2010, enabling construction of an expanded waterflood pilot project and readying the Company to inject water into

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the waterflood pattern in late April. Field production at the end of the first quarter of 2011 was approximately 714 bopd, of which 270 bopd was net to the Company. Management started the first phase of the waterflood pilot while continuing to plan for a full field commercial water flood later in 2011. Stream will then observe the periphery wells and test the waterflood for approximately six to nine months while optimizing and preparing for a commercial project.

Preparation for the phased takeover of the **Ballsh-Hekal** oilfield continued during the first quarter, securing necessary equipment for the reactivation program.

Stream is conducting a staged rehabilitation program on 15 producing wells in the field and has taken over another eight for reactivation. The field production at the end of the first quarter 2011 was 500 bopd, of which 71 bopd was net to the Company.

The takeover of this field is expected to commence in mid-2011 and continue into 2012, implementing reactivations and workovers through the application of western artificial lift technology such as progressive cavity pumps. Once this has commenced, Stream will focus on the implementation of secondary recovery techniques through a combination of enhanced oil recovery testing and new infill drilling, which provide the potential to substantially increase field recoveries.

At the **Delvina** gas field, Stream finished required demolition and site preparation workover of the two existing vertical wells, the first of which is expected to begin in April. Once complete, the Company 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.

Subsequent to the quarter, Stream advanced its **Delvina Block** gas exploration program Phase II with the award of the seismic tomography contract. 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. The field segment of the program will commence 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.

In addition, Stream reached an agreement with ARMO to supply crude from its three oilfields on the following basis: 75% of Brent monthly average for Cakran-Mollaj oil; and 60% of Brent monthly average for Gorisht-Kocul and Ballsh-Hekal oil. The majority of the Company's production comes from the Cakran-Mollaj field, resulting in Stream's average oil sales price exceeding 70% of monthly average Brent. This, combined with lower local transportation costs, will significantly increase cash flow, thereby reducing Stream's need for additional external capital.

5. LIQUIDITY & CAPITAL RESOURCES

As of February 28, 2011, the Company's cash balance was \$4.5 million, inventory was recorded at \$451,069, accounts receivable and pre-paid expenses were \$2.6 million and the accounts payable balance was \$4.4 million. Total working capital at February 28, 2011 was \$3.2 million.

As of April 28, 2011, working capital was approximately \$1.6 million. This included cash of approximately \$2.4 million. Accounts receivable and other current assets were \$1.9 million and accounts payable was \$2.7 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 oil transfers occurring after payment receipt in accordance with the sales agreements. The Company 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, with a forecast implementation of mid to late 2011, include both industrial and power generation consumers. For example, 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.

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 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).

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.

8. OUTLOOK

Stream's growth strategy is focused on increasing production, reserves, sales and cash flow. Production continues to increase and cash flow has improved as a result of new and revised sales contracts. The Company intends to continue to export production, thereby proactively managing in-country sales risks. As production is forecast to increase significantly in 2011 with the Cakran-Mollaj and Gorisht-Kocul workover programs and the gradual takeover of the Ballsh field, contracts will continue to be negotiated to enable the sales of additional oil production.

Management's strategy for 2011 is to focus on high growth, low risk production increases utilizing improved oil recovery methods. These methods include improved artificial lift, integrated reservoir management and production optimization. Through 2011, the Company will continue additional takeovers, enabling further production growth, 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. Going forward, Stream will continue to focus its technical personnel on further defining its resource potential, including selecting the appropriate recovery mechanisms to test in the 2011 fiscal year.

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. The successful 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.

	2011	2010				2009		
(\$000s)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil & gas revenue , net of royalties	2,077	705	2,653	1,327	1,282	(151)	791	766
Sales and transportation	129	77	189	32	93	(13)	79	12
Operating expenses	705	1,127	739	195	368	570	134	271
Net operating income (loss)	1,242	(499)	1,726	1,100	820	(359)	577	483
General and administrative	340	409	123	183	174	126	185	87
Net income (loss)	(188)	(2,335)	813	(41)	20	(1,206)	(396)	(214)
Earnings (loss) per share - basic and fully diluted	(0.00)	(0.04)	0.02	0.00	0.00	(0.02)	(0.01)	(0.01)
Additions to property, plant and equipment	5,007	4,994	533	307	843	620	341	396

Average daily production								
Crude oil (bbls/d)	497	445	388	326	236	250	240	231
Natural gas (mcf/d)	-	-	-	-	247	-	-	275
Condensate (bbls/d)	-	3	4	2	11	-	-	13

Average price								
Crude oil (\$/bbl)	40.68	38.70	38.70	38.70	38.70	38.69	40.00	24.00
Natural gas (\$/mcf)	-	-	-	-	14.00	-	-	12.00
Condensate (\$/bbl)	-	-	59.09	42.04	47.00	-	-	65.00

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 shut-down 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 February 28, 2011, the Company had 63,922,801 common shares issued and outstanding. As at April 28, 2011, the Company had 64,222,801 common shares issued and outstanding.

Stock Options

As of February 28 and April 28, 2011 4,302,500 and 4,002,500 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 April 28, 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 to finding and producing oil and gas in commercial quantities, securing markets for production, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations including regulations relating to prices, taxes, royalties and environmental protections. The oil and gas industry is very competitive and Stream 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 February 28, 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 February 28, 2010 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 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.

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).

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

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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 February 28, 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",

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"project", "should", "believe" and similar expressions are intended to identify forward-looking statements.

Such forward-looking information, including but not limited to statements such as production targets, timing of the company's planned work program and management's belief as to the potential of certain properties, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

Such factors include, among others, risks and uncertainties associated with exploration, petroleum operations and risks associated with equipment procurement and equipment failure as well as those described under "Business Risks and Uncertainties" in the Company's Information Circular. The Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this MD&A should not be unduly relied upon.

Non-GAAP Measures

Stream 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.