OYSTER
OIL & GAS LTD

Condensed Consolidated Financial Statements

September 30, 2015

(Expressed in Canadian dollars - Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

OYSTER OIL AND GAS LTD.
Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars - Unaudited)

		September 30, 2015		December 31, 2014
Assets				
Current assets:				
Cash and cash equivalents (note 12)	$	84,498	$	747,403
Receivables (note 4)		8,245		27,085
Prepaid expenses		18,707		22,999
		111,450		797,487
Non-current assets:				
Restricted cash		133,940		115,910
Equipment, net		6,445		6,501
Exploration and evaluation – oil and gas (notes 5 and 6)		9,735,262		9,349,601
		9,875,647		9,472,012
Total assets	$	9,987,097	$	10,269,499
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 7)	$	672,650	$	723,917
Shareholders' equity:				
Share capital (note 8)		24,850,151		24,516,179
Stock option reserve (note 8)		4,953,399		4,953,399
Deficit		(20,489,103)		(19,923,996)
		9,314,447		9,545,582
Total liabilities and shareholders' equity	$	9,987,097	$	10,269,499

Additional funding of $490,000 was completed in October 2015 – see Subsequent Events (Note 12)

Approved on behalf of the Board:

"Michael Wood" *"Bruce McNaught"*

See accompanying notes to condensed consolidated financial statements

OYSTER OIL AND GAS LTD.

Condensed Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars - Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Expenses:				
Corporate office	$ 70,034	$ 109,518	$ 282,032	$ 290,251
General and administrative (note 9)	43,930	48,286	155,758	179,953
Property investigation costs (note 9)	16,708	39,895	31,037	109,233
Stock based compensation (notes 8 and 9)	-	20,472	-	106,146
Amortization	32	164	112	553
	(130,704)	(210,917)	(468,939)	(1,350,720)
Other Items:				
Other income	2,323	2,303	6,951	7,739
Gain (loss) on foreign exchange	(44,984)	540	(103,691)	895
Interest income	(271)	1,922	572	10,830
	(42,932)	4,765	(96,168)	19,464
Net and comprehensive loss	$ (173,636)	$ (213,570)	$ (565,107)	$ (666,672)
Loss per share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	32,269,902	27,903,417	30,549,972	27,903,417

See accompanying notes to condensed consolidated financial statements

OYSTER OIL AND GAS LTD.

Condensed Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars - Unaudited)

	Share capital				
	Number of shares	Amount	Stock option reserve	Deficit	Total
Balance at December 31, 2013	27,903,417	$24,120,962	$ 4,884,627	$ (19,091,619)	$ 9,913,970
Stock based compensation (note 8)	-	-	106,146	-	106,146
Comprehensive loss:					
Net loss	-	-	-	(666,672)	(666,672)
Balance at September 30, 2014	**27,903,417**	**$24,120,962**	**$ 4,990,773**	**$ (19,758,291)**	**$ 9,353,444**
Balance at December 31, 2014	29,621,707	$24,516,179	$ 4,953,399	$ (19,923,996)	$ 9,545,582
Shares issued on exercise of warrants	3,137,325	333,972	-	-	333,972
Comprehensive loss:					
Net loss	-	-	-	(565,107)	(565,107)
Balance at September 30, 2015	**32,759,032**	**$ 24,850,151**	**$ 4,953,399**	**$ (20,489,103)**	**$ 9,314,447**

See accompanying notes to condensed consolidated financial statements

OYSTER OIL AND GAS LTD.

Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars - Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating activities				
Net loss	$ (173,636)	$ (213,570)	$ (565,107)	$ (666,672)
Items not involving cash				
Amortization	32	164	112	553
Foreign exchange gain on restricted cash	(9,190)	(5,356)	(18,030)	(5,752)
Stock based compensation	-	20,472	-	106,146
Changes in non-cash working capital				
Receivables	(1,790)	(4,174)	18,840	94,495
Prepaid expenses	7,047	10,214	4,292	4,884
Accounts payable and accrued liabilities	7,503	(149,198)	(51,323)	(167,858)
Decrease in cash from operations	(170,034)	(341,180)	(611,216)	(634,204)
Investing activities				
Expenditures on exploration and evaluation asset	(90,495)	(347,487)	(385,661)	(860,328)
Decrease in cash from investing	(90,495)	(347,487)	(385,661)	(860,328)
Financing activity				
Share issued for cash – exercise of warrants	280,000	-	333,972	-
Increase in cash from investing	280,000	-	333,972	-
Increase (Decrease) in cash and cash equivalents	19,471	(688,667)	(662,905)	(1,494,532)
Cash and cash equivalents, beginning	65,027	1,376,835	747,403	2,182,700
Cash and cash equivalents, ending	$ 84,498	$ 688,168	$ 84,498	$ 688,168
Comprised of:				
Cash at bank	$ 70,498	$ 120,168	$ 70,498	$ 120,168
Guaranteed investment certificates	14,000	568,000	14,000	568,000
Total cash and cash equivalents	$ 84,498	$ 688,168	$ 84,498	$ 688,168

See accompanying notes to condensed consolidated financial statements

1. Nature of Operations

Oyster Oil and Gas Ltd. (the “Company”) is an exploration company engaged in the acquisition, exploration and development of oil and gas interests in Africa. The Company’s shares are traded on the TSX Venture Exchange (the “Exchange”) under the symbol “OY”.

The head office and the registered and records office of the Company are located at Suite 918 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

These condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2015 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. Basis of Preparation

The consolidated financial statements were authorized for issue on November 25, 2015 by the directors of the Company.

(a) Statement of Compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

(b) Basis of Measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

(c) Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

2. Basis of Preparation (continued)

(d) Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses;
- the determination of whether an acquisition constitutes a business combination or an acquisition of assets; and
- the determination of the functional currency of the parent company and its subsidiaries.

3. Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements of the Company consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities that the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company.

The wholly owned subsidiaries of the Company which are included in these consolidated financial statements as at September 30, 2015 are Oyster Oil & Gas Limited (a British Virgin Islands corporation), Oyster Oil and Gas Djibouti SARL (a Djibouti company), Oyster Madagascar Limited (a British Virgin Islands corporation), and Oyster Oil & Gas Burundi.

(b) Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that it will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Receivables

	September 30, 2015		December 31, 2014	
GST receivable	$	7,139	$	25,033
Interest receivable on guaranteed investment certificates		68		2,052
Other		1,038		-
	$	8,245	$	27,085

5. Acquisition of Subsidiary

On March 12, 2013, the Company completed the acquisition of all of the issued and outstanding shares of Oyster Oil & Gas Limited ("Oyster BVI"). As consideration, the Company issued 9,485,727 common shares and non-transferable warrants for the purchase of up to 5,891,111 common shares of the Company at an exercise price of $0.44 per share, for a period of 30 months from the date of issue. In addition should, within 18 months of the closing, the Company enter into one or two agreements for the acquisition by the Company of a property in East Africa or elsewhere that the board of directors of the Company considers to be in the best interests of the Company's shareholders, then for each of such one or two agreements the Company will issue to the Oyster BVI original shareholders 1,853,785 additional common shares of the Company and warrants for the purchase of up to an additional 1,166,945 common shares of the Company on the same terms as the previously issued warrants. In connection with the Acquisition, the Company also issued 250,000 common shares to a third party as compensation for introducing the Company to the Oyster BVI.

In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination, as the primary asset (Djibouti Hydrocarbon Production Sharing Contract – note 7) is an exploration stage property with no reserves. Consequently, the transaction has been recorded as an acquisition of an asset.

The total cost of the acquisition was comprised of the following:

Issuance of shares (9,485,727 at $0.32 per share)	$	3,035,433
Issuance of warrants (5,891,111 at $0.188 per warrant)		1,107,206
Finders shares (250,000 at $0.32 per share)		80,000
Legal and other transaction costs		144,019
Total purchase consideration	$	4,366,658

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions:

Average risk-free interest rate	0.98%
Expected share price volatility	116%
Expected life	2.5 years
Expected dividend yield	Nil

5. Acquisition of Subsidiary *(continued)*

The cost was allocated to the assets and liabilities acquired as follows:

Cash	$	140,264
Property, plant and equipment		4,644
Exploration and evaluation assets		4,568,355
Accounts payable		(46,605)
Deposit payable		(100,000)
Inter-company loan (previously advanced by the Company)		(200,000)
Net assets acquired	$	4,366,658

6. Exploration and Evaluation Asset – Oil and Gas

The Company's oil and gas exploration and evaluation assets are comprised of two properties in east Africa with carrying values as at September 30, 2015 and December 31, 2014 as follows:

		September 30, 2015		December 31, 2014
Republic of Djibouti	$	6,340,319	$	6,168,616
Republic of Madagascar		3,394,943		3,180,985
	$	9,735,262	$	9,349,601

Republic of Djibouti

Oyster BVI had signed a production sharing contract in September 2011 with the Republic of Djibouti awarding four exploration blocks to the Company. The decree was granted on February 1, 2012, the effective date of the production sharing contract is March 1, 2012.

On March 1, 2014, the Company entered into Phase II of the production sharing contract.

Exploration and evaluation expenditures incurred and capitalized on this property from the time of acquisition of Oyster BVI by the Company to September 30, 2015 is as follows:

Acquisition of Oyster BVI (note 6)	$	4,568,355
Field and technical work		423,510
Field office, management and administration		472,098
Balance, December 31, 2013		5,463,963
Field and technical work		301,837
Field office, management and administration		402,816
Balance, December 31, 2014	$	6,168,616
Field and technical work		17,524
Field office, management and administration		154,179
Balance, September 30, 2015	$	6,340,319

6. Exploration and Evaluation Asset – Oil and Gas *(continued)*

Republic of Madagascar

On October 24, 2013, the Company closed an agreement to acquire a 10% working interest in certain exploration and evaluation stage oil and gas assets located onshore in the north western part of Republic of Madagascar. The consideration for the acquisition consisted of a $500,000 cash payment upon closing and upon the commencement of drilling of the first exploration well a further payment of $250,000 and common shares with a value of $250,000.

In addition, as a result of the acquisition, the Company issued 1,853,785 common shares with a fair value of $0.65 per share and 1,166,945 warrants exercisable at $0.625 per share with a fair value of $527,230 as per the acquisition agreement with the sellers of Oyster BVI (note 6). The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions:

Average risk-free interest rate	1.30%
Expected share price volatility	127%
Expected life	2.5 years
Expected dividend yield	Nil

Exploration and evaluation expenditures incurred and capitalized on this property since acquisition consist of the following:

Acquisition costs	$	2,232,190
Field and technical work		128,993
Field office, management and administration		156,005
Balance, December 31, 2013		2,517,188
Field and technical work		588,916
Field office, management and administration		74,881
Balance, December 31, 2014	$	3,180,985
Field and technical work		132,408
Field office, management and administration		81,550
Balance, September 30, 2015	$	3,394,943

7. Accounts Payable and Accrued Liabilities

		September 30, 2015		December 31, 2014
Trade payables (note 9)	$	530,150	$	578,917
Accrued liabilities		42,500		45,000
Deposit assumed on acquisition of Oyster BVI (note 6)		100,000		100,000
	$	672,650	$	723,917

8. Share Capital

(a) Authorized

Unlimited class A common shares, without par value.

(b) Issued

At September 30, 2015, there were 32,759,032 common shares issued and fully paid common shares outstanding (December 31, 2014 – 29,621,707).

The Company issued 3,137,325 common shares during the nine months ended September 30, 2015 as follows:

i. issuance of 337,325 common shares as a result of the exercise of warrants exercisable at $0.16 for proceeds of $53,972; and

ii. issuance of 2,800,000 common shares as a result of the exercise of warrants exercisable at $0.10 for proceeds of $280,000.

The Company issued 1,718,290 common shares during the year ended December 31, 2014 as follows:

iii. issuance of 830,325 common shares as a result of the exercise of warrants exercisable at $0.30 for proceeds of $249,096;

iv. issuance of 862,675 common shares as a result of the exercise of warrants exercisable at $0.16 for proceeds of $138,028; and

v. issuance of 25,290 common shares with a fair value of $8,093 as a finders' fee in connection with the Kalum property (note 5).

(c) Options

A summary of the status of the Company's stock options outstanding as at September 30, 2015 and December 31, 2014 and changes during the year is presented below:

	Number of shares	Weighted average exercise price
Balance, December 31, 2013	2,485,000	$ 0.36
Expired	(360,000)	(0.30)
Granted	200,000	0.46
Balance, December 31, 2014	2,325,000	0.37
Cancelled	(300,000)	(0.15)
Balance, September 30, 2015	2,025,000	0.41
Weighted average remaining contractual life		2.46 Years

8. Share Capital *(continued)*

(c) Options (continued)

As at September 30, 2015, the following options were outstanding:

	Options outstanding and exercisable	
Expiry date	Exercise price	Options
September 17, 2017	$ 0.15	600,000
January 8, 2018	$ 0.17	125,000
April 20, 2018	$ 0.55	1,000,000
April 20, 2018	$ 0.68	100,000
March 4, 2019	$ 0.45	150,000
July 21, 2019	$ 0.50	50,000
		2,025,000

During the year ended December 31, 2014, the Company granted 200,000 stock options with a grant date fair value of $ 68,772.

The fair value of options granted was determined using the Black-Scholes option pricing model using the following assumptions:

	Nine Months ended September 30, 2015	Nine Months ended September 30, 2014
Average risk-free interest rate	-	1.34% - 1.49%
Expected share price volatility	-	86%
Expected life	-	5 years
Expected dividend yield	-	Nil

The following table summarizes the continuity of the Company's warrants and broker warrants:

	Number of shares	Weighted average exercise price
Balance, December 31, 2013	17,338,056	$ 0.27
Exercised	(1,693,000)	(0.23)
Balance, December 31, 2014	15,645,056	$ 0.27
Exercised	(3,137,325)	0.11
Expired	(6,240,786)	(0.43)
Balance, September 30, 2015	6,266,945	$ 0.20
Weighted average remaining contractual life		0.16 years

As at September 30, 2015, the following warrants were outstanding:

Date issued	Expiry date	Exercise price per share	Number of shares
October 15, 2010	October 15, 2015	$ 0.10	5,100,000
November 27, 2013	May 27, 2016	0.63	1,166,945
			6,266,945

8. Share Capital *(continued)*

(e) Reserves

Stock option reserve

The stock-option reserve records items recognized as stock-based compensation expense until such time that the stock options or other instrument are exercised, at which time the corresponding amount will be transferred to share capital.

9. Related Party Transactions

(a) Key management compensation

Compensation of key management for the periods ended September 30, 2015 and 2014 are as follows:

	2015	2014
Short-term employee benefits – management fees:		
Included in property investigation and general and administrative expense	$ 150,889	$ 195,000
Included in exploration and evaluation assets – oil and gas	34,111	-
	185,000	195,000
Stock based compensation	-	28,558
	-	28,558
	$ 185,000	$ 223,558

(b) Related party balances

Included in trade payables is $92,500 (2014 - $70,374) owing to a member of the Company's key management (note 7). This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

10. Financial Risk and Capital Management

(a) Financial risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. Substantially all of the Company's cash and cash equivalents are deposited in bank accounts held with major banks in Canada and the United Kingdom. As the majority of the Company's cash and cash equivalents is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian and British banks that are high credit quality financial institutions as determined by rating agencies.

10. Financial Risk and Capital Management (continued)

(a) Financial risks (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall 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 on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company assesses liquidity risk as high.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. At June 30 2015, the net carrying value of financial instruments denominated United States dollars is $3,059. Fluctuations in the United States dollar relative to the Canadian dollar will impact the Company's net loss. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments pay interest at variable rates and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net income by approximately $750.

(b) Management of capital

The Company's objectives when managing capital are:

i. to ensure that the Company will continue as a going concern so that it can continue to provide services to its customers and offer a return on investment to its shareholders; and

ii. to maintain a capital structure which optimizes the cost of capital while providing flexibility and diversity of funding sources and timing of debt maturities along with adequate anticipated liquidity for future growth.

The Company defines capital that it manages as the aggregate of its cash and cash equivalents and share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. The Company's investment policy is to invest only in investment grade, highly liquid money market and fixed income securities with less than one year maturity.

At September 30, 2015, the Company is not subject to any externally imposed capital requirements. The Company's overall strategy with respect to management of capital remains unchanged from the prior year.

11. Segmented Information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of resource properties.

Geographic segments

The location of the Company's exploration and evaluation assets are disclosed in notes 5 and 6.

12. Subsequent Events

In October 2015, 4,900,000 warrants were exercised for proceeds of $490,000.

On October 15, 2015, 200,000 warrants at $0.10 expired.