OYSTER
OIL & GAS LTD

Condensed Consolidated Financial Statements

September 30, 2016

(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, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 7,447	$ 115,553
Receivables (note 4)	6,114	11,304
Prepaid expenses	5,125	6,432
	18,686	133,289
Non-current assets:		
Restricted cash	131,170	138,400
Equipment, net	5,677	6,191
Exploration and evaluation – oil and gas (note 5)	10,255,040	9,796,976
	10,391,887	9,941,567
Total assets	$ 10,410,573	$ 10,074,856
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 637,325	$ 347,705
Promissory notes (notes 7 and 10)	160,000	-
	797,325	347,705
Long-term liabilities:		
Loan payable (note 8)	196,755	-
	994,080	347,705
Shareholders' equity:		
Share capital (note 9)	25,340,151	25,340,151
Stock option reserve (note 9)	5,216,299	4,953,399
Deficit	(21,139,957)	(20,566,399)
	9,416,493	9,727,151
Total liabilities and shareholders' equity	$ 10,410,573	$ 10,074,856

Commitment (note 5)

Approved on behalf of the Board:

"Michael Wood" *"Bruce McNaught"*

See accompanying notes to the 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, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating Expenses:				
Corporate office (note 10)	$ 66,525	$ 70,034	$ 229,272	$ 282,251
General and administrative	20,523	43,930	75,633	155,758
Property investigation costs (note 10)	154	16,708	9,324	31,037
Stock based compensation (note 9 and 10)	-	-	262,900	-
Amortization	85	32	255	112
	(87,287)	(130,704)	(577,384)	(468,939)
Other Items:				
Other income	-	2,323	2,303	6,951
Gain (loss) on foreign exchange	(1,409)	(44,984)	1,231	(103,691)
Interest income	257	(271)	292	572
	(1,152)	(42,932)	3,826	(96,168)
Net and comprehensive loss	$ (88,439)	$ (173,636)	$ (573,558)	$ (565,107)
Loss per share – basic and diluted	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	37,659,032	32,269,902	37,659,032	30,549,972

See accompanying notes to the 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, 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**
Balance at December 31, 2015	37,659,032	$ 25,340,151	$ 4,953,399	$ (20,566,399)	$ 9,727,151
Stock based compensation	-	-	262,900	-	262,900
Comprehensive loss:					
Net loss	-	-	-	(573,558)	(573,558)
Balance at September 30, 2016	**37,659,032**	**$25,340,151**	**$ 5,216,299**	**$ (21,139,957)**	**$ 9,416,493**

See accompanying notes the 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, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating activities				
Net loss	$ (88,439)	$ (173,636)	$ (573,558)	$ (565,107)
Items not involving cash				
Amortization	344	32	514	112
Foreign exchange	(1,080)	(9,190)	7,230	(18,030)
Stock based compensation	-	-	262,900	-
Changes in non-cash working capital				
Receivables	(867)	(1,790)	5,190	18,840
Prepaid expenses	1,792	7,047	1,307	4,292
Accounts payable and accrued liabilities	112,550	7,503	289,620	(51,323)
Increase (decrease) in cash from operations	24,300	(170,034)	(6,797)	(634,204)
Investing activities				
Expenditures on exploration and evaluation asset – oil and gas	(257,795)	(90,495)	(458,064)	(385,661)
Decrease in cash from investing	(257,795)	(90,495)	(458,064)	(385,661)
Financing activities				
Promissory notes proceeds	-	-	160,000	-
Loan proceeds	196,755	-	196,755	-
Shares issued for cash - exercise of warrants	-	280,000	-	333,972
Increase in cash from financing	196,755	280,000	356,755	333,972
Increase (decrease) in cash and cash equivalents	(36,740)	19,471	(108,106)	(662,905)
Cash and cash equivalents, beginning	44,187	65,027	115,553	747,403
Cash and cash equivalents, ending	$ 7,447	$ 84,498	$ 7,447	$ 84,498
Comprised of:				
Cash at bank	$ 7,447	$ 70,498	$ 7,447	$ 70,498
Guaranteed investment certificates	-	14,000	-	14,000
Total cash and cash equivalents	$ 7,447	$ 84,498	$ 7,447	$ 84,498

See accompanying notes to the 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 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 September 30, 2016 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 17, 2016 by the directors of the Company.

(a) Statement of Compliance with International Financial Reporting Standards

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

(c) Significant estimates and assumptions

The preparation of condensed 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; and
- the determination of the functional currency of the parent company and its subsidiaries.

3. Significant Accounting Policies

(a) Basis of Consolidation

The condensed 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 condensed consolidated financial statements as at September 30, 2016 are Oyster Oil & Gas Limited (a British Virgin Islands corporation) ("Oyster BVI"), Oyster Oil and Gas Djibouti SARL (a Djibouti company) and Oyster Madagascar Limited (a British Virgin Islands corporation).

(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 this standard 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.

(Expressed in Canadian dollars - Unaudited)

4. Receivables

	September 30, 2016	December 31, 2015
GST receivable	$ 4,946	$ 10,040
Interest receivable on guaranteed investment certificates	-	96
Other	1,168	1,168
	$ 6,114	$ 11,304

5. 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, 2016 and December 31, 2015 as follows:

	September 30, 2016	December 31, 2015
Republic of Djibouti	$ 6,954,148	$ 6,616,860
Republic of Madagascar	3,300,892	3,180,116
	$ 10,255,040	$ 9,796,976

Republic of Djibouti

Oyster BVI, which was acquired by the Company during the year ended December 31, 2013, 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 for the years ended December 31, 2015 and nine months ended September 30, 2016 is as follows:

Balance, December 31, 2014	6,168,616
Field and technical work	235,917
Field office, management and administration	212,327
Balance, December 31, 2015	6,616,860
Field and technical work	214,811
Field office, management and administration	122,477
Balance, September 30, 2016	$ 6,954,148

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 the Republic of Madagascar in Block 1101. During the year ended December 31, 2015, the third party that held the other 90% working interest in the above mentioned Madagascar assets defaulted on it's obligations under a Production Sharing Contract with the Madagascar government. As a result, the third party lost it's 90% working interest. On June 2, 2016, the Company signed transfer documents that confirm its rights to 100% working interest and an appointment as Operator of the Antsiranana Block 1101 located onshore in northern Madagascar. An amendment to the Production Sharing Agreement has been agreed with the Government and was signed August 2nd 2016; however, the Company has certain outstanding obligations that need to be met under this agreement.

(Expressed in Canadian dollars - Unaudited)

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

Republic of Madagascar (continued)

Exploration and evaluation expenditures incurred and capitalized on this property for the years ended December 31, 2015 and nine months ended September 30, 2016 is as follows:

Balance, December 31, 2014		3,180,985
Field and technical work (reverse underfunding)		(115,546)
Field office, management and administration		114,677
Balance, December 31, 2015	$	3,180,116
Field and technical work		11,075
Field office, management and administration		109,701
Balance, September 30, 2016	$	3,300,892

6. Accounts Payable and Accrued Liabilities

		September 30, 2016		December 31, 2015
Trade payables (note 9)	$	518,086	$	207,135
Accrued liabilities		15,540		40,570
Interest payable		3,699		-
Deposit assumed on acquisition of Oyster BVI		100,000		100,000
	$	637,325	$	347,705

7. Promissory Notes

On February 3, 2016, the Company entered into an agreement for a promissory note in the amount of $100,000 of which $50,000 was received on February 3 and $50,000 was received on May 13, 2016. The promissory note is unsecured and accrues interest at 5% per annum on the outstanding principal balance. In May 2016, an amendment to the promissory note was signed to extend the maturity date from July 31, 2016 to September 30, 2016. As at September 30, 2016, $2,548 in accrued interest (December 31, 2015 - $nil) associated with these promissory notes is included in trade payables and accrued liabilities. The promissory notes were not repaid at maturity and no demands have been made for repayment.

On May 13, 2016, the Company entered into an agreement for three promissory notes in the amount of $60,000 from related parties (note 10). The promissory notes are unsecured, accrue interest at 5% per annum on the outstanding principal balance and have a maturity date of September 30, 2016. As at September 30, 2016, $1,151 in accrued interest (December 31, 2015 - $nil) associated with these promissory notes is included in trade payables and accrued liabilities. The promissory notes were not repaid at maturity and no demands have been made for repayment.

8. Loan Payable

On August 10, 2016, the Company entered into a loan agreement to borrow an amount of $150,000 USD from an arm's-length party. The loan bears interest at 2% per annum and is repayable on or before December 31, 2017.

9. Share Capital

(a) Authorized

Unlimited class A common shares, without par value.

(Expressed in Canadian dollars - Unaudited)

9. Share Capital *(continued)*

(b) Issued

At September 30, 2016, there were 37,659,032 common shares issued and fully paid common shares outstanding (December 31, 2015 – 37,659,032).

The Company issued 8,037,325 common shares during the year ended December 31, 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 7,700,000 common shares as a result of the exercise of warrants exercisable at $0.10 for proceeds of $770,000.

(c) Options

On May 20, 2016, the Company granted 1,800,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.14 per common share for a period of five years ending May 20, 2021. The stock based compensation expense of $262,900 was recognized, being the fair value determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 0.91%; Expected life of 5 years; Expected volatility of 110% and dividend yield of nil. The options vested immediately.

A summary of the status of the Company's stock options outstanding as at September 30, 2016 and December 31, 2015 and changes during the periods is presented below:

	Number of Options	Weighted average exercise price
Balance, December 31, 2014	2,325,000	$ 0.37
Cancelled	(300,000)	(0.15)
Balance, December 31, 2015	2,025,000	0.41
Issued	1,800,000	0.14
Cancelled	(750,000)	(0.26)
Balance, September 30, 2016	3,075,000	$ 0.29
Weighted average remaining contractual life		3.40 Years

As at September 30, 2016, the following options were outstanding:

	Options outstanding and exercisable	
Expiry date	Exercise price	Options
September 17, 2017	$ 0.15	50,000
January 8, 2018	$ 0.17	125,000
April 20, 2018	$ 0.55	800,000
April 20, 2018	$ 0.68	100,000
March 4, 2019	$ 0.45	150,000
July 21, 2019	$ 0.50	50,000
May 20, 2021	$ 0.14	1,800,000
		3,075,000

(Expressed in Canadian dollars - Unaudited)

9. Share Capital *(continued)*

(d) Warrants

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2014	15,645,056	$ 0.27
Exercised	(8,037,325)	0.11
Expired	(6,440,786)	(0.42)
Balance, December 31, 2015	1,166,945	$ 0.63
Expired	(1,166,945)	(0.42)
Balance, September 30, 2016	-	$ -
Weighted average remaining contractual life		-

(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.

10. Related Party Transactions

(a) Related party transactions

Transactions with related parties for the periods ended September 30, 2016 and 2015 are as follows:

	2016	2015
Corporate expenses paid to company controlled by a member of key management	$ -	$ 42,000

(b) Key management compensation

Compensation of key management for the periods ended September 30, 2016 and 2015 are as follows:

	2016	2015
Short-term employee benefits – management fees:		
Included in property investigation and corporate office	$ 170,150	$ 150,889
Included in exploration and evaluation assets – Oil and Gas	121,909	34,111
	292,059	185,000
Stock based compensation		
Included in stock-based compensation expense	109,541	-
	109,541	-
	$ 401,600	$ 185,000

10. Related Party Transactions *(continued)*

(c) Related party balances

Included in trade payables for the period ended September 30, 2016 is $307,941 (December 31, 2015 - $107,874) owing to members of the Company's key management (note 6) and $36,081 (December 31, 2015 - $nil) to a company formerly controlled by a member of the Company's key management (note 6). This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

Included in promissory notes for the period ended September 30, 2016 is $60,000 (December 2015 - $nil) and $1,151 for interest accrued on the promissory notes, owing to the members of the Company's key management (note 7). The principal amounts are unsecured, accrue interest at 5% per annum and have a maturity date of September 30, 2016.

11. 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. The Company assessed credit risk as low.

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 September 30, 2016, the net carrying value of financial instruments denominated in United States dollars is $(35,786) and Great Britain pounds is $(111,201). Fluctuations in the United States dollar and Great Britain pound 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. The Company assesses foreign exchange risk to be low.

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. The Company assesses interest rate risk as low.

11. Financial Risk and Capital Management (continued)

(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, 2016, 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.

12. 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 note 5.