



Condensed Consolidated Interim Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

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 condensed consolidated interim 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 condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by the entity's auditor.

OYSTER OIL AND GAS LTD.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash	\$ 17,387	\$ 128,911
Receivables	6,724	14,453
Prepaid expenses	9,376	9,376
	33,487	152,740
Non-current assets:		
Restricted cash (note 4)	128,880	128,880
Equipment, net	10,283	10,540
Exploration and evaluation – oil and gas (note 4)	11,536,279	11,409,438
	11,675,441	11,548,858
Total assets	\$ 11,708,929	\$ 11,701,598
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 980,441	\$ 422,845
Convertible debentures (note 8)	1,232,215	1,062,905
Loan payable	17,500	-
Derivative liability (note 8)	-	185,947
	2,230,156	1,671,697
Shareholders' equity:		
Share capital (note 9)	27,242,002	27,211,302
Share-based payment reserve (note 9)	5,409,146	5,409,146
Deficit	(23,172,375)	(22,590,547)
	9,478,773	10,029,901
Total liabilities and shareholders' equity	\$ 11,708,929	\$ 11,701,598

Going concern (note 1)
Commitment (note 4)
Subsequent events (note 13)

Approved on behalf of the Board:

"Michael Wood"

"Greg Turnbull"

See accompanying notes to the condensed consolidated interim financial statements

OYSTER OIL AND GAS LTD.

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

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	Nine months ended Sept. 30, 2018	Nine months ended Sept. 30, 2017
Operating Expenses:				
Corporate office (note 11)	\$ 130,367	\$ 268,691	\$ 408,709	\$ 517,938
General and administrative (notes 11)	24,120	102,385	85,232	229,145
IPO Costs	-	75,295	-	75,295
Corporate advisory fees	-	113,000	-	192,730
Property investigation costs (note 11)	-	1,225	-	2,051
Stock based compensation (notes 10 and 11)	-	100,798	-	139,586
Amortization	85	86	257	258
	(154,572)	(661,408)	(494,198)	(1,157,003)
Other Items:				
Interest and accretion expense (note 9)	(42,771)	253	(260,831)	253
Write off of accounts payable	-	9,896	-	9,896
Write off of non-refundable deposit	-	-	-	100,000
Loss on foreign exchange	(11,608)	(24,311)	(12,746)	(24,015)
Change in derivative liability (note 9)	815	-	185,947	-
	(53,564)	(14,162)	(87,630)	86,134
Net and comprehensive loss	\$ (208,136)	\$ (676,642)	\$ (581,828)	\$ (1,070,869)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average number of shares outstanding – basic and diluted	43,806,059	43,528,774	43,747,262	41,670,115

See accompanying notes to the condensed consolidated interim financial statements

OYSTER OIL AND GAS LTD.

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

	Share capital		Subscriptions Received	Share-based payment reserve	Deficit	Total
	Number of shares	Amount				
Balance at December 31, 2016	37,659,032	\$ 25,340,151	\$ -	\$ 5,216,299	\$(21,238,673)	\$ 9,317,777
Shares issued for cash, net of share issue costs	4,425,000	1,351,571	-	2,598	-	1,354,169
Shares issued on exercise of warrants	1,000,000	270,000	-	-	-	270,000
Shares issued for debt	512,627	205,050	-	-	-	205,050
Shares issued on exercise of options	50,000	13,261	-	(5,761)	-	7,500
Debt discount reserve	-	-	176,796	-	-	176,796
Finders warrants on convertible debentures	-	(2,516)	-	2,516	-	-
Stock based compensation (note 10)	-	-	-	139,586	-	139,586
Comprehensive loss:						
Net loss	-	-	-	-	(1,070,869)	(1,070,869)
Balance at September 30, 2017	43,646,659	27,177,517	176,796	5,355,238	(22,309,542)	10,400,009
Balance at December 31, 2017	43,646,659	27,211,302	-	5,409,146	(22,590,547)	10,029,901
Shares issued on exercise of options (note 10)	125,000	21,250	-	-	-	21,250
Shares issued for services	70,000	9,450	-	-	-	9,450
Comprehensive loss:						
Net loss	-	-	-	-	(581,828)	(572,378)
Balance at September 30, 2018	43,841,659	\$ 27,242,002	\$ -	\$ 5,409,146	\$ (23,172,375)	\$ 9,359,233

See accompanying notes to the condensed consolidated interim financial statements

OYSTER OIL AND GAS LTD.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian)

For the Three Months Ended March 31, 2018

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities		
Net loss	\$ (581,828)	\$ (1,070,869)
Items not involving cash		
Amortization	257	258
Stock based compensation	-	139,586
Write back of non-refundable option deposit	-	(100,000)
Write off of accounts payable	-	(9,896)
Interest and Accretion expense of convertible debt	169,310	32,230
Foreign exchange	-	8,790
Gain on change in derivative liability	(185,947)	-
Changes in non-cash working capital		
Receivables	7,729	(4,977)
Prepaid expenses	-	(8,739)
Accounts payable and accrued liabilities	557,596	(451,184)
Decrease in cash from operations	(32,883)	(1,464,801)
Investing activities		
Expenditures on exploration and evaluation asset – oil and gas	(126,841)	(803,535)
Acquisition of equipment	-	(4,951)
Decrease in cash from investing	(126,841)	(808,486)
Financing activity		
Shares issued for cash and services, net share issue cost	9,450	1,354,169
Convertible debenture proceeds	-	1,232,215
Promissory notes proceeds (repayment)	17,500	(170,000)
Shares issued for cash – exercise of warrants	-	270,000
Shares issued for cash – exercise of options	21,250	7,500
Increase in cash from financing	48,200	2,693,884
Increase (decrease) in cash	(111,524)	420,597
Cash, beginning	128,911	7,460
Cash, ending	\$ 17,387	\$ 428,057

See accompanying notes to the condensed consolidated interim financial statements

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

1. Nature of Operations and Going Concern

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, 2018 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 28, 2018 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.

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

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 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, 2018 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 condensed consolidated interim 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.

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

4. 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, 2018 and December 31, 2017 as follows:

	September 30, 2018	December 31, 2017
Republic of Djibouti	\$ 7,374,700	\$ 7,263,895
Republic of Madagascar	4,161,579	4,145,543
	<u>\$ 11,536,279</u>	<u>\$ 11,409,438</u>

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.

Effective March 1, 2017, the Company entered into Phase III of the production sharing contract, which is for a duration of three years.

Exploration and evaluation expenditures incurred and capitalized on this property for the periods ended September 30, 2018 and December 31, 2017 and 2016 is as follows:

Balance, December 31, 2016	\$	7,034,672
Field and technical work		147,986
Field office, management and administration		81,237
Balance, December 31, 2017		<u>7,263,895</u>
Field office, management and administration		82,087
Balance, September 30, 2018	\$	<u>7,345,982</u>

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements

(Expressed in Canadian)

For the Nine Months Ended September 30, 2018

4. Exploration and Evaluation Asset – Oil and Gas (continued)

Republic of Madagascar

The Company holds 100% working interest in Block 1101 in Madagascar. On October 24, 2013, the Company acquired a 10% working interest in Block 1101 located onshore in the northwestern part of the Republic of Madagascar. On June 2, 2016 the remaining 90% working interest in the assets and operatorship was transferred to the Company. The Company has been granted an extension to the current exploration period to July 2019. In accordance with the agreement, the Company paid various defined exploration license fees of US\$320,000. Furthermore, the Company agreed to keep the existing US\$100,000 (CAD\$128,880) bank guarantee in place and issue a parent company guarantee of US\$1,900,000. . The bank guarantee is restricted cash on deposit with a bank and the parent company guarantee is to be a written guarantee by the parent Oyster Oil and Gas Ltd. These guarantees are to remain in place until the end of the current exploration phase. However, the approved work programme has been delayed pending certain government permitting issues and as a consequence, operations are suspended at this time. The government is seeking to resolve these issues and thus enable the Company re-commence its planned activities.

A special committee has been set up by the Government to resolve these issues and in the meantime pending this resolution the Government has confirmed that Oyster interests are held “in good standing”. The Company is coordinating closely with the Government and both parties are working in good faith to enable the Company to complete exploration program on the property.

Exploration and evaluation expenditures incurred and capitalized on this property for the periods ended September 30, 2018 and December 31, 2017 is as follows:

Balance, December 31, 2016	\$	3,322,680
Field and technical work		203,995
Field office, management and administration		618,868
Balance, December 31, 2017		4,145,543
Field office, management and administration		44,753
Balance, September 30, 2018	\$	4,190,296

5. Accounts Payable and Accrued Liabilities

	September 30, 2018	December 31, 2017
Trade payables	\$ 835,117	\$ 320,993
Accrued liabilities	-	48,308
Interest payable	145,324	53,544
	\$ 980,441	\$ 422,845

6. Loan Payable

On August 10, 2016, the Company entered into a loan agreement to borrow an amount of US\$150,000 from an arm’s-length party. The loan bears interest at 2% per annum and is repayable on or before December 31, 2017. The loan was settled on June 19, 2017 by issuing 512,627 units. Each unit consisted of one common share and one common share purchase warrant with an exercise price of \$0.55 and a two year term (Note 10).

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements

(Expressed in Canadian)

For the Nine Months Ended September 30, 2018

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, 2016 and \$50,000 was received on May 13, 2016. The promissory note was unsecured and bore 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. The principal amount of the promissory note and the accrued interest for total of \$103,808 was repaid during the year ended December 31, 2017.

On May 13, 2016, the Company entered into an agreement for three promissory notes in the amount of \$60,000 from related parties. The promissory notes were unsecured, bore interest at 5% per annum on the outstanding principal balances and matured on September 30, 2016. The principal amount of the promissory notes and accrued interest for total of \$61,907 were repaid with shares (note 10) during the year ended December 31, 2017.

On October 21, 2016, the Company entered into an agreement for a promissory note in the amount of \$10,000. The amount was unsecured, bore interest at 12% per annum and was payable on demand. The principal amount of the promissory note and the accrued interest for total of \$10,233 was repaid during the year ended December 31, 2017.

8. Convertible Debentures

On July 25, 2017, the Company closed a first tranche of a non-brokered private placement of convertible debentures for gross proceeds of \$1,150,915. The convertible debentures are to mature at the sooner of within five days of the Company's shares listing on the Alternative Investment Market ("AIM"), a sub-market of the London Stock Exchange, or one year from the date of issue and will bear interest at the rate of 10% per annum. The Company also issued to the lenders a total of 575,458 detachable share purchase warrants being a warrant for every \$2 of principal. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.55 for a period of one year. The lenders may, at any time, convert all or portion of the principal into common shares of the Company at a value being the lesser of \$0.50 per common share or a 20% discount to the AIM opening listing offering price. As the conversion price is variable, the Company recognized a derivative liability of \$255,679 on inception of the convertible debentures with the fair value determined using Black-Scholes pricing model with the following assumptions: Risk free interest of 1.17%; Expected life of 1 year; Expected volatility of 89% and dividend yield of nil. The remaining portion net of issuance costs of \$889,139 was allocated to the debt component. No residual value was allocated to the warrants.

On August 1, 2017, the Company closed a second tranche of the non-brokered private placement of convertible debentures for gross proceeds of \$81,300. The convertible debentures have the same terms and conditions as the first tranche issued on July 25, 2017. The Company also issued to the lenders a total of 40,650 detachable share purchase warrants. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.55 for a period of one year. As the conversion price is variable, the Company recognized a derivative liability of \$27,258 on inception of the convertible debentures with the fair value determined using Black-Scholes pricing model with the following assumptions: Risk free interest of 1.19%; Expected life of 1 year; Expected volatility of 89% and dividend yield of nil. The remaining portion net of issuance costs of \$53,612 was allocated to the debt component. No residual value was allocated to the warrants.

The Company incurred \$4,038 of cash issuance costs and issued 14,684 finder's warrants in connection with both tranches of the non-brokered private placement of convertible debentures. Each finder warrant entitles the holder to acquire one common share at an exercise price of \$0.55 for a period of two years from the date of the first tranche issuance. An issue cost of \$2,490 was recognized related to the finder's warrants, with the fair value determined using Black-Scholes pricing model with the following assumptions: Risk free interest of 1.32%; Expected life of 2 years; Expected volatility of 95% and dividend yield of nil.

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

8. Convertible Debentures (*continued*)

As at September 30, 2018, the Company's convertible debentures are as follows:

	Convertible Debentures	Derivative Liability
At inception	\$ 942,751	\$ 282,937
Accretion expense	120,154	-
Change in fair value of derivative liability	-	(96,990)
Balance, December 31, 2017	1,062,905	185,947
Accretion expense	169,310	-
Change in fair value of derivative liability	-	(185,947)
Balance, September 30, 2018	\$ 1,232,215	\$ -

As at September 30, 2018, the Company determined the fair value of the derivative liability to be \$Nil using the Black-Sholes Option Pricing Model with the following assumptions: Expected dividend yield – 0%; Volatility – 89%; Risk-free interest rate – 1.24%; Expected life: 0.10 - 0.12 years.

9. Share Capital

(a) Authorized

Unlimited class A common shares, without par value.

(b) Issued

At September 30, 2018, there were 43,771,659 common shares issued and fully paid common shares outstanding (December 31, 2017 – 43,646,659).

During the nine months ended September 30, 2018, 125,000 options were exercised for proceeds of \$21,250.

The Company issued 5,987,627 common shares during the year ended December 31, 2017 as follows:

- i. On January 24, 2017, the Company closed a non-brokered private placement for gross proceeds of \$400,000 upon issuance of 2,000,000 units at \$0.20 per unit. No cash was received for \$60,000 of gross proceeds as the shares were issued to settle a promissory note of \$60,000 (note 8). Each unit was comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.27 for a period of one year. No value was allocated to the attached warrants. The Company paid \$15,234 as finder fee and on July 25, 2017 issued 4,000 finder warrants in connection with this transaction. Each finder warrant entitles the holder to acquire one common share at an exercise price of \$0.20 for a period of 18 months. A share issue cost of \$983 was recognized, with the fair value determined using Black-Scholes pricing model with the following assumptions: Risk free interest of 1.25%; Expected life of 1.5 years; Expected volatility of 88% and dividend yield of Nil.
- ii. Issuance of 1,000,000 common shares as a result of the exercise of warrants exercisable at \$0.27 per share for total proceeds of \$270,000.

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements

(Expressed in Canadian)

For the Nine Months Ended September 30, 2018

9. Share Capital (continued)

(b) Issued (continued)

- iii. On May 10, 2017, the Company closed a non-brokered private placement for gross proceeds of \$850,000 upon issuance of 2,125,000 units at \$0.40 per unit. Each unit comprised of one common share and one half common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 18 months. No value was allocated to the attached warrants. The Company paid \$32,373 as finder fee and issued 8,500 finder warrants in connection with this transaction. Each finder warrant entitles the holder to acquire one common share at an exercise price of \$0.40 for a period of 21.5 months. A share issue cost of \$4,131 was recognized, with the fair value determined using Black-Scholes pricing model with the following assumptions: Risk free interest of 1.29%; Expected life of 1.8 years; Expected volatility of 93% and dividend yield of Nil.
- iv. On June 19, 2017, the Company settled an aggregate loan of \$205,051 owed to an arms' length creditor by issuing 512,627 units (Note 7). Each settlement unit is comprised of one common share of the Company and one purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.55 for a period of two years. The fair value of the shares issued was \$251,187 and the fair value of the warrants was \$119,418 resulting in a loss on settlement of \$165,554. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 0.94%; Expected life of 2 years; Expected volatility of 95% and dividend yield of Nil.
- v. On July 25, 2017, the Company closed a non-brokered private placement for gross proceeds of \$150,000 upon issuance of 300,000 units at \$0.50 per unit. Each unit was comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.55 for a period of two years. No value was allocated to the attached warrants. The Company paid \$10,576 as finder fee.
- vi. Issuance of 50,000 common shares as a result of exercise of options exercisable at \$0.15 per share for total proceeds of \$7,500. A previously expensed amount of \$5,761 related to these options was adjusted from the share-based payment reserve to share capital.

(c) Options

A summary of the status of the Company's stock options outstanding as at September 30, 2018 and December 31, 2017 and December 31, 2016 and changes during the periods is presented below:

	Number of Options	Weighted average exercise price
Balance, December 31, 2016	3,075,000	\$ 0.29
Granted	200,000	0.45
Exercised	(50,000)	0.15
Balance, December 31, 2017	3,225,000	0.30
Exercised	(125,000)	(0.17)
Expired	(900,000)	(0.57)
Balance, September 30, 2018	2,200,000	\$ 0.30
Weighted average remaining contractual life		1.39 Years

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

9. Share Capital (continued)

(c) Options (continued)

As at September 30, 2018, the following options were outstanding:

Expiry date	Options outstanding and exercisable	
	Exercise price	Options
March 4, 2019	\$ 0.45	150,000
July 21, 2019	\$ 0.50	50,000
May 20, 2021	\$ 0.14	1,800,000
March 2, 2022	\$ 0.40	100,000
August 14, 2022	\$ 0.49	100,000
		2,200,000

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.

On March 2, 2017, the Company granted 100,000 stock options to a consultant of the Company at an exercise price of \$0.40 per common share for a period of five years ending March 2, 2022. Stock based compensation expense of \$38,788 was recognized, being the fair value determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 1.20%; Expected life of 5 years; Expected volatility of 110% and dividend yield of Nil. The options vested immediately.

On August 14, 2017, the Company granted 100,000 stock options to a director of the Company at an exercise price of \$0.49 per common share for a period of five years ending August 14, 2022. Stock based compensation expense of \$35,288 was recognized, being the fair value determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 1.68%; Expected life of 5 years; Expected volatility of 98% and dividend yield of Nil. The options vested immediately.

(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, 2016	-	\$ -
Issued	4,518,419	(0.40)
Exercised	(1,000,000)	(0.27)
Balance, December 31, 2017	3,518,419	0.44
Expired	(1,616,108)	(0.27)
Balance, September 30, 2018	1,902,311	0.49
Weighted average remaining contractual life		0.39

OYSTER OIL AND GAS LTD.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian)
For the Nine Months Ended September 30, 2018

9. Share Capital (continued)

(d) Warrants (continued)

As at September 30, 2018, the following warrants were outstanding:

Expiry date	Exercise price	Warrants
November 10, 2018	\$ 0.45	1,062,500
January 25, 2019	\$ 0.20	4,000
May 10, 2019	\$ 0.40	8,500
June 19, 2019	\$ 0.55	512,627
July 25, 2019	\$ 0.55	314,684
		1,902,311

(e) Reserves

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. The share-based payment reserve also records items recognized as share-based expense for warrants that were issued for a service. The Company uses the residual method of valuing attachable warrants issued as a part of units in conjunction with private placements of common shares. Any value related to these type of warrants would be recorded to a warrant reserve.

10. Related Party Transactions

(a) Key management compensation

Compensation of key management for the periods ended September 30, 2018 are as follows:

	2018	2017
Short-term employee benefits – management fees:		
Included in property investigation, corporate office and general and administrative expense	\$ 227,890	\$ 161,646
Included in exploration and evaluation assets – Oil and Gas	-	146,422
Stock based compensation	-	-
	\$ 227,890	\$ 86,694

(b) Related party balances

Included in trade payables is \$307,061 (2017 - \$59,041) owing to members of the Company's key management (note 6). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

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For the Nine Months Ended September 30, 2018

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. Substantially all of the Company's cash is deposited in bank accounts held with major banks in Canada. As the majority of the Company's cash is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian 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. 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, 2017, the net carrying value of financial instruments denominated in United States dollars is \$100,000. 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. 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 periodically exposed to interest rate risk on its cash equivalents as these instruments are exposed to interest rate fluctuations on renewal. The Company assesses interest rate risk as low.

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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 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, 2018, 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.

13. Subsequent Events

Subsequent to September 30, 2018, 1,062,500 warrants with an exercise price of \$0.45 expired.