

BAYSHORE PETROLEUM CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

DECEMBER 31, 2017

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of financial results and related data should be read with the financial statements and notes for the year ended December 31, 2017, and December 31, 2016, of Bayshore Petroleum Corp. ("Bayshore" or the "Company"). The financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This commentary is as of May 16, 2018. Bayshore's Board of Directors and its Audit Committee have reviewed and approved this MD&A and the accompanying financial statements.

The reader should be aware that historical results are not necessarily indicative of future performance.

Forward Looking Statements

Certain of the statements set forth under "Management's Discussion and Analysis" including statements which may contain words such as "could", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking and are based upon the Company's current belief as to the outcome and timing of such future events. There are numerous risks and uncertainties, certain of which are beyond Bayshore's control, including: the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Bayshore's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur.

In addition, Bayshore is an energy technology company that has access to technology rights and holds certain oil and gas production assets. Bayshore is engaged in exploiting these technology development opportunities, and as such certain of the statements set forth under "Management's Discussion and Analysis" including statements that pertain directly to technology, may contain words such as "could", "expect", "believe", "will", and similar expressions and statements relating to matters that are not facts, but are subjective or a matter of management's opinion. It is therefore true that such statements could ultimately be materially different than outcomes or performance, and no assurances can be given that any of the opinions, forecasts, or events anticipated by the forward looking statements will transpire or occur.

Going Concern

The financial statements and notes, and this MD&A, for the year ended December 31, 2017, have been prepared on a going concern basis, which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

While the Company continues to focus on its business plan it has incurred a loss for the year ended December 31, 2017 of \$122,352 (2016 - \$200,346) and negative cash flows from operations of \$133,325 (2016 - \$495,656). The ability of the Company to continue as a going concern will depend on raising additional capital and achieving profitable operations sufficient to meet all obligations, the outcome of which is uncertain at this time.

These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate at this moment, there can be no assurance that any steps management is taking will be successful. These financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material.

Nature of Business

Bayshore is a Canadian oil and gas technology and production company listed on the TSX Venture Exchange under the symbol "BSH". The Company is an early stage energy company with access to innovative bitumen and heavy oil upgrading technologies and minor oil and gas assets in central Alberta.

The Company has been working for many years with the inventor of an upgrading technology, Cold Catalytic Cracking ("CCC"), who is also the principal of the Chemical Foreign Economic Cooperation Centre ("CFECC") in Beijing. The CCC is a catalytic (chemical) based upgrading technology, that when applied in a simple pyrolysis vessel, can upgrade bitumen, heavy oil, and other organic substances into distillate such as diesel fuel (and byproducts hydrocarbon gas and coke). The catalyst is used alone and does not require hydrogen, pressure, high heat, water, or any other substance. The catalyst does not contain difficult to attain materials. When used without pyrolysis and some modification to the catalyst, it can partially upgrade bitumen and heavy oil efficiently.

In January 2014 CFECC built a small scale 50 barrel/day ("b/d") batch pilot plant ("CCC1") at the CFECC lab (in the main floor of their commercial building) in Beijing to test the viability of bitumen/heavy oil conversion to diesel on a commercial scale. Bayshore has, over the last several years, shipped Canadian heavy oil and bitumen samples to the plant for testing. The results of the testing indicated commercial production is viable. Since then Bayshore and CFECC have processed many other crudes and bitumen from around the world and there have been no failures and predictable diesel production.

Early in 2015 Bayshore and its management started a development program with partners to partially upgrade Alberta bitumen at surface. Early testing indicated that partially upgraded bitumen met pipeline specifications without the need for conventional diluents such as Gas Condensate usually required for transportation and sale of bitumen. The work was conducted by Company technical experts receiving assistance from National Research Council of Canada. This work has progressed well, and now the CCC technology can be effectively deployed to partially upgrade bitumen and heavy oil, and excels at this purpose. It is a liquid catalyst and therefore mixes well with crude at wellhead temperatures. The catalyst improves viscosity

dramatically at different temperature levels and does not dropout solids or produces other undesirable materials that would be rejected by either a pipeline or refinery. A small percentage of catalyst is required at low temperature relative to current dilution techniques using gas condensates.

Bayshore holds interest in oil and gas properties in the Kaybob and Bigstone areas of central Alberta. The Company has recorded no revenue from production from these areas as they have been shut-in since 2015 due to low commodity prices.

Current Events and Transactions

With the termination of a year-long effort in 2016 to finance and deploy the CCC technology through the ET transaction, Bayshore has shifted its strategy. Given the ongoing difficult economic and financing environment in the energy industry in Alberta, the Company is pursuing a smaller approach requiring far less capital. Partial upgrading using the CCC liquid catalytic reactant requires far less capital to deploy, and Bayshore will emphasize this part of the business to immediately deploy the technology. It is estimated a \$10 Million dollar capital injection into the venture will kick start the Partial Upgrading business in Canada.

During the Year 2017, Bayshore continued to investigate and seek different innovative energy and environmental technologies that can be fitted into the value chain of CCC technology. Those innovative technologies are significantly different than the conventional technology and as such, reward on success implementation will be high. In addition, CCC technologies are getting more advance in the application of coal to diesel. North America will be a good testing ground to implement the coal to diesel technologies and preliminary business development has been initiated by Bayshore and working closely with its US business associates.

A non-brokered private placement financing was closed on April 26, 2016, in the amount of approximately \$270,000, less finders fees of approximately \$27,000 to an arms-length party. It was a unit offering, consisting of 2,400,000 units priced at \$0.1125 per unit, each unit consisting of one common share in the capital of Bayshore and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire an additional common share of the Company at an exercise price of \$0.20 per share for a term of 24 months from closing. A further non-brokered private placement was closed on September 26, 2017, in the amount of \$300,000. 2.67 million common shares were issued at a price of \$0.1125 per share, less finder's fees of \$30,000 to an arms-length party. These financings were expected as preludes to a much larger financing.

In the last quarter of 2017, Bayshore entered into a short-term loan agreement with a related company and received an advance of \$130,000 to sustain the Company's operations. Subsequent to year-end, the Company received an additional \$60,000 from the related party under the same the terms of the agreement.

Overall Performance

The Company recognized a loss of \$122,352 for the twelve months ended December 31, 2017 compared to a loss of \$299,788 for the twelve months ended December 31, 2016. The two non-operated properties in the Bigstone and Kaybob areas in Central Alberta generated no production revenue and no net sales volume for the year ending December 31, 2017.

At December 31, 2017, the Company had \$51,842 current assets (December 31, 2016 - \$47,151), including \$51,842 in cash (December 31, 2016 - \$47,151). Current liabilities totalled \$975,582 (December 31, 2016 - \$896,692), resulting in a working capital deficit of \$923,740 (December 31, 2016 – \$849,541). Current liabilities and accrued liabilities were primarily due to a 2012 drilling program, the accrual of historical operating expenses, debt that was issued to management and directors and a short term loan from a potential oversea investor.

Property/Asset Summaries

The value of the formerly producing assets Bigstone and Kaybob had been impaired to \$nil as of December 31, 2015. With no indicators of an impairment reversal at December 31, 2017 or 2016, the Company had not engaged a third party engineering firm to evaluate Bayshore's properties at December 31, 2017.

The Company's Financial Strategy

While the Company continues to focus on its business plan it has incurred a significant loss for the year ended December 31, 2017, of \$122,352 (2016 - \$200,346). At December 31, 2017, the Company had a significant working capital deficit of \$923,740 (2016 - \$849,541), and negative cash flows from operations of \$133,325 (2016 - \$495,656). The ability of the Company to continue as a going concern will depend on raising additional capital and achieving profitable operations sufficient to meet all obligations, the outcome of which is uncertain.

During 2017, management and board members continued to seek major financing sources to sustain and expand operations. In order to preserve cash and maintain the Company's operations, Bayshore has continued its efforts to manage administrative expenses and reduce or accrue existing payables. The securing of funding and capital continues to be the top priority for Bayshore. Demonstrating the commercial ability of the CCC technology in full upgrading and partial upgrading remains the greatest opportunity for the Company, and thus financing the first commercial application is key to rapid growth and the financial success of the Company.

Selected Annual Information

The data in the following table has been derived from the Company's financial statements for the three most recently completed fiscal years. The data has been prepared in accordance with IFRS, applicable to a going concern in Canadian dollars.

	2017	2016	2015
Revenue, net of royalties (\$)	10,650	4,466	13,241
Net and comprehensive loss (\$)	122,352	200,346	1,041,454
Basic and diluted loss per share (\$)	0.004	0.007	0.041
Total assets (\$)	64,180	66,573	509,774
Total long-term liabilities (\$)	218,534	177,465	46,972

In late 2014 the major collapse in oil prices followed a general collapse in most commodities globally. This dramatically reduced revenues in 2015, to the point where the operator of Bayshore's producing assets were forced to shut in the production. In 2015 the Company further wrote down the remainder of its oil and gas assets to nil, as a result of negative cash flow, immaterial production, and an inability to generate any positive bid in attempting to divest the properties. Total assets were reduced significantly in 2016 by 87% when it recorded a \$465,000 impairment of its technology license deposit due to Bayshore's inability to make the required payments under the terms of the agreement. The net and comprehensive loss in 2016 also decreased by 81% when the Company derecognized trade payables and salaries payable. In 2016, the convertible debenture was renewed for a further year and this increased long-term liabilities, while decreasing current liabilities.

Results of Operations

Oil and gas revenues, royalties, operating expenses, general and administrative expenses, amortization and accretion expenses, net loss and cash flows from operating activities information are summarized as follows:

Financial Highlights	Year ended December 31, 2017	Year Ended December 31, 2016
Natural gas and liquids revenue (\$)	Nil	Nil
Royalties expense (\$)	Nil	323
Operating expenses (\$)	Nil	3,749
General and administrative expenses (\$)	3,923	711,953
Amortization expense (\$)	7,084	9,416
Impairment (\$)	Nil	Nil
Net income (loss) (\$)	(122,352)	(299,788)
Cash flow used in operating activities (\$)	(133,325)	(495,656)

Revenues – Revenue was \$10,650, net of royalty expense, for the twelve months ending December 31, 2017 as compared to \$4,466 during the twelve months of 2016. The revenue recorded in 2017 is mainly coming from laboratory testing fee revenue from potential operators in testing partial upgrading potential of their oil properties.

General and Administrative Expenses – General and Administrative expense (“G&A”) is as follows:

December 31, (\$)	2017	2016	Difference
G&A	3,923	711,953	(708,030)
Consulting	156	8,260	(8,104)
Professional Fees	17,410	75,305	(57,895)
Rent	34,719	82,760	(48,041)
Travel	10,132	22,970	(12,838)
Total	86,103	887,694	(801,591)

The expense accounts above totaled \$86,103 for the twelve months ending December 31, 2017, as compared to \$887,694 during the twelve months of 2016, a 90.3% decrease. G&A for the 4th quarter ended December 31, 2017, was \$3,923, compared to \$64,097 for the quarter ended December 31, 2016. The large decrease in G&A results a reversal of a \$46,428 salary accrual and from management's focus to controlling cost and preserving capital to keep Bayshore surviving until major financing is achieved.

Professional fees – Professional fees expense decreased by \$57,895 as professional fees relating mainly to the terminated ET agreement were expensed in 2016.

Rent expense – Rent expense decreased from \$82,760, in 2016 to \$34,719 in 2017 as the Company moved to a different location during the year.

Amortization Expense – Amortization expense relates to the Company’s office equipment.

Net loss and comprehensive loss – The Company recognized a loss of \$122,352 for the twelve months ended December 31, 2017, as compared to \$200,346 during the twelve months of 2016 resulted from Management’s focus to reduce operating expenses.

Summary of Quarterly Results

The following table summarizes key financial and operating information prepared in accordance with IFRS, as applicable to a going concern in Canadian dollars for the three months ended:

	Revenue \$	Net Loss \$	Basic & Diluted loss/Share	Total Assets \$
2017 – Q4	-	(27,689)	(0.001)	64,180
2017 – Q3	-	(14,035)	(0.000)	14,259
2017 – Q2	10,650	(20,091)	(0.001)	20,012
2017 – Q1	-	(60,537)	(0.002)	17,777
2016 – Q4	-	(54,613)	(0.001)	66,573
2016 – Q3	-	(744,748)	(0.024)	183,895
2016 – Q2	-	(237,990)	(0.008)	589,641
2016 – Q1	4,401	(200,077)	(0.007)	493,724

The quarters during 2017 and 2016 reflected significant lower G&A due to cost reductions. Bayshore has been struggling to achieve financing to fulfil its corporate goal in 2017. During the fourth quarter 2017 Bayshore secured a related party loan in the amount of \$132,633 in total to continue its operation. In the fourth quarter the Company also moved out to a smaller office and significantly cut down its G&A expense in order to continue its operation and wait for the major financing from the existing shareholders and new investors.

Liquidity and Capital Resources

At December 31, 2017 the Company had \$51,842 in current assets (December 31, 2016 – \$47,151), including \$51,842 in cash (December 31, 2016 – \$47,151). Current liabilities totalled \$975,582 (December 31, 2016 – \$896,692). Current liabilities include accounts payable resulting from capital expenditures relating to previous E&P programs and the convertible debenture.

Funding for the Company’s expenditures during the quarter ending December 31, 2017 was provided primarily by non-brokered short term loan arrangement. The Company has no off-balance sheet financing arrangements.

Related party transactions and balances

As at December 31, 2017, \$90,400 (2016 - \$90,400) was payable to a private corporation controlled by an officer and director of the Company.

As at December 31, 2017, \$nil (2016 - \$32,750) was payable to a private corporation controlled by a director of the Company.

Key Management Compensation

Total compensation for key management, including officers and directors is detailed below:

December 31,	2017	2016
Salaries and benefits	\$ 9,045	\$ 570,000
Salaries forgiven	-	(430,800)
	\$ 9,045	\$ 139,200

On January 1, 2015, the Company entered into an agreement with the CEO which provided management services to the Company. Under this agreement, the Company agreed to pay an annual fee for services of \$300,000 and in the event of a change in control of the Company, where a third party acquires more than 90% of the common shares of the Company, the CEO will be paid a bonus equal to 1% of the value of the company's common share equity, to a minimum of 36 months equivalent salary to be based on the CEO's salary at the time of the transaction, to be no less than \$600,000. At December 31, 2017, \$503,044 (2016 - \$503,044) was included in accounts payable and accrued liabilities. During the year, this agreement was terminated and all outstanding compensation payable amounts to the CEO were forgiven.

On January 1, 2015, the Company entered into an agreement with the CFO which provided management services to the Company. Under this agreement, the Company agreed to pay an annual fee for services of \$270,000 and in the event of a change in control of the Company, where a third party acquires more than 90% of the common shares of the Company, the CFO will be paid a bonus equal to 1% of the value of the company's common share equity, to a minimum of 36 months equivalent salary to be based on the CFO's salary at the time of the transaction, to be no less than \$540,000. At December 31, 2017, \$408,464 (2016 - \$408,464) was included in accounts payable and accrued liabilities. During the year, this agreement was terminated and all outstanding compensation payable amounts to the CFO were forgiven.

Share Capital

The following common shares, stock options, warrants, and convertible debentures were issued and outstanding on the as at date of this commentary, December 31, 2017 and 2016:

	May 16, 2018	Dec 31, 2017	Dec 31, 2016
Common shares	32,360,815	32,360,815	32,360,815
Issuable under Stock options	1,625,000	1,945,000	2,917,143
Issuable under Warrants	-	1,200,000	3,528,616
Issuable under Convertible Debentures	1,239,503	1,239,503	1,239,503
Fully Diluted Position	35,225,318	36,745,318	40,046,077

Subsequent to year-end, the following stock options and warrants outstanding at December 31, 2017 expired:

- 1,200,000 warrants expired unexercised on April 26, 2018.
- 320,000 stock options expired unexercised on May 13, 2018.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition, all financial instruments, including all derivatives, are recognized on the balance sheet at their fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: financial assets and liabilities at fair value through profit and loss, held to maturity investments, loans and receivables, available for sale investments and other financial liabilities. The financial assets and liabilities are classified as follows:

Cash and cash equivalents are classified at fair value through profit and loss. Gains and losses related to periodic revaluation are recorded in net income.

Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method less a provision for impairment.

Accounts payable and accrued liabilities, short-term loan payable and convertible debt are classified as other financial liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

The Company did not recognize any items of other comprehensive income or accumulated other comprehensive income for the years ended December 31, 2017 and 2016.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. All impairment losses are recognized in the statement of operations. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of operations.

Recent accounting pronouncements and adoptions

The following new pronouncements have been issued but are not effective and may have an impact on the Company.

i) IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 “Financial Instruments” which replaces IAS 39, “Financial Instruments: Recognition and Measurement”. The standard will come into effect for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39. In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. The standard also specifies standards for hedge accounting. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018. It is anticipated that the adoption of IFRS 9 will not have a material impact on the Company’s financial statements.

ii) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), replacing IAS 11, “Construction Contracts” and IAS 18, “Revenue” and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. As the Company currently has no significant revenues, the adoption of this standard will not have a material impact on the financial statements.

iii) IFRS 16 – Leases

In January 2016, The IASB issued IFRS “Leases”, which replaces IAS 17 “Leases,” and provides that a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

IFRS 16 will come into effect for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 “Revenue from Contracts with Customers” has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. It is anticipated that the adoption of IFRS 16 will not have a material impact on the Company’s financial statements and it intends to adopt the amendments to IFRS 16 in its financial statements for the annual period beginning January 1, 2019.

Financial Instruments and Risk Management

The Company is exposed to a number of different financial risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include market risks relating to liquidity risk and market risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are currently due and the short-term loans payable are due on demand.

The following is a maturity analysis of the Company's financial obligations:

	Less than three months	Three months to one year	Beyond one year	Total
Accounts Payable and accrued liabilities	\$ 807,566	\$ -	\$ -	\$ 807,566
Short-term loan payable	168,016	-	-	-
Convertible debentures	-	-	169,681	169,681
	\$ 975,582	\$ -	\$ 169,681	\$ 1,145,263

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company may utilize financial contracts to manage market risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by the changes in the exchange rate between the Canadian and United States dollar. The Company had no forward exchange rate contracts in place as at or during the years ended December 31, 2017 and 2016.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollar, as outlined above, but also by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the years ended December 31, 2017 and 2016.

Interest rate risk

The Company's exposure to interest rate risk is minimal as the Company's short-term loan payable is carried at a fixed interest rate, and the Company does not have interest bearing investments generating significant interest revenue.

Fair value

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy.

- Level 1 fair values are determined by reference to observable inputs such as quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair values are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.
- Level 3 fair values are determined using inputs that are unobservable market data.

The carrying values of accounts payable and accrued liabilities approximate their fair values at December 31, 2017 and 2016 due to their relatively short periods to maturity. Cash is a Level 1 fair value measurement. Convertible debenture liabilities are Level 3 fair value measurement.

Commitments

The Company has no long term lease commitments at the end of 2017.

Capital Management

The objectives of the Company are to maintain sufficient capital to conduct operations while searching for new opportunities for growth. In order to meet its objectives, the Company will adjust its capital structure to manage any deficiencies of working capital through the issuance of shares, obtaining debt financing and/or adjusting its spending. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2017. There are no externally imposed capital requirements.

Risks and Uncertainties

The petroleum and natural gas industry is subject to numerous risks and uncertainties that can affect the Company's ability to grow and generate cash flows from operations. These risks and uncertainties include, but are not limited to, the following:

- Fluctuations in interest rates, commodity prices and foreign currency exchange rates;
- Capital markets risk and the ability to finance future growth especially from technology;
- Government and regulatory risk in respect of changes to royalty and income tax regimes;
- Economic risk in respect of finding and producing reserves at a reasonable cost, and marketing those reserves;
- Operational risk in respect of availability and cost of drilling and related equipment;
- Seasonal risk in respect of the ability to enter leases and drill wells due to weather conditions; and

- Environmental risk in respect of the ability to remediate sites and remedy spills, releases or emissions of various substances that may be produced in association with the Company's petroleum and natural gas operations.

While many of these risks are beyond the Company's control and it is impossible to ensure that the Company's exploration initiatives will result in commercial operations, Bayshore strives to minimize the aforementioned risks by:

- Employing management and technical staff and consultants with extensive industry and/or area experience;
- Maintaining an appropriate working capital position to cover the Company's capital and overhead costs;
- Maintaining a low cost structure and a tight cost control system; and
- Maintaining insurance in accordance with industry standards to address the risk of liability for pollution, personal injury, property damage, blow-outs and other hazards.

Additional Information

Additional information about Bayshore Petroleum Corp., filed with the Canadian Securities Commissions and the TSX Venture Exchange is available online at www.sedar.com.