

BAYSHORE PETROLEUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

2018 HIGHLIGHTS

Corporate

- Mr. Po Kwong (Ivan) Chan was appointed Director and Chairman of the board bringing decades of financial and strategic banking expertise to Bayshore.
- Ms. Ellen Yu and Mr. Alex Falconer were elected to the Board of Directors as independent board members and were appointed as members of the audit committee.
- Mr. Lance Mierendorf was appointed as Chief Financial Officer.
- The Company's shares ceased trading on May 4, 2018 due to the late annual filing of the 2017 annual audited financial statements. The Company resolved all issues raised by the TSX Venture Exchange as a result of a continued listing review and the Company's shares were reinstated for trading on January 3, 2019.
- At the 2018 annual general meeting held on August 7, 2018, shareholders approved a private placement which resulted in Morag Investments Ltd. ("Morag"), a company owned and controlled by the Chairman of Bayshore, owning more than 50% of the outstanding shares of the Company.

Financial

- On December 28, 2018, the Company completed a private placement, initially announced on June 29, 2018, raising gross proceeds of \$750,000.
- The Company secured debt financing totalling \$650,000 from the Chairman of Bayshore.
- Net loss for 2018 was \$82,409 (2017 – net loss of \$122,352), inclusive of a one-time, non-recurring charge for the derecognition of liabilities of \$526,259.
- Cash on hand at December 31, 2018 was \$820,705 (2017 - \$51,842).
- Working capital at December 31, 2018 was \$426,794 (2017 - \$923,740 deficit).

Operational

- Activities were limited to administration and business development with a focus on collaborating with industry partners to implement a partial heavy oil/bitumen upgrade project ("Pilot Project").
- Board and management focused on securing funding to advance the Company's heavy oil upgrade initiative.
- Non-operated petroleum and natural gas assets remain principally dormant.

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Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided by management of Bayshore Petroleum Corp. ("Bayshore", the "Company" or "BSH") and is based on information available at April 12, 2019. This MD&A should be read in conjunction with the Company's financial statements, and notes thereto, for the years ended December 31, 2018 and 2017. The audited annual financial statements have been prepared in accordance with International Accounting Standards (IFRS) and presented in Canadian Dollars (CAD) dollars.

The MD&A contains forward looking statements that should be read in conjunction with the Company's disclosures under "*Forward Looking Statements*" outlined at the end of this MD&A.

The effective date of this MD&A is April 12, 2019. Additional information including the Company's audited financial statements for the year ended December 31, 2018 is available online at www.sedar.com and the Company's website at www.bayshorepetroleum.com.

Going Concern

The financial statements and notes, and this MD&A, for the year ended December 31, 2018, 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.

The Company currently does not generate enough revenue to cover ongoing operating and administrative costs and relies on related party loans and the issuance of share capital to fund ongoing operations. During 2018, cash flow from operations was negative \$466,501 and the Company had an accumulated deficit of \$7,000,787 at the end of 2018. The Company reported a loss of \$82,409 for the year compared to a loss of \$122,352 in 2017. At December 31, 2018, the Company had positive working capital of \$426,794 (2017 – working capital deficit of \$923,740). During the third quarter of 2018 the Company raised \$750,000 through a private placement which was approved by the TSX Venture Exchange on December 28, 2018.

A total of \$650,000 of new unsecured debt provided to the Company by the Chairman was obtained by the Company during 2018 and utilized to repay certain outstanding short-term loans and to fund ongoing operations. In addition, the Company extended the term of its convertible debentures with a face value totaling \$229,308 to the year 2020 without incurring additional expenses on the term extension.

These uncertainties 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, 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 was not appropriate. Such adjustments could be material.

Corporate Overview

Investment Objectives

Bayshore's 2018 activities were primarily administrative in nature. Management's focus is on a combination of securing funding to advance its business plan, validating oil upgrade technology through in-house expertise, business development and collaborating with industry partners to implement a pilot heavy oil/bitumen upgrade project ("Pilot Project"). The Pilot Project is designed to test the commercial viability of a process that combines and mixes certain liquid catalyst with heavy oil in a custom designed reactor facility to make a higher quality oil which will be more suitable for delivery through the Canadian oil pipeline system. The Company is facilitating discussions with third parties who the Company anticipates will be involved in the various aspects of the Pilot Project including governmental agencies, heavy oil producing companies, technology specialists, reactor facility construction companies, and owners of oil pipelines and marketers. Discussions and negotiations concerning the relationships between various stakeholders, the ownership of operational assets and the anticipated obligations of parties associated with the Pilot Project are ongoing and have not yet been agreed. As such, the Company currently does not own any aspect of the Pilot Project nor does it have agreements with suppliers of heavy oil or purchasers of upgraded oil or offtake contract to sell upgraded oil.

Bayshore previously licensed major disruptive technology but this licensing agreement ceased in 2016 and the Company currently does not have a formal agreement to use or promote the technology. The Company continues to collaborate with the inventor of the technology and is seeking to incorporate such technology within the Pilot Project. This disruptive technology is a catalytic (chemical) based upgrading technology that can be used to partially upgrade heavy oil/bitumen into flowable oil that meets the Western Canadian Select (WCS) crude specification. Should this technology be proven to be commercially viable in a pilot environment, the Company plans to facilitate the implementation of a project that fully upgrades heavy oil/bitumen into light product fuel oil with qualities similar to raw diesel. In a successful pilot scenario, the Company would explore the possibility of acquiring and operating heavy oil/ oil sand properties in Western Canada and utilizing the upgrading process to enhance the value of the oil produced.

Heavy Oil Upgrade Initiative

Facilitation/Collaboration of Pilot Project

Bayshore's management and expert third party consultants are actively working to assemble the key components of the Pilot Project. Although no formal agreements have been executed, a significant amount of management time and effort throughout 2017 and 2018 have been dedicated toward assessing the viability of the Pilot Project, establishing relationships with the key stakeholders in the value chain, validating the upgrading technology and determining the economics of the Pilot Project with possible commercial application. The Company expects to benefit from the historical relationship the management team and directors have established over the past number of years with the inventor of the upgrading technology in order to be able to acquire or license the technology if and when Bayshore has the financial resources to do so. From this relationship Bayshore has accumulated extensive knowledge regarding the technology and can effectively communicate the benefits of the upgrading project to potential sources of funding and other stakeholders.

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The estimated funding needed to implement the planning phase of the Pilot Project will come from the gross proceeds of \$750,000 raised by the Company in a private placement in December 2018. The total amount of funding required to complete all aspects of the Pilot Project will depend on the results obtained in the initial activities and could range between \$8 and \$10 million. It is uncertain whether the Company will be able to raise any additional funding to complete the Pilot Project.

Technology Assessment

Cold Catalytic Cracking (“CCC”) is a technology that was invented by an individual who is the principal of the Chemical Foreign Economic Cooperation Centre (“CFECC”) in Beijing. In January 2014, CFECC built a small scale 50 barrel/day (“b/d”) batch pilot plant 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. At no cost and under no formal contractual arrangement, Bayshore has, over the last several years, shipped Canadian heavy oil and bitumen samples to the plant for testing. Bayshore was provided results of the testing which indicated commercial production of the heavy oil upgrade process could be viable. Under similar arrangements, between 2014 and 2018 CFECC have processed many other crudes and bitumen provided to CFECC by Bayshore from around the world and there has been predictable diesel production and no failures.

The Company believes there are two applications in industry for the CCC upgrading process:

- 1) Partial Upgrading--Bitumen/ Extra Heavy Oil/ Heavy Oil to Western Canada Select (WCS) equivalent

This innovative partial upgrading technology uses advanced catalyst technology and particle reaction with heavy oil/bitumen that contains large molecules and changes the physical property of the mixture into flowable oil and reduces the density and viscosity.

- 2) CCC Technology--Bitumen to Diesel

This application can best be described as a pyrolysis based reaction brought about by adding a small fraction of liquid CCC catalyst and having this react with heavy oil/bitumen at a temperature not over 420 degree C and atmospheric pressure which is expected to yield diesel equivalent fuel oil, synthetic gas and coke.

The partial upgrade process can be operated at normal temperature and pressure by just mixing catalytic reactant with heavy oil/bitumen and turns into heavy fuel oil type product. The full upgrade process using a proprietary catalyst will convert raw heavy oil/bitumen into diesel fuel, light oil, synthetic gas and coke at normal pressure and moderate temperature (420 degrees Celsius).

Early in 2015 Bayshore 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. This development type work was conducted by the

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Company's technical experts with assistance from National Research Council of Canada. The NRCC collaboration ceased in 2016.

The Company does not own, or have a license to, the CCC technology but is collaborating with the inventors to incorporate the CCC technology into the Pilot Project to assess if the upgrading process is commercial.

The current price differential between the heavy oil/bitumen and higher quality oil provides a margin for profit in the partial upgrade business. Based on the current high price differential and the urgency of the oil industry to resolve transportation issues, Bayshore believes the partial upgrading operation is an effective way to expand Bayshore's oil and gas business.

Property/Assets

Petroleum and Natural Gas Assets

The value of the formerly producing assets Bigstone and Kaybob non-operated properties has been previously fully impaired for accounting purposes. Therefore, the Company has not engaged a third-party engineering firm since 2016 to evaluate Bayshore's properties. The Company reports a nil asset value for petroleum and natural gas properties, reports no reserves, and currently is not producing and generating negative ongoing cash flows. The Company plans to divest the Bigstone and Kaybob assets when appropriate.

Other Assets

The Company has no capital assets other than corporate office assets.

Corporate Environment

During 2018 Bayshore secured funding from the Chairman of Bayshore and a company controlled by the Chairman, Morag Investments Ltd.. During 2018, a total of \$1.40 million of new loans and equity injections have been provided to Bayshore to fulfil its business plan, settle certain outstanding liabilities and fund ongoing operations. Bayshore is hopeful that it will be able to receive addition funding from this investor group in order to implement Bayshore's business plan.

The injection of new funding and equity during 2018 coincided with changes to the Company's management and board of directors. In the third quarter Mr. Po Kwong (Ivan) Chan, a Hong Kong resident and controlling shareholder of Morag Investments Ltd., was appointed Chairman of Bayshore and Mr. Peter Ho resigned as Chairman but remained a director and CEO of the Company. During 2018, two new non-executive and independent directors, Madam Ellen Yu and Mr. Alex Falconer, were appointed as directors and members of the Audit Committee.

In addition, during October 2018, Mr. Lance Mierendorf, CPA, was appointed as the Chief Financial Officer, replacing Mr. Peter Ho who previously held the position.

The Company's common shares were suspended from trading on the TSX Venture Exchange on May 4, 2018 following a cease trade order issued by the Alberta Securities Commission ("ASC") resulting from the Company missing the reporting deadline for its 2017 annual financial

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statements. The 2017 annual financial statements were filed with the ASC in May 2018. Since that time, the Company endeavored to resolve issues and deficiencies identified as a result of a continued listing review conducted by the TSX Venture Exchange. The Company resolved all issues raised by the TSX Venture Exchange in December 2018 and its common shares were reinstated for trading on Thursday, January 3, 2019.

Financial Overview

Selected Annual Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total revenue	-	\$10,650	\$4,466
Loss for the year	(\$82,409)	(\$122,352)	(\$200,346)
Cash balance	\$820,705	\$51,842	\$47,151
Working capital/(deficiency) (*)	\$426,794	(\$923,740)	(\$849,541)
Total assets	\$837,704	\$64,180	\$66,573
Total non-current financial liabilities (**)	\$919,431	\$169,681	\$129,866
Shareholders' equity	(\$537,345)	(\$1,129,936)	(\$1,007,584)
Shares issued and outstanding	82,360,815	32,360,815	32,360,815

(*) Working capital is a non-gap measure and is calculated as follows: cash plus GST receivable minus accounts payable and accrued liabilities minus short term loans minus interest payable (current portion)

(**) Total non-current financial liabilities is a non-gap measure and is calculated as follows: related party loans plus convertible debt plus interest payable that is due beyond one year

Outlook

Securing additional sources of debt and equity financing continues to be the top priority for Bayshore in 2019. If Bayshore is able to raise additional financing, it will be able to continue to advance the initiative of demonstrating the commercial viability of the upgrading technology, which Management believes is the greatest growth opportunity for the Company. The amount of additional financing required by Bayshore will be determined during 2019 as the Company advances its collaboration efforts with the various stakeholders expected to be involved with the Pilot Project.

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Financial Analysis

Annual Results of Operations

	2018	2017
Other income	-	10,650
Petroleum and natural gas, non-operating	19,651	5,441
General and administrative ^(*)	487,950	66,520
Depreciation, amortization and accretion	45,668	48,153
Gain on renegotiation of convertible debt	17,369	-
Finance costs	72,768	13,068
Derecognized liabilities	526,259	-
Net loss	82,409	122,352
Cash used in operating activities	466,501	133,525

() General and administrative expenses include the following financial statement categories: a) contractors, consultants and staff, b) professional, legal and advisory, c) office and administration, and d) travel and accommodations.*

General and administrative

With debt financing secured in 2018, the Company expanded its' senior management, operations, technical and administrative teams and commenced collaboration efforts associated with the Pilot Project. During the year, a small office in Calgary was leased on a short-term basis. In addition, the Company incurred legal, consulting and advisory fees to reinstate the Company's shares for trading on the TSX Venture Exchange.

Financing costs

The Company secured additional long-term debt financing of \$650,000 during 2018. During 2017, the Company secured debt financing of \$132,616. Proceeds from the debt financing in 2018 were utilized to repay outstanding short-term debt, repay accounts payable and to fund working capital. The long-term debt has an interest rate of 15% and a term ending January 2020 at which time the principal and accrued interest are due and payable. The increase in long-term debt resulted in an increase in financial costs in 2018 compared to 2017.

Derecognized liabilities

During 2018, management undertook a process whereby all accounts payable and accrued liabilities of the Company were reviewed to determine the value of the liability and whether the obligation continues to exist. Contracts, agreements and correspondence relating to recorded liabilities that were greater than three years outstanding and those which were owing to vendors which no longer exist were examined and discussions and negotiations were held with vendors where possible. Management has concluded that certain obligations have been extinguished due to the time period elapsed and derecognized \$526,259 during 2018.

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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)	Net Earnings Income/(Loss)	Basic & Fully Diluted \$/Share	Total Assets
2018 – Q4	(947)	(282,298)	(0.01)	837,704
2018 – Q3	-	309,714	0.01	720,725
2018 – Q2	-	(75,411)	-	23,219
2018 – Q1	947	(34,414)	-	30,819
2017 – Q4	-	(27,689)	-	64,180
2017 – Q3	-	(14,035)	-	14,259
2017 – Q2	10,650	(20,091)	-	20,012
2017 – Q1	-	(60,537)	-	17,777

Fourth Quarter 2018

During the fourth quarter of 2018, the Company closed on the previously announced private placement of \$750,000 and issued 50,000,000 shares at a price of \$0.015 per share. The proceeds of the private placement will be used to fund ongoing general and administrative expenses directed at advancing the Company’s pilot heavy oil upgrade project initiative.

The company is not subject to seasonal variations in operations.

Consistent with the prior, no compensation paid to Directors during 2018.

Related Parties

As at December 31, 2018, the following balances were payable to an officer and director of the Company.

	2018	2017
Accounts payable and accrued liabilities	90,400	90,400
Short-term loan (note 7)	10,400	35,400
Interest payable	12,362	8,566
Convertible debenture (note 9)	54,833	54,833
	167,995	189,199

As at December 31, 2018, the following balances were payable to the chairman of the board of the Company.

	2018	2017
Short-term loans (note 7)	-	132,616
Interest payable	55,863	-
Related party loans (note 8)	650,000	-
	705,863	132,616

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Key Management Compensation

Key management includes the Company's chief executive officer, chief financial officer and directors:

	2018	2017
Salaries, benefits and consulting	55,342	9,045

Share Capital

(number of shares)	December 31, 2018	December 31, 2017	December 31, 2016
Common shares	82,360,815	32,360,815	32,360,815
Issuable under Stock Options ⁽¹⁾	730,000	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	84,330,318	36,745,318	40,046,077

(1) On January 10, 2019, the Company issued 6,600,000 stock options to directors, officer, employees and consultants of the corporation.

Financial instruments

Recognition and measurement

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are recognized initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table lists the Company's financial instruments and its category of method of measurement subsequent to initial recognition:

Financial instrument category and method of subsequent measurement:

Cash	Fair value
Accounts payable and accrued liabilities	Amortized cost
Interest payable	Amortized cost
Short term loans	Amortized cost
Related party loans	Amortized cost
Convertible debt	Amortized cost

Impairment

Financial assets classified as subsequently measured at amortized cost or fair value through other comprehensive income reflect the Company's assessment of expected credit losses. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an

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approximation of the original effective interest rate. Expectations reflect historical credit losses, adjusted for forward looking factors.

The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition of the asset. If there has not been a significant increase in credit risk, the expected credit loss provision is based on expectations for the next twelve months. If there has been a significant increase in credit risk, the provision is based on expectations for the remaining lifetime of the asset.

Recent accounting pronouncements and adoptions

At the date of these financial statements, the Company adopted the standards and interpretations listed below.

IFRS 9 - Financial instruments was issued in July 2014 (IFRS 9) which replaces IAS 39, “Financial Instruments: Recognition and Measurement”. The standard came into effect for annual periods beginning on or after January 1, 2018. 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 adopted IFRS 9 in its financial statements for the annual period beginning January 1, 2018 and the adoption did not have a material impact on the Company’s financial statements.

IFRS 15 - Revenue from Contracts with Customers was issued in May 2014 (“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. 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 did not have a material impact on the financial statements.

IFRS 16 - Leases, which replaces IAS 17 Leases, was issued in January 2016 with effective date January 1, 2019. IFRS 16 requires lessees to recognize most leases on the statement of financial position. The standard provides using a single recognition and measurement model for leases with required recognition of assets and liabilities for most 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. The Company has early adopted this standard, has completed its review and has determined that it does not have any leases that fall under this standard at December 31, 2018.

Financial Instruments and Risk Management

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including expected interest rates, share prices, and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuation in this level are those with inputs for the asset or liabilities that are not based on observable market data.

The carrying values of accounts payable and accrued liabilities and short-term loans approximate their fair values at December 31, 2018 and 2017 due to their relatively short periods to maturity. Cash is a Level 1 fair value measurement.

The interest rate on related party loans may be lower than the expected market rate, therefore the fair value may be less than the carrying value and is considered a Level 3 fair value instrument. The difference is not considered material to the financial statements.

The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a Level 3 fair value instrument.

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Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's current liabilities, accounts payable and accrued liabilities mature within three months.

The following is a maturity analysis of the Company's financial obligations at December 31, 2018:

	Less than three months	Three months to one year	Beyond one year	Total
Accounts payable and accrued liabilities	373,163	-	-	373,163
Short-term loan	-	10,400	-	10,400
Related party loans	-	-	650,000	650,000
Convertible debt	-	-	229,308	229,308
Interest payable	-	21,925	82,280	104,205
	373,163	32,325	961,588	1,367,076

The Company has cash on hand of \$820,705 at December 31, 2018 available to fund its financial obligations.

In order to meet the Company's anticipated future working capital requirements, it will be required to attract additional funds through the issuance of debt, equity or other business means.

Interest rate risk

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

Commitments

The Company did not have any lease or rental commitments in 2018. Subsequent to year end, the Company entered into a lease agreement for a combined office and warehouse building. The future base lease rental payments are as follows:

2019	36,313
2020	64,066
2021	67,178
2022	28,531
	196,088

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Capital Management

The Company considers its capital structure to include working capital and access to credit as follows.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	832,282	51,842
Current liabilities	(405,488)	(975,582)
Working capital	<u>426,794</u>	<u>(923,740)</u>

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. During 2018, the Company secured both debt and equity financing which improved the working capital position in the year. 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 initiatives will result in commercially viable 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.

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Additional Information

Bayshore is a Canadian oil and gas company listed on the TSX Venture Exchange under the symbol “BSH”. The Company is an early stage oil and gas company with a plan to advance, through collaboration with industry partners, an innovative bitumen and heavy oil upgrading project located in western Canada.

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.