

BAYSHORE PETROLEUM CORP.

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

September 30, 2020

BAYSHORE PETROLEUM CORP.

For the three and nine months ended September 30, 2020

Q3 2020 HIGHLIGHTS

FINANCIAL

- Cash on hand at June 30, 2020 was \$77,152 (December 31, 2019 - \$135,277).
- Working capital deficit at September 30, 2020 was \$284,879 (December 31, 2019 – deficit of \$230,426).
- Net loss during the third quarter of 2020 was \$49,440 compared to a net loss of \$253,230 during the same quarter of 2019. For the first nine months of 2020 the Company incurred a loss of \$269,656 compared to a loss of \$934,752 during the first nine months of 2019.
- During 2020, Company spending was limited to administration, operations and technology testing and development with no spending undertaken on capital activities.

OPERATIONAL

- Continued a collaborative project during Q3 2020 with two industry partners merge technologies to test a new, innovative oil sand tailings remediation process within an experimental, in-house environment.
- Board and management focused on securing funding to exploit the Company's new innovative tailing remediation technology.
- 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 should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes for the three and nine months ended September 30, 2020 and the audited financial statements for the year ended December 31, 2019. The unaudited condensed interim financial statements are reported in Canadian Dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in this MD&A are Canadian Dollars (CAD) unless otherwise noted. 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.

This commentary is as of November 23, 2020. Bayshore's Board of Directors and its Audit Committee have reviewed and approved this MD&A and the accompanying financial statements on November 23, 2020.

Additional information is available online at www.sedar.com and the Company's website at www.bayshorepetroleum.com.

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.

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Going Concern

The unaudited interim financial statements and notes, and this MD&A, for the three and nine months ended September 30, 2020, 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 the third quarter of 2020, cash generated from operations was \$35,337 and the Company had an accumulated deficit of \$8,453,750 at September 30, 2020. The Company reported a third quarter loss of \$49,440. At September 30, 2020, the Company had negative working capital of \$284,879 and a cash balance of \$77,152.

The ability of the Company to continue as a going concern will depend on its ability to raise additional capital and achieve profitable operations sufficient to meet all obligations, the outcome of which is uncertain. The Company is in ongoing discussions with the controlling shareholder of Bayshore on ensuring the Company's maintains sufficient working capital to advance the pilot project initiative. During the second quarter additional financing and investment was obtained from the controlling shareholder who exercised options and an executive officer who exercised options and provided an unsecured loan to the Company.

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, 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.

Impact of COVID-19

During the first quarter of 2020, the financial markets have been negatively impacted by the COVID-19 outbreak which was declared a pandemic by the World Health Organization on March 12, 2020. Global oil prices have fallen by approximately 50% since December 31, 2019 partially due to reduced demand associated with the outbreak of COVID-19 and partially to the commercial and geopolitical conflicts among major oil producing countries. The extent to which COVID-19 may impact Bayshore's results in terms of the ability to source financings, will depend on future developments, which are highly uncertain and cannot be predicted. COVID-19 may impact the measurement of fair value for certain financial statement items, however, whether an adjustment is required depends on the timing of the impact to an item's fair value. The Company tests its non-financial assets for recoverability whenever events or changes in circumstances indicate that a non-financial asset's carrying amount may not be recoverable.

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Corporate Overview

Investment Objectives

Bayshore's activities during 2020 has focused on a combination of sourcing financing to test and implement technologies and processes that would be beneficial to the oil and gas industry in Canada.

The primary focus of Bayshore during the third quarter of 2020 was the collaboration with two industry partners to merge technologies and experiment with processes designed to effectively remediate tailings associated with oil sands projects (“Tailings Initiative”). the provision of technical and general management services (“Technical Services”) to an industry partner to assist the partner in maintaining its oil leases in Alberta were suspended indefinitely early in Q2 2020 due to a lack of financings and the negative impacts on the economy as a result of the COVID-19 pandemic and low oil price environment. During the third quarter of 2020 the Company did re-commence providing Technical Services to an industry partner.

The Company’s Tailings Initiative is designed to test a new, innovative oil sand tailings remediation process within an experimental, in-house environment. The experience and know-how of certain aspects of the Pilot Project, specifically the handling of bitumen/tailings and chemical reactions of materials put through a separation process, are being tested on oil sands tailings with the objective of efficiently and cost effectively separating bitumen and fines from the tailings. Using a specialized filtration and separation process, raw oil sands tailings obtained from an oil sands operator in Alberta and containing oily fluid (water + bitumen) and suspended fines, have been put through a process that has successfully separated water, bitumen and tailing solids. The system was operated at an ambient environment condition with no heat or pressure involved. Raw oil and tailings were fed through a processing unit. A primary objective of the process is to have the resulting separated water meet all environmental requirements for water recycling oil sand industrial usage. Experimenting with the process and putting together a pilot study plan is expected to be completed by the end of second quarter of 2021. If the feasibility of the process is proven in the experimental environment, additional financing would be required to fund the capital and operating costs of a pilot project based onsite during the second half of 2021.

The Company is seeking all available government funding and grants to help finance the testing and evaluation of the Tailings Initiative and is pursuing partnership with government agencies supporting the oil sands industry. Although no agreements have been executed to date, the Company believe there is significant value and market in the remediation tailings utilizing our process.

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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. There are no plans to invest further capital into these non-operated oil and gas properties. These assets will need to be abandoned and the area reclaimed, activities which is not expected to take place earlier than 2027.

Other Assets

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

Financial Overview

Selected information for the third quarter and at quarter end

	Q3 2020	Q3 2019	Q3 2018
Total revenue	22,000	-	-
(Loss) income for the period	(49,440)	(253,230)	309,714
Cash balance	77,152	316,413	210,497
Working capital (*)	(249,879)	(516,065)	59,777
Total assets	165,304	486,298	720,725
Total non-current financial liabilities (**)	1,449,167	792,474	195,681
Shareholders' deficit	(1,844,735)	(1,371,524)	(180,048)
Shares issued and outstanding (shares)	83,260,815	82,360,815	32,360,815

(*) Working capital is a non-IFRS/non-gaap 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-IFRS/non-gaap measure and is calculated as follows: lease liability obligations plus 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 2020. 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 oil sand remediation technology and processes, which Management believes is the greatest growth opportunity for the Company. The amount of additional financing required by Bayshore will be determined during 2020 as the Company advances its collaboration efforts associated with the Tailings Initiative.

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	Q3 2020	Q3 2019	\$ increase / (decrease)	% increase / (decrease)
Technical services revenue	22,000	-	22,000	n/a
Oil and gas, non-operating	621	625	(4)	(1)
General and administrative ^(*)	55,612	194,658	(139,046)	(71)
Technology development	161	-	161	n/a
Depreciation	132	132	-	-
Finance costs	48,651	45,591	3,060	7
Net loss	49,440	253,230	(203,790)	(80)
Loss per share (basic and diluted) - cents	-	-	-	-
Cash generated by (used in) operating activities	36,227	(203,827)	240,054	118

Nine months ending September 30 - Results of Operations

	2020	2019	\$ increase / (decrease)	% increase / (decrease)
Technical services revenue	112,000	-	112,000	n/a
Oil and gas, non-operating	1,757	(4,335)	6,092	141
General and administrative ^(*)	233,158	579,133	(345,975)	(60)
Technology development	11,651	-	11,651	n/a
Share based compensation	-	100,573	(100,573)	(100)
Depreciation	397	124,113	(123,716)	(99)
Finance costs	143,970	113,178	30,792	27
Net loss	269,656	934,752	(665,096)	(71)
Loss per share (basic and diluted) - cents	-	(0.01)	(0.01)	(100)
Cash used in operating activities	116,064	824,817	(708,753)	(86)

(*) *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

During the first quarter of 2020, the Company reduced the number of staff and reduced the amount of time of consultants in response to the lower level of activity and limited financing available to the Company to finance its operations. The Company maintains fixed costs associated with an office/warehouse location and public company listing related costs.

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Share based compensation

No share options were issued during the nine months ended September 30, 2020. During the first quarter of 2019, the Company granted 6,600,000 stock options to directors, officers and contractors of the Company. The Black-Scholes value of the option grant was \$100,573. Options were granted with an exercise price of \$0.05 per share, vested upon issuance and are exercisable prior to December 31, 2023.

Depreciation, amortization and accretion

There were no significant changes in assets or underlying liabilities during the nine months ended September 30, 2020. During the second quarter of 2019, the Company revised its estimate of abandonment and reclamation costs of its non-operated oil and gas properties in Western Canada. The revised estimated resulted in an increase in the Company's share of estimated future abandonment costs by \$120,669. As there are no reserves attached to the non-operated properties, the full amount of \$120,669 has been depreciated during the second quarter of 2019. Actual cash costs of the abandonment and reclamation are not expected to be incurred prior to 2027.

Finance costs

The Company accrued interest during the third quarter of 2020 of \$39,261 (third quarter of 2019 - \$36,588) and reflects interest obligations of 15% annual interest on \$650,000 of related party loans, 10% annual interest on a \$450,000 related party loan, 5% annual interest on convertible debentures with a face value of \$229,308 and 5% annual interest on a \$60,000 unsecured loan from an officer. In addition, accretion of convertible debt of \$5,306 was recorded during the third quarter of 2020.

Cash generated from (used in) operating activities

The significant decrease in cash used from operations relates to a lower level of business activity in 2020 compared to 2019 when there was additional financing available to conduct operations and settle historical accumulated liabilities. In addition, the Company's collected an long outstanding receivable of \$92,261 during Q3 2020 which was used to fund ongoing operations. During Q3 2020, the Company had sufficient working capital to advance the Company's business plan and fund ongoing operations as the liabilities become due and exited the quarter with \$77,152 cash on hand compared to \$135,277 cash on hand at December 31, 2019.

Derecognized liabilities

During Q3 2020, the Company derecognized \$45,966 from accounts payable and accrued liabilities which management considers a non-recurring one-time transaction. During Q3 2020, 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 in the case of trade accounts payable.

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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 September 30:

	Revenue (Net)	Net Earnings Income/(Loss)	Basic & Fully Diluted Per Share	Total Assets
2020 – Q3	22,000	(49,440)	-	165,404
2020 – Q2	-	(138,600)	-	215,626
2020 – Q1	90,000	(81,616)	-	225,649
2019 – Q4	55,033	(248,555)	-	325,950
2019 – Q3	-	(253,230)	-	486,298
2019 – Q2	-	(345,140)	(0.01) ⁽¹⁾	285,067
2019 – Q1	-	(336,382)	-	365,086
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

(1) The year-to-date June 30, 2019 cumulative per share amount is (\$0.01) although the second quarter reporting an amount of nil.

Third Quarter 2020

The Company funded operations utilizing cash that was on hand at the start of the period and the collection of long outstanding receivables.

The Company is not subject to seasonal variations in operations.

Consistent with the prior quarter and prior year, no compensation paid to Directors during the third quarter of 2020. On an annual basis the Company accrues up to a maximum \$7,500 for the services of non-executive directors.

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Related Parties

The following balances were payable to an officer and director of the Company.

	September 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	-	32,551
Interest payable	16,743	14,049
Related party loan	60,000	-
Convertible debenture (face value)	54,833	54,833
	131,576	101,433

The following balances were payable to the chairman of the board of the Company.

	September 30, 2020	December 31, 2019
Related party loans	1,100,000	1,100,000
Interest payable	259,929	152,958
	1,359,929	1,252,958

Share Capital

(number of shares)	September 30, 2020	December 31, 2019
Common shares	83,260,815	82,360,815
Issuable under Stock Options ⁽¹⁾	5,200,000	6,450,000
Issuable under Convertible Debentures	1,239,503	1,239,503
Fully Diluted Position	89,700,318	90,050,318

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:

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Financial instrument category and method of subsequent measurement:

Cash	Fair value
Accounts payable and accrued liabilities	Amortized cost
Right of use asset	Amortized cost
Interest payable	Amortized cost
Short term loans	Amortized cost
Related party loans	Amortized cost
Convertible debt	Amortized cost
Lease obligation liability	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 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.

New accounting standards not yet effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after September 30, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Company's unaudited condensed interim consolidated financial statements upon adoption.

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.

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The carrying values of accounts payable and accrued liabilities and short-term loans approximate their fair values at September 30, 2020 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.

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 September 30, 2020:

	Less than three months	Three months to one year	Beyond one year	Total
Accounts payable and accrued liabilities	34,771	-	-	34,771
Lease obligation liability	11,500	33,855	29,238	74,593
Related party loans	-	-	1,160,000	1,160,000
Convertible debt (carrying value)	224,003	-	-	224,003
Interest payable	67,360	635	259,929	327,924
	337,634	34,490	1,449,167	1,821,291

The Company has cash on hand of \$77,152 at September 30, 2020 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.

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Commitments

During Q2 2019, the Company entered into a lease agreement for a combined office and warehouse building which extends to May 31, 2022. At September 30, 2020, the future base lease rental payments are as follows:

2020	16,341
2021	67,178
2022	28,531
	<u>112,050</u>

Capital Management

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

	September 30, 2020	December 31, 2019
Current assets	87,245	213,018
Current liabilities	(372,124)	(443,444)
Working capital	<u>(284,879)</u>	<u>(230,426)</u>

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;

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- 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

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.