BAYSHORE PETROLEUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

2019 HIGHLIGHTS

FINANCIAL

- Cash on hand at December 31, 2019 was $135,277 (December 31, 2018 - $820,705).
- Working capital deficit at December 31, 2019 was $230,426 (December 31, 2018 – positive working capital $426,794).
- During 2019 the Company secured a shareholder loan of $450,000, the funds of which were used for working capital purposes. In addition, on December 31, 2019, the Company renegotiated and extended the maturity date on shareholder loans totalling $650,000 from January 5, 2020 to December 31, 2022.
- Net loss during 2019 was $1,183,307 compared to a net loss $82,409 during 2018. During the prior year the Company's net loss was reduced by the derecognition of liabilities of $526,259.
- During 2019 the activities and spending were limited to administration, operations and ongoing business development with no spending undertaken on capital activities.
- In 2019 the Company granted 6,600,000 (2018 – nil) stock options to directors, officers and contractors of the Company. The Black-Scholes value of the option grant was $100,573 which was expensed to earnings in 2019.
- In 2019 Bayshore established a new operational and warehouse location in Calgary, Canada in which all its activities are currently conducted.

OPERATIONAL

- Activities continued to be 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") and evaluating potential heavy oil and/or Oil sand property acquisitions and investment opportunities in Alberta and Saskatchewan.
- Board and management maintain a focus on securing funding to advance the Company's heavy oil upgrade initiative and potential heavy oil / oil sand asset acquisitions.
- Non-operated petroleum and natural gas assets remain principally dormant.

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 March 11, 2020. This MD&A should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the years ended December 31, 2019 and 2018. The audited annual consolidated 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 March 11, 2020. Additional information including the Company's audited consolidated financial statements for the year ended December 31, 2019 is available online at www.sedar.com and the Company's website at www.bayshorepetroleum.com.

Going Concern

These consolidated financial statements 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. For the year ended December 31, 2019 the Company had net loss of $1,183,307, negative cash flow from operations of $1,005,581 and a shareholders' deficit of $1,620,079 as at December 31, 2019. At December 31, 2019, the Company had negative working capital of $230,426 (2018 – positive working capital of $426,794).

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 2020. During the third quarter of 2019, the controlling shareholder provided the Company with a $450,000 unsecured loan to fund operations and working capital.

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 consolidated 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 primarily activities during 2019 have been focused on sourcing financing to advance its business plan, evaluating heavy oil investment opportunities located in Western Canada, 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 endeavors to transform heavy oil into 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, holders of technology licenses, 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.

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 a 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 bring together the key components of the Pilot Project. Although no formal agreements have been executed, a significant amount of management time and effort 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.

The total estimated 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 $5 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 resides in Beijing. In January 2014, an investor group built a small scale 50 barrel/day ("b/d") batch pilot plant at their lab 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 the investor group had processed many other crudes and bitumen provided to them 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 certain 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 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.

Project Management Services

Facilitation/Collaboration of Oil Sands/Bitumen extraction concept

During the fourth quarter of 2019, pursuant to a memorandum of understanding, the Company provided project management services to a non-arm's length private company which has 100 percent working interest in Oil Sands mineral rights for oil leases with substantial bitumen resources in the Poplar Creek area located immediately north of Fort MacMurray Alberta ("Poplar Creek Property"). Serving as general manager of the Poplar Creek Property, Bayshore provided assistance with the maintenance of the Poplar Creek Property for future development by the private company.

Subsequent to year end, Bayshore entered into a consulting services agreement ("CSA") with the private company for a period of 12 months at a fixed monthly fee. Bayshore will continue to serve as general manager of the Poplar Creek Property and provide such additional services as government regulatory compliance, technology development, preliminary project costing and scheduling, and maintenance of the property for future development. Bayshore does not currently own any interest in the Poplar Creek Properties and is therefore not required to incur any costs of evaluation, maintenance and development of the properties.

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. During 2019, the Company updated the estimates of decommissioning costs relating to its working interest in its oil and gas assets.

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

Corporate Environment

During 2019 Bayshore secured additional funding from the Chairman of Bayshore and a company controlled by the Chairman, Morag Investments Ltd. ("Morag"). During the third quarter 2019, an unsecured two and a half year $450,000 loan was secured from Morag and utilized by Bayshore for working capital purposes. Bayshore is hopeful that it will be able to receive addition funding from this investor group in 2020 in order to implement Bayshore's business plan.

In early 2019, the Company's common shares were reinstated for trading following resolution of all issues raised by the TSX Venture Exchange resulting from a continued listing review conducted by the TSX Venture Exchange in 2018. 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 statements. The 2017 annual financial statements were filed with the ASC in May 2018.

Financial Overview

Selected Annual Information

	2019	**2018**	2017
Total revenue	**$55,033**	**-**	$10,650
Loss for the year	**($1,183,307)**	**($82,409)**	($122,352)
Cash balance	**$135,277**	**$820,705**	$51,842
Working capital/(deficiency) (*)	**($230,426)**	**$426,794**	($923,740)
Total assets	**$325,950**	**$837,704**	$64,180
Total non-current financial liabilities (**)	**($1,316,051)**	**($919,431)**	($169,681)
Shareholders' deficit	**($1,620,079)**	**($537,345)**	($1,129,936)
Shares issued and outstanding	**82,360,815**	**82,360,815**	32,360,815

(*) Working capital is a 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-gaap measure and is calculated as follows: lease obligation liability, related party loans plus convertible debt plus interest payable that is due beyond one year

Outlook

During 2020, the Company plans to dedicate a significant amount of resources serving as general manager of the Poplar Creek Property providing such services as government regulatory compliance, technology development, project costing and scheduling, and maintenance of the property for future development. The monthly consulting fee under this agreement is sufficient to cover a majority of the Company's ongoing corporate expenditures but the Company continues to seek additional sources of financing. 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 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 2020 as the Company advances its collaboration efforts with the various stakeholders expected to be involved with the Pilot Project.

Financial Analysis

Annual Results of Operations

	2019	2018	Change (%)
Technical services revenue	**$55,033**	-	-
General and administrative [(*)]	**$785,651**	$487,950	61
Share based compensation	**$100,573**	-	-
Depreciation, Impairment and accretion [(**)]	**$187,515**	$10,829	1,632
Derecognized liabilities	**-**	($526,259)	(100)
Petroleum and natural gas, non-operating	**$3,520**	$19,651	82
(Loss) income from operations	**($1,020,472)**	$9,106	(113,066)
Cash used in operating activities	**$1,005,581**	$539,269	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.
(**) Depreciation includes the following financial statement categories: a) depreciation of property, plant and equipment, accretion of decommissioning obligations and b) Depreciation of right-of-use assets.

Technical services revenue
During 2019, under a memorandum of understanding, Company personnel assisted a third party company with legal and administrative matters in order for the third party to secure rights to lands located in northern Alberta. The Company has signed consulting services agreement with the third party to provide project management services for 2020.

General and administrative
With debt and equity financing secured in 2018, the Company expanded its' senior management, operations, technical and administrative teams and commenced collaboration efforts associated with the Pilot Project. Management evaluated several investment opportunities in the oil and gas sector throughout 2019 including heavy oil producing assets and non-producing oil sands and bitumen concepts. The Company incurred legal, consulting and advisory fees in respect to its business development activities during 2019.

During the first part of 2019 the Company conducted activities from a small office in Calgary leased on a short-term basis. During the second quarter of 2019, the Company relocated to a combination office and warehouse and secured under a 3 ½ year lease.

Share based compensation
During 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, the full amount of which was expensed in 2019. Options were granted with an exercise price of $0.05 per share, vested upon issuance and are exercisable prior to December 31, 2023.

Depreciation and accretion

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 $149,624. As there are no reserves attached to the non-operated properties, the full amount of $149,264 has been impaired in 2019. Actual cash costs of the abandonment and reclamation are not expected to be incurred prior to 2027.

During 2019, the Company adopted the new accounting standards covering leases, IFRS 16, effective January 1, 2019. The Company did not have any leases greater than 12 months in duration at the effective date but entered into a long-term lease agreement during the second quarter of 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset ("RUA") representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As a result of the adoption of IFRS 16, the Company updated its accounting policy for leases as follows:

- the Company recognizes a RUA and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company
- lease payments include fixed payments and are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company's uses the lessee's incremental borrowing rate for its present value calculations
- lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise
- lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the statement of earnings

RUA are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. RUA's are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

During 2019, the Company recorded a RUA and offsetting lease obligation liability of $143,647 and recorded depreciation of $32,560.

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 owning 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. No such derecognition occurred during 2019.

Quarterly Financial 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 (Loss) / Income	Basic and Fully Diluted Per Share	Total Assets
2019 – Q4	**$55,033**	**($248,555)**	**-**	**$325,950**
2019 – Q3	**-**	**($253,230)**	**-**	**$486,298**
2019 – Q2	**-**	**($345,140)**	**($0.01)(*)**	**$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

(*) The year-to-date June 30, 2019 cumulative per share amount is ($0.01) although the second quarter reported amount is nil.

Fourth Quarter 2019

The Company generated revenue from project management services provided to a third party to help the third party with legal and administrative matters to secure rights to lands located in northern Alberta.

The company is not subject to seasonal variations in operations compared to prior quarters in 2019 and the Company did not enter into any significant contracts or agreements.

The Company accrued $15,000 during the fourth quarter of 2019 for the services provided by two directors during 2019. No compensation paid to Directors during 2018.

Financing costs

During the year, a total of $129,531 (2018 - $72,768) of interest expense was accrued on the unsecured debt (related party loans) and the convertible debentures. At December 31, 2019, outstanding accrued interest payable on unsecured debt (related party loans) and convertible debt totaled $211,711 (2018 - $104,205) of which $58,753 (2018 - $21,925) is payable within one year.

The Company has two convertible debentures with a total face value of $229,308 (2018 - $229,308) which are due and payable on December 31, 2020. The debentures bear an interest rate of 5% per annum and are convertible at a rate of $0.185 per share at the option of the debt holder.
The Company obtained unsecured debt financing of $450,000 during 2019 from Morag Investments Ltd. (“Morag”), a related company owned by the chairman of Bayshore. The unsecured debt has an interest rate of 10% and a term ending December 31, 2021 at which time the principal and accrued

interest are due and payable. Proceeds from the debt financing in 2019 were used to fund ongoing administration and working capital.

During 2018, the Company obtained two separate unsecured debt financings totaling $650,000 from Morag which has an interest rate of 15%. At December 31, 2019, the maturity date of these two debt financings was extended to December 31, 2022 at which time the principal and accrued interest are due and payable.

Related Parties

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

	2019	2018
Related party loans	**$1,100,000**	$650,000
Interest payable	**$152,958**	$55,863
Balance, December 31	**$1,252,958**	$705,863

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

	2019	2018
Accounts payable and accrued liabilities	**$32,551**	$90,400
Short-term loan	**-**	$10,400
Interest payable	**$14,049**	$12,362
Convertible debenture – face value	**$54,833**	$54,833
Balance, December 31	**$104,433**	$167,995

The following balances were payables to certain directors of the Company for director fees included in accounts payable and accrued liabilities.

	2019	2018
Balance, December 31	**$15,000**	-

Key Management Compensation

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

	2019	2018
Salaries, benefits and consulting	**$365,020**	$55,342
	70,096	-
	435,116	55,342

Share Capital

(number of shares)	**December 31, 2019**	December 31, 2018	December 31, 2017
Common shares	**82,360,815**	82,360,815	32,360,815
Issuable under Stock Options	**6,450,000**	730,000	1,945,000
Issuable under Warrants	**-**	-	1,200,000
Issuable under Convertible Debentures	**1,239,503**	1,239,503	1,239,503
Fully Diluted Position	**90,050,318**	84,330,318	36,745,318

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:

Financial instrument category and method of subsequent measurement:

Cash	Fair value
Accounts receivable	Amortized cost
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 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 December 31, 2019. There are currently no such pronouncements that are expected to have a significant impact on the Company's 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.

The carrying values of accounts payable and accrued liabilities and short-term loans approximate their fair values at December 31, 2019 and 2018 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 consolidated 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 December 31, 2019:

	Less than three months	**Three months to one year**	**Beyond one year**	**Total**
Accounts payable and accrued liabilities	$129,883	$ -	$-	$129,883
Lease obligation	11,801	34,806	63,093	109,700
Related party loans	-	-	1,100,000	1,100,000
Convertible debt	-	229,308	-	229,308
Interest payable	-	58,753	152,958	211,711
	$129,883	**$322,867**	**$1,316,051**	**$1,780,602**

The Company has cash on hand of $135,277 at December 31, 2019 available to fund its financial obligations.

In order to meets 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, related party loans and convertible debt are carried at fixed interest rates, and the Company does not have interest bearing investments generating significant interest revenue.

Commitments

During 2019, the Company entered into a lease agreement for a combined office and warehouse building. The future base lease rental payments are as follows:

2020	**$64,066**
2021	**$67,178**
2022	**$28,531**
	$159,775

Capital Management

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

	December 31, 2019	December 31, 2018
Current assets	**$213,018**	$832,282
Current liabilities	**($443,444)**	($405,488)
Working capital	**($230,426)**	$426,794

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.

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, though 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.