

Unaudited Interim Condensed Consolidated Financial Statements

BAYSHORE PETROLEUM CORP.

For the three and nine months ended September 30, 2021

Notice of No Auditor Review

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BAYSHORE PETROLEUM CORP.**Unaudited Interim Condensed Consolidated Statements of Financial Position**

Canadian Dollars unless otherwise stated

	Note	As at September 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash		23,240	49,234
Accounts receivable		-	47,250
Prepaid expenses		-	18,842
GST receivable		4,043	-
		<u>27,283</u>	115,326
Non-current assets			
Property, plant and equipment		-	1,318
Right-of-use asset		-	65,120
		<u>27,283</u>	181,764
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	22,473	64,277
Current portion of lease obligation liability		-	44,917
Convertible debt	5	-	-
GST Payable		-	3,155
Interest payable	5,6	6,408	66,528
Short-term unsecured loans		206,938	749,558
		<u>235,819</u>	928,435
Non-current liabilities			
Lease obligation liability		-	18,176
Unsecured loans	6	-	71,000
Interest payable	6	-	230,258
Decommissioning obligations	7	190,962	189,487
		<u>426,781</u>	2,076,356
SHAREHOLDERS' DEFICIT			
Share capital	9	7,321,882	5,556,387
Equity component of convertible debt		-	-
Contributed surplus		1,042,628	1,042,628
Accumulated deficit		(8,764,008)	(8,503,607)
		<u>(399,498)</u>	(1,894,592)
		<u>27,283</u>	181,764
Going concern	2		
Commitments	10		

APPROVED ON BEHALF OF THE BOARD:**"Peter Ho" Director****"Chan Po Kwong" Director**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

BAYSHORE PETROLEUM CORP.**Unaudited Interim Condensed Consolidated Statements of Net Loss and Comprehensive Loss**

Canadian Dollars unless otherwise stated

		Three months ended September 30		Nine months ended September 30	
	Note	2021	2020	2021	2020
REVENUE					
Technical testing services		-	22,000	-	112,000
		-	22,000	-	112,000
EXPENSES					
Contractors, consultant and staff		22,282	32,814	41,342	151,485
Bad Debts expense		-	-	42,375	-
Professional, legal and advisory		5,616	5,000	12,386	16,059
Office and administration		19,834	17,798	75,176	65,614
Travel and accommodations		-	-	-	-
Oil and gas operating expenses		998	621	2,027	1,757
Technology development		-	161	-	11,651
Depreciation of property, plant and equipment		-	132	1,318	397
Depreciation of right of use asset		21,556	11,491	33,048	34,475
Accretion of decommissioning obligations	7	(738)	738	-	2,214
Derecognized liabilities	8	-	(45,966)	-	(45,966)
Loss from operations		(69,548)	(789)	(207,672)	(125,686)
Finance costs					
Accretion of convertible debt	5	(1,476)	(5,306)	(1,476)	(15,802)
Lease finance expense		(4,401)	(4,084)	(8,694)	(11,954)
Interest expense		(2,440)	(39,261)	(42,559)	(116,214)
Loss before income tax		(77,865)	(49,440)	(260,401)	(269,656)
Income tax		-	-	-	-
Net loss and comprehensive loss		(77,865)	(49,440)	(260,401)	(269,656)
Loss per ordinary share					
Basic and diluted (per share)		-	-	-	-

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

BAYSHORE PETROLEUM CORP.**Unaudited Interim Condensed Consolidated Statements of Changes in Equity**

Canadian Dollars unless otherwise stated

	Number of shares	Share capital	Equity component of convertible debt	Contributed Surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at December 31, 2019	82,360,815	5,507,672	75,523	980,820	(8,184,094)	(1,620,079)
Net loss and comprehensive loss	-	-	-	-	(269,656)	(269,656)
Issuance of common shares on exercise of stock options	900,00	58,715	-	(13,715)	-	45,000
Balance at September 30, 2020	83,260,815	5,556,387	75,523	967,105	(8,483,750)	(1,844,735)
Balance at December 31, 2020	82,360,815	5,556,387	-	1,042,628	(8,503,607)	(1,894,592)
Net Loss and comprehensive loss	-	-	-	-	(260,401)	(260,401)
Issuance of common shares on exercise of stock options	35,109,900	1,755,495	-	-	-	1,755,495
Balance at September 30, 2021	118,370,715	7,321,882	-	1,042,628	(8,764,008)	(399,498)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

BAYSHORE PETROLEUM CORP.

		Three months ended September 30		Nine months ended September 30	
	Note	2021	2020	2021	2020
Operating activities					
Net loss for the period		(77,865)	(49,440)	(260,401)	(269,656)
Adjustments for:					
Depreciation of right-of-use assets		53,628	11,491	65,120	34,475
Amortization of property plant and equipment		-	132	1,318	397
Current portion of lease obligation liability		(44,917)	-	(44,917)	-
Accretion of decommissioning obligation	7	-	738	-	2,214
Accretion of convertible debt	5	-	5,306	-	15,802
Lease finance expense		-	4,084	-	11,954
Interest expense		5,468	39,261	5,468	116,214
Derecognition of liabilities	8	-	(45,966)	-	(45,966)
Changes in non-cash working capital:					
Prepaid expenses		8,342	-	18,842	5,280
Accounts receivable		-	92,261	47,250	57,726
GST receivable		(2,458)	2,088	(7,197)	4,642
Accounts payable and accrued liabilities		(5,321)	(23,618)	(337,650)	(49,146)
Net cash generated from (used in) operating activities		(63,123)	35,337	(512,167)	(116,064)
Financing activities					
Increase in related party loans	6	(661,900)	35,000	(602,621)	60,000
Repayment of lease liability		44,916	(15,696)	(18,177)	(47,061)
Issue of common shares	9	-	-	1,755,495	45,000
Loan Payment		749,558	-	(650,000)	-
Decommissioning Provision		(50,961)	-	1,476	-
Changes in non-cash working capital:					
Accounts payable and accrued liabilities		-	-	-	-
Net cash generated from (used in) financing activities		(81,613)	19,304	486,173	57,939
Net change in cash		18,490	55,641	(25,994)	(58,125)
Cash and cash, beginning of the period		-	21,511	49,234	135,277
Cash and cash, end of the period		18,490	77,152	23,240	77,152

Unaudited Interim Condensed Consolidated Statements of Cash Flows
Canadian Dollars unless otherwise stated

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

BAYSHORE PETROLEUM CORP.
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the three months ended September 30, 2021
Canadian Dollars unless otherwise indicated

1. NATURE OF BUSINESS

Bayshore Petroleum Corp. (“Bayshore” or the “Company”) is incorporated in Alberta, Canada under the Business Corporations Act. Bayshore’s common shares are listed on the TSX Venture Exchange (“Exchange”) under the symbol “BSH”. The address of the Company’s corporate and registered office is Suite 340, 600 Crowfoot Crescent NW, Calgary, Alberta, T3G 0B4 and the operational address is Bay 127, 5655 – 10 Street NE, Calgary, Alberta, T2E 8W7. The Company is an early stage oil and gas technology service company with a plan to advance, through collaboration with industry partners, an innovative oil sand tailings treatment project (“Pilot Project”) located in western Canada.

2. GOING CONCERN

These 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 any 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 2021, the Company had an accumulated deficit of \$8,764,008 at September 30, 2021. The Company reported a third quarter loss of \$260,401. At September 30, 2021, the Company had negative working capital of \$208,536 and a cash balance of \$23,240.

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 the final stage of a Reverse Take Over (RTO) and we anticipated the RTO will be approved by the Exchange by the end of the year. During the third quarter loan financing and was obtained from the controlling shareholder and an executive officer 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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3. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim financial statements have been prepared by management in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements as at and for the year ended December 31, 2019. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2019 and should be read in conjunction with those annual audited financial statements and the notes thereto. These unaudited condensed interim financial statements were approved by the Board of Directors on November 23, 2020 and have not been reviewed by the Company’s auditors. The disclosures provided below are incremental to those included in the 2019 annual audited financial statements.

Basis of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiary. Subsidiaries are entities that the Company controls. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its authority over the investee. The existence and effect of potential voting rights are considered when assessing whether a company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Bayshore Petroleum Corp. and the following legal entity is within the Bayshore Group of Companies:

Legal entity	Incorporation Date	Registered	Ownership interest at September 30, 2020
Bayshore Oil Technology Corp.	May 24, 2019	Canada	100%

All inter-company transactions, balances and unrealized gains on transactions between the parent and subsidiary companies are eliminated on consolidation. During the 3rd Quarter, BOTC does not incur any revenue or expenses as the company has no active business.

Functional and presentation currency

These financial statements have been prepared in Canadian dollars, which is the Company’s functional currency.

BAYSHORE PETROLEUM CORP.
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3. BASIS OF PRESENTATION (CONTINUED)

Basis of measurement

These financial statements have been prepared on a historical cost basis, which is generally based on the fair value of consideration given at the time of exchange.

Measurement uncertainty and use of estimates and judgments

In applying the Company's accounting policies, the preparation of financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates. Significant estimates and judgments used in the preparation of these interim financial statements include:

- The fair value of the related party loans and convertible debt.
- The fair value of share-based payments is based on estimates using the Black-Scholes option pricing model.
- The calculation of deferred income taxes requires judgment in applying tax laws and regulations, estimating the timing of temporary difference reversals, and estimating the realization of deferred tax assets.

Future accounting pronouncements

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after September 30, 2021. There are currently no such pronouncements that are expected to have a significant impact on the Company's unaudited condensed consolidated interim financial statements upon adoption.

4. ECONOMIC DEPENDENCE

Amid the current low oil price environment and negative impact of the COVID-19 pandemic on the economies around the world, the client that Bayshore provides management services has temporarily halted activities on its oil leases effective April 1, 2020.

5. CONVERTIBLE DEBT

The Company has two convertible debentures: one with a face value of \$54,833 payable to a director and officer of the Company and one with a face value of \$174,475 payable to a non-related party. The convertible debentures mature on December 31, 2020, accrue interest at a rate of 5% repayable at the end of the term of the loan and are convertible at a rate of \$0.185 per share at the option of the debt holder. All these loans have been converted into shares during the 2nd quarter of 2021.

Balance, beginning of year	772,558
Accretion during the period	(772,558)
Balance, September 30, 2021	-

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6. RELATED PARTY LOANS

Balance, beginning of year	710,000
Loan advances	146,938
Loan repayments	<u>(650,000)</u>
Balance, September 30, 2021	<u>206,938</u>

7. DECOMMISSIONING OBLIGATIONS

The total future decommissioning obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future years.

At September 30, 2021, the estimated total undiscounted amount adjusted for inflation required to settle the decommissioning obligations was \$211,602 (December 31, 2019 – \$211,602).

Balance, beginning of year	189,486
Accretion	<u>1,476</u>
Balance, September 30, 2021	<u>190,962</u>

8. DERECOGNIZED LIABILITIES

The Company derecognized \$45,966 (2019 – Nil) 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.

9. SHARE CAPITAL

Common Shares

During the second quarter of 2021, the Company issued 35,109,900 common shares on the exercise of share options. The exercise price was \$0.05 per share for gross proceeds of \$1,755,495.

Share based payments

The Company has granted options for the purchase of common shares to its directors and officers. The Company's stock option plan is a "fixed" plan. Under the fixed plan, the maximum number of shares reserved for issuance under and subject to the plan is 83,260,815, being 10% of the issued and outstanding common shares of the Company at September 30, 2021.

The following table details the stock option transactions during the period:

Weighted

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Canadian Dollars unless otherwise indicated

	Number of Stock Options	average exercise price (\$)
Balance, beginning of year	83,260,815	0.05
Issued	35,109,900	0.05
Balance, September 30, 2021	118,370,715	0.05

Stock options outstanding at September 30, 2021:

Number of stock options vested and outstanding	Weighted average exercise price (\$)	Weighted average remaining contractual life (years)
5,200,000	0.05	3.25

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10. COMMITMENTS

The Company executed a long-term lease agreement in April 2019 for combined office and warehouse premises. The future base lease rental payments as at September 30, 2021 are as follows:

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

During the 3rd quarter of 2021, agreement with the lease landlord to terminate the office lease obligation was signed and a payment of \$30,763.07 was provided to the landlord to fully release the office lease obligation for Bayshore effective October 15, 2021.

11. 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 September 30, 2021 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 Company has cash on hand of \$23,240 at September 30, 2021 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

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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.