

Condensed Interim Financial Statements of

BAYSHORE PETROLEUM CORP.

Period ended June 30, 2015

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.
Statement of Financial Position
As at
(Unaudited)

	June 30, 2015	Dec 31, 2014
	\$	\$
ASSETS		
CURRENT		
Cash	216,365	42,735
Accounts Receivable	3,254	34,597
Prepaid expenses and deposits	26,417	37,675
	<u>246,036</u>	<u>115,007</u>
INTANGIBLE ASSET (Note 8)	400,000	80,000
PROPERTY AND EQUIPMENT (Note 5)	77,393	89,254
	<u>723,429</u>	<u>284,261</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,493,765	1,081,643
Short-term loans payable (Note 6)	39,769	30,000
	<u>1,533,534</u>	<u>1,111,643</u>
DECOMMISSIONING OBLIGATIONS	46,506	46,345
CONVERTIBLE DEBT (Note 7)	181,930	164,840
	<u>1,761,970</u>	<u>1,322,828</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	4,239,910	3,676,779
Equity component of convertible debentures (Note 7)	75,523	75,523
Warrants (Note 10b)	219,618	214,285
Contributed Surplus	647,356	549,072
Deficit	(6,220,948)	(5,554,226)
	<u>(1,038,541)</u>	<u>(1,038,567)</u>
	<u>723,429</u>	<u>284,261</u>
Going Concern (Note 2)		

APPROVED ON BEHALF OF THE BOARD:

"Peter Ho" **Director**

"Raymond Go" **Director**

The accompanying notes are an integral part of these financial statements

BAYSHORE PETROLEUM CORP.
Condensed Statements of Net Loss and Comprehensive Loss
For the periods ended June 30,
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015 \$	2014 \$	2015 \$	2014 \$
REVENUE				
Oil and natural gas revenue, net of Royalties (Note 11)	13,538	14,985	9,579	46,966
Interest income	-	-	-	-
	13,538	14,985	9,579	46,966
EXPENSES				
Consulting fees	2,100	53,276	59,575	84,961
Stock-based compensation (Note 10a)	-	(5,592)	98,284	13,049
General and administrative	226,913	12,568	363,113	36,490
Professional fees	6,517	17,215	25,801	22,695
Operating	15,666	13,262	21,403	30,216
Rent	37,976	11,688	58,298	23,376
Travel	9,559	1,490	16,349	7,451
Interest	1,196	11,464	4,074	22,395
Depletion and amortization (Note 5)	5,581	3,823	11,861	12,698
Accretion on convertible debentures (Note 7)	8,545	-	17,090	-
Accretion on decommissioning obligations	157	156	453	313
	314,210	119,350	676,301	253,644
NET LOSS AND COMPREHENSIVE LOSS	(300,672)	(104,365)	(666,722)	(206,678)
LOSS PER SHARE (Note 12)				
Basic and Diluted	(0.012)	(0.006)	(0.028)	(0.013)

The accompanying notes are an integral part of these financial statements

BAYSHORE PETROLEUM CORP.
Condensed Statements of Changes in Equity
For the periods ended June 30,
(Unaudited)

	June 30, 2015		June 30, 2014	
	Number	\$	Number	\$
Share capital				
Balance, beginning of period	21,644,529	3,676,779	16,482,762	2,723,703
Issued for cash pursuant to private placement	2,160,000	259,200	-	-
Allocated to warrants		(5,333)	-	-
Share issue costs		(20,736)	-	-
Issued in exchange for services	3,000,000	330,000	-	-
Balance, end of period	<u>26,804,529</u>	<u>4,239,910</u>	16,482,762	2,723,703
Equity component of convertible debentures				
Balance, beginning of period	-	75,523	-	-
Balance, end of period	-	<u>75,523</u>	-	-
Warrants				
Balance, beginning of period	8,571,429	214,285	8,571,429	214,285
Issued for cash pursuant to private placement	1,080,000	5,184	-	-
Issued as finders fee pursuant to Private placement	74,700	149	-	-
Balance, end of period	<u>9,726,129</u>	<u>219,618</u>	8,571,429	214,285
Contributed surplus				
Balance, beginning of period		549,072		402,613
Stock-based compensation (Note 10a)		98,284		13,049
Balance, end of period		<u>647,356</u>		<u>415,662</u>
Deficit				
Balance, beginning of period		(5,554,226)		(4,483,603)
Net loss and comprehensive loss		(666,722)		(206,678)
Balance, end of period		<u>(6,220,948)</u>		<u>(4,690,281)</u>

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BAYSHORE PETROLEUM CORP.
Condensed Statements of Cash Flows
For the periods ended June 30,
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net loss	(300,672)	(104,365)	(666,722)	(206,678)
Adjustment for:				
Depletion and amortization	5,581	3,774	11,861	12,600
Accretion on convertible debentures	8,545	49	17,090	98
Accretion on decommissioning obligations	157	156	453	313
Stock-based compensation	-	(5,592)	98,284	13,049
	<u>(286,389)</u>	<u>(105,978)</u>	<u>(539,034)</u>	<u>(180,618)</u>
Changes in non-cash working capital				
Accounts Receivable	13,284	888	31,343	(7,964)
Prepaid expenses and deposits	11,258	-	11,258	-
Accounts payable and accrued liabilities	183,321	55,557	412,045	88,532
	<u>(78,526)</u>	<u>(49,533)</u>	<u>(84,388)</u>	<u>(100,050)</u>
INVESTING				
Change in non-cash working capital, accounts payable and accrued liabilities	1,514	11,464	1,238	22,395
	<u>(77,012)</u>	<u>11,464</u>	<u>(83,150)</u>	<u>22,395</u>
FINANCING				
Proceeds from issuance of common shares	259,200	-	259,200	-
Proceeds from short term loan	826	54,376	9,769	79,876
Share issue costs	(20,736)	-	(20,736)	-
Change in non-cash working capital, accounts payable and accrued liabilities	(2,588)	(16,316)	8,547	(7,099)
	<u>236,702</u>	<u>38,060</u>	<u>256,780</u>	<u>72,777</u>
(DECREASE) INCREASE IN CASH	159,690	(9)	173,630	(4,878)
CASH, BEGINNING OF PERIOD	<u>56,675</u>	<u>1,251</u>	<u>42,735</u>	<u>6,120</u>
CASH, END OF PERIOD	<u>216,365</u>	<u>1,242</u>	<u>216,365</u>	<u>1,242</u>
INTEREST RECEIVED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

BAYSHORE PETROLEUM CORP.
Notes to the Condensed Interim Financial Statements
For the periods ended June 30, 2015 and 2014
(Unaudited)

1. NATURE OF BUSINESS

Bayshore Petroleum Corp., (the “Company”) is incorporated in Alberta, Canada under the Business Corporations Act and its common shares are traded on the TSX Venture Exchange under the symbol “BSH”. The address of the Company’s corporate and registered office is Unit 14, 3515 27 Street N.E., Calgary, Alberta, T1Y 5E4.

The Company’s operations are focused on the exploration and development of its petroleum and natural gas properties as well as development of related energy technology applications, particularly bitumen and heavy oil upgrading to diesel.

2. GOING CONCERN

These financial statements have been prepared with the assumption that the Company will continue as a going concern, which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

While the Company continues to focus on its business plan it has incurred a significant loss for the quarter ended June 30, 2015 of \$300,672 (2014 - \$104,365). At June 30, 2015, the Company has a significant working capital deficit of \$1,287,498 (2014 - \$1,437,881), and negative cash flows from operations of \$78,526 (2014 - \$49,533).

The ability of the Company to continue as a going concern will depend on raising additional capital and achieving profitable operations sufficient to meet all obligations, the outcome of which is uncertain. The disclosed 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 were not appropriate. Such adjustments could be material.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed financial statements have been prepared in accordance with IAS 34, Interim Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended December 31, 2014. The Board of Directors approved these condensed interim financial statements on August 26, 2015.

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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.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions regarding the application of accounting policies that affect the reported amounts of assets, liabilities and equity at the reporting date of the financial statements and the amounts of revenue and expenses during the reporting period.

Estimates and their underlying assumptions are reviewed on an ongoing basis and revisions to these estimates are made in the year in which the estimates are revised and any future years that are impacted.

The following are the financial statement items which are most impacted by estimation uncertainty and critical judgments in applying the accounting policies:

The amounts recorded for depletion and impairment for property and equipment are based on estimates of reserves, future production rates, future petroleum and natural gas prices, future costs and other relevant assumptions.

Property and equipment and intangible assets are subject to judgments relating to indicators of impairment.

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

The fair value of share based payments is based on estimates using the Black-Scholes option pricing model and is recorded as stock-based compensation expense in the financial statements.

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 future tax assets.

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these financial statements are based on IFRS issued and outstanding as at August 26, 2015, the date the Board of Directors approved the statements. These financial statements are based on the accounting policies consistent with those disclosed in Note 3 to the 2014 annual financial statements.

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5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas interests	Corporate and other	Total
Cost			
Balance at December 31, 2013	1,656,361	1,436	1,657,797
Additions	25,387	45,005	70,392
Adjustment	(6,425)	-	(6,425)
Balance at December 31, 2014	\$ 1,675,323	\$ 46,441	\$ 1,721,764
Additions	-	-	-
Balance at June 30, 2015	\$ 1,675,323	\$ 46,441	\$ 1,721,764
Accumulated depletion, amortization and impairments			
Balance at December 31, 2013	1,522,460	785	1,523,245
Depletion and amortization	21,874	7,402	29,276
Impairment	79,989	-	79,989
Balance at December 31, 2014	\$ 1,624,323	\$ 8,187	\$ 1,632,510
Depletion and amortization	3,926	2,354	6,280
Balance at March 31, 2015	\$ 1,628,249	\$ 10,541	\$ 1,638,790
Depletion and amortization	3,435	2,146	5,581
Balance at June 30, 2015	\$ 1,631,684	\$ 12,687	\$ 1,644,371
Net book value			
At December 31, 2014	\$ 51,000	\$ 38,254	\$ 89,254
At June 30, 2015	\$ 43,639	\$ 33,754	\$ 77,393

No general and administration expenses were capitalized at June 30, 2015 or 2014. There was no impairment of assets during the quarter or six month period ended June 30, 2015. For impairment tests, the Company estimates the recoverable amount of its petroleum and natural gas interests based on fair value less costs to sell using a discounted cash flow approach with a discount rate of 10%. The petroleum and natural gas future prices are based on year end commodity price forecasts of the Company's independent reserves evaluator.

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6. SHORT-TERM LOANS PAYABLE

	<u>June 30, 2015</u>	<u>Dec 31, 2014</u>
Short-term loans payable, beginning of year	\$ 30,000	\$ 382,500
Advances	8,000	84,876
Repayments	-	(80,000)
Accrued interest transferred from accrued liabilities	1,769	97,632
Settlement in shares	-	(225,700)
Settlement in convertible debt	-	(229,308)
Short-term loans payable	<u>\$ 39,769</u>	<u>\$ 30,000</u>

During the quarter ended June 30, 2015, there were no advances or repayments in short-term loans. During the six month period ended June 30, 2015, a director of the company advanced \$8,000 in additional short-term loans in order to fund normal operating expenses.

7. CONVERTIBLE DEBENTURES

The convertible debentures are compound financial instruments containing a liability component and an equity component. The fair value of the liability component at the time of issue of \$153,785 was calculated as the discounted cash flows for the convertible debenture assuming a 25% interest rate which was based on the estimated market interest rate for a convertible debenture without a conversion feature. The fair value of the equity component (conversion feature) of \$75,523 was determined at the time of issue as the difference between the fair value of the compound convertible debenture and the fair value of the liability component.

	<u>June 30, 2015</u>	<u>March 31, 2015</u>	Dec 31, 2014
Convertible debentures, beginning of period	\$ 173,385	\$ 164,840	\$ -
Issued	-	-	153,785
Accretion on convertible debentures	8,545	8,545	11,055
Convertible debentures, end of period	<u>\$ 181,930</u>	<u>\$ 173,385</u>	<u>\$ 164,840</u>

8. INTANGIBLE ASSET

On July 28, 2014, the Company entered into an exclusive license agreement with International Ultrasonic Technologies Ltd. ("IUT") to acquire a licence for its intellectual property relating to desulphurization technology for a term of 20 years. The total purchase price of \$800,000 was to be paid in accordance with the following payment terms.

- \$35,000 upon execution of the license agreement
- \$45,000 by August 31, 2014
- \$320,000 on or before November 15, 2014 and;

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- \$400,000 on or before March 1, 2015.

As at June 30, 2015, the Company had paid or settled the first three payments totaling \$400,000, however was in breach of the payment terms as it had not yet made the fourth required payment due on March 1, 2015. During the first quarter 2015, IUT received 2,909,090 Bayshore common shares in settlement of the November 15, 2014 payment. Subsequent to June 30, 2015, the Company paid IUT \$65,000 and by mutual agreement extended the remaining overdue payments. \$200,000 is now due on October 1, 2015, and \$135,000 before December 1, 2015. Therefore, the Company is not in breach of its agreement with IUT.

9. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common voting shares. A continuity of issued and outstanding share capital is included as part of the statement of changes in equity.

On June 30, 2015, the Company closed a first tranche of an announced private placement equity financing totaling 10 million units offered at \$0.12 per unit. The closed tranche consisted of 2,160,000 units ("Units") for gross proceeds of \$259,200. Each Unit consisted of one common share in the capital of Bayshore and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.30 per share for a term of 18 months from closing. Therefore, 2,160,000 common shares and 1,080,000 whole warrants were issued to accredited subscribers, in addition to 74,700 brokers' warrants, which carry the same terms and conditions as the subscriber warrants.

On February 19, 2015 the Company settled \$330,000 of the Company's outstanding payables for services to a supplier, and indebtedness to IUT as noted above by issuing a total of 3,000,000 common shares at a price of \$0.11 per share.

10. SHARE BASED PAYMENTS

(a) Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, employees, and consultants. Prior to October 24, 2014, the aggregate number of shares that could be issuable pursuant to options granted under the Plan could not exceed 10% of the issued common shares of the Company at the date of grant. However, on October 24, 2014 the Company's stock option plan changed from a "rolling" plan to a "fixed" plan. Under the fixed plan, the maximum number of shares reserved for issuance under and subject to the plan is 4,019,326, being 20% of the issued and outstanding common shares of the Company on September 24th, 2014.

No more than 5% of the issued shares of the Company may be granted to any one optionee, and no more than 2% of the issued shares of the Company may be granted to any one consultant or person engaged in investor relations activities in any 12 month period. The

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options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options may not be less than the greater of \$0.10 and the market price, subject to all applicable regulatory requirements at the time of issuance.

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

	Number of stock options	Weighted average exercise price
Balance, December 31, 2013	1,602,143	\$ 0.23
Granted	650,000	0.18
Cancelled	(180,000)	0.25
Balance, December 31, 2014	2,072,143	\$0.21
Granted	1,300,000	0.12
Balance March 31, 2015	3,372,143	\$0.17
Cancelled	(15,000)	0.12
Balance June 30, 2015	3,357,143	\$0.17
Exercisable, June 30, 2015	3,357,143	\$0.17

The Company granted no options and recorded no non-cash stock-based compensation for the quarter ended June 30, 2015 (June 30, 2014 – \$13,049) as an expense for the options granted.

On February 12, 2015, the Company granted 1,300,000 stock options to officers, directors, consultants, and employees with an exercise price of \$0.12 per common share with an expiry date five years from the date of grant. The options vested immediately. The stock-based compensation expense of \$98,284, recorded in the period ended March 31, 2015, was calculated based on the fair value of the stock options on the date of grant using the Black-Scholes option pricing model.

(b) Warrants:

The following table summarizes information about the Company's common share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, issued and exercisable, March 31, 2015, and December 31, 2014	8,571,429	\$ 0.20
Issued pursuant to private placement closed on June 30, 2015	1,154,700	\$ 0.30
Balance, June 30, 2015	9,726,129	\$ 0.21

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During the period ended March 31, 2015, the Company extended the expiry date of 2,328,616 outstanding common share purchase warrants priced at \$0.20 for an additional 2 years to expire on January 27, 2017. The exercise price was not changed.

11. OIL AND NATURAL GAS REVENUE

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Oil and natural gas revenue	\$ 16,446	\$ 18,270	\$ 25,813	\$ 54,658
Royalty expense	(2,908)	(3,285)	(16,234)	(7,692)
Total net oil and natural gas revenue	\$ 13,538	\$ 14,985	\$ 9,579	\$ 46,966

12. PER SHARE AMOUNTS

Stock options granted and warrants issued are potentially dilutive but had no impact on the calculation of diluted earnings per share for the quarters ended June 30, 2015, or 2014 because their effect on the calculation is anti-dilutive.

The following table summarizes the weighted average number of common shares used in calculating net earnings per share:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Basic and Diluted	24,644,529	16,482,762	23,882,097	16,482,762

13. CAPITAL MANAGEMENT

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

	June 30, 2015	Dec 31, 2014
Current assets	\$ 246,036	\$ 115,007
Current liabilities	(1,533,534)	(1,111,643)
Working capital	\$ (1,287,498)	\$ (996,636)

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The objectives of the Company are to maintain sufficient capital to conduct operations while searching for new opportunities for growth. If required 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 capital spending. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the quarter ended June 30, 2015. There are no externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair value

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

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

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values at March 31, 2015 and 2014 due to their relatively short periods to maturity. Cash is a Level 1 fair value measurement. Convertible debenture liabilities are Level 3 fair value measurement.

Credit risk

A substantial portion of the Company's account receivable are with joint venture participants in the oil and natural gas industry and are subject to normal industry credit risks. Substantially all joint venture receivables were received subsequent to year end. Collection can be dependent upon industry factors such as commodity prices, risk of unsuccessful drilling and partner disputes. If difficulties in collection arise, the Company relies upon industry standard legal remedies for collection.

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.

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

	Less than three months	Three months to one year	Greater than one year	Total
Accounts Payable	\$ 896,265	\$ -	\$ 597,500	\$ 1,493,765
Short-term loan payable	39,769	-	-	39,769
Convertible debentures	-	-	181,930	181,930
	\$ 936,034	\$ -	\$ 779,430	\$1,715,464

The Company had cash of \$216,365 and accounts receivable in the amount of \$3,254 for a total of \$219,619 available to fund its financial obligations, as of June 30, 2015.

Market risk

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

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by the changes in the exchange rate between the Canadian and United States dollar. The Company had no forward exchange rate contracts in place as at or during the quarters ended June 30, 2015 and June 30, 2014.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollar, as outlined above, but also by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the quarters ended June 30, 2015 and June 30, 2014.

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Interest rate risk

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

15. RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2015, the Company incurred a total of \$nil (2014 – \$27,000) for consulting services payable to a private corporation controlled by an officer and director of the Company. These costs were recorded to general and administrative expenses.

16. COMMITMENTS

The Company leases office space which require future annual payments (including occupancy costs) of:

2015	21,814
2016	87,258
	<u>\$ 109,072</u>

17. SUBSEQUENT EVENTS

None.