



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2014 AND DECEMBER 31, 2013**

## **INTRODUCTION**

The Management's Discussion and Analysis ("MD&A") of James Bay Resources Limited (the "Company" or "James Bay") should be read in conjunction with the Company's consolidated audited financial statements for the years ended December 31, 2014 and 2013. Those financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") and all amounts shown in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise noted. This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on April 30, 2015.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's exploration property. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

## **COMPANY OVERVIEW**

James Bay is a junior resource company originally focused on the acquisition and exploration of base and precious metal mineral properties, with activities centered in Canada. The Company has exclusive rights in the mining claims known as the James Bay Lowlands property (the "Property"), located approximately 60 km southeast of the First Nations community of Webequie, and approximately 600 km northwest of Timmins, Ontario, Canada. The Property consists of 75 unpatented claims covering a total of approximately 974 claim units or approximately 15,648 ha of mineral exploration rights.

In 2011 the Company entered into a preliminary agreement to conduct due diligence to identify potential oil and gas acquisition targets in Nigeria.

In 2012, the Company signed an agreement to acquire a 47% interest in the Ogedeh Marginal Field Award on the Farmed-Out Area within the Oil Mining Licence 90 ("OML 90 Project" or the "Ogedeh Project"). As a result of the Company's change in focus to pursuing oil and gas assets in Nigeria. On October 11, 2012, the Company filed a National Instrument 51-101 report concerning the Ogedeh Project to pursue conditional approval of its change of business under the policies of the TSX Venture Exchange ("TSX-V").

## **CORPORATE STRUCTURE**

In February 2012, the Company incorporated a wholly owned Nigerian subsidiary, James Bay Energy Nigeria Limited ("JBENL"). Pursuant to an agreement signed with D&H Solution AS, 100% share ownership interest of D&H Energy Nigeria Limited ("DHENL") and Ondobit Limited ("OL") were transferred to JBENL on March 9, 2012.

In April 2012, 2255431 Ontario Inc. (a wholly owned subsidiary of the Company) assigned its 100% ownership interest of James Bay Coal LLC ("JBC LLC") to James Bay. JBC LLC is a US entity and a wholly owned subsidiary of James Bay. JBC LLC was later converted from a Delaware corporation to a Delaware limited liability company called James Bay Energy Nigeria LLC ("JBEN LLC"). Subsequently, 2255431 Ontario Inc. was wound up in June 2013.

In September 2013, Crestar Integrated Natural Resources Limited (“CINRL” or “Crestar”) was incorporated. The Company has a 45% ownership interest in Crestar through its wholly owned subsidiary company JBENL. The remaining 55% ownership interest in Crestar is owned by Crestar Hydrocarbon Exploration and Production Company Limited (“CHEPCL or Crestar Hydrocarbon”), an indigenous Nigerian partner.

In November 2013, the Company entered into a financial and technical services Agreement with CINRL whereby the Company is appointed the financial and technical partner with respect to acquiring oil and gas projects in Nigeria.

Effective June 17, 2014, the financial and technical services agreement was amended to reflect a change of party from CINRL to CHEPCL. All terms in the November 6, 2013 agreement between JBENL and CINRL remain in effect with CHEPCL. JBENL’s 45% ownership interest in CINRL remains unchanged.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

James Bay Energy Nigeria LLC, USA	100%
James Bay Energy Nigeria Limited, Nigeria	100%
D&H Energy Nigeria Limited, Nigeria	100%
Ondobit Limited, Nigeria	100%
Crestar Integrated Natural Resources Limited, Nigeria	45%*

\* During the year ended December 31, 2014, control of Crestar Integrated Natural Resources Limited was lost and as such the Company ceased consolidation of these accounts from July 3, 2014.

## COMPANY HIGHLIGHTS

### Successful bidder of Oil Mining Lease No 25 (“OML 25”)

In May 2014, Crestar was selected as the winning bidder for the Shell JV’s 45% participating interest in OML-25. The NNPC attempted to block the sale and acquire the interest for itself under a 30 day contractual right of first refusal that had been expired months earlier. Crestar commenced injunction proceedings in January 2015. In March 2015, the Federal High Court of Nigeria has ruled in favour of Crestar to bar Shell JV’s from affecting a transfer to NNPC or any other party.

### Financing

During the fiscal 2014, James Bay had raised in excess of \$6.7 million gross proceeds through four rounds of equity financing. In April 2015, the Company announced a non-brokered private placement (the “Offering”) of unsecured convertible debenture in the aggregate principal amount of up to \$3 million. The Offering is expected closed over a series of tranches with the final tranche scheduled to close on or before May 31, 2015.

### Change in Board of Directors and Officer

Mr. Knut Sovold did not stand for re-election at the annual meeting held in August 2014, and accordingly is no longer a director of the Company. Mr. Mike Sylvester has resigned from the board of directors due to personal reasons.

Mr. Adeniyi Olaniyan and Mr. Jean Gauthier have been elected as directors of the Company at the annual meeting. Mr. Adeniyi Olaniyan has also been appointed as President and CEO of the James Bay’s subsidiary companies. Mr. Olaniyan previously assumes the role of Country Manager and Chief Operating Officer for JBENL.

### Change of Stock Exchange

The Company’s shares were voluntarily delisted from the TSX-V on October 29, 2014. Due to the de-listing of its common shares from the TSX-V, the Company did not complete its previously announced Change of Business (as that term is defined in TSX-V policies) since that process is a specific procedure under TSX-V policies and rules. Effective October 30, 2014, the Company’s shares were listed on the Canadian Stock Exchange (“CSE”), listing under the symbol “JBR”. The Company is listed as an oil and gas issuer on the CSE.

## **JAMES BAY DIRECT INTEREST IN OGEDEH PROJECT OIL AND GAS FIELD**

Pursuant to a deed of assignment between DHENL and Bicta Energy & Management System Limited (“Bicta”) dated March 9, 2012 (the “DOA”), the Company has acquired a 47% interest in the Ogedeh Project subject to all regulatory approval. On May 28, 2012, the Company also entered into a Joint Operating Agreement (JOA) with Bicta. The JOA and DOA have been filed with the Department of Petroleum Resources (DPR). On May 17, 2013, the Federal Ministry of Petroleum Resources (“HMPR”) granted approval for the assignment of the 47% participating interest in the Ogedeh Project.

The Company retained Sproule International Limited (“Sproule”) to evaluate the oil and gas leases included under the DOA and the JOA for the Ogedeh Project.

### ***Evaluating Report, Author, Date***

Sproule, an independent qualified resource evaluator, prepared a report in respect of the evaluation of the Ogedeh Project entitled “Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria” dated as of December 31, 2014 (the “Sproule Report”).

The information set forth below is derived from the Sproule Report which has been prepared by Sproule in accordance with the standards contained in the Oil and Gas Evaluation Handbook (COGEH) and the definitions contained in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (“NI 51-101”).

### **Summary**

Table S-1 summarizes the assessment of the contingent oil resources of James Bay Resources Limited in the Ogedeh Field of Nigeria, as of December 31, 2014. The Company holds a 47 percent working interest in the Ogedeh field in a portion of Block OML 90 in the western part of the Niger River Delta. A map showing the location of the Company’s property is included as Figure S-1.

The resource definitions and ownership classification used in this assessment are the standards defined by COGEH resource definitions and consistent with NI 51-101 and used by Sproule. The oil resources are presented in thousands of barrels, at stock tank conditions of 14.65 psi and 60 degrees Fahrenheit.

The recoverable oil volumes presented in this report have been classified as Contingent Resources. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets.

The contingency that prevents the classification of contingent resources as reserves is commerciality. Sproule has determined the project maturity sub-class to be development on hold as the Company has stated the development is subject to project financing. There is no certainty that it will be commercially viable to produce any portion of the reported resources.

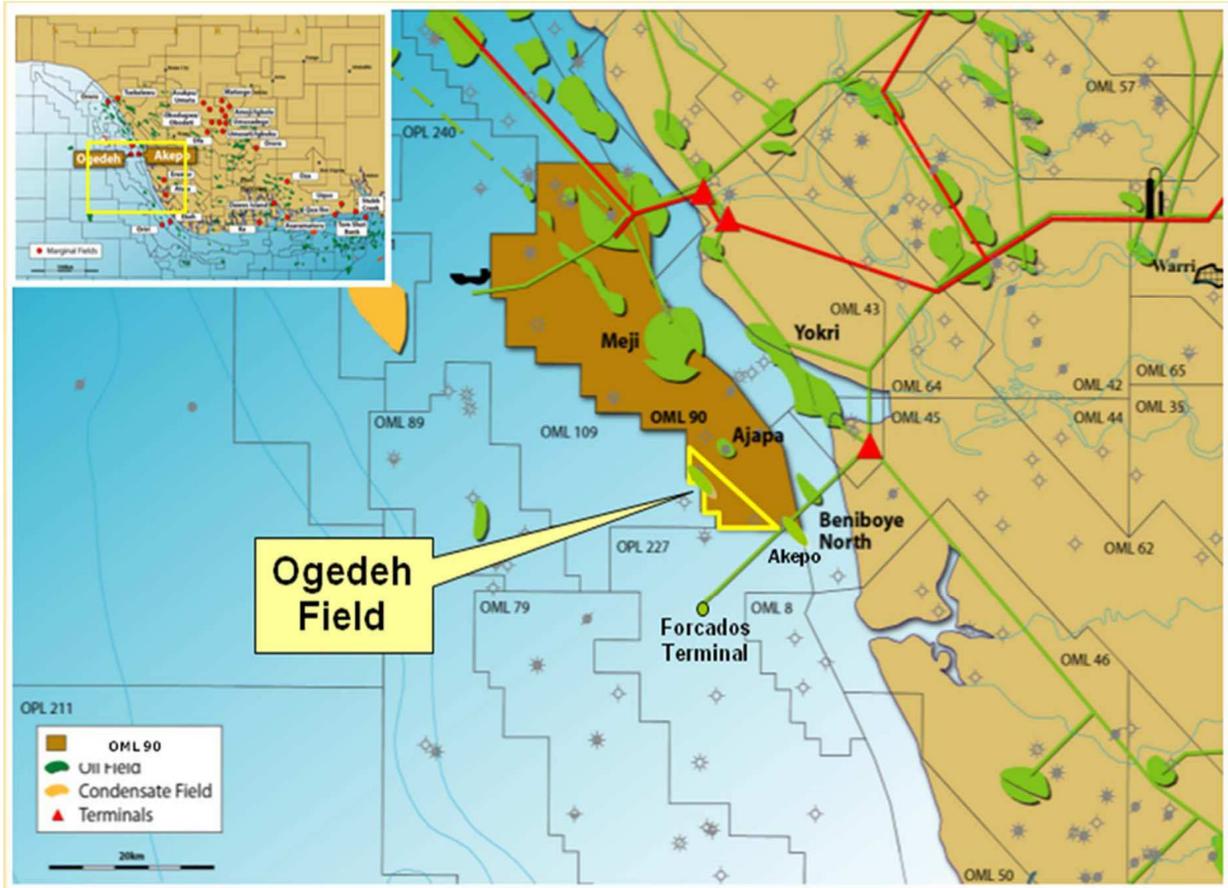
For contingent resources, the risk factor related to the chance of commerciality is equal to the chance of development. The volumes presented in this report have not been risked for chance of development.

Well Ogedeh-1 was drilled in 1993, targeting the Agbada Formation. Well logs indicated the existence of hydrocarbons; however the well has not been tested, and it was suspended due to mechanical problems. Under COGEH, “confirmation of commercial productivity of an accumulation by production or a formation test is required for classification of reserves as proved. In the absence of production or formation testing, probable and/or possible reserves may be assigned to an accumulation on the basis of well logs and/or core analysis that indicates that the zone is hydrocarbon bearing and is analogous to other reservoirs in the immediate area that have demonstrated commercial productivity by actual production or formation testing”.

Although the B1 sand shows a gas-bearing zone over oil, no gas volumes were assigned due to the limited information available and the lack of gas markets.

At the request of the Company, an economic evaluation was not performed.

<b>Table S-1 Summary of Unrisked Contingent Oil Resources of the Ogedeh Field, Nigeria (As of December 31, 2014)</b>				
Resources Classification	Maturity Sub-Class	Discovered Oil Initially-In-Place Mbbbl	Contingent <sup>1</sup> Light Crude Oil Resources (Unrisked)	
			Mbbbl	
			Project Gross <sup>2</sup>	Company Gross <sup>3</sup>
2C Contingent (P50)	Development on hold	24,600	6,850	3,352
<b>Notes:</b>				
<p>1) Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, and regulatory matters, or a lack of markets. The contingency that prevents the classification of contingent resources as reserves is commerciality. There is no certainty that it will be commercially viable to produce any portion of the reported resources.</p>				
<p>2) "Project Gross" means 100% working interest volumes before deducting royalties and burdens.</p>				
<p>3) "Company Gross" means the Company working interest volumes before deducting royalties and burdens.</p>				
<p>6) Due to rounding, certain totals may not be consistent from one presentation to the next.</p>				



Ogedeh Field Location Map

## General

The Ogedeh Field is located in approximately 40 feet of water in the extreme southwestern corner of NNPC (Nigerian National Petroleum Corporation) Block OML 90 (Oil Mining Lease) in the western Niger Delta Basin, approximately 70 kilometers west of the city of Warri, Nigeria. Table 1 presents a well list and production history.

The field is bounded to the north by the Meji Field, to the northeast by the Ajapa Field (discovered in 1984), to the southeast by the Akepo Field (discovered in 1993) and to the east by Nigerian Agip Oil Company's (NAOC) Beniboye Field. A location map is provided as Figure 1.

The Ogedeh Field was discovered by Chevron in 1993 by the drilling of the Ogedeh-1 well. Hydrocarbons were found in both the B and D sands of the Agbada Formation; however, the well encountered mechanical problems and was not tested. Well Ogedeh-2 was drilled in 1994, in a separate fault block, about 9 kilometres southeast of Ogedeh-1. The Ogedeh-2 well was dry.

In 2004, 100 percent of a portion of OML-90, approximately 10,660 acres in size and containing the Ogedeh Field was awarded to Bicta Energy & Management Systems Limited during the federal government discretionary bid round of 2003 via a farmout from Chevron and the NNPC. The term of the farmout agreement was sixty months. The Company has advised Sproule that this term has been extended; however, Sproule has not been provided a copy of the document to verify the extension. Bicta assigned 47 percent of the working interest to D&H Energy Nigeria Limited (D&H) through a joint operating agreement prepared in 2012. D&H is a wholly owned subsidiary of James Bay Energy Nigeria LLC, which is wholly owned by James Bay Resources Limited. As a result, the Company currently owns a 47 percent interest in the Ogedeh Field. The remaining working interests are held by Bicta Energy & Management Systems Limited at 40 percent and by Linetrade Exploration and Production Limited at 13 percent.

## Geoscience

The Ogedeh Field structure is mapped at shallow levels (e.g., the thin "A" gas sands over oil) as small, narrow, elongated and asymmetrical northwest-southeast trending anticlines, located downthrown to similarly trending normal growth faults. At intermediate and deeper levels (e.g., the oil and gas "B" and "D" sands), the structure has evolved into up-dipping closures against the downthrown side of the normal growth faults.

The field is dissected into small, narrow and semi-parallel fault blocks by a system of northwest-southeast trending normal growth faults which also control the hydrocarbon accumulations.

The Ogedeh-1 discovery well was drilled as a directional hole, almost parallel to the fault planes within one of the many fault blocks in the field. The well encountered 50 feet TVD of oil in five sands, 26 feet TVD of gas in two sands, and 37 feet TVD of unknown hydrocarbons in one sand. The Ogedeh-1 discovery well was prematurely suspended due to safety considerations at about 10,000 feet MD, while drilling through a sequence of high pressured reservoir sands with mudlog hydrocarbon "shows" and experiencing some mechanical problems.

The Ogedeh-2 well was drilled on a different structure and fault block about eight kilometres southeast of the discovery well and was water wet at all its objective levels.

Stratigraphically, the field has good alternating sequences of paralic, clean reservoir sands and marine shales in the objective Agbada Formation, which is ideal for commercial hydrocarbon generation, migration and entrapment in the Niger Delta basin.

## Data Control

A Petrel project with 3D seismic data was provided. Seismic time picks for B1, B3 and D4; depth grids for B1, B3 and D4; fault sticks; fault polygons in depth; and a time-depth relationship table were provided. The well data provided included well header and various logs of the Ogedeh-1 well in las format. The location coordinates for the Ogedeh-1 and Ogedeh-2 wells, Ogedeh concession coordinates and reports of all the previous work done in the field were also provided.

## Seismic Audit

The seismic data audit included the verification of the defined structural framework of the field and audit of structure maps to determine the extent of the hydrocarbon-bearing reservoir sands in the field.

The 3D seismic data provided in Schlumberger's Petrel software was quality controlled. The seismic data quality is generally good.

The B1, B3 and D4 time horizons provided in Petrel were coarse gridded. These horizons were finely gridded. Sproule considered the fault sticks and fault polygons provided to be reasonable.

The three time horizons were converted to depth using the time-depth relationship provided.

The oil tops and bases for the three horizons were generated using the tops information from the Ogedeh-1 well. In the case of the B1 sand, the gas/oil contact surface also was generated and the P90 and P1 (spill point) areas were created. Using these area boundaries, gross rock volumes were calculated.

## Petrophysics

Sproule conducted an independent petrophysical analysis of the B1, B2 and D4 sands using the PRIZM module in Geographix software. The objective of the analysis was to estimate the effective porosity and water saturation for the Ogedeh-1 well, having open-hole log data to estimate the oil initially-in-place. This well is deviated; however, the deviation survey data are not available. Conventional open-hole logs are recorded covering the B sand package. The underlying D sand package has only the logging-while-drilling gamma ray and resistivity logs.

The B sands were assessed using all available logs. The volume of shale was computed as the minimum of two indicators: gamma ray and neutron-density combination. The apparent porosity was calculated using the average of the neutron and density porosity values. The effective porosity was calculated by correcting the apparent porosity for the estimated volume of shale within the formation. For the D sands, porosity logs were not available. The effective porosity was estimated from the gamma ray log to provide an approximate mean porosity value. For both sand packages, a value of 0.15 ohm-meters at 75 degrees Fahrenheit was used for formation water resistivity. The water saturation was calculated using the modified Simandoux equation, with values of a, m and n set to 1, 2 and 2, respectively. The net pay was computed using the cut-off values of effective porosity greater than 10 percent, volume of shale less than 50 percent, and water saturation of less than 50 percent. The well log interpretation results are illustrated in Figures 2, 3 and 4 for the B1, B2 and D4 sands, respectively.

## Technically Recoverable Volumes

The technically recoverable oil resources in the Ogedeh Field, Block OML 90, were estimated probabilistically. The gross rock volumes were calculated within Petrel. Reservoir rock and fluid property data were obtained from available well logs, PVT correlations and published information, either from the pool in question or from a similar reservoir producing from the same zone. Recovery factors were selected from the results of analytical reservoir analyses.

No PVT data were available for the Ogedeh-1 well. The oil properties were estimated based on standard correlations, in addition to certain regional case studies for different fields located in the Niger Delta Basin.

The range of values used in the probabilistic estimation is shown in Table 2.

The technically recoverable oil volumes presented in this assessment were based on capital budgets and a development program as presented by the Company. The development plan of the field includes reentering the Ogedeh-1 well in 2015 and performing extended well tests on zones B1, B2 and D4. Based on the results of the tests, a dual completion is possible. If the results of the tests are favorable, two more delineation wells may be drilled in 2016 and 2017.

The resources were classified in accordance with the COGEH definitions presented in Appendix A and are consistent with NI 51-101 and used by Sproule.

Petroleum initially-in-place on Company interest lands were classified as discovered accumulations based on the log results of the Ogedeh-1 well drilled by Chevron in 1993. Oil is reported to have been recovered from an “MDT” test but the well reports which would contain the results of this test and the fluid recovered are not available. The log results from this well and some of the sands of the Agbada Formation are similar in nature to the Agbada reservoir sands in the nearby Ajapa Field, producing oil since January 2010, the much larger Beniboye Field, producing oil since prior to 2010; and the Akepo Field, which is under development for commercial production. The Agbada Formation is also the reservoir for several other commercial oil fields in the Niger River Delta Basin.

The contingent resources have not been risked for the chance of development. All the volumes presented represent unrisks volumes.

### **Project Maturity Sub-Class**

The resource volumes from the Ogedeh Field have been classified by Sproule as contingent resources development on hold, subject only to commercial factors.

### **Significant Positive and Negative Factors**

Significant positive factors relevant to the estimates include:

- Availability of geological data (seismic and log) over the Ogedeh Field.
- The zones of interest in the well Ogedeh-1 can be correlated to adjacent fields that are at a more advanced stage of development. Ajapa and Beniboye Fields are on production and Akepo Field where DST's have been performed to demonstrate the capability of the zones and commercial production is pending.
- Availability of infrastructure in the immediate vicinity for the transportation, processing and sale of the product.
- Environmental Impact Assessment has been approved and is valid for five years. A well re-entry permit was previously approved, but has expired demonstrating that reissuance of the permit should not be a problem.

Significant negative factors relevant to the estimates include:

- The plans to re-enter the well Ogedeh-1 and continue development of the field based on the re-entry have been planned for several years, but different factors have prevented the Company from proceeding with the work.
- Lack of financing. The Company has made progress towards implementing plans that may provide for funding of the Ogedeh field development, but several factors of a legal and political nature still remain unsolved.
- There was no production test on the Ogedeh-1 well making economics uncertain.

Table 2 presents the volumetric inputs of the probabilistic analysis. Table 3 presents a summary of the recoverable contingent oil resources.

**Table 1**  
**James Bay Resources Limited**  
**Ogedeh Field, Nigeria**  
**Well List and Production Summary**  
**(As of December 31, 2014)**

Well Name	Field	Zone	Well Zone Current Status	Rig Release Date	Cumulative Oil Production (Mbbbl)	Cumulative Water Production (Mbbbl)	Cumulative Gas Production (MMcf)
Ogedeh-1	Ogedeh	N/A	D&A	1993	0	0	0
Ogedeh-2	Ogedeh	N/A	D&A	1994	0	0	0

**Table 2**  
**Ogedeh Field, Nigeria**  
**Probabilistic Volumetric Input Distributions**

**Agbada Formation**  
**Probabilistic Input Distributions, B1-Sandstone**

	<b>P90</b>	<b>P50</b>	<b>P10</b>	<b>Distribution Type</b>
Gross Rock Volume, acre*ft	5,620	12,600	28,400	Log Normal
Net-to-Gross Ratio, fraction	0.85	0.90	0.95	Normal
Porosity, %	26	29	32	Normal
Oil Saturation, %	69	76	84	Normal
Oil FVF, rb/stb	1.16	1.31	1.37	Stretched Beta
Oil Recovery Factor, %	15.0	27.5	40.0	Normal

**Probabilistic Input Distributions, B2-Sandstone**

	<b>P90</b>	<b>P50</b>	<b>P10</b>	<b>Distribution Type</b>
Gross Rock Volume, acre*ft	814	1,330	2,170	Log Normal
Net-to-Gross Ratio, fraction	0.85	0.90	0.95	Normal
Porosity, %	22	24	26	Normal
Oil Saturation, %	59	65	72	Normal
Oil FVF, rb/stb	1.16	1.31	1.37	Stretched Beta
Oil Recovery Factor, %	20.0	30.0	40.0	Normal

**Probabilistic Input Distributions, D4-Sandstone**

	<b>P90</b>	<b>P50</b>	<b>P10</b>	<b>Distribution Type</b>
Gross Rock Volume, acre*ft	7,490	8,240	9,070	Log Normal
Net-to-Gross Ratio, fraction	0.85	0.90	0.95	Normal
Porosity, %	24	27	30	Normal
Oil Saturation, %	75	83	91	Normal
Oil FVF, rb/stb	1.26	1.47	1.61	Stretched Beta
Oil Recovery Factor, %	20.0	30.0	40.0	Normal

**Table 3**  
**Ogedeh Field, Nigeria**  
**Estimates of Contingent<sup>1</sup> Oil Resources (Unrisked)**  
**as of December 31, 2014**

Contingent Oil Resources (Unrisked)						
Resources Project Maturity Sub-Class	Discovered Oil Initially-In-Place	Recovery Factor	Original Recoverable Oil <sup>2</sup>	Cumulative Production to December 31, 2014	Project Gross Remaining Oil Resources <sup>2</sup>	Company Gross Oil Resources <sup>3</sup>
	(Mbbbl)	(%)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)
Contingent (2C) P50 Development On H	24,600	28	6,850	-	6,850	3,352
<p><b>Notes:</b></p> <p>1) Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or lack of markets. The contingency that prevents the classification of contingent resources as reserves is commerciality. There is no certainty that it will be commercially viable to produce any portion of the reported resources.</p> <p>2) "Project Gross" means 100% working interest volumes before deducting royalties and burdens.</p> <p>3) "Company Gross" means Company working interest volumes before deducting royalties and burdens</p> <p>4) Due to rounding, certain totals may not be consistent from one presentation to the next</p>						

# PETROLEUM PROPERTY INTERESTS

## OML 90 PROJECT

In order to earn its interest in the OML 90 Project, James Bay is required to pay an aggregate amount of US\$2,500,000 as follows:

- US\$100,000 due 90 days from the date of execution of JOA or within 24 hours of the execution of the JOA and the DOA, whichever is earlier (paid in 2012).
- US\$200,000 due upon approval from DPR of the assignment of direct interest in OML 90 Project to the Company (paid in 2013).
- US\$300,000 to be released upon the grant of government permit for drilling activity at the OML 90 project and the arrival of a drill rig at the OML 90 project. The government permit was received in March 2014. Of this amount, US\$100,000 was prepaid prior to December 31, 2013. The remaining US\$200,000 has not yet been paid as the second condition is not met.
- US\$1,000,000 upon completion of a final independent report of P1 reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve levels are not attained, the Company shall pay US\$0.10 per barrel of oil produced, to a maximum of US\$1,000,000.
- US\$900,000 upon the completion of 60 days of commercial production.

Included in long-term prepaid as at December 31, 2014 and 2013 is US\$100,000 (\$104,050) payment made in advance of the receipt of the grant of government permit for drilling activity and arrival of a drill rig at the OML 90 project.

Furthermore, the Company will pay a monthly management retainer of US\$30,000, which will commence upon the date of the drill rig arriving at the OML 90 project and ending on the commencement of commercial production. The Company will provide funds required to finance the OML 90 project to its initial production of hydrocarbons (oil) on a commercially viable scale. Any sunk costs incurred exclusively by the Vendor will be reimbursed up to a maximum of US\$500,000.

The Company is entitled to a preferential return of 80% of the available cash flow from oil production at OML 90 until all costs of the joint operation (capital and operating expenditures) incurred by the Company to get the first oil have been fully reimbursed. The remaining 20% of available cash flow during this stage of production is shared between the Company and the Vendor in proportion to their relative percentage interest. After all joint operation costs have been fully recovered by the Company; the remaining revenue shall be shared between the Company and Vendor in proportion to their relative percentage interests.

The DPR is currently reviewing all marginal field licenses to determine if the current owners have done enough work to keep their license. The nature and extent of work is not clearly defined by the DPR.

The OML-90 Project is currently on hold. The Company's goal is to re-enter the well with the goal of commercial production subject to financing. After re-entry of the discovery well and an expected Long Term Test (LTT), a new well will be drilled as an appraisal well to define the in-place volumes.

## **JAMES BAY MINERAL PROPERTY**

### **James Bay Lowlands property (the “Property”)**

#### **Introduction**

The McFauld’s Lake area has been the focus of many junior exploration companies, beginning with the discovery of significant VMS-style mineralization by Spider Resources in 2003 and more recently with the discovery of high-grade Ni-Cu mineralization in two separate areas by Noront Resources in 2007 and 2008, in addition to Chromite discoveries by Noront and Freewest Resources in 2008 and 2009. The area was previously explored by DeBeers for diamonds in which VMS mineralization was intersected during a drill program for kimberlites. Prior to these exploration activities, the McFauld’s Lake area was not extensively explored.

The exploration targets sought in the McFauld’s Lake area are nickel (Ni), copper (Cu) and platinum group elements (PGE) – known as Ni-Cu-PGE deposits – Chrome (Cr) found in chromite or chromitite deposits – copper, lead (Pb) and zinc (Zn) or Cu-Pb-Zn deposits – known as volcanogenic massive sulphide (VMS) deposits – gold (Au) associated with high sulphide iron formation, gold associated with low sulphide concentrations, and possible diamond deposits associated with kimberlite pipes.

The Company drilled the property during the fall of 2008. A total of 373 samples were collected from 11 holes totalling just over 2100 metres. The drilling program was designed to test airborne geophysical EM conductors discovered through 5 separate surveys.

The Company capitalized a total of \$2,433,662 in exploration and evaluation assets. On June 29, 2012, the Company announced that it had signed an agreement to acquire a 47% interest in a Nigerian oil and gas project (see below). As a result of the Company’s change in focus to pursuing oil and gas assets in Nigeria, the James Bay Property was written off.

In February 2013, the Company engaged MacDonald Mines to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey will form the basis for a report of work, which will be submitted for assessment credits once all data has been reviewed from MacDonald Mines. The data was received from MacDonald Mines in February 2014, submitted as assessment work and accepted in March 2014. During the twelve months ended December 31, 2014, the Company incurred \$3,010 of interest on consulting fees payable (December 31, 2013 - \$198,489 of consulting fees) to MacDonald to complete the GPS survey.

As part of the MacDonald agreement, the Company was obligated to issue 50,000 warrants to MacDonald exercisable for five years with an exercise price equal to the issue price of the financing required to be completed in relation to the change of business.

The Company issued 50,000 warrants to MacDonald on October 30, 2014, which coincides with the effective listing of the Company’s shares in CSE as oil and gas issuer. The warrants entitle the holder to purchase one common share of the Company at a price of \$1.25 expiring on October 30, 2019.

On December 19, 2014, the Company settled an aggregate total debt of \$55,338 owing to MacDonald through issuance of an aggregate of 55,338 units. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable for a common share at a price of \$1.25 for 5 years from the date of issuance.

As part of ongoing discussions with MacDonald Mines during the fall of 2014, it became apparent that no exploration work could be conducted in the area of the mining claims due to First Nations issues. In fact, MacDonald Mines had applied for and was granted an Exclusion of Time Order pursuant to Section 67 (3)(3) of the Mining Act as part of First Nations consultations under the Plans and Permits requirements. An Exclusion of Time Order on mining claims in Ontario means that the requirement to perform and file assessment work by the claim anniversary or due date has been put on hold for a fixed period of time at the discretion of the Minister

A request for an Exclusion of Time under Section 67 (5) was made to MNDM on October 23, 2014, for all JBR claims with the assistance of MacDonald Mines. All claims were put under Special Status, but an Exclusion of Time Order was only granted to claims with due dates in December 2014. The Exclusion of Time Order is only for 1 year, meaning that JBR must re-apply for the Exclusion of Time if the First Nations issues have not been resolved, further preventing proponents access to their mining claims.

As part of the initial Exclusion of Time Order, MNDM further advised JBR that additional Exclusion of Time requests must be made to MNDM for the balance of the claims in the original request, but the additional requests must be made within 30 days of the claim due dates. So far, two additional requests have been made to MNDM on January 13, 2015, and March 10, 2015. One last request must be submitted to MNDM in May for the 13 claims due in June 2015 in order to maintain the active status of all JBR claims.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE**

### **Evaluation Costs**

In accordance with IFRS 6 “Exploration for and evaluation of mineral resources”, only expenditures that can be directly associated with finding specific mineral resources can be capitalized to exploration and evaluation assets. Specifically, all expenditures incurred pre-licensing are not eligible exploration and evaluation asset expenditures and have thus been expensed as evaluation costs.

During the year-ended December 31, 2014, the Company incurred \$5,041,927 in pre-licensing costs related to pursuing OML-25. The Company incurred an accumulated balance of \$5,208,391 in evaluation costs on OML-25 and has extended a loan to Crestar in the amount of \$2,260,880 from June 2014 to December 31, 2014. The loan receivable is classified as impairment on equity investment in the statement of loss and comprehensive loss. The Company funded an aggregate amount of \$7,469,271 on OML-25 Project as at December 31, 2014.

During the year-ended December 31, 2013, the Company incurred \$637,217 in pre-licensing costs related to pursuing OML 90. On May 17, 2013, the Honourable Minister of Petroleum Resources granted approval for the assignment of the 47% participating interest in the OML 90 Project to the Company’s subsidiary, DHENL. The expenditures incurred after May 17, 2013, on the OML 90 Project were capitalized to the exploration and evaluation asset.

Included in 2014 evaluation costs balance are OML-25 pre-licensing costs (\$5,041,927) and Ondobit limited pre-licensing costs (\$60,936). The total balance of \$5,102,863 is detailed as follows:

Description	December 31, 2014	December 31, 2013
	\$	\$
Management fees <sup>(i)</sup>	268,270	263,205
Consulting fees <sup>(ii)</sup>	2,832,212	20,200
Travel, meals and accommodation	218,585	135,589
Professional fees	343,755	49,433
Technical reports	170,336	-
Environmental	62,186	-
Due diligence	11,049	-
License and permit	3,359	-
Commitment fees <sup>(iii)</sup>	908,638	-
Amortization	13,644	13,279
General and administrative expense	270,830	155,511
<b>Balance</b>	<b>5,102,863</b>	<b>637,217</b>

**Note**

(i) **Management fees**  
Included in management fees is a balance of \$11,405 (2013 – a credit balance of \$6,375) non-cash share-based payments made to an officer of the Company.

(ii) **Consulting fees**  
*Non-cash, share based payment to M2 Advisors (“consultant”)*  
On February 4, 2015, the Company issued to a consultant 3,500,000 common shares in the capital of the Company. The shares were issued in accordance with the terms of a service agreement between the Company and CINRL completed during the year ended December 31, 2014. The shares are subject to a statutory hold period of four months from the date of issuance. At December 31, 2014, the Company recorded a value of \$2,341,500 as shares to be issued on the statement of financial position. Included in consulting fees is a balance of \$2,341,500 (December 31, 2013 - \$nil) in non-cash share based payments.

*Anbas Energy System (“Anbas”)*  
In June 2014, CINRL was selected as the winning bidder for a 45% participating interest in OML 25. Crestar engaged a local professional consulting firm to provide services during the pre-bid and post bid advisory which includes data room document review, review of crude handling agreement, review of crude sales off-take agreement, technical supports, legal and advisory supports among other services. Included in consulting fees is approximately \$456,750 (US\$413,400) pertaining to these professional services.

(iii) **Professional fees**  
The Company retained a Nigerian legal counsel along with our Canadian legal counsel in project related and general corporate matters. For the year ended December 31, 2014, the Company incurred approximately \$201,800 (US\$182,668) and \$107,313 (US\$97,125) for services rendered by these two law firms respectively.

(iv) **Commitment fees**  
The Company undertook to pay non-refundable financing fees of \$908,638 (US\$600,000) to arrangers and an underwriter who has been engaged to assist the Company in securing financing in the bidding for OML-25.

## Exploration and Evaluation Asset

In May 2013, the Company received licensing approval on the Ogedeh Project. Since the license to explore the area has been secured, all expenditures directly associated with finding specific mineral resources subsequent to May 17, 2013 have thus been capitalized to exploration and evaluation assets.

As at December 31, 2014, the Company capitalized a cumulative balance of \$4,086,924 (2013 - \$959,817) in exploration and evaluation assets post licensing related to its interest in OML-90.

Description	Twelve months ended	Twelve months ended	Total
	December 31, 2014	December 31, 2013	
	\$	\$	\$
Acquisition costs	-	207,080	207,080
Management and consulting fees	163,082	410,544	573,626
Environmental	92,161	-	92,161
Travel, meals and accommodation	4,210	17,205	21,415
Professional fees	16,467	8,790	25,257
Legal fees	28,216	5,067	33,283
Share-based payments <sup>(i)</sup>	2,704,089	23,852	2,727,941
Amortization	7,507	21,760	29,267
General and administrative expense	111,375	265,519	376,894
Balance	3,127,107	959,817	4,086,924

### Note

#### (i) Share-based payments

On March 21, 2011, the Company signed a memorandum of understanding (the "MoU") to conduct due diligence, and if a suitable target is identified, to form a special purpose vehicle (the "SPV") with D&H Solution AS ("D&H") to further evaluate the identified oil and gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets.

On January 5, 2012, a new agreement was signed with D&H. The new agreement calls for the transfer of all Nigerian agreements and the corporations that currently hold these agreements into a wholly owned Nigerian subsidiary of the Company. This subsidiary (James Bay Energy Nigeria Limited, "JBENL") was incorporated on February 27, 2012. In addition, the Company will retain certain senior management of D&H as senior management of JBENL. In consideration, the Company has agreed to issue to D&H share based compensation in the form of units consisting of one common share and one half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to acquire one common share at a price of \$1.25 for a period of two years from issuance. The units are to be issued as follows:

- 3,000,000 units upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria; and
- 3,000,000 units upon the Company reaching 1,500 barrels oil equivalent ("BOE") per day or a minimum recoverable estimate of 50 million BOE.

On July 31, 2014, the agreement dated January 5, 2012, was terminated. In exchange for this termination, the Company has agreed to issue 3,000,000 units of the Company to D&H. The Company issued these units on October 30, 2014, the first day the Company's shares were listed on CSE as an oil and gas issuer. Each unit is comprised of

one common share and one-half of one common purchase warrant. Each warrant comprising part of the units is exercisable for a common share at a price of \$1.25 for 2 years from the date of issuance.

The estimated fair value of the common shares was \$2,220,000 using the stock price on October 30, 2014. The estimated fair value of the warrants was \$442,987 using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.01% and an expected life of 2 years.

Included in share-based payments is an aggregate \$2,662,987 non-cash payment to D&H Solution AS. The remaining balance of \$64,954 represents the accretion of share-based compensation for stock options issued in 2012 to the President and CEO of the James Bay subsidiary companies.

## **RESULTS OF OPERATIONS**

### **Revenue**

The Company is in the exploration and evaluation stage and therefore, did not have revenues from operations. Interest expense for the year ended December 31, 2014 was \$24,078 (2013 - \$12,215). Fourth quarter interest expense was \$4,457 compared to interest income of \$14,923 from the same period in 2013. Interest expense is derived from interest on due to shareholders.

### **Expenses**

The Company recorded total expenses of \$6,252,322 for the year ended December 31, 2014 (2013 - \$2,049,312). The increase in expenses is mainly due to an increase of evaluation cost of \$5,102,863 (2013 - \$637,217). Included in the \$5,102,863 evaluation costs are non-cash, share based payments in the amount of \$2,704,089. Fourth quarter expenses were \$2,163,949, reflecting an increase of \$1,849,958 from the same period in 2013. This is mainly due to the increase in non-cash, share-based payments as detailed in the evaluation costs table.

### **Net loss and comprehensive loss**

For the year ended December 31, 2014, the Company recorded net loss and comprehensive loss of \$7,657,406 (December 31, 2013 - \$1,886,868) with basic and diluted loss per share of \$0.24 (December 31, 2013 - \$0.06). As noted above, the increase is mainly attributable to an increase of evaluation costs in Nigeria compared to the same period in 2013. Fourth quarter net loss and comprehensive loss was \$3,496,180, reflecting an increase of \$3,327,110 from the same period in 2013.

## **CASH FLOWS**

### **Operating Activities**

The Company had a net cash outflow of \$4,305,445 (December 31, 2013 - \$2,293,199) from operating activities for the year ended December 31, 2014. The increase in cash outflow of \$2,012,246 is mainly attributable to the increase in spending on the acquisition of OML-25. Fourth quarter cash used in operating activities was \$987,825, reflecting a decrease of \$164,048 from the same period in 2013.

### **Investing Activities**

The Company had a net cash outflow of \$396,385 (December 31, 2013 - \$607,300) from investing activities for the year ended December 31, 2014. Fourth quarter cash generated from investing activities was \$861,277 as compared to cash outflow of \$26,082 in the same period in 2013.

### **Financing Activities**

The Company had a net cash inflow of \$4,798,174 (December 31, 2013 - \$1,676,218) from financing activities for the year ended December 31, 2014. During the year, the Company closed four private placements for an aggregated proceeds of \$5,561,090. In addition, the Company received loans of \$1,533,893 from a shareholder of the Company and repaid \$1,881,978 of those loans in fiscal 2014. The loans were unsecured; bearing interest at 6% per annum and due on demand. The Company generated \$467,526 in financing activities in the fourth quarter.

## SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Selected data from James Bay's financial statement for the year ending December 31, 2014, and for the two preceding financial years are as follows:

	2014 \$	2013 \$	2012 \$
Interest (expense) revenue	(24,078)	(12,215)	41,931
Expenses	6,252,322	2,049,312	3,782,064
Net loss and comprehensive loss attributable to:			
• Non-controlling interest	2,208,438	113,405	-
• Common shareholders	5,448,968 <sup>(i)</sup>	1,773,463	6,201,439
Basic and diluted loss per share attributable to the common shareholders of James Bay	0.24	0.06	0.22
Exploration and evaluation assets	4,086,924 <sup>(ii)</sup>	959,817	-
Total assets	4,568,423	2,702,931	2,201,014
Total liabilities	883,125	2,673,447	176,167
Shareholders' equity	3,685,298	107,561	2,024,847
Non-controlling interest	-	(78,077)	-

### Note

#### (i) Net loss and comprehensive loss

In 2014, the Company incurred in excess of \$5.1 million in evaluation costs as compared to approximately \$637,000 in 2013. The evaluation costs mainly relate to expenditures incurred in the successful bidding of the OML 25 Project. The material expenses consisted of consulting fees that account for approximately \$2,832,212, professional fees of approximately \$343,200 and commitment fees of approximately \$909,000. Included in consulting fees is a balance of \$2,341,500 (December 31, 2013 - \$nil) in non-cash share based payments.

Prior to June 2014, the Company accounted for CINRL using the consolidation method. Effective July 3, 2014, the Company lost control of CINRL. The change in accounting policy from consolidation to the equity method resulted in \$28,823,548 of gain on deconsolidation of Crestar. This is offset by \$27,991,600 of break fees incurred in CINRL and \$2,260,880 impairment on equity investment in CINRL. The net impacts are the increase in the consolidated net loss and comprehensive loss is approximately \$1,428,932.

#### (ii) Exploration and evaluation assets

The Company incurred approximately \$3,127,000 in exploration and evaluation asset costs in fiscal 2014 as compared to approximately \$959,800 in fiscal 2013, of which approximately \$2,704,000 relates to non-cash, share-based payment.

## SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	December 31, 2014 \$	September 30, 2014 \$	June 30, 2014 \$	March 31, 2014 \$
Working capital (deficiency)	(610,170)	91,457	(1,336,282)	(909,376)
Exploration and evaluation assets	4,086,924	1,202,286	1,182,752	1,013,615
Operating expenses	2,163,949	2,068,716	696,134	1,323,523
Interest income (expense)	(4,457)	(4,831)	(9,791)	(4,999)
Net loss and comprehensive loss attributable to:				
• Non-controlling interest	695,275	588,203	290,772	634,188
• Common Shareholders	2,800,905	1,523,041	414,399	710,623
Net loss and comprehensive loss per share attributable to the common shareholders of James Bay	0.02	0.05	0.01	0.02

	Quarter-ended			
	December 31, 2013 \$	September 30, 2013 \$	June 30, 2013 \$	March 31, 2013 \$
Working capital (deficiency)	(1,177,030)	(360,817)	309,497	1,033,582
Exploration and evaluation assets	959,817	597,318	320,492	-
Operating expenses	313,991	478,525	461,014	795,782
Interest income (expense)	14,923	-	262	2,446
Net loss and comprehensive loss attributable to:				
• Non-controlling interest	113,405	-	-	-
• Common Shareholders	55,665	445,706	479,467	792,627
Net loss (income) and comprehensive loss (income) per share attributable to the common shareholders of James Bay	(0.01)	0.02	0.02	0.03

Notes: Net loss per share on a diluted basis is the same as basic net loss per share, as all outstanding stock options and warrants are anti-dilutive.

## **LIQUIDITY AND OUTLOOK**

As at December 31, 2014, the Company had no source of operating cash inflows and reported a net loss and comprehensive loss for the year-end of \$7,657,406 and a deficit of \$17,099,582. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain equity capital and financing for its working capital and for the exploration, development and operation of its properties.

The Company's opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of its exploration work) and equity markets, investor perceptions and expectations of past and future performance, the global financial climate.

## **CAPITAL RESOURCES**

### **Common shares**

At December 31, 2014 the Company had 37,974,070 common shares issued and outstanding. In February 2015, the Company issued an additional 3,500,000 common shares to a consulting company. As at April 30, 2015, the Company has 41,474,070 common shares issued and outstanding.

### **Warrants**

At December 31, 2014 and April 30, 2015, the Company has 8,730,844 issued and outstanding warrants with expiry dates ranging from January 31, 2017 to December 19, 2019. The weighted average exercise price for all warrants is \$1.24. All warrants entitle the holder to purchase common shares of the Company.

### **Stock options**

At December 31, 2014 and April 30, 2015, a total of 800,000 stock options are issued and outstanding with expiry dates ranging from June 11, 2015 to June 1, 2017. The weighted average exercise price for all stock options is \$0.66. All stock options entitle the holder to purchase common shares of the Company. On March 5, 2015, 200,000 stock options expired and remain unexercised. At April 30, 2015, the Company has 600,000 stock options issued and outstanding.

## **FINANCIAL INSTRUMENTS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

### **Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates that have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to cash equivalents and amounts receivable is remote.

### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2014, the Company had cash and restricted cash of \$141,248 (December 31, 2013 - \$1,113,299) to settle current liabilities of \$883,125 (December 31, 2013 - \$2,673,447). The Company has a working capital deficiency of \$610,170 (December 31, 2013 working capital deficiency of \$1,177,030). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

### **Currency Risk**

The reporting currency of the Company is in Canadian dollars. The Company enters into transactions denominated in United State dollars, Nigerian naira for which the related expenses accounts payable balances are subject to

exchange rate fluctuations. The functional currency of each of the Company's operating subsidiaries is the United State dollar. The Company does not specifically hedge its exposure to foreign currency.

### **Market risk**

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Price risk

The ability of the Company to pursue its resource interests and the future profitability of the Company is directly related to the market price of oil and gas.

(c) Foreign currency risk

The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in US dollars and Nigerian Naira. The Company is therefore subject to gains and losses due to fluctuations in the US dollar and the Naira relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period.

As at December 31, 2014, the Company has net monetary liabilities denominated in US dollars of approximately US\$326,887 (2013 – US\$351,500). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net loss of approximately \$37,922 (2013 – \$37,591) based on the balance of these amounts held in US dollars at December 31, 2014.

### **Fair Value**

The carrying value of cash, restricted cash, amounts receivable and accounts payable and accrued liabilities and due to shareholders approximate their fair value due to the relatively short periods to maturity of the financial instruments.

#### Fair value hierarchy and liquidity risk disclosure

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at December 31, 2014 and 2013, the Company's had no financial instruments carried at fair value.

## RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

### *Recent accounting pronouncements*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted though management does not anticipate early adoption of the standard.

IFRS 11 – Joint Arrangements (“IFRS 11”) was amended in May 2014 adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This amendment becomes effective for annual periods beginning on or after January 1, 2016 and management does not anticipate early adoption of the standard.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 - Related Party Disclosures (“IAS 24”) was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the Company’s consolidated financial statements.

### *Changes in Accounting Policies*

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this standard did not result in any changes to the Company’s disclosure of its financial instruments.

IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of this standard did not result in any changes to the Company’s disclosure of its assets.

## RELATED PARTY DISCLOSURES

The consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the years ended December 31, 2014 and 2013 the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation with common directors and officers. During the year ended December 31, 2014, approximately \$40,535 (December 31, 2013 - \$49,030) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss. As of December 31, 2014, included in accounts payable and accrued liabilities is \$707 (December 31, 2013 - \$44,147) owing to this corporation.

The Company incurred legal fees of approximately \$269,059 (December 31, 2013 - \$236,689) with a law firm of which a director of the Company. This amount is included in professional fees on the statement of loss and comprehensive loss. As of December 31, 2014, included in accounts payable and accrued liabilities is \$93,190 (December 31, 2013 - \$191,620) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel for the years ended December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Management salaries and benefits and director fees	893,051	777,257
Share-based payments	14,167	17,477

Included in accounts payable and accrued liabilities as at December 31, 2014 is approximately \$2,496 (2013 - \$191,620) management travel expenses reimbursement and \$40,000 (2013 - \$nil) director fees.

All of the above amounts payable to related parties are unsecured, non-interest bearing, with no fixed terms of repayment.

## COMMITMENTS AND CONTINGENCIES

### Management contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$1,584,000 be made upon the occurrence of certain events such as a change of control and termination. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Under these management contracts, \$840,000 is due within one year.

### Financing

During 2013, the Company entered into an agreement with a corporation that will work with the Company to facilitate the acquisition of oil and gas projects. Pursuant to the agreement, the Company will pay a fee of 2% of the transaction cost on the closing of an acquisition. The Company may also be required to pay an additional fee of 2% of the transaction cost in equal quarterly payments over 10 years. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

Under the terms of a financing agreement entered into during 2014, the Company may be liable for a \$2,000,000 termination payment should a certain oil and gas property in Nigeria be acquired.

## **Environmental**

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

## **Mak Mera**

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil and gas service provider, MAK MERA. On February 1, 2012, a new agreement with MAK MERA was signed. The new consulting services agreement calls for the issuance of cash and common shares of the Company to MAK MERA as follows:

- Cash payment of US\$165,000 upon signing a definitive agreement (paid).
- 3,500,000 common shares upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria;
- 3,000,000 common shares if the project achieves:
  - (i) Average production of at least 1,500 BOE per day over a period of 60 days, or
  - (ii) A minimum recoverable estimate of 50 million BOE.

The obligations created and transactions contemplated by the agreement with MAK MERA are subject to receipt of all requisite corporate, regulatory, shareholder and court approvals (if required) and consents and where required, the shareholders of the Company. The obligations also are subject to the Company obtaining approval for a change of business by the TSXV.

The Company received the mining license in 2013 in respect of an interest in an oil and gas project in Nigeria under a definitive agreement. However, no amounts have been accrued relating to the above units and options as TSXV approval has not been obtained for the change of business. The conditions contained in the agreement with MAK MERA must be met on or prior to December 31, 2013, otherwise, any obligations of the Company under the agreement shall cease to exist. The conditions were not met by December 31, 2013 and as such the above share issuances have not been made and no amounts have been accrued for them in the consolidated financial statements.

The Company is party to legal proceedings in the ordinary course of its operations related to legally binding agreements with various third parties under consulting agreements. As at December 31, 2014 one such proceeding was ongoing, relating to a services agreement in Nigeria. A former consultant of the Company is claiming that a payment in the amount of 3.5 million common shares of the Company is owing to them. The Company believes this claim to be without merit. Management does not expect the outcome of this proceeding to have a materially adverse effect on the results of the Company's financial position or results of operations and therefore this amount has not been reflected in these financial statements. Should any losses result from the resolution of this dispute, that amount will be charged to operations in the year that it is determined.

## **SUBSEQUENT EVENTS**

### **Share issuance**

On February 4, 2015, the Company issued to a consultant 3,500,000 common shares in the capital of the Company. The shares were issued in accordance with the terms of a service agreement between the Company and CINRL completed during the year ended December 31, 2014. The shares are subject to a statutory hold period of four months from the date of issuance. At December 31, 2014, the Company recorded a value of \$2,341,500 as shares to be issued on the statement of financial position.

Further, the Company is obligated to issue an additional 3,400,000 finder warrants under the terms of the service agreement. At December 31, 2014, the Company recorded a valuation \$1,125,600 as warrants to be issued on the statement of financial position.

### **Convertible Debenture**

On April 16, 2015, the Company announced a non-brokered private placement of unsecured convertible debentures in the amount of \$3 million. Each debenture shall bear an interest rate of 15%, payable semi-annually, and have a maturity date that is three years following the date of issuance. The debenture shall be convertible, in whole or in part at the option of the holders into common shares of the Company at a conversion price of \$0.17 per common share.

The offering is expected to close over a series of tranches, with the final tranche to close on or before May 31, 2015. The net proceeds from the offering will be used to fund the Company's working capital including litigation issues stemming from the Company's enforcement of its right to acquire 45% participating interest in OML-25 in Nigeria.

On March 20, 2015, the Company received \$250,000 advance from a shareholder in connection with the convertible debenture. On April 29, 2015, the Company raised proceeds of \$1,599,925 in the first tranche of a non-brokered private placement of unsecured convertible debentures (see also "Due to shareholder" below).

### **Due to shareholder**

Subsequent to year-end, the Company received approximately \$1,043,900 of additional advances from the President and CEO of the Company, who is also a shareholder and director of the Company. On April 29, 2015, the full balance of \$1,349,925 was converted into convertible debentures.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off balance sheet arrangements.

### **RISKS AND UNCERTAINTIES**

The Company, through its subsidiary, holds interest in a petroleum property in Nigeria. As such, it is exposed to the laws governing the Nigerian petroleum industry with respect to matters such as taxation, environmental compliance, and other regulatory and political factors as well as shifts in politics and labor unrest. Any of which could adversely affect the Company and its future exploration and production activities

### **Additional Capital**

The Company conducted due diligence to identify potential acquisition targets of onshore/offshore Nigerian oil and gas projects. If the results are favourable, Company will require additional capital which may come from future financings. There can be no assurance that the Company will be able to raise such additional capital if and when required on terms it considers acceptable.

### **No History of Profitability**

The Company is an exploration company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

### **Government Regulations**

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. For the Company to carry out mining activities, exploitation licenses must be obtained and kept current. There is no guarantee that the Company's exploitation licenses would be extended or that new exploitation licenses would be granted. In addition, such exploitation licenses could be changed and there can be no assurances that any application

to renew any existing licenses will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and licenses which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

### **Market Fluctuation and Commercial Quantities**

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for resources, the rate of inflation, the inventory of resources producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with resources, and increased production due to improved extractor and production methods. The resources industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of resources are discovered, a market will exist for profitable sale. Commercial viability of precious and base metals and oil and gas deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

### **Mining Risks and Insurance**

The Company is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator of its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and could have a material adverse effect on the financial position of the Company.

### **Competition**

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the search for and the acquisition of attractive properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may not be able to acquire attractive properties in the future on terms it considers acceptable. Finally, the Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investments and other capital. The ability of the Company to acquire attractive properties in the future depends not only on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company.

### **Environmental Protection**

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety which may adversely affect the Company or require it to expend significant funds.

### **Aboriginal Claims**

Aboriginal rights may be claimed on Crown or other types of tenure with respect to which mining rights have been granted. The Company is not aware of any aboriginal claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the mineral claims in which the Company has an interest. Should aboriginal claims be made against the Property and should government or the courts in favor of the aboriginal people resolve such a claim, it could materially adversely affect the business of James Bay only for the James Bay lowlands property. The Company is fully aware of the mutual benefits afforded by cooperative

relationships with indigenous people in conducting exploration activity and is fully supportive of measures established to achieve such cooperation.

**Conflicts of Interest**

Certain of the director and officer of the Company may also serve as director and officer of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

**Additional Information**

Additional information relating to the Company can also be found on SEDAR.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Stephen Shefsky	Founder and Director
Wayne Egan	Non-Executive Chairman
Mark Brennan	Founder and Director
Jon Pereira	Director
Jean J. Gauthier	Director
Adeniyi Olaniyan'	Director

### OFFICE LOCATION

**Corporate Head Office**  
20 Victoria Street, 9<sup>th</sup> Floor  
Toronto, Ontario, Canada  
M5C 2N8

**New Corporate Office – effective June 1, 2015**  
79 Wellington Street, Suite 2100  
Toronto, ON  
M5K 1H1

**Nigeria Office**  
2 Obudu Close, Osborne Foreshore Estate  
Ikoyi Lagos, Lagos, Nigeria

### SUBSIDIARY COMPANY

James Bay Energy, LLC  
James Bay Energy Nigeria Limited  
D&H Energy Nigeria Limited  
Ondobit Limited

### LEGAL COUNSEL

**WeirFoulds LLP**  
Toronto, Ontario, Canada

**Sefton Fross**  
Lagos, Nigeria

**Amsterdam & Partners LLP**  
London, England

**Kenna Partners**  
Lagos, Nigeria

### AUDITOR

**McGovern, Hurley, Cunningham, LLP**  
Toronto, Ontario, Canada

**KPMG Nigeria**  
Lagos, Nigeria

### REGISTRAR & TRANSFER AGENT

TMX Equity Transfer Services Inc  
Toronto, Ontario, Canada

### BANKER

**CIBC**  
Toronto, Ontario, Canada

**Ecobank -Zenith bank**  
Lagos, Nigeria

### STOCK EXCHANGE

Canadian Stock Exchange - CNSX  
Ticker symbol “**JBR**”