

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

James Bay Resources Limited (“**James Bay**” or the “**Company**”)
20 Victoria Street, Suite 800
Toronto, Ontario
M5C 2N8

Item 2. Date of Material Change

October 10, 2012.

Item 3. News Release

Press release issued by the Company on October 10, 2012 via a Canadian news wire service, a copy of which has been filed via SEDAR.

Item 4. Summary of Material Change

James Bay announced further details of its interest in an oil and gas field in Nigeria, and that it has filed a National Instrument 51-101 Report with the TSX Venture Exchange to pursue conditional approval for its change of business.

James Bay also announced it intends to complete a best efforts brokered private placement of common shares to raise up to \$10 million.

Item 5. Full Description of Material Change

James Bay announced that further to its press release of June 28, 2012, it has been preparing the necessary materials and filed the National Instrument 51-101 report (the “**51-101 Report**”) with the TSX Venture Exchange (the “**Exchange**”) to pursue conditional approval for its change of business under the Exchange policies.

As disclosed in its June 28, 2012 press release, James Bay has entered into an agreement to acquire a significant direct interest in an oil and gas project in Nigeria (the “**Project**”). James Bay has entered into a joint operating agreement dated May 28, 2012 (the “**JOA**”) and deed of assignment dated March 9, 2012 (the “**DOA**”) in respect of the Project, which have been filed with the Department of Petroleum Resources in Nigeria (the “**DPR**”).

James Bay intends to re-enter an existing well on the Project early next year to facilitate 2 drill stem tests and a six month extended well test, all designed to determine the next steps in its exploration and development of the Project. The 51-101 Report prepared by Sproule International Limited dated as of June 30, 2012 has been submitted to the Exchange and at this point of the change of business review process the Exchange has no further comments.

James Bay is awaiting approval from the DPR in respect of the JOA and the DOA and its acquisition of the direct interest in the Project. Upon the DPR approval, James Bay will release further details concerning the Project and the 51-101 Report.

Change of Business

The completion of the acquisition of a significant direct interest in the Project (the "**Transaction**") will be a change of business for James Bay pursuant to Policy 5.2 of the Exchange, with the resulting focus on the oil and gas industry. James Bay is currently engaged in the natural resource exploration business through its ownership of the James Bay lowlands properties that were the subject of its initial public offering in July, 2008. It is anticipated that following the closing of the Transaction James Bay will look at other opportunities concerning its interest in the James Bay lowland properties.

The closing of the Transaction is subject to a number of conditions including: (a) receipt of conditional Exchange approval for the Change of Business; (b) shareholder approval as required; and (c) approval by the DPR in Nigeria of James Bay acquiring a significant direct interest in the Project.

Summary of the Proposed Oil and Gas Business

The Transaction involves James Bay acquiring a significant interest in the Project, subject to approval by the DPR in Nigeria, along with all regulatory and other approvals. Under the JOA in respect of the Project, James Bay intends, through its Nigerian subsidiary, to re-enter an existing well during a testing period of six months following receipt of all required government permits and approvals in Nigeria.

Under the terms of the JOA, James Bay will acquire a direct interest in the Project, to be held through its wholly-owned Nigerian subsidiary, D&H Energy Nigeria Limited (see James Bay press release dated June 28, 2012). In order to earn its interest in the Project, James Bay is required to pay an aggregate amount of US\$2,500,000 to the owner. The payments toward that amount commenced with US\$100,000 paid upon completion of James Bay's due diligence on the Project (paid in five instalments of US\$20,000 per month). The US\$100,000 was disbursed commencing in March, 2012, and has been paid in full. In addition, the sum of US\$500,000 was set aside in an escrow account upon execution of the definitive agreements (being the JOA and the DOA), after May, 2012. That US\$500,000 is to be released as to US\$200,000 upon approval from the DPR of the assignment of the direct interest in the Project to James Bay, and the final US\$300,000 to be released upon the grant of approval licenses by the relevant government authorities and the arrival of the drill rig to re-enter an existing well on the Project. James Bay is obligated to pay a further 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, then James Bay shall pay US\$0.10 per barrel of oil produced, to a maximum of US\$1,000,000. The final sum of US\$900,000 is payable upon the completion of 60 days of commercial production.

James Bay has also agreed that it shall provide the joint operation funds (future capital expenditures and operating expenses) required to finance the Project to first oil. James Bay has also agreed to pay the owner a monthly management retainer fee of US\$30,000, which will commence upon the date of the drill rig arriving at the Project, and ending on the commencement of commercial production. James Bay is entitled to a preferential return of

80% of the available cash flow from oil production until all costs of the joint operation (future capital expenditures and operating expenses) incurred by James Bay to get to first oil have been fully reimbursed. The remaining 20% of available cash flow during this stage of production is shared between James Bay and the owner in proportion to their relative percentage interests. After all joint operation costs have been fully recovered by James Bay, the remaining revenues shall be shared between James Bay and the owner in proportion to their relative percent interests.

Prior Business of James Bay

James Bay was listed by the Exchange in 2008 on the basis of its interest in mineral exploration properties located in the James Bay lowlands area of Northern Ontario, Canada. Following a successful initial public offering ("**IPO**") in July of 2008, James Bay initiated a work program under a technical report prepared in respect of its mineral exploration properties. However, the results from that initial exploration work were not as anticipated, and management determined to conserve the balance of the funds it had raised in its IPO to explore other opportunities.

Relationships in Nigeria

Following a number of various initiatives, and significant negotiations in a number of specific areas, in 2011 James Bay ultimately pursued a relationship with two parties that had a presence and significant experience in Nigeria in the oil and gas business.

As a result of those discussions, James Bay entered into an agreement with D&H Solutions AS ("**D&H**"), a company formed in Norway as a joint venture between Hemla II AS of Norway (a privately held company, indirectly controlled by Mr. Knut Sovold) and Daewoo Shipbuilding and Marine Engineering of Korea (a publicly traded company on the Korean Stock Exchange, controlled by the Korea Development Bank), which each hold 50% of D&H. D&H has provided James Bay with in-country knowledge of the oil and gas business in Nigeria, along with the personnel and expertise needed to evaluate the oil and gas opportunities that are available in Nigeria. That relationship with D&H was initially formed under a memorandum of understanding dated March 21, 2011 (the "**MOU**") which provided for James Bay and D&H to operate under a joint venture structure in Nigeria to pursue potential oil and gas opportunities in the country. Under the MOU, James Bay agreed to place US\$2 million in escrow, to be released upon direction from James Bay to fund due diligence and related expenses in examining potential oil and gas deals in Nigeria. The US\$2 million escrowed funds were spent to retain oil and gas consultants and pay related office and travel costs, establish an office presence in Nigeria including paying rent, security, and office administration costs, fund specific due diligence costs associated with various projects reviewed, including in particular extensive work and expert reports concerning the Project (including initial payments to the owner, field development work, technical diligence on drilling information, and preparation of the 51-101 Report), and to pay legal fees in Nigeria and Canada. The relationship with D&H under the MOU evolved through 2011, culminating in January 2012 with a revised agreement pursuant to which D&H would become a significant shareholder in James Bay and directly provide its personnel and expertise to James Bay in Nigeria. The agreement with D&H dated January 5, 2012 (the "**D&H Agreement**") provides that D&H shall work with James Bay to source and evaluate oil and gas projects in Nigeria. D&H's partners Hemla II AS and Korea Daewoo Shipbuilding and Marine Engineering are entities which have spent considerable time and energy in researching and working with the Nigerian government and various local groups in

order to build the relationships and infrastructure required to commence exploration and operations in Nigeria through the acquisition of marginal oil field projects. D&H has provided experience, logistics and staffing to James Bay in pursuit of the Project, and, in particular, have provided the services of Knut Sovold (now a director of James Bay). D&H will continue to provide logistical and other support to the Project as it moves forward, as a shareholder of James Bay. Under the terms of the D&H Agreement, and in consideration for its work in securing the Project for James Bay, D&H shall be issued 3,000,000 units in the capital of James Bay, with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles D&H to acquire one further common share at an exercise price of \$1.25, expiring 24 months from the date of issue. These 3,000,000 units are to be issued upon James Bay receiving all regulatory approval to hold the direct interest in the Project, including approval from the DPR in Nigeria and Exchange approval for the Transaction. In addition, if the Project reaches average production rates of 1,500 barrels of oil equivalent (boe) per day over a 60-day period or a P50 recoverable estimate of at least 50 million boe as defined by an independent third-party report, then James Bay will be required to issue to D&H an additional 3,000,000 units. The conditional issuance of the proposed securities to D&H dependant upon achieving these milestones will, in conjunction with the change of business process, be placed before James Bay's shareholders for approval at a special meeting.

James Bay has also entered into a contract with Mak Mera Nigeria Limited ("**Mak Mera**"), a company formed in Nigeria and controlled by Chief Olorunfemi of Nigeria, pursuant to which Mak Mera has provided services and expertise to James Bay in its pursuit of oil and gas projects available in Nigeria. The agreement with Mak Mera is dated February 1, 2012 (the "**Mak Mera Agreement**"). The Mak Mera name is established in Nigeria, and provides a presence and credibility to the efforts of James Bay in Nigeria in pursuing projects with the government. As an indigenous oil and gas services provider in Nigeria, Mak Mera can provide James Bay with traditional oil and gas management services for the projects that it pursues, and will fulfill the indigenous and local service provider content required by the laws of Nigeria.

Mak Mera also provides required safety and security services to the Company's personnel present in Nigeria, and senior management who have made numerous trips to Nigeria to pursue the oil and gas opportunities over the last 18 months. Mak Mera can also provide oil field services once exploration and production activities are commenced, including: (a) drilling, well-site management and related services; (b) environmental impact assessment services; (c) procure of tools and equipment; (d) asset and property management services; (e) personnel management, including the provision of both local and ex-patriot personnel as required; and (f) logistical services in country, including travel planning, transportation of personnel and equipment, freight, customs clearing, visa procurement for ex-patriot staff, and related services. James Bay's obligation to pay consideration for the services provided by Mak Mera was contingent upon securing a material project, which would be satisfied by the Project. Mak Mera is a local company in Nigeria with substantial experience in the service areas described above. The principal of Mak Mera, Chief Olorunfemi, has also agreed to act as a director of the Company's Nigerian subsidiary.

Under the Mak Mera Agreement, James Bay has agreed to issue 3,500,000 shares to Mak Mera, which would be payable upon James Bay securing the Project. These 3,500,000 shares are to be issued upon James Bay receiving all regulatory approval to hold the direct interest in the Project, including approval from the DPR in Nigeria and Exchange approval for the Transaction. In addition, as with the D&H Agreement, if the Project reaches average

production rates of 1,500 boe per day over a 60-day period or a P50 recoverable estimate of at least 50 million boe as defined by an independent third-party report, then James Bay will be required to issue to Mak Mera an additional 3,000,000 common shares. Mak Mera has advised James Bay that the shares to be issued under the Mak Mera Agreement will be directed for issuance to Mak Mera's shareholders. No Mak Mera shareholder will hold more than 5% of the outstanding shares of James Bay upon such issuances.

51-101 Report

James Bay has retained Sproule International Limited of Calgary, Alberta, to prepare the 51-101 report, to follow up the historical oil and gas resource estimates based on technical work previously completed on the Project after the discovery. The 51-101 Report dated effective June 30, 2012 has been filed with the Exchange, and will be made available on SEDAR. In addition, a summary of the 51-101 Report and a full copy of it will be included in the shareholder meeting materials for the upcoming special meeting of shareholders of James Bay. The 51-101 Report reviews James Bay's plans with regard to re-entering an existing well on the Project and performing an extended well test for six months. The anticipated costs for the re-entry, testing up to three separate zones, and a minimum of a dual completion of the well is estimated at approximately US\$12.7 million. James Bay plans to finance this portion of the planned program from an equity raise of US\$7 million to US\$10 million, along with local bank financing in Nigeria. Once the well test is completed, and subject to the resource assessment received from these production tests, the potential well resources would be completed and developed through the existing well bore. James Bay would then propose to drill two offsetting commercial wells in order to drain the remaining recoverable oil volumes from this formation. The expected cost of drilling to complete the new offsetting commercial wells required for these purposes is currently estimated at approximately US\$15 million to US\$20 million per well.

Management following Closing of the Transaction

James Bay has, in the time since it commenced its review of various opportunities in the oil and gas business in Nigeria, retained additional senior management to assist it in its pursuit of the Nigerian oil and gas opportunities. It has recently announced the appointment of Adeniyi Olaniyan as Chief Operating Officer and Country Manager (see press release of June 7, 2012). Mr. Olaniyan has extensive experience in Nigeria, including considerable time spent with Shell in its exploration and production efforts in the region.

In addition, James Bay has appointed Knut Sovold to its board of directors (see press release of March 21, 2012). Mr. Sovold is employed by D&H, and has worked with James Bay over the past 18 months in pursuing its opportunities in the sourcing and development of Nigerian oil and gas projects. Mr. Sovold has more than 20 years experience in the exploration and production business in both the executive management and technical level. Mr. Sovold also possesses extensive experience with field evaluations as well as oil and gas operations worldwide, and has been focusing on opportunities in Nigeria for the past four years. In addition to joining the James Bay board, Mr. Sovold is a director and the Chief Executive Officer of James Bay's Nigerian subsidiary James Bay Energy Nigeria Limited.

The remaining board of directors and senior management of James Bay will continue following completion of the transaction.

Proposed Financing

James Bay intends to complete a private placement to raise gross proceeds of up to \$10 million, through a best efforts brokered private placement of common shares. Further details of the proposed financing will be released once a definitive agreement has been entered following James Bay getting the pending approvals for its direct interest in the Project. The securities will be subject to a four-month hold period under applicable securities laws. The closing of the private placement is subject to the receipt of all necessary regulatory approvals. The proceeds from the private placement will be used to finance James Bay's capital expenditure requirements pursuant to the Transaction. The use of proceeds is subject to change based on the results of the initial work programs and test well results.

James Bay intends to apply for an exemption from the sponsorship requirements of the policies of the Exchange based on the private placement financing. However, there are no assurances that such an exemption shall be obtained.

Item 6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not Applicable.

Item 7. Omitted Information

No information has been omitted from this material change report.

Item 8. Senior Officer

The following senior officer of the Company is knowledgeable about the material change and the Material Change Report, and may be contacted by the Commission as follows:

Stephen Shefsky, President and CEO
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Item 9. Date of Report

October 10, 2012.