James Bay Resources Limited

NOTICE OF MEETING

AND

INFORMATION CIRCULAR

for a Special Meeting of Shareholders of

JAMES BAY RESOURCES LIMITED

January 9, 2013

Neither the TSX Venture Exchange (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Change of Business described in this Information Circular.

JAMES BAY RESOURCES LIMITED
800 - 20 Victoria Street
Toronto, Ontario
M5C 2N8

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO: The Shareholders of James Bay Resources Limited

NOTICE IS HEREBY GIVEN THAT a special meeting (the "**Meeting**") of the shareholders (the "**Shareholders**") of James Bay Resources Limited (the "**Company**") will be held at the offices of WeirFoulds LLP, Suite 4100, Toronto-Dominion Centre, 66 Wellington Street, Toronto, Ontario, on February 4, 2013, at the hour of 2 p.m., Toronto time, for the following purposes:

1. To consider, and, if deemed appropriate, to pass, with or without variation, the ordinary resolution of the Shareholders set out in this Information Circular approving, among other things, that certain deed of assignment between the Company's wholly owned Nigerian subsidiary and Bicta Energy & Management Systems Limited ("**Bicta**") dated March 9, 2012**,** transferring a 47% interest in the Ogedeh Marginal Field within OML-90 (the "**Ogedeh Project**") to the Company, along with a joint operating agreement with Bicta made as of May 28, 2012 for operating the Ogedeh Project, and the resulting change of business of the Company, all as more fully set out in the accompanying Information Circular;

2. To consider and, if deemed appropriate, to pass, with or without variation, the ordinary resolutions of the Shareholders set out in this Information Circular approving the amendment of the Company's 2008 Stock Option Plan (the "**Stock Option Plan**") from a "rolling" plan to a "fixed number" plan, the increase in the number of Common Shares available for issuance pursuant to the Stock Option Plan, and the approval and ratification of all prior grants of stock options, all as more fully set out in the accompanying Information Circular; and

3. To transact such further or other business as may properly come before the Meeting and any adjournments thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice is a form of proxy. Any adjournment of the Meeting will be held at a time and place to be specified at the Meeting.

Only Shareholders of record at the close of business on December 17, 2012 will be entitled to receive notice of and vote at the Meeting. If you are unable to attend the Meeting in person, please complete, sign and date the enclosed form of proxy and return the same in the enclosed return envelope provided for that purpose within the time and to the location set out in the form of proxy accompanying this notice.

DATED this 9th day of January, 2013.

BY ORDER OF THE BOARD

"Stephen Shefsky"

STEPHEN SHEFSKY, PRESIDENT & CEO

Registered Shareholders unable to attend the Meeting are requested to date, sign and return their form of proxy in the enclosed envelope. If you are a non-registered Shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting

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GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular including the Summary and schedules hereto. Terms and abbreviations used in the Summary and schedules to this Information Circular may be defined separately and any subsequent definitions and abbreviations shall supersede the following definitions and abbreviations for the purposes of the Summary and schedules they are subsequently defined in.

"Affiliate" means a company that is affiliated with another company as described below.

A company is an "Affiliate" of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"Associate" when used to indicate a relationship with a Person, means

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,

(b) any partner of the Person,

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,

(d) in the case of a Person, who is an individual:

(i) that Person's spouse or child, or

(ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

(e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"Bicta" means Bicta Energy & Management Systems Limited.

"Board" or **"Board of Directors"** means the board of directors of the Company.

"BOE" means barrels oil equivalent.

"Canadian GAAP" means Canadian Generally Accepted Accounting Principles.

"Change of Business" or "COB" means a transaction or series of transactions which will redirect an issuer's resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer's market value, assets or operations, or which becomes the principal enterprise of the issuer.

"Change of Control" includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

(a) any one Person holds a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer, or

(b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the Voting Shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

"COB Resolution" means the resolutions of Shareholders set forth on pages 41 and 42.

"Common Shares" means the common shares in the capital of James Bay.

"company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"Company" or **"James Bay"** means James Bay Resources Limited.

"Compensation Committee" means the compensation committee of the Company.

"Completion Date" means the date of the Final Exchange Bulletin.

"Control Person" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"Deed of Assignment" means the deed of assignment dated March 9, 2012 between JBENL, a wholly owned subsidiary of the Company, and Bicta transferring a 47% interest in the Ogedeh Project to the Company.

"DHS" means D&H Solutions AS, a corporation existing under the laws of Norway and a 50/50 partnership between Hemla of Norway and Korea's Daewoo Shipbuilding and Marine Engineering.

"DHS Agreement" means the agreement dated January 5, 2012 between the Company and DHS.

"DHS Unit" or **"DHS Units"** means units of the Company, each Unit consisting of one Common Share and one half of one (1/2) DHS Warrant.

"DHS Warrant" means each whole common share purchase warrant entitling the holder to acquire one Common Share of the Company at a price of $1.25 for a period of two years from issuance.

"DPR" means the Nigerian Department of Petroleum Resources.

"Exchange" means the TSX Venture Exchange Inc.

"Exchange Policies" means the policies of the Exchange.

"Equity" means the Company's registrar and transfer agent, Equity Financial Trust Company.

"Final Exchange Bulletin" means the bulletin issued by the Exchange following closing of the COB and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the COB.

"Financing" means the proposed private placement financing of the Company in an aggregate amount of $13,500,000 to be completed on a reasonable best efforts agency basis in conjunction with and as a condition to the closing of the Change in Business.

"First DHS Issuance" means the issuance of 3,000,000 DHS Units to DHS pursuant to the DHS Agreement.

"First MML Issuance" means the issuance of 3,500,000 Common Shares to MML (or as MML may direct) pursuant to the MML Agreement.

"IFRS" means the International Financial Reporting Standards.

"Information Circular" means the management information circular of the Company dated January 9, 2013 in respect of this Meeting.

"Insider" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(b) a director or senior officer of the company that is an insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or

(d) the issuer itself if it holds any of its own securities.

"IPO" means the Company's initial public offering financing that closed on July 24, 2008.

"Issuer" means a company and its subsidiaries which have any of its securities listed for trading on the Exchange.

"JBENL" means James Bay Energy Nigeria Limited, a wholly owned Nigerian subsidiary of the Company.

"Joint Operating Agreement" means the joint operating agreement dated May 28, 2012 between the Company and Bicta.

"MD&A" means Management's Discussion and Analysis.

"Meeting" means the special meeting of Shareholders of Company called for the purpose of approving the COB and an amendment to the Company's Stock Option Plan.

"MML" means Mak Mera Nigeria Limited, a corporation existing under the laws of Nigeria.

"MML Agreement" means an agreement dated February 1, 2012 between the Company and MML.

"NI 54-101" means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

"NI 51-101" means National Instrument 51-101 – *Standards for Disclosure for Oil and Gas Activities*.

"Non Arm's Length Party" means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

"Non-Arm's Length transaction" means a transaction which is a Related Party Transaction.

"OBCA" means the *Business Corporations Act* (Ontario).

"Ogedeh Project" means the Ogedeh Marginal Field within OML-90.

"**OML-90**" means the southwestern corner of the Nigerian National Petroleum Corporation Block OML-90 in Western Niger Delta Basin, Nigeria.

"Person" means a company or individual.

"Post-Approval Documents" means the documents prescribed as such in Policy 5.2 – *Changes of Business and Reverse Takeovers.*

"Production Threshold" means average commercial production rates from Nigerian oil and gas projects of at least 1,500 BOE per day over a period of 60 days or a P50 recoverable estimate of 50 million BOE (minimum) as defined by an independent third party report.

"Related Party Transaction" has the meaning ascribed to that term Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arm's Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

"Resulting Issuer" means James Bay as it exists on the Completion Date.

"Second DHS Issuance" means the issuance to DHS of 3,000,000 DHS Units, which will be required if the Ogedeh Project reaches the Production Threshold.

"Second MML Issuance" means the issuance to MML of 3,000,000 Common Shares, which will be required if the Ogedeh Project reaches the Production Threshold.

"Securities Laws" means, the applicable securities laws, regulations and rules, and the blanket rulings and policies and written interpretations of, and multilateral or national instruments applicable to the Company.

"Sedar" means the filing system developed by the Canadian Securities Administrators called System for Electronic Document Analysis and Retrieval where the public can retrieve information about public companies.

"Shareholder" or **"Shareholders"** means the holder or holders of Common Shares of James Bay.

"Sponsor" has the meaning specified in Exchange Policy 2.2 – Sponsorship and Sponsorship Requirements.

"Sproule" means Sproule International Limited.

"Sproule Report" means the technical report dated as of June 30, 2012, prepared in compliance with NI 51-101 entitled "*Evaluation of the Contingent Oil Resources of James Bay Resources Limited in the Ogedeh Field, Nigeria*" authored by Sproule.

"Stock Option Plan" means the 2008 Amended and Restated Stock Option Plan, established by the Board on March 28, 2008.

"Transaction" means the Company's acquisition of a 47% interest in the Ogedeh Project.

"Voting Shares" means a security of an Issuer that:

(a) is not a debt security, and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Information Circular (including the appendices hereto and the documents incorporated by reference herein) constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "goal", "predict", "potential", "should", "believe", "intend" or the negative of these terms and similar expressions are intended to identify forward-looking information and statements. The information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this Information Circular (including the appendices hereto and the documents incorporated by reference herein). Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward looking statements prove incorrect, actual results may vary materially from those described in this Information Circular as intended, planned, anticipated, believed, estimated, or expected.

The reader is further cautioned that the preparation of financial statements, including pro forma financial statements, in accordance with Canadian GAAP or IFRS or another accounting method, as the case may be, requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect as further information becomes available, and as the economic environment changes. With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Some of these risks are described under the heading "*Risk Factors*" in this Information Circular.

The forward-looking statements contained in this Information Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Company. We urge you to consider those factors. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements speak only as of the date of this Information Circular. The Company does not intend or assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

JAMES BAY RESOURCES LIMITED

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Toronto, Ontario
M5C 2N8

Tel: 416-366-4200
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INFORMATION CIRCULAR

(As at January 9, 2013, except as indicated)

James Bay Resources Limited (the "**Company**") is providing this Information Circular and a form of proxy in connection with management's solicitation of proxies for use at a special meeting (the "**Meeting**") of the Company to be held on February 4, 2013 and at any adjournments thereof. Unless the context otherwise requires, when we refer in this Information Circular to the Company, its subsidiaries are also included. The Company will conduct its solicitation by mail and officers and employees of the Company may, without receiving special compensation, also telephone or make other personal contact. The Company will pay the cost of solicitation.

SUMMARY

The following is a summary of information relating to the Company and its acquisition of a 47% interest in the Ogedeh field in Nigeria (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Information Circular.

Meeting

The Company is holding the Meeting, a special meeting of Shareholders, to consider the proposed Transaction which constitutes a Change of Business under Exchange Policies, at the offices of WeirFoulds LLP, Suite 4100, Toronto-Dominion Centre, 66 Wellington Street, Toronto, Ontario, M5K 1B7 on February 4, 2013, at the hour of 2 p.m., Toronto time. In addition to the Change of Business, Shareholders will also be asked to review and consider approving an amendment to the Company's Stock Option Plan, all as set forth in the accompanying Notice of Meeting and as more fully described in this Information Circular.

The Transaction

The Company has entered into an agreement to acquire a 47% interest in the Ogedeh field (the "**Ogedeh Project**") from Bicta Energy & Management Systems Limited, ("**Bicta**") to be implemented pursuant to a Joint Operating Agreement. That Joint Operating Agreement is subject to approval by the Government of Nigeria, which is currently pending, along with all regulatory and other approvals. The Ogedeh field is located in the south western corner of the Nigerian National Petroleum Corporation Block OML 90 (oil mining lease) in the western Niger Delta Basin, Nigeria. The Ogedeh field was discovered by Chevron in 1993 by the drilling of the Ogedeh-1 well, in shallow water offshore from OML 90. Under the Joint Operating Agreement with Bicta, the Company intends, through its Nigerian subsidiary, to re-enter the well during a testing period of six months, following receipt of all required government permits and approvals in Nigeria.

As a result of this proposed Transaction, the Company will be subject to the Change of Business provisions of the Exchange Policies. The Company plans to finance its required expenditures on the Ogedeh Project through an equity financing, which will be closed prior to or concurrently with the Transaction. Please see "*Particulars of Matters to be Acted Upon - Information Concerning the Ogedeh Project - Summary of the Sproule Report*" for an explanation of the anticipated costs in progressing the Ogedeh Project. The Board of Directors and management of the Company will not change from the current officers and directors. Other than the DHS Units and Common Shares issuable as described under "*Particulars of Matters to be Acted Upon - Change of Business of the Company*", and the securities to be issued under the Financing, there will be no change to the share capital or the significant Shareholders of the Company following the Transaction.

The Company had determined it would pursue the potential for participating in oil and gas projects in Nigeria. As part of that initiative, on March 21, 2011, the Company signed a memorandum of understanding to conduct due diligence, and if a suitable target is identified, to form a special purpose vehicle with D&H Solutions AS ("**DHS**") 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 DHS. 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 was incorporated on February 27, 2012 and called James Bay Energy Nigeria Limited ("**JBENL**"). Pursuant to the new agreement signed with DHS, 100% share ownership interest of D&H Energy Nigeria Limited and Ondobit Limited were transferred to JBENL on March 9, 2012.

In addition, the Company will retain certain senior management of DHS as senior management of JBENL. In consideration for the Company's acquisition of the Ogedeh Project, the Company has agreed to issue to DHS DHS Units consisting of one Common Share and one half of one (1/2) DHS Warrant, each whole DHS Warrant entitling the holder to acquire one Common Share at a price of $1.25 per Common Share for a period of two years from issuance. The DHS Units are to be issued as follows: (i) 3,000,000 DHS Units issued upon a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria, and (ii) 3,000,000 DHS Units issued upon the Company reaching the Production Threshold. Simultaneously with each issuance of the DHS Units above, DHS will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

On February 1, 2012, the Company entered a new agreement with Mak Mera Nigeria Limited ("**MML**"), a Nigerian oil and gas service provider, replacing the letter of intent dated March 9, 2011. The new consulting services agreement calls for the issuance of Common Shares of the Company to MML as follows: (i) 3,500,000 Common Shares issued upon a definitive agreement being entered into in respect of an acquisition of an interest in an oil and gas project in Nigeria, and (ii) 3,000,000 Common Shares issued upon the Company reaching the Production Threshold. The Company has also agreed to pay the amount of US$165,000 to MML at the same time that the initial 3,500,000 Common Shares are issued.

The issuance of the initial 3,000,000 DHS Units to DHS and the initial 3,500,000 Common Shares to MML will occur when the COB has been fully approved and is implemented.

Interest of Insiders and Conflicts of Interest in the Change of Business

There is no known existing or potential conflicts of interest among the Company's directors, officers, or other members of management in connection with the Transaction or the Change of Business. **The Change of Business will not constitute a Non-Arm's Length transaction.**

Knut Søvold, a director of the Company, is a principal of DHS, and holds a beneficial interest in DHS and the DHS Units to be received. At the time that the DHS Agreement was entered into, Mr. Søvold was not a director and did not hold any shares of the Company.

Estimated Funds Available and Principal Purposes of those Funds upon Approval of Change of Business

As of September 30, 2012, the Company has approximately $2,480,000 of cash and cash equivalents, and $491,600 held in restricted cash.

In addition, the Company intends to complete a brokered equity financing on a best efforts agency basis of $13,500,000 (the "**Financing**") by issuing securities of the Company on terms and prices to be determined through negotiation with the agent upon engagement. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The resulting expected net proceeds of approximately $12,590,000 raised from this Financing will be used toward exploration and development of the Ogedeh Project, and for working capital and other corporate purposes. The Company will issue a press release announcing the terms once the definitive terms of the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

Accordingly, assuming the completion of the Financing, the Company will have approximately $15,560,000 to utilize for its first year development program on the Ogedeh Project, to re-enter the test well for 2 drill stem tests and a 6 month extended well test, and for working capital and other corporate purposes. That test well process has been initiated, as environmental assessments and other planning work is required to be done beforehand in order to eventually commence with the test well. The ability of the Company to commence work on the test well is subject to approval by the Government of Nigeria (including the Department of Petroleum Resources (the "**DPR**")), along with all regulatory and other approvals. To date the Company has expended in aggregate $800,000 toward the test well costs, reducing the amount needed to complete the test well accordingly. The Company anticipates raising any additional funds that may be required by way of further equity or debt financings. There can be no assurance that the Company will be successful in raising the required funds on terms and conditions acceptable to the Company.

The cash reserves available to the Company following the closing of the Financing and the completion of the Change of Business will be used as follows:

Development expenditures on the Ogedeh Project	$11,900,000 (1)
Administrative costs (12 months at $106,000 per month) (excluding management fees)	$1,272,000 (2)
Management fees (12 months at $104,000 per month)	$1,248,000 (3)
Estimated legal, accounting and tax fees over the next 12 months	$286,000
Property payments (Ogedeh Project)	$500,000
Total estimated expenditures	**$15,206,000** (4)
Estimated equity financing net of 6% commission and expenses	$12,590,000
Cash on hand at September 30, 2012	$2,971,600
Estimated available funds	**$15,561,600**

Notes:

1. The development expenditures for the test well re-entry program have been commenced, with amounts of approximately $800,000 having been spent for initial environmental assessments and other planning work required to be done beforehand in order to eventually commence with the extended well test.

2. The ability of the Company to commence work on the test well is subject to approval by the Government of Nigeria (including the DPR), along with all regulatory and other approvals.

3. These general and administrative expenses for the next 12 months include the following approximations: $510,000 for office, printing, secretarial services and telecommunications; $176,000 for rent (including security), $112,000 for consulting fees, $120,000 for transfer agent and regulatory fees; and $354,000 for travel and related expenses.

4. These estimated fees will accrue to the CEO, CFO, Country Manager, or other management personnel. See "*Information Concerning the Issuer - Statement of Executive Compensation*" for further specific information.

5. The $100,000 estimated costs relating to the acquisition of the interest in the Ogedeh Project have been paid by James Bay. In addition, James Bay has advanced the $165,000 owing to MML under the MML Agreement upon execution of the agreements for the Ogedeh Project.

The Company expects its existing financial resources (including from the Financing), will be sufficient to carry out the test well re-entry program, and to meet its administration costs for 12 months. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

Selected Pro Forma Consolidated Financial Information of the Resulting Issuer

The following summary of pro forma consolidated financial information for the Company is as at September 30, 2012, as though the Transaction and Change of Business had been completed on that date. It should be read in conjunction with, and is qualified in its entirety by, the pro forma consolidated financial statements attached as **Schedule "D"** hereto.

ASSETS	
Cash	$ 14,612,488
Restricted cash	491,600
Other current assets	324,493
Total current assets	15,428,581
Equipment	3,644
Oil and gas property	7,852,000
Total assets	$23,284,225
LIABILITIES	
Total current liabilities	$ 280,982
SHAREHOLDERS' EQUITY	
Common shares	$ 28,351,904
Share-based payments reserve	1,622,523
Warrant reserve	1,877,372
Deficit	(8,848,556)
Total shareholders' equity	23,003,243
Total liabilities and shareholders' equity	$ 23,284,225

Recommendation of the Board of Directors

The Board of Directors of the Company has unanimously determined that the approval of the Transaction for the 47% interest in the Ogedeh Project and the corresponding Change of Business is in the best interests of the Company and has authorized the submission of the COB Resolution to the Company's Shareholders for approval. **The Board of Directors of the Company unanimously recommends that the Company's Shareholders vote in favour of the COB Resolution and the approval of the amendments to the Company's Stock Option Plan.**

Canadian Federal Income Tax Consequences

The Company's Shareholders should consult their own legal and tax advisors as to the tax consequences of the COB Resolution to determine the particular tax consequences thereof to them, if any.

Timing

If the COB Resolution is approved and the other conditions precedent to the Change of Business described in this Information Circular are satisfied or waived, it is expected that the closing of the Change of Business will occur on or about February 28, 2013.

Stock Exchange Approval

The Company's Common Shares are listed on the Exchange under the symbol "JBR". The Company's Common Shares were halted from trading on September 27, 2012 pending the Company's announcement of the proposed Change of Business. The closing price of the Company's Common Shares on September 27, 2012 was $0.52 per Common Share.

The Change of Business and related transactions as herein described are subject to regulatory body approval, including, but without limitation, the approval of the Exchange. Application has been made by the Company to obtain the approval of the Exchange in respect of the Change of Business and related transactions and for conditional approval of the Exchange to list the Common Shares following completion of the Transaction.

The Exchange has conditionally approved the Change of Business subject to the Company fulfilling all of the requirements of the Exchange, including but not limited to the completion of the Financing.

Sponsorship

The Company is exempt from obtaining a Sponsor in connection with the Change of Business under Subsection 3.4(a)(ii) of Exchange Policy 2.2.

Interests of Experts

None of the authors of the Sproule Report hold any Common Shares of the Company, or shares of any Associate or Affiliate of the Company, and did not receive any direct or indirect beneficial ownership of Common Shares of the Company, or shares of any Associate or Affiliate of the Company, in connection with the preparation of the Sproule Report.

The audited financial statements of the Company for the years ended December 31, 2011 and December 31, 2010 are included in **Schedule "E"** to this Information Circular, including the respective auditor's reports of McGovern, Hurley Cunningham LLP, independent chartered accountants, upon the authority of said firm as experts in accounting and auditing. McGovern, Hurley Cunningham LLP is independent of the Company within the meaning of the applicable rules of professional conduct in Canada, and has advised that it beneficially owns, directly or indirectly, less than 1% of the issued and outstanding Common Shares, and as a group they own less than 1% of the issued and outstanding Common Shares.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment.

An investment in a junior exploration company involves a significant degree of risk, including risks related to cash flow and liquidity, the ongoing need for financing, a volatile stock price, operations risks and costs, regulatory matters and environmental legislation, risk related to property contracts, regulatory and permitting delays, fluctuations in oil and gas prices, fluctuations in interest and exchange rates, mining and oil & gas industry risks and competition for key personnel. See "*Particulars of Matters to be Acted Upon - Information Concerning the Ogedeh Project - Risk Factors*" in the Information Circular for more detailed risks associated with an investment in the securities of the Company.

GENERAL PROXY INFORMATION

Appointment of Proxyholder

The purpose of a proxy is to designate persons who will vote the proxy on a Shareholder's behalf in accordance with the instructions given by the Shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the Company (the "**Management Proxyholders**").

A Shareholder has the right to appoint a person other than a Management Proxyholder, to represent the Shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a Shareholder.

Voting By Proxy

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Common Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the Shareholder on any ballot that may be called for and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

If a Shareholder does not specify a choice and the Shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.

The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the

Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

Completion And Return Of Proxy

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Equity Financial Trust Company by mail at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 (Fax 416-595-9593), not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

Non-Registered Holders

Only Shareholders whose names appear on the records of the Company as the registered holders of Common Shares or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Company are "non-registered" Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of a nominee such as a brokerage firm through which they purchased the Common Shares; bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans; or a clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your Common Shares through a broker, you are likely a non-registered holder. In accordance with securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice, this Information Circular and the form of proxy to the Nominees for distribution to non-registered holders.

NI 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators requires Nominees to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Common Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy or voting instruction form, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Common Shares are voted at the Meeting. Non-registered holders who complete and return an instrument of proxy must indicate thereon the person who holds their Common Shares as a registered Shareholder. The form of proxy supplied to a non-registered holder by its broker (or the agent of the broker) is substantially similar to the form provided directly to registered Shareholders by the Company. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the non-registered holder.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

In addition, Canadian securities legislation now permits the Company to forward meeting materials directly to "**non objecting beneficial owners**". If the Company or its agent has sent these materials directly to you (instead of through a Nominee), your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Nominee holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Nominee holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

All references to Shareholders in this Information Circular and the accompanying instrument of proxy and Notice of Meeting are to Shareholders of record unless specifically stated otherwise.

Revocability Of Proxy

Any registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered Shareholder, his attorney authorized in writing or, if the registered Shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. **Only registered Shareholders have the right to revoke a proxy.**

Voting Shares And Principal Holders Thereof

The authorized share capital of the Company consists of an unlimited number of Common Shares. As of the date of this Information Circular, an aggregate of 28,040,350 Common Shares are issued and outstanding. Each Common Share entitles the holder thereof to one vote at all meetings of Shareholders of the Company.

Each Shareholder is entitled to one vote for each Common Share shown as registered in his or her name on the list of Shareholders. The list of Shareholders will be prepared as of December 17, 2012, the record date fixed for determining Shareholders entitled to the notice of the Meeting.

As of the date of this Information Circular, the only persons or companies who, to the knowledge of the directors and executive officers of the Company, beneficially own, or control or direct, directly or indirectly, voting securities carrying ten percent (10%) or more of the issued and outstanding Voting Shares of the Company are as follows[(1)]:

Name	Number of Common Shares	Percentage of Outstanding Common Shares
Mark Brennan [(2)]	4,892,000 Common Shares	17.45%
Stephen Shefsky [(3)]	4,807,667 Common Shares	17.15%

Notes:

1. This information was supplied to the Company by the Shareholders and from the insider reports available at www.sedi.ca.

2. Of the 4,892,000 Common Shares, Mark Brennan owns 2,892,000 Common Shares through Linear Capital Corp. and the remaining 2,000,000 Common Shares through Linear Capital USA, LLC.

3. Of the 4,807,667 Common Shares, Stephen Shefsky holds 3,500,000 Common Shares in trust for the Stephen Shefsky Family Trust, 190,800 through tax-free savings accounts, 112,667 through RRSP accounts and the remaining 1,004,200 Common Shares directly.

Interest Of Certain Persons Or Companies In Matters To Be Acted On

Management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any Associate or Affiliate of any of the foregoing in any matter to be acted on at the Meeting.

INFORMATION CONCERNING THE COMPANY

Name and Incorporation

The Company was incorporated on November 5, 2007 as "2153325 Ontario Inc." pursuant to the provisions of the OBCA. By articles of amendment on November 22, 2007, the Company changed its name to its current name "James Bay Resources Limited". By articles of amendment effective June 16, 2008, the Company removed the restrictions on the issue, transfer or ownership of Common Shares of the Company. The Company completed a $9,300,000 initial public offering on July 24, 2008 and its Common Shares began trading on the Exchange on July 31, 2008. The Company's registered office is at Suite 800, 20 Victoria Street Toronto, Ontario M5C 2N8.

The Company has the following wholly owned subsidiaries:

2255431 Ontario Limited	Ontario, Canada
James Bay Energy Nigeria LLC	Delaware, USA
James Bay Energy Nigeria Limited	Nigeria
D&H Energy Nigeria Limited	Nigeria
Ondobit Limited	Nigeria

General Development of the Business

History

James Bay is a junior resource company 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 104 unpatented claims covering a total of approximately 1,319 claim units or approximately 21,620 ha of mineral exploration rights.

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 totaling just over 2100 metres. The drilling program was designed to test airborne geophysical EM conductors discovered through 5 separate surveys.

On March 4, 2010, 3 mining claims were re-staked due to claim tag issues. Rather than requesting a Mining Recorder's Order to move claim posts, it was far more efficient and cost effective to restake the claims. Under provisions of the Ontario Mining Act, a Notice of Restaking of Transferred Claim could be filed for each of the 3 claims so that the assessment work on file for the original claims would not be lost and would be directly transferred to the new mining claim. A Notice of Restaking of Transferred Claim was filed for each of the 3 claims on March 16, 2010.

On September 5, 2011, the three E Block claims were cancelled. As of November 1, 2011, there is sufficient assessment work to keep the main contiguous block of claims in good standing for just under 2 years.

On March 21, 2011, the Company signed a memorandum of understanding to conduct due diligence, and if a suitable target is identified, to form a special purpose vehicle with DHS to further evaluate the identified oil & 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 DHS. 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 was incorporated on February 27, 2012 and called James Bay Energy Nigeria Limited. Pursuant to the new agreement signed with DHS, 100% share ownership interest of D&H Energy Nigeria Limited and Ondobit Limited were transferred to JBENL on March 9, 2012.

In addition, the Company will retain certain senior management of DHS as senior management of JBENL. In consideration the Company's acquisition of the Ogedeh Project, the Company has agreed to issue to DHS DHS Units consisting of one Common Share and one half of one (1/2) DHS Warrant, each whole DHS Warrant entitling the holder to acquire one Common Share at a price of $1.25 per Common Share for a period of two years from issuance. The DHS Units are to be issued as follows: (i) 3,000,000 DHS Units issued upon a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria, and (ii) 3,000,000 DHS Units issued upon the Company reaching the Production Threshold. Simultaneously with each issuance of the DHS Units above, DHS will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumed DHS's agreement to acquire a 47% interest in certain oil and gas interests in Nigeria through the formation of a joint operation with the seller. As consideration for the transfer of the interest, the Company will be required to pay US$2,500,000. These payments are to commence only upon completion of due diligence by the Company and to occur over a period of time defined by the accomplishment of project landmarks, ending with the achievement of commercial production. In addition, on the commencement of commercial production the Company will pay a monthly management retainer of US$30,000 to the seller in return for the seller performing its ordinary legal and regulatory duties as marginal field license holder. The Company will also be required to pay up to US$500,000 in capital contribution to the project as required to finance the joint operation until the commencement of commercial production.

On February 1, 2012, the Company entered a new agreement with MML, a Nigerian oil & gas service provider, replacing the letter of intent dated March 9, 2011. The new consulting services agreement calls for the issuance of Common Shares of the Company to MML as follows: (i) 3,500,000 Common Shares issued upon a definitive agreement being entered into in respect of an acquisition of an interest in an oil and gas project in Nigeria, and (ii) 3,000,000 Common Shares issued upon the Company reaching the Production Threshold. The Company has also agreed to pay the amount of US$165,000 to MML at the same time that the initial 3,500,000 Common Shares are issued, which amount has now been advanced.

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

Financing

In addition, the Company intends to complete the Financing as a brokered equity financing on a best efforts agency basis, by issuing securities of the Company on terms and prices to be determined through negotiation with the agent upon engagement. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. These negotiated terms may include Common Shares and warrants, as well as agent warrants, and will determine the pricing of each component of the Financing. The following chart illustrates the potential range of pricing and number of Common Shares issuable at each potential price.

Number of Common Shares Issuable under the Financing			
$0.50	**$0.75**	**$1.00**	**$1.25**
27,000,000 Common Shares	18,000,000 Common Shares	13,500,000 Common Shares	10,800,000 Common Shares

The Company will raise at least $13,500,000 under the Financing, and expects the agency commission fees to be approximately $810,000, with the costs of the Financing to be approximately $100,000. The resulting expected net proceeds of approximately $12,590,000 raised from this Financing will be used toward exploration and development of the Ogedeh Project, and for working capital and other corporate purposes. The Company will issue a press release announcing the terms once the definitive terms of the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

Selected Consolidated Financial Information and MD&A

The audited financial statements of the Company for its financial years ended December 31, 2011, 2010 and 2009, and the unaudited interim financial statements for the period ended September 30, 2012 are included in **Schedule "E"** to this Information Circular.

The following tables set out selected financial information for the periods indicated and should be read in conjunction with and is qualified in its entirety by the more complete information contained in the financial statements of the Company and related notes thereto, which are attached to this Information Circular in **Schedule "E"**.

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Three Months Ended March 31, 2012	Six Months Ended June 30, 2012	Nine Months Ended September 30, 2012
Net Loss	$1,9316,306	$825,527	$782,635	$1,095,538	$4,461,220	$5,173,016
Amounts Deferred in Connection with the COB	Nil	Nil	Nil	Nil	Nil	Nil

Management's Discussion and Analysis

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management as of December 31, 2011 and should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the year ended December 31, 2011. The Company's MD&A for the financial year ended December 31, 2011 and for period ended September 30, 2012 are incorporated by reference to this Information Circular and attached hereto in **Schedule "E"**.

Summary of Consolidated Statement of Financial Position

The following table sets out the annual financial information of James Bay and is derived from the Company's audited financial statements for the years ended December 31, 2011, 2010 and 2009.

	December 31, 2011 IFRS ($)	December 31, 2010 IFRS ($)	December 31, 2009 GAAP ($)
Current Assets	5,724,694	7,069,878	7,861,471
Current Liabilities	104,765	144,029	41,386
Working Capital	5,619,929	6,925,849	7,820,085
Total Assets	8,158,695	10,055,265	10,483,702
Shareholders' Equity	8,053,930	9,911,236	10,442,316
Deficit	3,905,740	1,974,434	1,819,161

	December 31, 2011 IFRS ($)	December 31, 2010 IFRS ($)	December 31, 2009 GAAP ($)
Expenses	1,946,318	886,107	1,130,872
Net loss and comprehensive loss	1,931,306	825,527	782,635
Net loss per Common Share	0.07	0.03	0.03
Weighted average number of Common Shares	28,040,350	28,040,350	28,040,350

Note: Net loss per Common Share on a diluted basis is the same as basic net loss per Common Share, as all factors which were considered in the calculation are anti-dilutive.

Summary of Quarterly Results

Quarter ended	IFRS basis			
	December 31, 2011	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**
Working Capital	$5,619,929	$6,164,370	$6,597,151	$6,908,443
Exploration and evaluation Assets	2,433,662	2,433,662	2,433,662	2,438,662
Operating expenses	518,279	637,774	599,193	191,072
Interest Income	(118,880)	13,587	144,046	25,774
Loss and comprehensive loss	544,486	526,827	673,939	186,054
Loss and comprehensive loss per Common Share	0.02	0.02	0.02	0.01

Quarter ended	IFRS basis			
	December 31, 2010	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**
Working Capital	$6,925,849	$7,072,141	$7,491,805	$7,671,285
Exploration and evaluation Assets	2,438,662	2,438,662	2,438,662	2,438,631
Operating (income) expenses	(5,145)*	221,454	665,234	190,566
Share based compensation	42,00	17,644	73,605	49,198
Interest Income	20,481	44,079	16,025	16,153
Loss and comprehensive loss	(156,088)	165,575	625,099	190,941
Loss and comprehensive loss per Common Share	0.00	0.01	0.02	0.01

* Expenses in the fourth quarter of 2010 were reduced by the reimbursement of due diligence fees

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

Results Of Operations And Cash Flows

Operating Activities

The Company had a net outflow of $2,040,784 from operating activities (December 31, 2010 - $1,165,003).

Investing Activities

The Company had a net inflow of $496,853 (December 31, 2010 – $324,633 net outflow) from sale of investments and repayment of debt. The Company had a $5,000 refund on expenses incurred in the James Bay Lowlands during the year.

During the year, the $250,000 loan to Morumbi Resources Inc. ("**Morumbi**") was repaid. Since Morumbi repaid the loan prior to the first anniversary date of the loan agreement, the policies of the TSX Venture Exchange required the immediate termination of the Morumbi warrants held by the Company. At December 31, 2011, the value of the Morumbi warrants was written-off.

Financing Activities

The Company had no financing activities during the year.

Fourth quarter

Cash used in operations was $1,441,577, reflecting an increase of $800,958 from the same period in 2010. Cash received from investing was $40,473, reflecting an increase of $102,973 from the same period in 2010. This is mainly due to sale of marketable securities and repayment of loan.

Liquidity

The Company had opening cash and cash equivalents balance of $6,310,432. The Company used $2,040,784 in operating activities and received $496,853 cash from investing activities during the year. The effect of change in foreign exchange was $24,742. At December 31, 2011, the Company had cash and cash equivalents of $4,791,243 and $834,047 restricted cash. On January 5, 2012, the cash restriction was lifted.

Common Shares

At December 31, 2011, the Company had 28,040,350 Common Shares issued and outstanding. There were no additional Common Shares issued between the period from January 1, 2011 to December 31, 2011 and to April 26, 2012.

Warrants

At December 31, 2011, a total of 3,723,925 warrants were outstanding, with each warrant entitling the holder to purchase one Common Share of the Company with an expiry date of July 24, 2012. The Company extended the expiry date of the 3,723,925 Common Share purchase warrants issued by the Company in connection with its IPO to July 24, 2013 subsequent to December 31, 2011. The exercise price of these warrants has been reduced from $2.00 to $1.25 per warrant.

Stock options

At December 31, 2011, a total of 2,765,000 stock options were issued and outstanding with expiry dates ranging from April 2, 2013 through to June 11, 2015. The weighted average exercise price for all stock options was $0.75. All stock options entitle the holder to purchase Common Shares of the Company. There were no additional stock options issued or exercised between the period from January 1, 2011 to December 31, 2011.

Description of Securities

The holders of Common Shares of the Company are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of the Shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

In consideration for securing the Ogedeh Project for the Company, the DHS Agreement provides that DHS be issued 3,000,000 DHS Units in the capital of the Company. In addition, if average production rates from Nigerian oil and gas projects reach at least 1,500 BOE per day over a period of 60 days or a P50 recoverable estimate of 50 million BOE (minimum) as defined by an independent third party report, then the Company will be required to issued to DHS an additional 3,000,000 DHS Units.

In consideration for securing the Ogedeh Project for the Company, the MML Agreement provides that MML be issued 3,500,000 Common Shares. In addition, if average production rates from Nigerian oil and gas projects reach at least 1,500 BOE/D over a period of 60 days or a P50 recoverable estimate of 50 million BOE (minimum) as defined by an independent third party report (defined as the Production Threshold), then the Company will be required to issued to MML an additional 3,000,000 Common Shares.

Please see the below section entitled "*Particulars of Matters to be Acted Upon - Change of Business of the Company*" for further information on the consideration payable pursuant to the DHS Agreement and the MML Agreement.

Stock Option Plan

The Company's Stock Option Plan is described below under the section entitled "*Particulars of Matters to be Acted Upon - Amendment to the Stock Option Plan*".

Statement of Executive Compensation

The Company's Statement of Executive Compensation, in accordance with the requirements of Form 51-102F6 – *Statement of Executive Compensation*, is set forth below, which contains information about the compensation paid to, or earned by, the Company's Chief Executive Officer and Chief Financial Officer and each of the other three most highly compensated executive officers of the Company earning more than CDN$150,000.00 in total compensation as at December 31 2011 (the "**Named Executive Officers**" or "**NEOs**"**)** during the Company's last three most recently completed financial years. Based on the foregoing, Stephen Shefsky, President, Secretary, Chief Executive Officer and a director of the Company and Eric Szustak, the Chief Financial Officer of the Company, are the Company's only Named Executive Officers as at December 31, 2011.

Compensation Discussion and Analysis

Objectives of the Compensation Program

The objectives of the Company's compensation program are to attract, hold and inspire performance of members of senior management of a quality and nature that will enhance the sustainable profitability and growth of the Company.

Overview of the Compensation Philosophy

The following principles guide the Company's overall compensation philosophy:

(a) compensation is determined on an individual basis by the need to attract and retain talented, high-achievers;

(b) an appropriate portion of total compensation is variable and linked to achievements, both individual and corporate;

(c) internal equity is maintained such that individuals in similar jobs and locations are treated fairly; and

(d) the Company supports reasonable expenses in order that employees continuously maintain and enhance their skills.

The Compensation Committee of the Company is given discretion to determine and adjust, year to year, the relative weighting of each form of compensation discussed above in a manner which best measures the success of the Company and its NEOs.

The Compensation Review Process

Role of the Compensation Committee

The Compensation Committee is comprised of Mark Brennan and Wayne Egan. The Compensation Committee makes determinations and recommendations to the Board of Directors concerning the cash and incentive compensation of the NEOs. The primary function of the Compensation Committee is to ensure that the compensation provided to the NEOs are determined with regard to the business strategies and objectives of the Company and strives to ensure that the NEOs are paid fairly and commensurate with their contributions to furthering the strategic direction and objectives of the Company. The Compensation Committee also strives to ensure that the NEOs are compensated at a level and in a manner that will motivate and retain talented individuals.

The Chief Executive Officer provides recommendations to the Compensation Committee with respect to salary, annual incentives and option grants of the NEOs. The Compensation Committee reviews the Chief Executive Officer's recommendations and recommends to the Board of Directors the compensation of the NEOs, as required, on an annual basis. Compensation of NEOs are based primarily on corporate performance which includes achievement of the Company's strategic objective of growth and the enhancement of Shareholder value through increases in the stock price resulting from increases in reserves and production, continued low cost production and enhanced annual cash flow.

Elements of Executive Compensation

The Company's executive compensation program is based on the objectives of (a) recruiting and retaining the executives critical to the success of the Company, (b) providing fair and competitive compensation, (c) balancing the interests of management and Shareholders of the Company, and (d) rewarding performance, on the basis of both individual and corporate performance.

For the financial year ended December 31, 2011, the Company's executive compensation program consisted of the following elements:

(a) a base salary and incentive cash bonuses (together, a "**Short-Term Incentive**"); and

(b) a long-term equity compensation consisting of stock options granted under the Company's stock incentive plan (each, a "**Long-Term Incentive**").

The specific rationale and design of each of these elements are outlined in detail below.

Element of Compensation	Summary and Purpose of Element
Short-Term Incentive Plan	
Base Salary	The Compensation Committee reviews NEO salaries prior to when the applicable current employment contract setting out the base salary for that particular NEO is set to expire. Salaries form an essential element of the Company's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed for the term of the employment contract and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits.
Annual Performance-Based Cash Incentives	Any bonus paid to a NEO is entirely within the discretion of the Board of Directors, following recommendations by the Chief Executive Officer and consideration by the Compensation Committee. In making bonus determinations, the Compensation Committee reviews corporate and individual performance and makes recommendations to the Board of Directors. Annual performance-based cash bonuses are a variable component of compensation designed to reward the Company's executive officers for maximizing annual operating performance.
Long-Term Incentive Plan	
Stock Options	The granting of stock options is a variable component of compensation intended to reward the Company's NEOs for its success in achieving sustained, long-term profitability and increases in stock value.

Base Salary

In determining the base salary of a NEO, the Board of Directors considers the recommendations made by the Compensation Committee. In determining the base salary to be paid to a particular NEO, the Board of Directors also considers the particular responsibilities related to the position, the experience level of the NEO, and his or her past performance at the Company. The Board or Directors may take into account executive compensation paid by companies comparable with the Company, although no specific benchmarking policy is in place for determining compensation or any element of compensation.

Annual Performance-Based Cash Incentives

NEOs are eligible for annual cash bonuses, after taking into account and giving varying degrees of weight, depending on the relevance of these factors to the particular NEO, to indicators such as: relative stock performance, relative change in cash flow per share, performance against budget, expense control, the NEO's performance and other exceptional or unexpected factors. No specific weightings are assigned to each factor, but rather, a subjective determination is made based on a general assessment of performance of the individual relative to such factors.

With respect to the financial year ended December 31, 2011, no bonuses were awarded to any of the Named Executive Officers.

Name of Officer	Title of Officer	Bonus Amounts (C$)
Stephen Shefsky	President, Secretary, Chief Executive Officer and Director	Nil
Eric Szustak	Chief Financial Officer	Nil

Stock Options

The granting of options to purchase Common Shares of the Company are designed to encourage the NEOs to own an interest in the Company and therefore tie their long-term interests to those of the Shareholders of the Company. In determining its recommendations on individual grants of options, the Compensation Committee considers factors such as: the performance and contributions to the success of the Company, the relative position of the individual, the years of service of the individual and past grants of options. When making recommendations to the Board of Directors on options, consideration is also given to the submissions of the Chief Executive Officer. No specific weightings are assigned to each factor, but rather, a subjective determination is made based on a general assessment of performance of the individual relative to such factors.

Other Long-Term Incentive Plans

The Company does not have any other long-term incentive plans, including any supplemental executive retirement plans.

During the financial year ended December 31, 2011, the Board of Directors, on the recommendation of the Compensation Committee did not grant any stock options to the Named Executive Officers.

Name of Officer	Title of Officer	Number of Stock Options	Exercise Price ($)
Stephen Shefsky	President, Secretary, Chief Executive Officer and Director	NIL	NA
Eric Szustak	Chief Financial Officer	NIL	NA

Overview of How the Compensation Program Fits with Compensation Goals

1. Attract, Hold and Inspire Key Talent

The compensation package meets the goal of attracting, holding and motivating key talent in a highly competitive mineral exploration environment through the following elements:

(a) A competitive cash compensation program, consisting of base salary and bonus opportunity; and

(b) Providing an opportunity to participate in the Company's growth through options.

2. Alignment of Interest of Management with Interest of the Company's Shareholders

The compensation package meets the goal of aligning the interest of management with the interest of the Company's Shareholders through the following elements:

(a) Through the grant of stock options, if the price of the Common Shares increases over time, both executives and Shareholders will benefit; and

(b) By providing a vesting period on stock awards, management has an interest in increasing the price of the Common Shares over time, rather than focusing on short-term increases.

Compensation Risk

The Company has not adopted a formal policy on compensation risk management nor has it engaged an independent compensation consultant. The Company recognizes that there may be risks in its current processes but given the size and number of executives dedicated on a full-time basis, the Company does not believe the risks to be significant.

The Company has the Compensation Committee, consisting of independent members of the Board of Directors, to assist the Board of Directors in discharging its duties relating to compensation of the Company's directors and senior officers. The Board of Directors believes that the executive compensation program of the Company should not raise its overall risk profile. Accordingly, the Company's executive compensation programs include safeguards designed to mitigate compensation risks. The following measures impose appropriate limits to avoid excessive or inappropriate risk taking or payments:

- discretionary bonus payments are recommended to the Board of Directors by the Compensation Committee based on annual performance reviews;

- stock option vesting and option terms of 5 years discourages excessive risk taking to achieve short-term goals; and

- implementation of trading black-outs limit the ability of senior officers to trade in securities of the Company.

Inappropriate and excessive risks by executives are also mitigated by regular meetings of the Board of Directors, at which activity by the executives must be approved by the Board of Directors if such activity is outside previously Board-approved actions and/or as set out in a board-approved budget. Due to the fact that the Company is still a development stage resource company, and given the current composition of the Company's executive management team, the Board of Directors and the Compensation Committee are able to closely monitor and consider any risks which may be associated with the Company's compensation practices. Risks, if any, may be identified and mitigated through regular board of directors meetings during which financial and other information of the Company are reviewed, including executive compensation.

Summary Compensation Table

The following tables provide information for the three most recently completed financial years ended December 31, 2011, 2010 and 2009 regarding compensation earned by each of the following Named Executive Officers of the Company: (a) Stephen Shefsky, the President, Secretary, Chief Executive Officer and a director of the Company; and (b) Eric Szustak, the Chief Financial Officer of the Company.

The following table outlines the information for the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009, in accordance with Form 51-102F6.

Unless otherwise noted, salaries for the Named Executive Officers are paid in Canadian dollars.

Financial Years Ended December 31, 2011, 2010 and 2009

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($) Annual incentive plans	Non-equity incentive plan compensation ($) Long-term incentive plans	Pension Value ($)	All other compensation ($)	Total Compensation ($)
Stephen Shefsky	2011	$180,000	NIL	NIL	NIL	NIL	NIL	NIL	$180,000
President, Secretary, Chief Executive Officer and Director	2010	$180,000	NIL	NIL	NIL	NIL	NIL	NIL	$180,000
	2009	$180,000	NIL	NIL	NIL	NIL	NIL	NIL	$180,000
Eric Szustak	2011	$72,000	NIL	NIL	NIL	NIL	NIL	NIL	$72,000
Chief Financial Officer	2010	$72,000	NIL	NIL	NIL	NIL	NIL	NIL	$72,000
	2009	$69,000	NIL	NIL	NIL	NIL	NIL	NIL	$69,000

Summary Compensation – Narrative Discussion

The compensation earned by each of the NEOs summarized above were in accordance with executive employment agreements with each of the named NEOs, as described below.

Stephen Shefsky

Pursuant to the terms of an agreement (the "**Shefsky Employment Agreement**") with Mr. Shefsky dated January 1, 2008, the Company retained Mr. Shefsky to serve as the Company's President and Chief Executive Officer. Mr. Shefsky is also the Secretary and a director of the Company. The Shefsky Employment Agreement provides for a monthly salary of $12,500 from January 2008 to December 2008, a monthly salary of $15,000 from January 2009 to December 2009 and a monthly salary of $15,000 from January 2010 to December 2010 plus reimbursement for all reasonable out-of-pocket expenses incurred in connection with the performance of services under the agreement. Annual bonuses may also be declared at the sole option and discretion of the Board of Directors based on Mr. Shefsky's performance.

Mr. Shefsky is also eligible, subject to compliance with all securities and regulatory laws, rules and policies, and the discretion of the Board of Directors, to participate in any stock option plan offered by the Company to its executives and senior employees generally.

The initial term of the Shefsky Employment Agreement ended on January 1, 2010, and is automatically extended for additional consecutive one (1) year periods unless by agreement of the parties. The term was extended until January 1, 2011, then January 1, 2012, then January 1, 2013 and has been most recently extended for a further one (1) year term, until January 1, 2014, on the same terms and conditions as the original agreement.

Eric Szustak

Pursuant to the terms of an agreement (the "**Szustak Employment Agreement**") with Mr. Szustak dated April 1, 2008, the Company retained Mr. Szustak to serve as the Company's Chief Financial Officer. The Szustak Employment Agreement provides for a monthly salary of $5,000 from April 2008 to March 2009, a monthly salary of $6,000 from April 2009 to March 2010 and a monthly salary of $6,000 from April 2010 to March 2011, plus reimbursement for all reasonable out-of-pocket expenses incurred in connection with the performance of services under the agreement. Annual bonuses may also be declared at the sole option and discretion of the Board of Directors based on Mr. Szustak's performance.

Mr. Szustak is also eligible, subject to compliance with all securities and regulatory laws, rules and policies, and the discretion of the Board of Directors, to participate in any stock option plan offered by the Company to its executives and senior employees generally.

The initial term of the Szustak Employment Agreement ended on April 1, 2010, and is automatically extended for additional consecutive one (1) year periods unless by agreement of the parties. The term was extended until April 1, 2011, then April 1, 2012, and has been most recently extended for a further one (1) year term, until April 1, 2013, on the same terms and conditions as the original agreement.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of December 31, 2011.

Outstanding Share-Based Awards and Option-Based Awards

	Option-based Awards				Share-based Awards	
Name and principal position	**Number of securities underlying unexercised options (#)**	**Option exercise price (C$)**	**Option expiration date**	**Value of unexercised in-the-money options ($) (1)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Stephen Shefsky President, Secretary, Chief Executive Officer and Director	500,000 250,000	0.75 0.75	April 2, 2013 September 17, 2013	NIL	N/A	N/A
Eric Szustak Chief Financial Officer	200,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	NIL	N/A	N/A

Note:

1. Based on the closing price of the shares of the Company as quoted by the TSX Venture Exchange on December 31, 2011, of $0.65.

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended December 31, 2011.

Value Vested or Earned During the Financial Year Ended December 31, 2011

Name and principal position	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Stephen Shefsky President, Secretary, Chief Executive Officer and Director	NIL	N/A	NIL
Eric Szustak Chief Financial Officer	NIL	N/A	NIL

Pension Plan Benefits

The Company does not currently provide pension plan benefits to its Named Executive Officers.

Termination and Change of Control Benefits

The termination and change of control benefits set forth in the executive employment agreements entered into between the Company and each of its Named Executive Officers are described below.

The term **"change of control"**, as used in the below descriptions, shall mean the occurrence of any one of: (I) either: (a) an issuance, acquisition or continuing ownership of the Voting Shares of the Company as a result of which a person or group of persons (other than the executive in question (the **"Executive"**) and any person related to the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario) or persons associated or affiliated within the meaning of the OBCA with any such person or group of persons (other than the Executive and any person related to the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially own Voting Shares of the Company that would entitle the holders thereof to cast more than 20% of the votes attaching to all shares in the capital of the Company that may be cast to elect directors of the Company; or (b) the exercise of the voting power of all or any of such voting shares (other than those owned or controlled by the Executive and any person related to the Executive) so as to cause or result in the election of less than a majority of the nominees of the management of the Company to the Board of Directors of the Company at any Shareholders meeting at which an election of directors takes place after the occurrence of the event contemplated in paragraph I(a) above; or (II) the sale, lease or transfer of at least 50% of the Company's assets to any other person or persons; (III) the entering into of a merger, amalgamation, arrangement or other reorganization by the Company with another unrelated corporation resulting in person or group of persons (other than the Executive and any person related to the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the *OBCA* with any such person or group of persons (other than the Executive and any person related to the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially own Voting Shares of the Company that would entitle the holders thereof to cast more than 20% of the votes attaching to all shares in the capital of the Company that may be cast to elect directors of the Company; (IV) the entering into and completion of any stage of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in paragraphs (I), (II), or (III) above; or (V) a determination by the Board of Directors of the Company that there has been a change, or that upon the happening of certain events there will be a change (followed by the occurrence of such events) whether by way of a change in the holding of Common Shares of the Company, in the ownership of the Company's assets, the composition of the Board of Directors of the Company, or by any other means, as a result of which any person, or any group or persons acting jointly or in concert, is in a position to exercise effective control over the Company.

<u>Stephen Shefsky</u>

The termination and change of control benefits set forth in the Shefsky Employment Agreement, disclosed above in the section *"Compensation Discussion and Analysis - Summary Compensation-Narrative Discussion",* are described below.

Any of the amounts or benefits payable by the Company to Mr. Shefsky as set forth below shall not be reduced in any respect in the event that Mr. Shefsky shall secure or shall not reasonably pursue alternative employment following termination or deemed termination.

Termination for Cause, At Will and by Voluntary Resignation

The Company may terminate the Shefsky Employment Agreement without cause and at will with prior written notice to Mr. Shefsky. If terminated without cause, the Company will provide, *in lieu* of common law and statutory rights to notice of termination, severance pay, termination pay and benefits and any other damages or compensation as he would have otherwise been entitled to upon termination of his employment without cause including, without limitation, all rights of Mr. Shefsky under the *Employment Standards Act* (Ontario) and any successor legislation thereto, to the extent earned, all amounts due and owing up to the effective date of termination and, if terminated during the first year of the Shefsky Employment Agreement, severance compensation equal to 12 months of the applicable base salary effective immediately prior to such termination and, if terminated after the first year of the Shefsky Employment Agreement, severance compensation equal to 24 months of the applicable base salary effective immediately prior to such termination.

The Company may terminate the Shefsky Employment Agreement for cause, where upon such termination, there shall be no amounts owing to Mr. Shefsky, other than amounts payable to the effective date of termination and amounts payable pursuant to statutory obligations.

Mr. Shefsky is entitled to terminate his employment with the Company, at will, by giving three (3) months' prior written notice to the Company, and upon the effective date of such termination, the Company shall pay to Mr. Shefsky, to the extent earned, all amounts due and owing up to the effective date of termination.

Effect of Termination on Stock Options

In the event that Mr. Shefsky is terminated with cause or voluntarily resigns from his employment with the Company, all stock options of the Company held by Mr. Shefsky that have not vested as of the date of such termination shall be deemed to be terminated and of no further force or legal effect. All stock options of the Company held by Mr. Shefsky that have vested as of the date of such termination shall remain exercisable subject to the terms of the stock option plan and/or agreement pursuant to which said stock options were originally granted.

In the event that Mr. Shefsky is terminated by the Company at will or in connection with a change of control of the Company or as a result of Mr. Shefsky's death, all unvested stock options of the Company held by Mr. Shefsky shall be deemed to have vested as of the effective date of such event to allow Mr. Shefsky or his personal representatives, as the case may be, to exercise the stock options that Mr. Shefsky would have been entitled to exercise had his employment continued for a period until the expiry date of such stock options.

In the event that any of the terms of such options are not ascertainable or in the event that applicable securities legislation precludes the acceleration of the vesting dates in the manner described above, the Company shall compensate Mr. Shefsky by way of a cash payment of that amount of money which Mr. Shefsky would have been entitled to if he had exercised any such options on the effective date of termination or deemed termination at the applicable exercise price and subsequently sold the securities on the exchange or market.

Termination in the Event of a Change of Control

In the event of a change of control of the Company, Mr. Shefsky may, for a period of one (1) year after the effective date of any such change of control, elect to terminate his employment with the Company by voluntary resignation and the Company shall pay to Mr. Shefsky, to the extent earned, all amounts due and owing up to the effective date of termination, and a settlement amount equal to 24 months' of base salary at the rate applicable immediately prior to the effective date of termination by voluntary resignation (the "**Shefsky Resignation Amount**").

In the event of a change of control of the Company and if the Company, within two (2) years of the effective date of such change of control, terminates Mr. Shefsky without cause, the Company shall pay to Mr. Shefsky the Shefsky Resignation Amount.

In the event of a change of control of the Company, and if Mr. Shefsky is no longer employed by the Company, Mr. Shefsky has the right to demand the Company pay an amount equal to the in-the-money value of all options he holds as at the day he is no longer employed by the Company.

Eric Szustak

The termination and change of control benefits set forth in the Szustak Employment Agreement, disclosed above in the section *"Compensation Discussion and Analysis - Summary Compensation–Narrative Discussion",* are described below.

Any of the amounts or benefits payable by the Company to Mr. Szustak as set forth below shall not be reduced in any respect in the event that Mr. Szustak shall secure or shall not reasonably pursue alternative employment following termination or deemed termination.

Termination for Cause, At Will and by Voluntary Resignation

The Company may terminate the Szustak Employment Agreement without cause and at will with prior written notice to Mr. Szustak. If terminated without cause, the Company will provide, *in lieu* of common law and statutory rights to notice of termination, severance pay, termination pay and benefits and any other damages or compensation as he would have otherwise been entitled to upon termination of his employment without cause including, without limitation, all rights of Mr. Szustak under the *Employment Standards Act* (Ontario) and any successor legislation thereto, to the extent earned, all amounts due and owing up to the effective date of termination and, if terminated during the first year of the Szustak Employment Agreement, severance compensation equal to 12 months of the applicable base salary effective immediately prior to such termination and, if terminated after the first year of the Szustak Employment Agreement, severance compensation equal to 24 months of the applicable base salary effective immediately prior to such termination.

The Company may terminate the Szustak Employment Agreement for cause, where upon such termination, there shall be no amounts owing to Mr. Szustak, other than amounts payable to the effective date of termination and amounts payable pursuant to statutory obligations.

Mr. Szustak is entitled to terminate his employment with the Company, at will, by giving three (3) months' prior written notice to the Company, and upon the effective date of such termination, the Company shall pay to Mr. Szustak, to the extent earned, all amounts due and owing up to the effective date of termination.

Effect of Termination on Stock Options

In the event that Mr. Szustak is terminated with cause or voluntarily resigns from his employment with the Company, all stock options of the Company held by Mr. Szustak that have not vested as of the date of such termination shall be deemed to be terminated and of no further force or legal effect. All stock options of the Company held by Mr. Szustak that have vested as of the date of such termination shall remain exercisable subject to the terms of the stock option plan and/or agreement pursuant to which said stock options were originally granted.

In the event that Mr. Szustak is terminated at will or in connection with a change of control of the Company or as a result of Mr. Szustak's death, all unvested stock options of the Company held by Mr. Szustak shall be deemed to have vested as of the effective date of such event to allow Mr. Szustak or his personal representatives, as the case may be, to exercise the stock options that Mr. Szustak would have been entitled to exercise had his employment continued for a period until the expiry date of such stock options.

In the event that any of the terms of such options are not ascertainable or in the event that applicable securities legislation precludes the acceleration of the vesting dates in the manner described above, the Company shall compensate Mr. Szustak by way of a cash payment of that amount of money which Mr. Szustak would have been entitled to if he had exercised any such options on the effective date of termination or deemed termination at the applicable exercise price and subsequently sold the securities on the exchange or market.

Termination in the Event of a Change of Control

In the event of a change of control of the Company, Mr. Szustak may, for a period of one (1) year after the effective date of any such change of control, elect to terminate his employment with the Company by voluntary resignation and the Company shall pay to Mr. Szustak, to the extent earned, all amounts due and owing up to the effective date of termination, and a settlement amount equal to 24 months' of base salary at the rate applicable immediately prior to the effective date of termination by voluntary resignation (the "**Szustak Resignation Amount**").

In the event of a change of control of the Company and if the Company, within two (2) years of the effective date of such change of control, terminates Mr. Szustak without cause, the Company shall pay to Mr. Szustak the Szustak Resignation Amount.

In the event of a change of control of the Company, and if Mr. Szustak is no longer employed by the Company, Mr. Szustak has the right to demand the Company pay an amount equal to the in-the-money value of all options he holds as at the day he is no longer employed by the Company.

Estimated Incremental Payment on Change of Control or Termination

The following table provides details regarding the estimated incremental payments from the Company to Messrs. Shefsky and Szustak upon a change of control or on termination without cause, assuming a triggering event occurred on December 31, 2011:

NEO and Event	Severance Period (# of months)	Base Salary ($ per year)	Total Payment ($)
Stephen Shefsky Change of Control	24	180,000	360,000
Stephen Shefsky Termination without Cause	24	180,000	360,000
Eric Szustak Change of Control	24	72,000	144,000
Eric Szustak Termination without Cause	24	72,000	144,000

Director Compensation

The directors are not compensated for their attendance at directors' or Shareholders' meetings or for meetings of any committee of the Board of Directors of which the director may be a member. Directors who are not officers are entitled to receive compensation to the extent that they provide services to the Company at rates that would be charged by such directors for such services to arm's length parties. No cash remuneration has been paid by the Company since incorporation to any of the other directors in their capacity as directors.

Director Compensation Table

The following table provides information regarding compensation paid to the Company's non-executive directors during the financial year ended December 31, 2011. Information regarding the compensation paid to Stephen Shefsky during the financial year ended December 31, 2011 (including as a director) is disclosed in the sections above relating to executive compensation.

Name	Fees earned ($)	Share-based awards ($)	Option-Based awards ($)	Non-equity incentive plan compensation ($)	All other compensation ($)	Total ($)
Mark Brennan	NIL	NIL	NIL	NIL	NIL	NIL
Jon Pereira	NIL	NIL	NIL	NIL	NIL	NIL
Wayne Egan	NIL	NIL	NIL	NIL	NIL	NIL
Mike Sylvestre	NIL	NIL	NIL	NIL	NIL	NIL
TOTALS:	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each non-executive director outstanding as of December 31, 2011. Information regarding the incentive plan awards for

Stephen Shefsky during the financial year ended December 31, 2011 is disclosed in the sections above relating to executive compensation.

Outstanding Share-Based Awards and Option-Based Awards

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (C$)**	**Option expiration date**	**Value of unexercised in-the-money options ($)** [1]	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Mark Brennan	250,000 170,000	0.75 0.75	April 2, 2013 September 17, 2013	NIL	N/A	N/A
Jon Pereira	100,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	NIL	N/A	N/A
Wayne Egan	100,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	NIL	N/A	N/A
Mike Sylvestre	200,000	0.75	June 11, 2015	NIL	N/A	N/A

Note:

1. Based on the closing price of the Common Shares of the Company as quoted by the TSX Venture Exchange on December 31, 2011, of $0.65.

The following table provides information regarding the value vested or earned of incentive plan awards for each non-executive director for the financial year ended December 31, 2011. Information regarding the value vested or earned of incentive plan awards for Stephen Shefsky for the financial year ended December 31, 2011 is disclosed in the sections above relating to executive compensation.

Value Vested or Earned During the Financial Year Ended December 31, 2011

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Mark Brennan	NIL	N/A	NIL
Jon Pereira	NIL	N/A	NIL
Wayne Egan	NIL	N/A	NIL
Mike Sylvestre	NIL	N/A	NIL

Retirement Policy for Directors

The Company does not have a retirement policy for its directors.

Directors' and Officers' Liability Insurance

The Company currently maintains directors' and officers' liability insurance in the amount of $5,000,000 in the annual aggregate for the term ending July 9, 2013. There is a retention of $25,000 for each claim for loss which the Company may advance or indemnify the insured persons. The aggregate annual premium for the policy is $13,991. All costs associated with the premiums are borne by the Company.

Summary Compensation Table for the Chief Executive Officer, Chief Financial Officer and the Three Most Highly Compensated Officers for the Period Ending September 30, 2012.

The following table provides information for the Chief Executive Officer and Chief Financial Officer and the three most highly compensated executive officers of the Company for the nine month period ended September 30, 2012. Unless otherwise noted, salaries are paid in Canadian dollars.

Period Ended September 30, 2012

Name and principal position	Salary ($)	Share-based awards ($)	Option-based awards[1] ($)	Non-equity incentive plan compensation ($)		Pension Value ($)	All other compensation ($)	Total Compensation ($)
				Annual incentive plans	Long-term incentive plans			
Stephen Shefsky President, Chief Executive Officer, Secretary and a director	135,000	Nil	Nil	Nil	Nil	Nil	Nil	135,000
Eric Szustak Chief Financial Officer	54,000	Nil	Nil	Nil	Nil	Nil	Nil	54,000
Adeniyi Olaniyan Chief Operating Officer and Country Manager of JBENL	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000

Note:

1. Based on the closing price of the Common Shares of the Company as quoted by the TSX Venture Exchange on September 30, 2012, of $0.52.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards outstanding for the Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers of the Company for the period ending September 30, 2012.

Outstanding Share-Based Awards and Option-Based Awards

	Option-based Awards				Share-based Awards	
Name and principal position	**Number of securities underlying unexercised options (#)**	**Option exercise price (C$)**	**Option expiration date**	**Value of unexercised in-the-money options ($)** (1)	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Stephen Shefsky President, Chief Executive Office, Secretary and a director	500,000 250,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil	N/A	N/A
Eric Szustak Chief Financial Officer	200,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil	N/A	N/A
Adeniyi Olaniyan Chief Operating Officer and Country Manager of JBENL	600,000(2)	0.63	June 1, 2017	Nil	N/A	N/A

Notes:

1. Calculated using the closing price of Shares of the Company on the Exchange on September 30, 2012 of $0.52 per share, less the exercise price of the stock options granted.

2. Subject to available options under the Stock Option Plan, as amended. See "*Particulars of Matters to be Acted Upon - Amendment to the Stock Option Plan*" below.

The following table provides information regarding the value vested or earned of incentive plan awards for the period December 31, 2011 to September 30, 2012.

Name and principal position	**Option-based awards – Value vested during the period ($)**(1)	**Share-based awards – Value vested during the period ($)**	**Non-equity incentive plan compensation – Value earned during the period ($)**
Stephen Shefsky President, Chief Executive Office, Secretary and a director	Nil	Nil	Nil
Eric Szustak Chief Financial Officer	Nil	Nil	Nil
Adeniyi Olaniyan Chief Operating Officer and Country Manager of JBENL	6,000(2)	Nil	Nil

Notes:

1. Value, if any, of any options which vested during the period ended September 30, 2012 was calculated by multiplying the number of vested options by the difference between the market price at the time of vesting and the exercise price.

2. Of the 600,000 options granted to Mr. Adeniyi on June 1, 2012, 200,000 options vested immediately, 200,000 options shall vest on June 1, 2013 and 200,000 options shall vest on June 1, 2014.

No material changes are expected to be made to the above described Executive Compensation upon approval of the Change of Business.

Prior Sales and Trading History

The authorized capital of the Company is an unlimited number of Common Shares, of which 28,040,350 are issued and outstanding as of January 9, 2013.

The Company has not issued any Common Shares during the past 12 months.

The following table sets forth the price ranges and volume of the Company's Shares on the Exchange for each month of the financial quarter ended September 30, 2012 (trading in the Company’s shares was halted September 27, 2012), and quarterly for the seven preceding financial quarters.

Period	High	Low	Volume
Part month ended September 27, 2012	$0.56	$0.40	30,200
Month ended August 31, 2012	$0.56	$0.50	191,400
Month ended July 31, 2012	$0.65	$0.47	168,900
Quarter ended June 30, 2012	$0.67	$0.45	788,998
Quarter ended March 31, 2012	$0.65	$0.45	1,455,600
Quarter ended December 31, 2011	$0.65	$0.30	2,066,500
Quarter ended September 30, 2011	$0.63	$0.47	735,888
Quarter ended June 30, 2011	$0.65	$0.475	1,338,320
Quarter ended March 31, 2011	$0.79	$0.44	3,252,541
Quarter ended December 31, 2010	$0.70	$0.42	2,819,500

Non-Arm's Length Transactions

Other than described below, the Company has not acquired or received any assets or services in any transaction completed within 24 months before the date of this Information Circular, and does not propose to acquire any assets or services in any proposed transaction, from any director or officer of the Company, or any person who is a principal securityholder of the Company or who will be a principal securityholder after completion of the Change of Business, or any Affiliate or Associate of any such Person. **The Change of Business will not constitute a Non-Arm's Length transaction.**

The Company rents office space from a corporation controlled by a director of the Company. During the financial year ended December 31, 2011, approximately $60,955 (December 31, 2010 - $42,742) was charged by this corporation. In March 2011, the Company renewed the sublease agreement for another 18 months, resulting in a lease commitment of approximately $38,800 as at December 31, 2011.

The Company incurred legal fees of approximately $29,200 (December 31, 2010 - $39,700) paid to a law firm of which a partner is a director of the Company.

Legal Proceedings

As of the date hereof, the Company is not aware of any legal proceedings to which it or any of its property is subject to.

Auditor, Transfer Agent and Registrar

McGovern, Hurley Cunningham LLP located at Suite 300, 2005 Sheppard East, North York, ON M2J 5B4 are the current auditors of the Company and were first appointed auditors of the Company on January 17, 2008.

The Company's registrar and transfer agent is Equity Financial Trust Company at Suite 400, 200 University Avenue, Toronto, Ontario, M5H 4H1.

Material Contracts

Other than contracts entered into in the ordinary course of its business, the Company has not entered into any material contracts during the past twelve months except:

1. Agreement dated January 5, 2012 between the Company and D&H Solutions AS.

2. Agreement dated February 1, 2012 between the Company and Mak Mera Nigeria Limited.

3. Deed of Assignment dated March 9, 2012 between Bicta Energy & Management Systems Limited and James Bay Energy Nigeria Limited.

4. Joint Operating Agreement dated May 28, 2012 between Bicta Energy & Management Systems Limited and D&H Energy Nigeria Limited.

5. Farm-In Agreement dated August, 2012 between Bicta Energy & Management Systems Limited and D&H Energy Nigeria Limited.

The material agreements listed above are described below in the section entitled "*Particulars of Matters to be Acted Upon - Change of Business of the Company*". These material agreements will be available for review at the Meeting and at the Company's head office located at Suite 800, 20 Victoria Street, Toronto, Ontario, M5C 2N8, Attention: President, for a period of 30 days following the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

APPROVAL OF MATTERS

Unless otherwise noted, approval of matters to be placed before the Meeting is by an "**ordinary resolution**", which a resolution is passed by a simple majority (50% plus one) of the votes cast by Shareholders of the Company entitled to vote in present in person or represented by proxy.

CHANGE OF BUSINESS OF THE COMPANY

At the Meeting, Shareholders will be asked to consider and, if thought fit, pass a resolution approving a Change of Business for the Company.

The Company desires to complete the proposed COB by moving from the mineral exploration business to the oil and gas exploitation and production business in order to provide a base for potential enhancement in Shareholder value. Pursuant to a deed of assignment between the Company's wholly owned Nigerian subsidiary and Bicta dated March 9, 2012 (the "**Deed of Assignment**"), the Company has acquired an interest in the Ogedeh Project (as more fully set out under the heading "*Particulars of Matters to be Acted Upon - Information Concerning the Ogedeh Project*"). The Deed of Assignment has been filed with the Federal Government of Nigeria for approval. Bicta and the Company (through a wholly owned Nigerian subsidiary company) also entered into a Joint Operating Agreement dated May 28, 2012, providing for the terms under which they will operate the Ogedeh Project. The acquisition by the Company of the 47% interest in the Ogedeh Project pursuant to the Deed of Assignment, and the subsequent operations under the Joint Operating Agreement, will constitute a COB for the Company as that term is defined in the Corporate Finance Manual of the Exchange.

In order to earn its 47% interest in the Ogedeh field under the terms of the Joint Operating Agreement, James Bay is required to pay an aggregate amount of US$2,500,000. The payments toward that amount commenced with US$100,000 paid upon completion of James Bay's due diligence on the Ogedeh 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 Joint Operating Agreement and the Deed of Assignment), after May, 2012. That US$500,000 is to be released as to US$200,000 upon approval from the DPR in Nigeria of the assignment of the 47% interest 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 the Ogedeh field. James Bay is obligated to pay a further US$1,000,000 to Bicta 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 Bicta 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 to Bicta upon the completion of 60 days of commercial production.

James Bay has also agreed with Bicta that it shall provide the joint operation funds (future capital expenditures and operating expenses) required to finance the Ogedeh Project to first oil. James Bay has also agreed to pay Bicta a monthly management retainer fee of US$30,000, which commences upon the date of the drill rig arriving at the Ogedeh field, 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 Bicta in their 47:53 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 Bicta in proportion to their 47:53 percent interests.

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 DHS, a company formed in Norway as a joint venture between Hemla II AS of Norway (a privately held company, indirectly controlled by Mr. Knut Søvold) 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 DHS. DHS 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 DHS was initially formed under a memorandum of understanding dated March 21, 2011 (the "**MOU**") which provided for James Bay and DHS to operate under a joint venture structure in Nigeria to pursue potential oil and gas opportunities in Nigeria. 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 Ogedeh Project (including initial payments to Bicta, field development work, technical diligence on drilling information, and preparation of NI 51-101 Report), and to pay legal fees in Nigeria and Canada. The relationship with DHS under the MOU evolved through 2011, culminating in January 2012 with a revised agreement pursuant to which DHS would become a significant shareholder in James Bay and directly provide its personnel and expertise to James Bay in Nigeria. The agreement with DHS dated January 5, 2012 (the "**DHS Agreement**") provides that DHS shall work with James Bay to source and evaluate oil and gas projects in Nigeria. DHS's main 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. DHS has provided experience, logistics and staffing to James Bay in pursuit of the Ogedeh Project, and, in particular, have provided the services of Knut Søvold (now a director of James Bay). DHS will continue to provide logistical and other support to the Ogedeh Project as it moves forward, as a shareholder of James Bay.

Under the terms of the DHS Agreement, and in consideration for its work in securing the Ogedeh Project for James Bay, DHS shall be issued (the "**First DHS Issuance**") 3,000,000 units (the "**DHS Units**") in the capital of James Bay, with each DHS Unit consisting of one Common Share and one-half of one (1/2) common share purchase warrant (each whole warrant being a "**DHS Warrant**"). Each DHS Warrant entitles DHS 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 DHS Units are to be issued upon James Bay receiving all regulatory approval to hold the 47% interest in the Ogedeh Project, including approval from the DPR in Nigeria and Exchange approval for the Transaction. In addition, if average production rates from Nigerian oil and gas projects reach at least 1,500 BOE per day over a 60-day period or a P50 recoverable estimate of at least 50 million BOE (the "**Production Threshold**") as defined by an independent third-party report, then James Bay will be required to issue (the "**Second DHS Issuance**") to DHS an additional 3,000,000 DHS Units. James Bay has also agreed under the DHS Agreement to grant 300,000 options to DHS at the same time it issues 3,000,000 DHS Units, with these options to be exercisable at the current market price on the date of issue, and exercisable for 5 years from the date of grant. DHS has advised the Company that 300,000 DHS Units will be directed for issuance to Mr. Tee Mac Iseli at each of the First DHS Issuance and the Second DHS Issuance. The balance of the DHS Units will be held by DHS and subject to a Power of Attorney in favour of Knut Søvold.

James Bay has also entered into a contract with Mak Mera Nigeria Limited ("**MML**"), a company formed in Nigeria and controlled by Chief Olorunfemi of Nigeria, pursuant to which MML has provided services and expertise to James Bay in its pursuit of oil and gas projects available in Nigeria. The agreement with MML is dated February 1, 2012 (the "**MML Agreement**"). The MML 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, MML 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.

MML 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. MML 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 MML was contingent upon securing a material project, which would be satisfied by the Ogedeh Project. MML is a local company in Nigeria with substantial experience in the service areas described above. The principal of MML, Chief Olorunfemi, has also agreed to act as a director of the Company's Nigerian subsidiary.

Under the MML Agreement, James Bay has agreed to issue (the "**First MML Issuance**") 3,500,000 Common Shares to MML, which would be payable upon James Bay securing the Ogedeh Project. These 3,500,000 Common Shares are to be issued upon James Bay receiving all regulatory approval to hold the 47% interest in the Ogedeh Project, including approval from the DPR in Nigeria and Exchange approval for the Transaction. In addition, as with the DHS Agreement, if the Company reaches the Production Threshold as defined by an independent third-party report, then James Bay will be required to issue to MML (the "**Second MML Issuance**") an additional 3,000,000 Common Shares. MML has advised James Bay that the Common Shares to be issued under the MML Agreement will be directed for issuance to MML's shareholders. No MML shareholder will hold more than 5% of the outstanding shares of James Bay upon such issuances. James Bay has also agreed under the MML Agreement to pay the amount of US$165,000 to MML at the same time that the initial 3,500,000 Common Shares are issued, which amount has been advanced.

Following the COB and the First DHS Issuance and the First MML Issuance (which will occur concurrently), but without including any securities that will be issued under the required Financing to complete the COB, there will be 34,540,350 Common Shares issued and outstanding of which approximately 8.7% will be held by DHS (prior to exercise of any DHS Warrants). Of the initial DHS interest, approximately 0.87% will be held directly by Mr. Tee Mac Iseli, with approximately 7.83% held by DHS and subject to the power of attrorney in favour of Knut Søvold. Assuming exercise of all of the DHS Warrants, DHS would hold approximately 12.48% on a diluted basis with approximately 1.25% held directly by Mr. Tee Mac Iseli, and approximately 11.23% held by DHS subject to the power of attorney in favour of Knut Søvold. The Common Shares issuable under the First MML Issuance are being distributed directly to the underlying shareholders in MML, and no one MML shareholder, either *directly or indirectly, will hold more than 5% of the outstanding Common Shares of James Bay on completion of the COB.*

Following the completion of the Second DHS Issuance and Second MML Issuance (which will occur concurrently, upon the Production Threshold having been met), but without including any securities that will be issued under the required Financing to complete the COB, there will be 40,540,350 Common Shares issued and outanding of which approximately 14.8% will be held by DHS (prior to exercise of any DHS Warrants). Of the initial DHS interest, approximately 1.48% will be held directly by Mr. Tee Mac Iseli, with 13.32 held by DHS and subject to the power of attrorney in favour of Knut Søvold. Assuming the exercise of all of the DHS Warrants, DHS would hold approximately 20.7% on a diluted basis with approximately 2.07% held directly by Mr. Tee Mac Iseli, and approximately 18.63% held by DHS subject to the power of attorney in favour of Knut Søvold. These figures will be impacted by the required Financing to complete the COB, which will result in the number of issued Common Shares increasing substantially, and reducing the interests in James Bay held by DHS. The Common Shares issuable under the Second MML Issuance are also being distributed directly to the underlying shareholders in MML, and no one MML shareholder, either directly or indirectly, will hold more than 5% of the outstanding Common Shares of James Bay following the Second MML Issuance.

Completion of the COB is subject to a number of conditions, including, but not limited to, Exchange acceptance and the approval of the COB by the Company's Shareholders.

If the COB Resolution is approved by the Company's Shareholders and all other conditions are met (including the closing of the Financing and the receipt of formal approval by the Federal Government of Nigeria to James Bay acquiring the 47% direct working interest in the Ogedeh Project), the COB will become effective following receipt of Exchange approval of the COB.

Upon completion of the COB, the current directors and officers of the Company will remain the directors and officers of the Company.

Upon completion of the COB, and including the issuance of the securities pursuant to the DHS Agreement and the MML Agreement (as defined above) which are contingent upon and related to the COB, but before taking into account securities issued under the Financing, the Company will have 34,540,350 Common Shares outstanding.

Proposed Resolution to Approve the Change Of Business

Shareholders will be asked to consider and, if thought fit, to pass the COB Resolution, in substantially the following form, subject to such changes as may be recommended or required by counsel or regulatory authorities, approving the Deed of Assignment, Joint Operating Agreement, the issuance of the DHS , and the resulting Change of Business:

"*RESOLVED THAT:*

1. That certain Deed of Assignment dated March 9, 2012 (the "**Deed of Assignment**") and the Joint Operating Agreement (the "**Joint Operating Agreement**") made as of May 28, 2012 between Bicta Energy & Management Systems Limited and the Company, all as more particularly described in the Information Circular of the Company dated January 9, 2013, be approved, ratified and confirmed and that the resulting Change of Business of the Company be approved;

2. The issuance of the 3,000,000 DHS Units in the capital of the Company under the DHS Agreement in consideration for DHS's role in securing the Ogedeh Project for the Company, and if the Production

Threshold is achieved, the issuance to DHS of an additional 3,000,000 DHS Units be approved, ratified and confirmed;

3. The issuance of 3,500,000 Common Shares under the MML Agreement in consideration for MML's role in securing the Ogedeh Project for the Company, and if the Production Threshold is achieved, the issuance to MML of an additional 3,000,000 Common Shares be approved, ratified and confirmed

4. Any one (1) officer or director of the Company be and is hereby authorized on behalf of the Company to do such acts and such things and to execute and deliver all documents and instruments he or she may deem necessary or desirable to give effect to the transactions contemplated by the Deed of Assignment and the Joint Operating Agreement, and otherwise in connection with the Change of Business and any other matter described in the Information Circular; and

5. The Board of Directors of the Company be and are hereby authorized to revoke these resolutions in whole or in part, and determine not to take any or all of the actions herein described, notwithstanding the approval of same by the shareholders, at any time prior to the completion thereof, if in the sole discretion of the Board of Directors of the Company, they determine that it is in the best interests of the Company to do so."

Recommendation Of The Board Of Directors

The Board recommends that Shareholders vote "FOR" the resolutions approving the Deed of Assignment, Joint Operating Agreement, and the resulting Change of Business, and the issuances to DHS and MML. Management has been advised that the directors and senior officers of the Company intend to vote all Common Shares held by them in favour of approving the Deed of Assignment, Joint Operating Agreement and the resulting Change of Business and the issuances to DHS and MML. The persons named in the enclosed form of proxy intend to vote in favour of such resolution unless otherwise directed by the Shareholders appointing them.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE DEED OF ASSIGNMENT, JOINT OPERATING AGREEMENT AND THE RESULTING CHANGE OF BUSINESS AND THE ISSUANCES TO DHS AND MML, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

INFORMATION CONCERNING THE OGEDEH PROJECT

The Company has retained Sproule International Limited ("**Sproule**") to evaluate the oil and gas leases included under the Deed of Assignment and the Joint Operating Agreement for the Ogedeh Project. The evaluation by Sproule as an independent resource evaluator is attached hereto as **Schedule "A"** and may also be viewed on the SEDAR website at www.sedar.com.

Evaluating Report, Author, Date

Sproule, an independent qualified resource evaluator, has 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 June 30, 2012 (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 Canadian 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**"). In preparing the Sproule Report, Sproule reviewed the available technical data including the geological interpretation presented by the Company, the ownership terms provided by the Company, information from relevant nearby wells or analogous reservoirs and the proposed program for the Ogedeh Project. Sproule also reviewed this material with respect to the estimated contingent resources and productivity that would be expected of successful wells, the anticipated capital cost (including drilling, completion and equipment), the average operating costs in the area and expected product prices. Sproule has assumed that there were no market restrictions on the produced resources.

All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of future capital expenditures for wells to which contingent resources have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of fair market value of the Company's properties. There is no assurance that such price and cost assumptions will be attained, and variances could be material. The recovery and contingent resource estimates of crude oil, NGLs and natural gas provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. Actual crude oil, NGLs and natural gas production may be greater or less than the estimates provided herein. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl is based on an energy conversion equivalency method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

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 (economic, regulatory, market and facility, corporate commitment or political risks). The estimates presented herein have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources. No reserves have been attributed to the Ogedeh Property.

Summary of the Sproule Report

Table S-1 below summarizes Sproule's evaluation after income taxes, and Table S-1A summarizes Sproule's evaluation before income taxes, of the contingent oil resources associated with the James Bay Resources Limited interests in the Ogedeh Field of Nigeria, as of June 30, 2012. The Company's interests are located in Block OML 90. A map showing the location of the Company's property is included as Figure S-1.

The resources definitions and ownership classification used in Sproule's evaluation are in accordance with Canadian Oil and Gas Evaluation Handbook (COGEH) resources definitions and evaluation practices and procedures, which is compliant with NI 51-101.

For contingent resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development". The volumes and values presented in the Sproule Report have not been risked for chance of development.

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 (after COGEH). Due to the unavailability of analogues, the volumes in the Sproule Report were assigned as contingent resources.

The price forecasts that formed the basis for the revenue projections in the evaluation of the Sproule Report were based on Sproule's June 30, 2012 pricing model. Table S-2 presents a summary of selected forecasts.

The net present values of the contingent resources are presented in thousands of United States dollars and are based on annual projections of net revenue, which were discounted at various rates. These rates are 5, 10, 15 and 20 percent and undiscounted.

Operating and capital costs were escalated to the dates incurred at 2.0 percent per year.

Summary forecasts of production and net revenue for the various resource categories are presented in Tables S-3 through S-3B.

Well abandonment and disconnect costs were included in the Sproule Report for wells which have resource volumes assigned. No allowances for reclamation or salvage values were made. No provision for abandonment or decommissioning of platforms, facilities or pipelines has been included in this evaluation.

There are no outstanding tax pools to be considered for the Company's interests under the marginal field program in Nigeria.

Property Description and Location

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. The field is bounded to the north by the Efon 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.

The Ogedeh Field was discovered by Chevron in 1993 by the drilling of the Ogedeh 1 well, in shallow water offshore OML 90. Hydrocarbon was found in both the B and D sands of the Agbada Formation. However, the well encountered mechanical problems and has not been tested. Well Ogedeh-2 was drilled in 1994, in a separate fault block, about 9 km southeast of Ogedeh-1. The Ogedeh-2 well was dry.

In 2004, 100 percent of the field was awarded to Bicta during the federal government discretionary bid round of 2003. Then, Bicta assigned 47 percent of the participating interest to D&H Energy Nigeria Limited through the Joint Operating Agreement. D&H Energy Nigeria Limited is a wholly owned subsidiary of James Bay Energy Nigeria LLC, which is wholly owned by the Company. As a result, the Company currently owns a 47 percent interest in the Ogedeh Field. The remaining interests are held by Bicta.

Geology and Resources Estimates

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 in 1993 by Chevron Nigeria Limited 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 oil in five sands, 26 feet TVD gas in two sands and 37 feet TVD 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 in 1994 on a different structure and fault block about 8 km southeast of the discovery 1 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 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 includes the verification of the defined structural framework of the field and an 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 GOC surface also was generated. The P90 and P1 (spill point) areas were created. Using these prospective 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 original oil in place. This well is deviated; however, the deviation survey data are not available. Conventional openhole logs are recorded covering the B sand package. The underlying D sand package has only the LWD GR and resistivity logs.

The B sands were evaluated using all available logs. The volume of shale (Vsh) 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 (PHIE) 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 75o F was used for formation water resistivity (Rw). The water saturation (Sw) 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 cutoff values PHIE > 10 percent, Vsh < 50 percent and Sw < 50 percent. The well log interpretation results are illustrated in the Sproule Report in Figures 2, 3 and 4 for the B1, B2 and D4 sands, respectively.

Fluid Properties

No PVT data were available for the discovery well Ogedeh 1. 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 following tables summarize the oil properties used in this evaluation for both the B and D4 sands of the Agbada Formation.

Estimated Oil Properties of the Agbada B Sands

Oil gravity at standard conditions	40 deg API
Reservoir temperature	160 deg F
Initial reservoir pressure	2,400 psia
Reference Depth	5,665 ft-TVD
Initial formation volume factor	1.363 rb/stb
Oil viscosity at initial reservoir conditions	0.413 cp
Initial solution gas-oil ratio	688 scf/bbl
Saturation pressure	2,375 psia
Formation volume factor at saturation pressure	1.362 rb/stb
Oil viscosity at saturation pressure	0.409 cp

Estimated Oil Properties of the Agbada D4 Sand

Oil gravity at standard conditions	40 deg API
Reservoir temperature	292 deg F
Initial reservoir pressure	3,875 psia
Reference Depth	8,837 ft-TVD
Initial formation volume factor	1.502 rb/stb
Oil viscosity at initial reservoir conditions	0.201 cp
Initial solution gas-oil ratio	688 scf/bbl
Saturation pressure	3,105 psia
Formation volume factor at saturation pressure	1.510 rb/stb
Oil viscosity at saturation pressure	0.190 cp

Resource Volumes and Production Forecasts

The 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. Forecasts of cash flows were prepared by forecasting annual production from the resources, production taxes, product prices and costs. Annual production was forecast taking into account the conceptual development plans proposed by the Company.

Table 1 presents the results of the probabilistic analysis. Table 2 presents a summary of the recoverable contingent oil resources, both economic and sub-economic volumes. Detailed forecasts of production and net revenue for the various resource categories are presented in Tables 3, 3-A and 3-B. All of these Tables can be read in their entirety in the Sproule Report.

The Ogedeh Field was not assigned C1 contingent resources because no flow test had been conducted to confirm productivity. Accordingly, the certainty requirements to assign C1 contingent resources could not be met.

Significant positive and negative factors relevant to the resource estimate of the Ogedeh Field include the following:

1) although good analogue data could not be obtained from nearby fields to support the viability of the resources, there is anecdotal information available in the public domain concerning certain of the comparable marginal fields in Nigeria that have been developed and put on production,

2) the operator proposes to re-enter the discovery well and conduct long term well testing via temporary facilities, to establish the sustainable productivity of the resources, but there is no assurance that the discovery well can be successfully re-entered and brought on production from the reservoirs of interest, and

3) for economic modeling purposes, the productivity of development wells has been estimated from the apparent, log interpreted, reservoir quality and by referring to publically reported production from fields in this general area but these estimates have not been substantiated by actual well test data from the existing well and the actual productivity could be either more or less than that estimated.

The specific contingencies which prevent the classification of the contingent resources as reserves in the Ogedeh Field are:

1) the absence of a flow test to confirm productivity from the formations,

2) the unavailability, in the public domain, of production and well log data from nearby fields to provide a reliable analogue and

3) the absence of fluid sample test results to characterize the in-place hydrocarbons.

These are all a result of the premature suspension of the discovery well, due to safety considerations and mechanical issues, before testing could be conducted. As a result a complete assessment of the commerciality of the project cannot be completed.

Pricing

Sproule's oil price forecast in effect on June 30, 2012 for Nigeria Bonny Light formed the basis for the prices used in our evaluation of the Ogedeh oil resource volumes, as presented in Table S-2 of the Sproule Report.

The Ogedeh crude is expected to be sweet with a gravity of approximately 40o API, and no quality adjustment was applied to the Nigeria Bonny Light crude oil price forecast. Transportation costs were included in the operating costs.

Operating and Capital Costs

The Company has supplied us with capital and operating cost budgets. The Company plans to re-enter the suspended well Ogedeh-1 and perform an extended well test for six months. Production tests incorporated with pressure measurements may confirm the potential commerciality of the hydrocarbons from the Agbada Formation. The anticipated cost for the re-entry, testing up to two separate zones, is estimated at approximately $US 12.7 million.

Once the well test is completed, and if the resource assessment is confirmed with these production tests, the potential well resources will be completed and developed through the existing wellbore. The Company then plans to drill two offsetting appraisal wells in order to drain the remaining recoverable oil volumes from both the B and D sands of the Agbada Formation. The expected cost to drill and complete a new well is estimated at approximately $US 16.0 million.

The fixed operating costs for transporting the oil using Beniboye neighboring facilities were estimated at $US 9.0 million per year.

Well abandonment and disconnect costs of $US 1.6 million per well (or 10 percent of the drilling cost of a new well) were used in the economic input, as provided by the Company. No allowances for reclamation or salvage values were made.

These costs were escalated to the dates incurred at 2.0 percent per year.

Taxes and Royalties

The tax and royalty terms used in this evaluation were provided by the Company and are as follows:

Marginal field royalties were calculated incrementally based on the following tranches:

Equal of less than (BOE/d)	Royalty
5,000	2.5%
10,000	7.5%
15,000	12.5%
25,000	18.5%

The overriding royalties paid to the farmer are calculated incrementally based on the following tranches:

Equal of less than (BOE/d)	Royalty
2,000	2.5%
5,000	3.0%
10,000	5.5%
15,000	7.5%

Nigerian Export Supervision Scheme (NESS) fees of 0.2 percent were applied against the Company net revenue. A Central Bank of Nigeria (CBN) commission of 0.25 percent was applied against the marginal field royalty. Import duties of 7 percent were applied against facility capital expenditures. A Niger Delta Development Commission (NDDC) fee was applied at 3 percent of operating and capital expenditures. An education tax of 2 percent was applied against assessable profits.

Petroleum Profit Tax was applied at a rate of 65.75 percent for the first five years of production, and at a rate of 85 percent thereafter. Tangible drilling costs are assumed to be 33 percent of the drilling capital expenditures, with the remainder designated as intangible. A Petroleum Investment Allowance (PIA) of 10 percent was applied to all qualifying tangible capital expenditures. All tangible expenditures are depreciated based on five-year straight line depreciation, though the depreciation is only 19 percent in the fifth year, as per Nigerian law. All other costs were expensed.

Table S-1

Summary of the Evaluation of the Contingent Oil Resources (Unrisked) and Net Present Values of the Ogedeh Field, Nigeria (As of June 30, 2012)

	Discovered Original Oil In Place Mbbl	Contingent Oil Resources (Unrisked) Mbbl			Net Present Values After Nigerian Income Taxes (MUS$)				
		Original	Company Gross Oil [1] Resources	Company Net Oil [2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	11,589	5,562	5,279	104,730	88,930	76,624	66,838	58,911
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[3]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	12,000	5,755	5,463	104,730	88,930	76,624	66,838	58,911

Notes:

Values may not balance due to rounding

1. Company working interest volumes before deducting royalties and burden

2. Company net economic volumes after deducting royalties and burden

3. Included in economic oil in place

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 (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Table S-1A

Summary of the Evaluation of the Contingent Oil Resources (Unrisked) and Net Present Values of the Ogedeh Field, Nigeria (As of June 30, 2012)

		Contingent Oil Resources (Unrisked) Mbbl			Net Present Values Before Nigerian Income Taxes (MUS$)				
	Discovered Original Oil In Place Mbbl	Original	Company Gross Oil [1] Resources	Company Net Oil [2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	11,589	5,562	5,279	417,666	324,947	262,255	217,657	184,601
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[3]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	12,000	5,755	5,463	417,666	324,947	262,255	217,657	184,601

Notes:

Values may not balance due to rounding

1. Company working interest volumes before deducting royalties and burden

2. Company net economic volumes after deducting royalties and burden

3. Included in economic oil in place

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 (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Table S-2
Summary of Selected Price Forecasts and Inflation Rate Assumptions (Effective June 30, 2012)

Year	WTI Cushing [a] Oklahoma ($US/bbl)	Nigeria Bonny Light [b] ($US/bbl)	Inflation Rate [c] (%/Yr)
Historical			
2007	72.27	74.15	2.0
2008	99.59	101.37	1.1
2009	61.63	62.74	2.0
2010	79.43	80.76	1.2
2011	95.00	113.10	1.5
Forecast			
2012	86.39	103.48	2.0
2013	87.61	101.25	2.0
2014	86.67	97.97	2.0
2015	91.61	101.76	2.0
2016	99.37	109.72	2.0
2017	101.35	111.91	2.0
2018	103.38	114.15	2.0
2019	105.45	116.43	2.0
2020	107.56	118.76	2.0
2021	109.71	121.14	2.0
2022	111.90	123.56	2.0
Escalation rate of 2.0% thereafter			

Notes:

a. 40 degrees API, 0.4% sulphur
b. 36.7 degrees API, 0.33% sulphur
c. Inflation rates for forecasting costs

Economic Summary

Table S-3

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012: Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	45.47	0.00	100.00	47.78
Company (% of Contr)	47.90	0.00	100.00	47.78
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.92	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	417,666	104,730	8.15	1.26
5.0	324,947	88,930	6.86	1.42
10.0	262,255	76,624	5.86	1.42
15.0	217,657	66,838	5.09	1.37
20.0	184,601	58,911	4.49	1.30
25.0	159,272	52,384	4.01	1.22

AT ROR (%)	487.82	Contr Take (%)	15.33
AT Payout (yrs)	0.75	NOC Take (%)	0.00
F&D ($US/BOE)	8.59	Gov't Take (%)	84.67

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	589,534	100.00	111.67
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	105,519	17.90	19.99
Tariffs	0	0.00	0.00
Prod & Asset Taxes	13,502	2.29	2.56
Capital Costs	51,248	8.69	9.71
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	417,666	70.85	79.11
Less Income Tax	312,936	53.08	59.27
After Tax Cash Flow	104,730	10.98	12.26

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	11,589	5,562	5,279
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	11,589	5,562	5,279

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,893	5,893	5,893
Total	(M$US)	51,248	51,248	51,248

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	347	229	-13,307	0	-13,307
2013(12)	82,745	6,047	32,640	173	1,308	691	233	41,653	32,500	9,152
2014(12)	80,893	4,401	0	194	1,528	135	238	74,398	46,948	27,449
2015(12)	65,829	4,489	0	161	1,225	138	243	59,575	37,202	22,372
2016(12)	56,713	4,579	0	141	1,040	141	247	50,565	31,306	19,259
2017(12)	46,595	4,670	0	119	836	144	252	40,573	25,331	15,242
2018(12)	38,877	4,764	0	103	680	147	257	32,926	27,987	4,939
2019(12)	32,800	4,859	0	85	556	149	263	26,887	22,854	4,033
2020(12)	28,027	4,956	0	75	459	152	268	22,117	18,799	3,318
2021(12)	24,019	5,055	0	67	377	156	273	18,092	15,378	2,714
2022(12)	20,808	5,156	0	60	310	159	279	14,844	12,617	2,227
2023(12)	18,155	5,259	0	55	255	162	284	12,140	10,319	1,821
2024(12)	15,969	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	589,534	105,519	45,355	1,599	9,403	4,099	5,893	417,666	312,936	104,730

Economic Summary

Table S-3A

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	46.10	0.00	100.00	48.62
Company (% of Contr)	48.56	0.00	100.00	48.62
Partner (% of Contr)	89.40	0.00	0.00	0.00
Contr	94.95	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2023/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	209,692	57,793	4.13	0.79
5.0	176,288	50,596	3.68	0.80
10.0	150,504	44,547	3.30	0.78
15.0	130,174	39,441	2.99	0.75
20.0	113,847	35,104	2.72	0.72
25.0	100,521	31,397	2.48	0.68

AT ROR (%)	260.09	Contr Take (%)	20.07
AT Payout (yrs)	0.83	NOC Take (%)	0.00
F&D ($US/BOE)	14.89	Gov't Take (%)	79.93

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	322,338	100.00	105.80
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	53,406	16.57	17.53
Tariffs	0	0.00	0.00
Prod & Asset Taxes	7,652	2.37	2.51
Capital Costs	50,720	15.73	16.65
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	209,692	65.05	68.82
Less Income Tax	151,898	47.12	49.85
After Tax Cash Flow	57,793	12.43	13.15

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	6,599	3,209	3,047
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	6,599	3,209	3,047

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,365	5,365	5,365
Total	(M$US)	50,720	50,720	50,720

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	352	400	-13,483	0	-13,483
2013(12)	72,352	6,094	32,640	152	1,087	719	408	31,253	25,663	5,590
2014(12)	64,574	4,401	0	158	1,200	138	416	58,262	36,339	21,923
2015(12)	48,006	4,489	0	122	866	141	424	41,964	25,623	16,341
2016(12)	37,681	4,579	0	100	658	143	433	31,769	18,947	12,821
2017(12)	28,179	4,670	0	79	466	146	442	22,376	13,366	9,009
2018(12)	21,378	4,764	0	65	328	149	450	15,622	13,279	2,343
2019(12)	16,375	4,859	0	50	226	152	459	10,628	9,034	1,594
2020(12)	11,957	4,956	0	40	136	155	469	6,201	5,271	930
2021(12)	9,403	5,055	0	35	82	158	478	3,594	3,055	539
2022(12)	7,432	5,156	0	31	41	162	488	1,554	1,321	233
2023(12)	5,001	4,363	0	23	8	138	497	-49	0	-49
Total	322,338	53,406	45,355	869	5,098	2,554	5,365	209,692	151,898	57,793

Economic Summary

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Table S-3B

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	44.72	0.00	0.00	46.96
Company (% of Contr)	47.13	0.00	0.00	46.96
Partner (% of Contr)	-104.69	0.00	0.00	0.00
Contr	94.89	0.00	0.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	207,974	46,937	393.55	46.65
5.0	148,659	38,335	-318.56	-61.98
10.0	111,751	32,077	-142.70	-35.86
15.0	87,463	27,398	-103.12	-30.38
20.0	70,754	23,807	-85.91	-28.24
25.0	58,751	20,987	-76.24	-27.15

AT ROR (%)	>800.00	Contr Take (%)	10.09
AT Payout (yrs)	0.00	NOC Take (%)	0.00
F&D ($US/BOE)	0.00	Gov't Take (%)	89.91

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	267,196	100.00	119.68
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	52,113	19.50	23.34
Tariffs	0	0.00	0.00
Prod & Asset Taxes	5,851	2.19	2.62
Capital Costs	528	0.20	0.24
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	207,974	77.84	93.15
Less Income Tax	161,037	60.27	72.13
After Tax Cash Flow	46,937	9.23	11.04

Company Prod and Investments

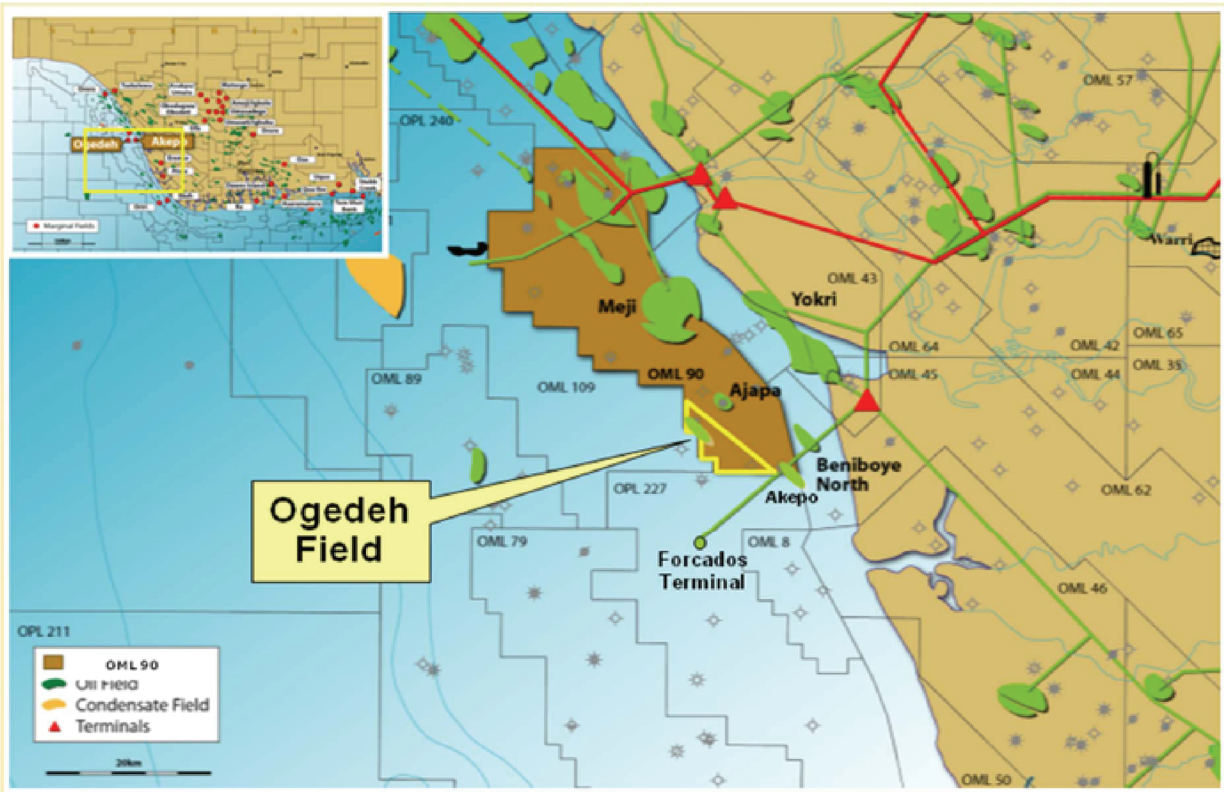
		Project	Company Gross	Company Net
Oil	(MSTB)	4,991	2,353	2,233
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	4,991	2,353	2,233

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	0	0	0
Abandonment	(M$US)	528	528	528
Total	(M$US)	528	528	528

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	0	0	0	-5	-171	176	0	176
2013(12)	10,393	-46	0	21	221	-27	-175	10,399	6,838	3,562
2014(12)	16,319	0	0	36	328	-3	-178	16,136	10,609	5,527
2015(12)	17,823	0	0	39	358	-3	-182	17,611	11,579	6,032
2016(12)	19,032	0	0	42	382	-3	-186	18,796	12,358	6,438
2017(12)	18,416	0	0	40	370	-3	-189	18,198	11,965	6,233
2018(12)	17,499	0	0	38	352	-3	-193	17,305	14,709	2,596
2019(12)	16,425	0	0	36	330	-3	-197	16,258	13,820	2,439
2020(12)	16,071	0	0	35	323	-3	-201	15,916	13,528	2,387
2021(12)	14,616	0	0	32	294	-3	-205	14,498	12,323	2,175
2022(12)	13,376	0	0	29	269	-3	-209	13,290	11,296	1,993
2023(12)	13,154	877	0	31	248	23	-213	12,188	10,319	1,870
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	267,196	52,113	0	730	4,306	1,545	528	207,974	161,037	46,937

Figure S-1



LOCATION MAP OF OGEDEH FIELD, NIGER DELTA, NIGERIA

For a more detailed description of the Ogedeh Project, see **Schedule "A"** – *The Sproule Report*.

Risk Factors

Limited Operating History

The Company has no history of earnings. The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

Additional Financing

The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms to the Company, if at all. Failure to obtain additional financing on a timely basis may result in delay or indefinite postponement of further exploration and development or forfeiture of some rights in some or all of the Company's properties. If additional financing is raised by the issuance of Common Shares from treasury, control of the Company may change and Shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to further explore and develop its properties, take advantage of other opportunities, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Potential Conflicts of Interest

Some of the directors of the Company are also directors of other resource companies, which may from time to time be in competition with the Company for working interest partners, property acquisitions, or other limited resources. Where required by law, appropriate disclosure of such conflicts will be made by the applicable directors. In particular, the directors of the Company will follow the provisions of the OBCA. These provisions state that in the event that a director has an interest in a contract or proposed contract or agreement, such director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise permitted by the OBCA.

Exploration, Development and Production Risks

Oil and gas operations involve many risks that even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production there from will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Company will not be fully insured against all of these risks, nor are all such risks insurable. Although the Company will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Equipment and Supplies

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. The Company will not be the operator of all of its oil and gas properties, and as a result the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Competition

The petroleum industry is competitive in all its phases. The Company will compete with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. Their competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of the Company, as the case may be. The Company's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

The Company's Ogedeh Project is located in Nigeria and will, therefore, be regulated by federal, state and local laws and regulations relating to the development, production, marketing and transmission of oil and gas resources, as well as environmental and safety matters. Operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on production, export controls, income taxes, expropriation of property, environmental legislation, land use, water use, land claims or local people and foreign investment and ownership. The effect of these factors cannot be accurately predicted at this time.

The Company will require licences and permits in order to carry out its presently planned course of exploration, the Company has no assurance that it will receive any permits, including environmental and drilling permits, that may be required in the future to carry out further exploration, development and production activities on its properties, or obtain them in a timely manner. The failure to obtain such permits could adversely affect the Company's operations and consequently the value of the securities of the Company. The Company's exploration and development activities, require permits and approvals from various government authorities, and are subject extensive national, regional and local laws and regulations governing exploration, development, production, transportation, exports, taxes, labour standards, occupational health and safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. The Company will be required to obtain additional licences and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, or commence construction or operation of oil and gas facilities.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the suspension and/or annulment of the Company's exploration or oil and gas permits, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its operations and may become subject to civil liability or criminal liability of the management.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company may be affected by deliverability uncertainties related to the proximity of its future reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Company's future reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities. In addition, bank borrowings available to the Company are in part determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce the Company's borrowing base, therefore reducing the bank credit available to the Company and could require that a portion of the Company's bank debt be repaid.

Substantial Capital Requirements

It is anticipated that the Company will make substantial capital expenditures for the acquisition, exploration, development and production of its oil and natural gas reserves in the future. If the Company's future revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future exploration programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company will not benefit from the fluctuating exchange rate.

Oil & Gas Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived there from, including many factors that are beyond the control of the Company. Any resource, reserve or cash flow information set forth herein represent estimates only. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flows derived there from will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of activities the Company intends to undertake in future years. The resources, reserves and estimated cash flows to be derived there from contained in such evaluations will be reduced to the extent.

Oil & Gas Reserves Replacement

The Company's future oil and natural gas reserves, production, and cash flows to be derived there from are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production there from will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Title to Assets

Although title reviews will generally be conducted prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim which could result in a reduction of the revenue received by the Company.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling the Company will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Reliance on Key Personnel

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not anticipate having key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Company or to the operator, and the delays by operators in remitting payment to the Company, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Company in a given period and expose the Company to additional third party credit risks.

Alternatives to and Changing Demand for Petroleum Products

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company can predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Assessments of Value of Acquisitions

Acquisitions of oil and gas issuers and oil and gas assets are typically based on engineering and economic assessments made by independent engineers and the Company's own assessments. These assessments both will include a series of assumptions regarding such factors and recoverability and marketability of oil and gas, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Company's control. In particular, the prices of and markets for oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm the Company uses for its year end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Company. Any such instance may offset the return on and value of the Company Common Shares.

Income Taxes

The Company will file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Third Party Credit Risk

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations.

Operations in Emerging Markets

Emerging markets such as Nigeria are subject to greater risks than more developed markets. Exploration and development activities in countries such as Nigeria may require protracted negotiations with host governments, national oil companies and third parties and may be subject to economic and political considerations such as the risks of war, actions by terrorist or insurgent groups, community disturbances, expropriation, nationalization, renegotiation, forced change or nullification of existing contracts or royalty rates, unenforceability of contractual rights, changing taxation policies or interpretations, governmental and business corruption and other criminal activity, adverse changes to laws (whether of general application or otherwise) or the interpretation thereof, foreign exchange restrictions, inflation, changing political conditions, the death or incapacitation of political leaders, local currency devaluation, currency controls, and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any of these or similar factors could have a material adverse effect on the Company's business, results of operations or financial condition. If a dispute arises in connection with foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or foreign arbitration tribunals or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of Canada.

The jurisdictions in which the Company operates may have less developed legal systems than more established economies which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. Enforcement of laws in some of the jurisdictions in which the Company operates may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Company. There can be no assurance that contracts, joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

AMENDMENTS TO STOCK OPTION PLAN

The Board established the 2008 Amended and Restated Stock Option Plan (the "**Stock Option Plan**") on March 28, 2008 and the Stock Option Plan was approved and ratified by the Shareholders of the Company on June 23, 2009 and re-approved on June 29, 2011 and June 28, 2012. The purpose of the Stock Option Plan is to attract and motivate directors, officers, employees, consultants and others providing services to the Company and its subsidiaries, and thereby advance the Company's interests, by affording such persons an opportunity to acquire an equity interest in the Company through the exercise of stock options.

Since March 28, 2008, 100,000 Common Shares have been issued upon the exercise of stock options and as of the date hereof, a total of 2,645,000 stock options are outstanding, with a further 600,000 stock options granted but subject to shareholder approval to increase available options. The Stock Option Plan is currently a "rolling" plan, where the number of Common Shares which may be reserved for issuance may not exceed 10% of the issued and outstanding Common Shares of the Company. Currently, the number of Common Shares issuable pursuant to outstanding stock options exceeds the number of Common Shares available under the Stock Option Plan by 440,965 Common Shares due to recent grants in conjunction with new personnel in Nigeria.

Due to the potential hiring of additional new employees and the desire to have stock options available to grant to current employees as part of their overall annual compensation, the Board of Directors believe that it is in the best interest of the Company to increase the number of Common Shares reserved for issuance under the Stock Option Plan. Accordingly, on January 9, 2013, the Board of Directors approved certain amendments (the "**Amendments**") to the Stock Option Plan, effectively changing the Stock Option Plan from a "rolling" plan to a "fixed number" plan, where a maximum of 5,608,070 Common Shares, being 20% of the issued and outstanding Common Shares, may be reserved for issuance pursuant to stock options granted or governed under the Stock Option Plan. In addition, upon the completion of the concurrent Financing and the First DHS Issuance and First MML Issuance (the "**Issuances**") and subject to Exchange approval and any other applicable regulatory approvals, the maximum number of Common Shares which may be reserved for issuance pursuant to stock options granted or governed under the Stock Option Plan shall be increased to 20% of the issued and outstanding Common Shares as of the date thereof.

As discussed above, the number of Common Shares issuable pursuant to outstanding stock options exceeds the number of Common Shares currently available under the Stock Option Plan by 440,965 Common Shares. The options issued in excess of the current Stock Option Plan limit are not exercisable until the Amendments are approved by Shareholders and are also subject to standard normal vesting restrictions of the Company applying over 2 years from the date of grant. By approving the Stock Option Plan, as amended, Shareholders will also be ratifying the grant of options in excess of the existing Stock Option Plan limit, but within the maximum of Common Shares of the Stock Option Plan, as amended.

After approval of the Amendments and the amended Stock Option Plan, the terms of the Stock Option Plan authorize the Board to grant stock options to optionees on the following terms:

The total number of Common Shares which may be reserved for issuance under the Stock Option Plan may not at any time exceed the limits described above. The maximum number of Common Shares which may be reserved for issuance to any one person under the Stock Option Plan is 5% of the Common Shares outstanding at the time of the grant (calculated on a non-diluted basis) less the number of Common Shares reserved for issuance to such person under any option to purchase Common Shares granted as a compensation or incentive mechanism. The option price of any Common Shares cannot be less than the market price of the shares, less any allowable discount. Options granted under the Stock Option Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The options are non-transferable. The Stock Option Plan contains provisions for adjustment in the number of Common Shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of options granted.

Pursuant to the policies of the Exchange, a "fixed number" stock option plan must receive Shareholder approval when implemented. Accordingly, at the Meeting, Shareholders will be asked to consider, and if deemed advisable, to pass with or without variation an ordinary resolution to approve the Amendments.

The Company believes the Amendments are in the Company's best interests in order to allow its employees, consultants, officers and directors to participate in the growth and development of the Company by providing such persons with an increased opportunity, through optioned Common Shares, to acquire a proprietary interest in the Company, and by allowing the Company to attract new employees.

A copy of the amended Stock Option Plan is attached as **Schedule "C"** to this Information Circular.

Recommendation Of The Board Of Directors

The Board recommends that Shareholders vote "FOR" the resolution approving the Amendments and the Stock Option Plan, as amended. Management has been advised that the directors and senior officers of the Company intend to vote all Common Shares held by them in favour of approving the Amendments and Stock Option Plan, as amended. The persons named in the enclosed form of proxy intend to vote in favour of such resolution unless otherwise directed by the Shareholders appointing them.

Shareholder Approval

The Board of Directors approved the Amendments to the Stock Option Plan, subject to Exchange and Shareholder approval, by a resolution of the Board of Directors of the Company dated January 9, 2013. The text of the ordinary resolution which management intends to place before the Meeting for the approval of Shareholders is attached as **Schedule "B"**. A copy of the Stock Option Plan, as amended, is attached hereto as **Schedule "C"**.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE AMENDMENTS TO THE STOCK OPTION PLAN, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

INFORMATION CONCERNING THE RESULTING ISSUER

Name and Incorporation

There are no changes being made to the Company's name, location of its head office or registered office in connection with the Change of Business.

James Bay is governed under the OBCA and its head office and registered office is located at Suite 800, 20 Victoria Street Toronto, Ontario M5C 2N8.

There are no changes in the Company's intercorporate relationships as summarized above under the section entitled "*Information Concerning the Company – Name and Incorporation*".

Narrative Description of Business

Stated Business Objectives

The Company intends to re-enter an existing well on the Ogedeh Project to prove up a reserves base with the goal of then moving toward a fast-track production program. A drill stem test ("**DST**") will be performed over selected intervals of the existing well, which have identified oil from previous logging of the drilling work. Then the well will be placed on an extended well test ("**EWT**") of up to six months. The DST is aiming at confirming the expected oil and productivity from selected zones in the Ogedeh Project as well. The EWT will guide the final investment decision on the field development planning for the Odegeh Project, both with respect to number of wells as well as the production and injection well planning.

Milestones

The Company has identified the reservoir targets on the Ogedeh Project for the well re-entry program, and is in the process of preparing all required governmental permits and approvals to conduct the EWT, including approval of the DPR. The Financing will be required prior to initiating the planned operations on the Ogedeh Project. The DST of the selected intervals will provide guidance on the further appraisal and development drilling program, as well as the development planning for the Ogedeh Project. The expected cost of the operation to prove oil to surface in commercial quantities is expected to be approximately US$6.5 million, with an additional cost of US$3.5 million to complete the well for production. Completion of the EWT and further drilling undertaken from the results of that EWT program are expected to be funded through bank financing.

An environmental impact assessment of the proposed drilling activities has been initiated by the Company, and will be completed towards the end of the first quarter 2013. The preparation for the DST and the EWT programs will be completed during the second half of 2013. A tendering process for a drilling rig is on going and the rig contract will be completed after closing of the Financing. Required sea-bed surveys will be performed in late 2012. All long lead items for the re-entry program will be sourced as soon as the well program has been completed and the long lead items together with the rig availability will guide the spud date for the rig. Currently the Company is working towards an expected drilling start in the first quarter of 2013.

Exploration and Development for the Ogedeh Project

After a successful re-entry of the Ogedeh-1 well, the Company will collect production data to plan for a full field development of the tested zones on the Ogedeh Project. Further, the Company will appraise the upside potential of the asset through further drilling, combining both appraisal and development targets through the subsequent wells that are drilled. It is expected that two to three more producing wells in the Ogedeh Project, as well as a potential injection support well, subject to the natural water drive which will be analyzed on the basis of the EWT performance, will be drilled. The Ogedeh Project is expected to produce light oil which will be priced at the Brent level. The Company is currently reviewing different marketing and transportation options.

Description of the Securities

A description of the securities to be issued by the Company in connection with the Change of Business is described under the section entitled "*Information Concerning the Company – Description of Securities*".

Pro Forma Consolidated Capitalization

The below table sets out the share capital of the Company based on the pro forma consolidated financial statements contained in this Information Circular after giving effect to the COB, including the issuance of the DHS Units and Common Shares in connection with the COB and completion of the Financing. The below table should be read in conjunction with, and is qualified in its entirety by the pro forma consolidated financial statements attached as **Schedule "D"** hereto.

Designation of Security	**Amount Authorized or to be Authorized**	**Amount Outstanding as of Information Circular**	**Amount Outstanding after giving effect to the COB(1)**	**Amount Outstanding after giving effect to the COB and the Financing(1) (2)**	
				$0.50	**$1.25**
Common Shares	Unlimited	28,040,350	34,540,350	61,540,350	45,340,350
Warrants issued pursuant to COB	Unlimited	NIL	1,500,000	1,500,000	1,500,000
Warrants issued pursuant to Financing	See Note (2)	NIL	See Note (2)	See Note (2)	See Note (2)
Agent Warrants issued pursuant to Financing	See Note (2)	NIL	See Note (2)	See Note (2)	See Note (2)

Notes:

1. This does not include the 3,000,000 Units to be issued pursuant to the Second DHS Issuance or the 3,000,000 Common Shares to be issued pursuant to the Second MML Issuance.

2. James Bay is required to raise $13,500,000 in conjunction with the COB, which it intends to complete through a brokered equity Financing on a best efforts agency basis. The terms and prices of the securities to be issued by the Company will be determined through negotiation with the agent upon engagement. These negotiated terms may include Common Shares and warrants, as well as agent warrants, and will determine the pricing of each component of the Financing. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The basic share information has been provided using the highest and lowest of four different prices for the Common Shares under the Financing - $0.50, $0.75, $1.00 and $1.25, to reflect the anticipated impact on the outstanding share capital. The Company will issue a press release announcing the terms once the definitive terms of

the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

Fully Diluted Share Capital

The following table sets out the share capital of the Company on a fully diluted basis.

Designation of Security	Amount Outstanding after giving effect to the COB(1)	Approximate Percentage of Total after giving effect to the COB(2)	Amount Outstanding after giving effect to the COB and the Financing(1)(3)		Approximate Percentage of Total after giving effect to the COB and the Financing(3) (4)	
			$0.50	**$1.25**	**$0.50**	**$1.25**
Common Shares	34,540,350	67.58%	61,540,350	45,340,350	57.66%	61.81%
Common Shares underlying options outstanding	2,645,000(5)	5.18%	2,645,000(5)	2,645,000(5)	2.49%	3.61%
Common Shares underlying options reserved under the amended SOP	3,845,000(5)(6)	7.52%	3,845,000(5)(6)	3,845,000(5)(6)	3.60%	5.24%
Common Shares underlying warrants issued pursuant to IPO	3,723,925	7.29%	3,723,925	3,723,925	3.49%	5.08%
Common Shares underlying DHS Warrants issued pursuant to First DHS Issuance	1,500,000	2.93%	1,500,000	1,500,000	1.41%	2.04%
Common Shares issued pursuant to Second DHS Issuance	3,000,000	5.87%	3,000,000	3,000,000	2.81%	4.09%
Common Shares underlying DHS Warrants issued pursuant to Second DHS Issuance	1,500,000	2.93%	1,500,000	1,500,000	1.41%	2.04%
Common Shares issued pursuant to Second MML Issuance	3,000,000	5.87%	3,000,000	3,000,000	2.81%	4.09%
Common Shares underlying Warrants issued pursuant to Financing(3)	NIL	N/A	27,000,000	10,800,000	25.30%	14.72%
Common Shares underlying Agent Warrants issued pursuant to the Financing(3)	NIL	N/A	1,620,000	648,000	1.52%	0.88%

Notes:

1. This assumes Shareholder approval of the resolutions in this Information Circular approving, among other things, the Change of Business and the amendments to the Stock Option Plan, and that the Company achieves the Production Threshold and accordingly will complete the Second MML Issuance, the Second DHS Issuance and the concurrent grant of stock options.

2. This shows each designation of security as a percentage of the total number of Common Shares calculated on a fully-diluted basis after giving effect to the Change of Business and assuming that the Company achieves the Production Threshold. Accordingly, the denominator assumes the exercise of all outstanding stock options and warrants of the Company, including the due exercise of all securities issued under each of the First DHS Issuance and concurrent option grant, the Second DHS Issuance and concurrent option grant, the First MML Issuance and the Second MML Issuance.

3. James Bay is required to raise $13,500,000 in conjunction with the COB, which it intends to complete through a brokered equity Financing on a best efforts agency basis. The terms and prices of the securities to be issued by the Company will be determined through negotiation with the agent upon engagement. These negotiated terms may include Common Shares and warrants, as well as agent warrants, and will determine the pricing of each component of the Financing. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The Company will issue a press release announcing the terms once the definitive terms of the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

4. This shows each designation of security as a percentage of the total number of Common Shares calculated on a fully-diluted basis after giving effect to the Change of Business, assuming that the Company achieves the Production Threshold and taking into account the closing of the Financing at a price of both $0.50 per Common Share and $1.25 per Common Share. Accordingly, the denominator assumes the exercise of all outstanding stock options and warrants of the Company, including the due exercise of all securities issued under each of the First DHS Issuance and concurrent option grant, the Second DHS Issuance and concurrent option grant, the First MML Issuance and the Second MML Issuance and the exercise of any warrants and agent warrants issued under the Financing.

5. This includes an aggregate of 2,445,000 options outstanding to directors and officers in addition to 200,000 options to a consultant of the Company.

6. This includes 300,000 options to be issued on the First DHS Issuance (the "**First DHS Options**"), the 300,000 options to be issued on the Second DHS Issuance (the "**Second DHS Options**") if the Production Threshold is met, and 600,000 stock options to be issued to an officer of a subsidiary of the Company (the "**Officer Options**") upon approval of the amendment to the Stock Option Plan or when the Company has sufficient room under the Stock Option Plan to issue these stock options. The First DHS Options and the Second DHS Options will be exercisable for five years following the date of issue with the exercise price determined in the context of the market on the date of issue, provided that the exercise price of the First DHS Options may not be less than the price of Common Shares issued under the Financing. The Officer Options have an exercise price of $0.63 per share and are exercisable until June 1, 2017. These options vest as to 1/3 on June 1, 2012, 1/3 on June 1, 2013 and the final 1/3 on June 1, 2014.

Available Funds and Principal Purposes

As of September 30, 2012, the Company has approximately $2,480,000 of cash and cash equivalents, and $491,600 held in restricted cash.

In addition, the Company intends to complete the Financing by way of a brokered equity financing on a best efforts agency basis of $13,500,000 by issuing securities of the Company on terms and prices to be determined through negotiation with the agent upon engagement. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The resulting expected net proceeds of approximately $12,590,000 raised from this Financing will be used toward exploration and development of the Ogedeh Project, and for working capital and other corporate purposes.

Accordingly, assuming the completion of the Financing, the Company will have approximately $15,560,000 to utilize for its first year development program on the Ogedeh Project, to re-enter the test well for 2 drill stem tests and a 6 month extended well test, and for working capital and other corporate purposes. That test well process has been initiated, as environmental assessments and other planning work is required to be done beforehand in order to eventually commence with the test well. To date the Company has expended in aggregate $800,000 toward the test well costs, reducing the amount needed to complete the test well accordingly. The Company anticipates raising any additional funds that may be required by way of further equity or debt financings. There can be no assurance that the Company will be successful in raising the required funds on terms and conditions acceptable to the Company.

The cash reserves available to the Company following the closing of the Financing and the completion of the Change of Business will be used as follows:

Development Expenditures on the Ogedeh Project	$11,900,000 (1)
Administrative Costs (12 months at $106,000 per month) (excluding management fees)	$1,272,000 (2)
Management Fees (12 months at $104,000 per month)	$1,248,000 (3)
Estimated legal, accounting and tax fees over the next 12 months	$286,000
Property payments (Ogedeh Project)	$500,000
Total estimated expenditures	**$15,206,000** (4)
Estimated equity financing net of 6% commission and expenses	$12,590,000
Cash on hand at September 30, 2012	$2,971,600
Estimated available funds	**$15,561,600**

Notes:

1. The development expenditures for the test well re-entry program have been commenced, with amounts of approximately $800,000 having been spent for initial environmental assessments and other planning work required to be done beforehand in order to eventually commence with the extended well test.

2. These general and administrative expenses for the next 12 months include the following approximations: $510,000 for office, printing, secretarial services and telecommunications; $176,000 for rent (including security), $112,000 for consulting fees, $120,000 for transfer agent and regulatory fees; and $354,000 for travel and related expenses.

3. These estimated fees will accrue to the CEO, CFO, Country Manager, or other management personnel. See "*Information Concerning the Company - Statement of Executive Compensation*" for further specific information.

4. The $100,000 estimated costs relating to the acquisition of the interest in the Ogedeh Project have been paid by James Bay. In addition, James Bay has advanced the $165,000 owing to MML under the MML Agreement upon execution of the agreements for the Ogedeh Project.

The Company expects its existing financial resources (including from the Financing), will be sufficient to carry out the test well re-entry program, and to meet its administration costs for 12 months. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

Dividends

The Company has not paid dividends since the date of its incorporation and it does not expect to have the ability to pay dividends in the near future. If the Company generates earnings in the future, it expects that they will be retained to finance further growth. The Board of Directors will determine if and when dividends should be declared and paid in the future based on the Company's consolidated financial position at the relevant time. There are no contractual restrictions on the Company's ability to pay dividends.

Principal Securityholders

Upon completion of the Change of Business, including the issuances of the securities pursuant to the First DHS Issuance and First MML Issuance (but before the required Financing on terms to be negotiated), the only persons or companies who, to the knowledge of the directors and executive officers of the Company, beneficially own, or control or direct, directly or indirectly, voting securities carrying ten percent (10%) or more of the issued and outstanding Voting Shares of the Company are as follows(1):

Name and Municipality of Residence	Number of Common Shares	Percentage of Outstanding Common Shares after giving effect to COB	Percentage of Outstanding Common Shares after giving effect to the COB and the Financing(1) (2)	
			$0.50	$1.25
Mark Brennan(3) Toronto, Ontario	4,892,000 Common Shares (3)(4)(5)	14.16%	7.95%	10.79%
Stephen Shefsky(3) Toronto, Ontario	4,807,667 Common Shares (3)(6)(7)	13.92%	7.81%	10.60%

Notes:

1. This does not include the 3,000,000 Units to be issued pursuant to the Second DHS Issuance or the 3,000,000 Common Shares to be issued pursuant to the Second MML Issuance.

2. James Bay is required to raise $13,500,000 in conjunction with the COB, which it intends to complete through a brokered equity Financing on a best efforts agency basis. The terms and prices of the securities to be issued by the Company will be determined through negotiation with the agent upon engagement. These negotiated terms may include Common Shares and warrants, as well as agent warrants, and will determine the pricing of each component of the Financing. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The Company will issue a press release announcing the terms once the definitive terms of the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

3. This information was supplied to the Company by the shareholders and from the insider reports available at www.sedi.ca.

4. Of the 4,892,000 Common Shares, Mark Brennan owns 2,892,000 Common Shares through Linear Capital Corp. and the remaining 2,000,000 Common Shares through Linear Capital USA, LLC.

5. Mr. Brennan also hold options exercisable into Common Shares of the Company, which if exercised would increase his shareholdings of the Company to 5,312,000 Common Shares of the Company or 12.7% on a fully diluted basis.

6. Of the 4,807,667 Common Shares, Stephen Shefsky holds 3,500,000 Common Shares in trust for the Stephen Shefsky Family Trust, 190,800 through tax-free savings accounts, 112,667 through RRSP accounts and the remaining 1,004,200 Common Shares directly.

7. Mr. Shefsky also hold options exercisable into Common Shares of the Company, which if exercised would increase his shareholdings of the Company to 5,557,667 Common Shares of the Company or 13.3% on a fully diluted basis.

Directors, Officers and Promoters

Other than Knut Søvold who was appointed to the Board on March 21, 2012 and duly elected by the Company's Shareholders on June 28, 2012, Adeniyi Olaniyan who was appointed as Chief Operating Officer and Country Manager of JBENL on June 1, 2012 and Jean Gauthier who was appointed a director of the Company on December 10, 2012, there are no proposed changes being made to the Company's management, officers or board of directors in connection with the Change of Business. The Company has not engaged any Promoters.

Name and Resident Country(1)	Present Position(s) with the Company	Principal Occupation or Employment for previous 5 years(1)(2)	Director or officer Since	Common Shares Beneficially Owned Directly or Indirectly after giving effect to the COB(1)(2)	Percentage of Outstanding Common Shares after giving effect to the COB and the Financing(2)(3)	
					$0.50	$1.25
Stephen Shefsky(5) Toronto, Ontario Canada	President, Secretary, Chief Executive Officer and a Director, and Executive Chairman of JBENL	President and Chief Executive Officer of James Bay Resources Limited. Executive Chairman of Castle Resources Inc.	November, 2007	4,807,667 common shares(7)	7.81%	10.60%
Mark Brennan(6) Toronto, Ontario Canada	Director	President and Chief Executive Officer of Largo Resources. Executive Chairman of Morumbi Resources Inc.	November, 2007	4,892,000 common shares(8)	7.95%	10.79%
Jon Pereira(5) Toronto, Ontario Canada	Director	Vice-President of Operations of Ddi Canada Inc. President and Chief Executive Officer of BE Resources Inc.	January, 2008	577,500 common shares(9)	0.94%	1.27%
Wayne Egan(5) (6) Toronto, Ontario Canada	Chairman, Director	Partner at the law firm of WeirFoulds LLP.	March, 2008	110,000 common shares(10)	0.18%	0.24%
Mike Sylvestre(5) Port Hope, Ontario Canada	Director	President and Chief Executive Officer of Castle Resources Inc.	June, 2010	Nil	Nil	Nil
Jean Gauthier(15) Ottawa, Ontario Canada	Director	Deputy High Commissioner of Canada to Nigeria	December 2012	Nil	Nil	Nil
Knut Søvold(11) Norway	Director of Company and President and Chief Executive	President and Chief Executive Officer of JBENL, founder and	March, 2012	2,700,000 (12) (13)	4.39%	5.95%

	Officer of JBENL	executive of DHS, founder and Chief Executive Officer of Hemla Energy AS and Hemla Energy II AS, and founder and Chief Executive Officer of Silk Energy AS				
Eric Szustak Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial of Castle Resources Inc., Northern Gold Mining Inc. and Morumbi Resources Inc.	July 2008	206,000 common shares(14)	0.33%	0.45%
Adeniyi Olaniyan Calgary, Alberta Canada	Chief Operating Officer and Country Manager of JBENL	Chief Operating Officer and Country Manager of JBENL; Hydrocarbon Maturation Manager for Shell Petroleum Development Company; Subsurface Geoscience Manager for Brunei Shell Petroleum	June 1, 2012	Nil	Nil	Nil
Michael Andrew Olorunfemi Lagos, Nigeria	Director and Non-Executive Chairman of JBENL	Director and Non Executive Chairman, Mak Mera Nigeria Limited	June 2012	918,750(16)	Nil	Nil
Tee Mac Omatshola Iseli Lagos, Nigeria	Director of JBENL	Self Employed	June 2012	300,000 (12)(13)	0.49%	0.66%

Notes:

1. The information as to country of residence, principal occupation and number of common shares beneficially owned, or controlled or directed, directly or indirectly, by the nominees is not within the knowledge of the management of the Company and has been furnished by the respective nominees.

2. This does not include the 3,000,000 Units to be issued pursuant to the Second DHS Issuance or the 3,000,000 Common Shares to be issued pursuant to the Second MML Issuance.

3. James Bay is required to raise $13,500,000 in conjunction with the COB, which it intends to complete through a brokered equity financing on a best efforts agency basis. The terms and prices of the securities to be issued by the Company will be determined through negotiation with the agent upon engagement. These negotiated terms may include Common Shares and warrants, as well as agent warrants, and will determine the pricing of each component of the Financing. The Company expects to sell the securities at a price between $0.50 and $1.25 per Common Share. The Company expects the agency commission fees to be approximately $810,000, and the costs of the Financing to be approximately $100,000. The Company will issue a press release announcing the terms once the definitive terms of the Financing have been agreed upon between the Company and the agent. The closing of the Financing is a condition to the closing of the Change of Business and receipt of the Final Exchange Bulletin.

4. Unless otherwise stated above, any nominees named above have held the principal occupation or employment indicated for at least five years.

5. Member of the Audit Committee of the Company, consisting of Stephen Shefsky, Jon Pereira, Mike Sylvestre and Wayne Egan.

6. Member of the Compensation Committee of the Company, consisting of Mark Brennan and Wayne Egan.

7. Of the 4,807,667 common shares, Stephen Shefsky holds 3,500,000 common shares in trust for the Stephen Shefsky Family Trust, 190,800 through tax-free savings accounts, 112,667 through RRSP accounts and the remaining 1,004,200 common shares directly.

8. Of the 4,892,000 common shares, Mark Brennan owns 2,892,000 common shares through Linear Capital Corp. and the remaining 2,000,000 common shares through Linear Capital USA, LLC.

9. Jon Pereira directly holds the 577,500 common shares disclosed.

10. Wayne Egan directly holds the 110,000 common shares disclosed.

11. Knut Søvold was appointed to the Board of Directors on March 21, 2012.

12. Of the 3,000,000 Common Shares and 1,500,000 DHS Warrants issuable under the First DHS Issuance, 300,000 Common Shares and 150,000 DHS Warrants are being distributed directly to Tee Mac Iseli. The remaining 2,700,000 Common Shares and 1,350,000 DHS Warrants are held by DHS subject to a Power of Attorney in favour of Knut Søvold and held beneficially as follows: (i) 1,350,000 Common Shares and 675,000 DHS Warrants for Daewoo Shipbuilding & Marine Engineering (which is a public company); and (ii) 1,350,000 Common Shares and 675,000 DHS Warrants for Turtle Ship, of which 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Suma Holdings, 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Knut Søvold, 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Acatos Consulting and 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Rasco Ltd.

13. If the Company achieves the Production Threshold then it will issue an additional 3,000,000 Common Shares and 1,500,000 DHS Warrants to DHS under the Second DHS Issuance. Of the 3,000,000 Common Shares and 1,500,000 DHS Warrants issuable under the Second DHS Issuance, 300,000 Common Shares and 150,000 DHS Warrants are being distributed directly to Tee Mac Iseli. The remaining 2,700,000 Common Shares and 1,350,000 DHS Warrants are held by DHS subject to a Power of Attorney in favour of Knut Søvold and held beneficially as follows: (i) 1,350,000 Common Shares and 675,000 DHS Warrants for Daewoo Shipbuilding & Marine Engineering (which is a public company); and (ii) 1,350,000 Common Shares and 675,000 DHS Warrants for Turtle Ship, of which 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Suma Holdings, 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Knut Søvold, 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Acatos Consulting and 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Rasco Ltd.

14. Of these 206,000 common shares, Eric Szustak holds an aggregate of 104,500 in various RRSP and RESP accounts.

15. Jean Gauthier was appointed to the Board of Directors on December 10, 2012.

16. If the Company achieves the Production Threshold then it will issue an additional 3,000,000 Common Shares to MML under the Second MML Issuance. If issued during the escrow period, these securities will also be deposited in escrow pursuant to a Tier 2 Value Security Escrow Agreement. The Common Shares issuable under the Second MML Issuance are being distributed directly to the underlying shareholders of MML. The MML shareholders shall receive the following number of Common Shares: (i) Chief Michael Andrew Olorunfemi will receive 787,500 Common Shares; (ii) Mrs. Ebahi Aizoelegbe Olorunfemi will receive 315,000 Common Shares; (iii) Synergy International Corporation will receive 656,250 Common Shares, which will be distributed 164,063 Common Shares to Mr. Wale Olorunsola, 164,062 Common Shares to Mrs. Idowu Sotade, 164,062 Common Shares to Mrs. Taiwo Emovon and 164,062 Common Shares to Mrs. Kehinde Olorunsola; (iv) Mr. Femi Ojo will receive 183,750 Common Shares; (v) Mrs. Funke Staeuble will receive 420,000 Common Shares; (vi) Mr. Olufemi Omoniyi will receive 262,500 Common Shares to be distributed MML's employees; and (vii) Mr. Jay Freeman will receive 375,000 Common Shares.

Stephen Shefsky

Mr. Shefsky, 57, is the Chief Executive Officer, President and a director of the Company since incorporation and devotes substantially all his working time to the Company. Mr. Shefsky is the co-founder of Brasoil do Brasil Exploracao Petrolifera S.A., a private oil and gas producing and exploration company operating in Brazil since 2006. Mr. Shefsky has also been the President and Chief Executive Officer of Cancap Investments Limited, a private merchant bank providing venture capital and project financing for private and public companies, since 1985. He is involved in strategic planning and corporate development of its investee companies in the mineral resources sector. From 1996 to August 2007, Mr. Shefsky held the positions of the President and Chief Executive Officer of Verena Minerals Corporation (TSXV:VML), a minerals exploration company with a focus on precious metal properties in Brazil (currently Belo Sun Mining Corp., TSXV:BSX). Mr. Shefsky is also a director and the Executive Chairman of Castle Resources Inc. (TSXV:CRI) since February 2008 and July 2011, respectively. Mr. Shefsky became the chairman and director of Morumbi Resources Inc. in December 2009, and is currently a director. Mr. Shefsky was the founder of Silver Bear Resources Inc. (TSX:SBR) Mr. Shefsky holds a Bachelor of Arts from the University of Toronto, a Master of Science Degree in Urban Planning from Columbia University and a Juris Doctor Degree from Pepperdine University School of Law.

Mark Brennan

Mr. Brennan is a co-founder and director of James Bay Resources since its inception in November 2007. Mr. Brennan has been the president of Linear Capital Corp., a merchant bank focused on developing assets in the mining & oil and gas sectors since February 1998 and has been president and director of Largo Resources Ltd. (TSXV: LGO), a development company with assets in Brazil, since March 2005. Mr. Brennan is also a co-founder of Brasoil do Brasil Exploracao Petrolifera S.A., a private oil and gas producing and exploration company operating in Brazil since 2006. Mr. Brennan was a co-founder and director of North Sea Energy Inc. an operator of oil production assets in the UK's North Sea until November 2007 and was a director of Vast Exploration Inc. (TSXV:VST), an oil exploration company in Kurdistan, from February 2005 to October, 2007. Mr. Brennan has been Chairman and founder of Castle Resources since October 2006 and was the Chief Executive Officer of Admiral Bay Resources Inc. (TSXV:ADB) from September 2003 to October 2005.

Jon Pereira

Mr. Pereira has been a director of the Company since January 2008. Mr. Pereira is a successful entrepreneur and is the co-founder of Olympic Circuits Canada Inc., a leading printed circuit board manufacturer in Toronto since 1988. Mr. Pereira successfully sold this company to Ddi Canada Inc. ("**Ddi**") in May 2001. Mr. Pereira has held the position of Vice-President of Operations of Ddi since January 1989 and offers operational consulting assistance to Ddi across the organization. Mr. Pereira has extensive experience in leading the growth of manufacturing systems and operations. Mr. Pereira was previously a board member for Active Control Technology Inc. (TSXV:ACT).

Wayne Egan

Mr. Egan is a partner at the law firm of WeirFoulds LLP and acts for several public companies on the TSX and TSX Venture Exchange. He has been a director of Exall Energy Corporation (TSX: EE) since October 2008, and a director of Largo Resources Ltd. (TSX.V: LGO) since June 2012. Mr. Egan obtained a B.Comm from the University of Toronto and an LL.B. from Queen's University.

Mike Sylvestre

Mike Sylvestre is a well respected mining executive with a track record of leading major mining operations in a safe and sustainable manner. Over the span of a 30+ year career, Mr. Sylvestre has acquired extensive in country and global experience, including roles such as COO Linear Gold Corp, CEO ValeInco New Caledonia, President ValeInco Manitoba and Vice President of Operations PTInco. Mr. Sylvestre also held many other various senior leadership roles within ValeInco Sudbury operations. Mr. Sylvestre holds an MSc and a BSc in Mining Engineering from McGill University and Queen's University respectively. Mr. Sylvestre has also completed Management level programs at the Richard Ivey School of Business and MIT Sloan School of Management.

Knut Søvold

Knut Søvold, 48, is employed by DHS and has been seconded to the Company. Mr. Søvold serves as Chief Executive Officer and President of James Bay Energy Nigeria Limited, a wholly owned subsidiary of the Company to which he devotes more than 50% of this working time. For the year prior to his secondment to the Company, Mr. Søvold worked with the Company, through D&H, to help the Company expand its capabilities for the sourcing and development of Nigerian oil and gas projects. DHS is a partnership between Hemla II AS of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering), with both companies having substantial experience and knowledge in the energy and oil and gas industry. Mr. Søvold has more than 20 years experience in the exploration and production business from both the executive management and technical level. He also possesses extensive experience with field evaluations as well as oil and gas operations world-wide. Mr. Søvold has focused on opportunities in Nigeria for four years.

Jean Gauthier

Mr. Gauthier is a retired member of Canada's Foreign Service with more than 35 years of experience including long career overseas assignments in Africa and the Middle East. Most recently, from September 2009 to August 2012, Mr. Gauthier served as the first Deputy High Commissioner of Canada to Nigeria with responsibilities for the Deputy High Commission of Canada in Lagos and Senior Regional Trade Commissioner for Nigeria and Central Africa.

Eric Szustak

Eric Szustak, 52, received his chartered accountancy designation in 1985. He was a principle in private accountancy practice from 1987 to 1993 and a private investment advisor from 1993 to 2000. Mr. Szustak also acted as an investment advisor for BMO Nesbitt Burns Inc. from 2000 to 2007. Mr. Szustak also acts as Chief Financial Officer of Castle Resources Inc., Northern Gold Mining Inc. and Morumbi Resources Inc. Mr. Szustak received a B.A. Honors Chartered Accountant Studies and Economics form the University of Waterloo. Mr. Szustak will devote a significant amount of his working time to the Company.

Adeniyi Olaniyan

Adeniyi Olaniyan, 46, was appointed as Chief Operating Officer and Country Manager of JBENL on June 1, 2012. Mr. Olaniyan will devote 100% of his time to the business of the Company. Mr. Olaniyan does not currently own any Common Shares of the Company but has been issued 600,000 stock options of the Company, each exercisable at $0.63 per common share. The stock options vest over a two-year period, with 1/3 vesting immediately, and 1/3 annually thereafter, and are exercisable until June 1, 2017. The Company will pay to Mr. Olaniyan a salary of $30,000 per month during the term of his employment with the Company. Mr. Olaniyan has over 20 years of international experience (Africa, Asia, Europe) in subsurface Oil and Gas E&P, Project Management, New Ventures, Asset Development and Business Planning within the Shell Group. His last position with Shell was as Hydrocarbon Maturation Manager for near infrastructure exploration activities to deliver short-term oil along the Niger Delta Nembe Creek Trunk Line. Prior to that Mr. Olaniyan acted as Subsurface Geoscience Manager for Brunei Shell Petroleum from August 2005 to July 2009. Mr. Olaniyan has had considerable geoscience and project management experience in several geological basins.

Michael Olorunfemi

Michael Olorunfemi, 71, was appointed Non-Executive Chairman and a director of JBENL in June, 2012, and provides expertise in the Nigerian operations for the Company. Mr. Olorunfemi will devote a significant amount of his working time to the Company. Michael Olorunfemi received a Bachelor of Science in Economics from the University of Ibadan in Nigeria in 1966, a Master of Science in Economics from the London School of Economics in 1970, and a diploma in Energy Economics from the Centre for Energy Studies in Switzerland in 1973.

Tee Mac Omatshola Iseli

Tee Mac Omatshola Iseli, 64, was appointed a director of JBENL in June, 2012, and has been active in the musical and cultural areas in Nigeria for many years. Mr. Iseli will devote a significant amount of his working time to the Company. Mr. Iseli holds a PhD in Music (Honours), from Bradley University, USA, and also holds Economics and Commerce degrees obtained in 1968 and 1964. Mr. Iseli provides the Company with a significant presence in Nigeria.

Other Reporting Issuer Experience

During the past five years the following directors, officers, promoters and other members of management of the Company are or have been a director, officer or promoter of other reporting issuers, as follows:

Name	Position	Name of Reporting Issuer	Stock Exchange	Period
Stephen Shefsky	Executive Chairman and Director	Castle Resources Inc.	TSXV	June 2007 – Present
	Director	Morumbi Resources Inc.	TSXV	December 2009 – Present
	President, Chief Executive Officer and Director	Belo Sun Mining Corp. (previously Verena Minerals Corporation)	TSXV	September 2002 – March 2008
	Director	Silver Bear Resources Inc.	TSX	December 2007 – May 2009
Mark Brennan	President, Chief Executive Officer and Director	Largo Resources Ltd.	TSXV	March 2005 - Present
	Chief Executive Officer and Director Executive Chairman	Morumbi Resources Inc.	TSXV	December 2009 – July, 2012 July, 2012 – Present
	Director	Castle Resources Inc.	TSXV	March 2007 – July 2011
	Director	Vast Exploration Inc.	TSXV	February 2005 - February 2011
Jon Pereira	Chief Executive Officer and Director	BE Resources Inc.	TSXV	August 2011 - Present
Wayne Egan	Director	Largo Resources Ltd.	TSXV	June 2012 – Present
	Director	Exall Energy Corporation	TSX	October 2008 – Present
	Director	Aspen Group Resources Corp.	TSX	June 2004 – Present
	Director	Belo Sun Mining Corp. (previously Verena Minerals Corporation)	TSXV	July 1996 – March 2008
	Director	JM Capital Corp.	TSXV	December 2006 – November 2011

	Director	OceanLake Commerce Inc.	TSXV	February 2002 – July 2009
Mike Sylvestre	President, Chief Executive Officer and Director	Castle Resources Inc.	TSXV	July 2010 – Present
	Director	Prophecy Platinum Corp.	TSXV	February 2012 – Present
	Director	Claude Resources Inc.	TSX	June 2011 – Present
	Director	Brigus Gold ULC (formerly Linear Gold Corp.)	TSX	August 2009 – June 2010
Eric Szustak	Chief Financial Officer	Castle Resources Inc.	TSXV	August 2007 – Present
	Chief Financial Officer	Morumbi Resources Inc.	TSXV	December 2009 to Present
	Chief Financial Officer	Northern Gold Mining Inc.	TSXV	December 2007 – Present

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the best knowledge of the Company, no director or officer, as at the date hereof or within the last ten years prior to the date hereof: (a) is or has been a director or officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the proposed director or officer was acting in the capacity as director or officer of that company; (b) is or has been a director or officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director or officer of that company and which resulted from an event that occurred while that person was acting in such capacity; (c) is or has been a director or officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (d) is or has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

Mr. Wayne T. Egan was a director of OceanLake Commerce Inc., which corporation was the subject of a cease trade order issued by the Ontario Securities Commission on October 3, 2008.

To the knowledge of the Company, no director: (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory; or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Executive Compensation

The Company's executive compensation is described above under the section entitled "*Information Concerning the Company – Statement of Executive Compensation*". No material changes are expected to be made to the above described Executive Compensation upon approval of the Change of Business.

The following table provides information for the Chief Executive Officer and Chief Financial Officer and the three most highly compensated executive officers of the Company for the 12 month period following completion of the Change of Business. Unless otherwise noted, salaries are paid in Canadian dollars.

				Non-equity incentive plan compensation ($)				
Name and principal position	**Salary ($)**	**Share-based awards ($)**	**Option-based awards[1] ($)**	**Annual incentive plans**	**Long-term incentive plans**	**Pension Value ($)**	**All other compensation ($)**	**Total Compensation ($)**
Stephen Shefsky President, Chief Executive Office, Secretary and a director of the Company and Executive Chairman of JBENL	180,000	Nil	Nil	Nil	Nil	Nil	Nil	180,000
Eric Szustak Chief Financial Officer	72,000	Nil	Nil	Nil	Nil	Nil	Nil	72,000
Knut Søvold Director of the Company and President and Chief Executive Officer of JBENL	300,000	Nil	Nil	Nil	Nil	Nil	Nil	300,000
Adeniyi Olaniyan Chief Operating Officer and Country Manager of JBENL	360,000	Nil	Nil	Nil	Nil	Nil	Nil	360,000

Notes:

1. Based on the closing price of the Common Shares of the Company as quoted by the TSX Venture Exchange on September 30, 2012, of $0.52.

Indebtedness of Directors and Officers

None of the directors or executive officers of the Company were indebted to the Company as at January 9, 2013.

Investor Relations Arrangements

The Company has retained Chaldon Heights Investments Inc. ("**CHII**") effective September 1, 2012 to provide financial relations services, media relations services, public market development services and investor relations services. CHII will create market awareness among the investment community through its network of institutions, brokers, analysts and other financial professionals. The Toronto-based company brings extensive knowledge of capital markets, specializing in emerging and frontier markets companies. The Company will pay CHII a monthly fee of CDN$6,000 for the one-year term of the consulting agreement, which may be extended upon mutual agreement of the parties. CHII currently holds 5,000 shares indirectly in the Company and owns no other securities or any right or intent to acquire such an interest in the Company.

Options to Purchase Securities

Name and Position	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options ($) (1)
Stephen Shefsky President, Chief Executive Officer, Secretary and a Director	500,000 250,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil
Eric Szustak Chief Financial Officer	200,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil
Jon Pereira Director	100,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil
Wayne Egan Director	100,000 75,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil
Mike Sylvestre Director	200,000	0.75	June 11, 2015	Nil
Mark Brennan Director	250,000 170,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil
Knut Søvold Director	300,000(2)	N/A	N/A	N/A
Adeniyi Olaniyan Chief Operating Officer and Country Manager of JBENL	600,000(3)	0.63	June 1, 2017	Nil
All other consultants	200,000 450,000	0.75 0.75	April 2, 2013 September 17, 2013	Nil Nil

Note(s):

1. Calculated using the closing price of Common Shares of the Company on the Exchange on September 30, 2012 of $0.52 per share, less the exercise price of the stock options granted.

2. These stock options to be issued at the closing of the Change of Business and the Financing, following the first DHS issuance, and will be exercisable for five years following the date of issue with the exercise price set in the context of the market on the date of issue provided that the exercise price shall not be less than the price of Common Shares issued under the Financing.

3. These stock options to be effective upon approval of the amendment to the Stock Option Plan or when the Company has sufficient room under the Stock Option Plan to issue all these stock options.

Stock Option Plan

The Company's Stock Option Plan is described above under the section entitled "*Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan*".

Escrowed Securities

As required by the Exchange, the shareholders listed below will enter into an escrow agreement with Equity and the Resulting Issuer pursuant to which they will deposit the following securities in escrow with Equity:

		Prior to Giving Effect to the COB and Financing		After Giving Effect to the COB and Financing[1]		
Name and Municipality of Residence of Securityholder	**Designation of Class**	**Number of Securities Held in Escrow**	**Percentage of Class**	**Number of Securities to be Held in Escrow**	**Percentage of Class based on \$0.50 Financing**	**Percentage of Class based on \$1.25 Financing**
DHS Solutions AS Norway	Common Shares DHS Warrants[5] stock options[6]	Nil Nil Nil	N/A N/A N/A	2,700,000[2] [3] [4] 1,350,000[2] [3] [4] 300,000[3]	4.39% 90% 8.46%	5.95% 90% 8.46%
Tee Mac Omatshola Iseli	Common Shares DHS Warrants[5]	Nil Nil	N/A N/A	300,000[2] [3] [4] 150,000[2] [3] [4]	0.49% 10%	0.66% 10%
Chief Michael Andrew Olorunfemi	Common Shares	Nil	N/A	918,750[3] [7] [8]	1.49%	2.03%
Ebahi Aizoelegbe Olorunfemi	Common Shares	Nil	N/A	367,500[3] [7] [8]	0.60%	0.81%
Synergy International Corporation	Common Shares	Nil	N/A	765,625[3] [7] [8]	1.24%	1.69%
Femi Ojo	Common Shares	Nil	N/A	214,375[3] [7] [8]	0.35%	0.47%
Funke Staeuble	Common Shares	Nil	N/A	490,000[3] [7] [8]	0.80%	1.08%
Olufemi Omoniyi	Common Shares	Nil	N/A	306,250[3] [7] [8]	0.50%	0.68%
Jay Freeman	Common Shares	Nil	N/A	437,500[3] [7] [8]	0.71%	0.96%
Stephen Shefsky	Common Shares stock options	Nil	N/A	4,807,667[9] 750,000[9]	7.81% 21.16%	10.60% 21.16%
Mark Brennan	Common Shares stock options	Nil	N/A	4,892,000[9] 420,000[9]	7.95% 11.85%	10.79% 11.85%
Jon Pereira	Common Shares stock options	Nil	N/A	577,500[9] 175,000[9]	0.94% 4.94%	1.27% 4.94%
Wayne Egan	Common Shares stock options	Nil	N/A	110,000[9] 175,000[9]	0.18% 4.94%	0.24% 4.94%
Mike Sylvestre	Common Shares stock options	Nil	N/A	Nil 200,000[9]	N/A 5.64%	N/A 5.64%
Eric Szustak	Common Shares stock options	Nil	N/A	206,000[9] 275,000[9]	0.33% 7.76%	0.45% 7.76%
Adeniyi Olaniyan	Common Shares stock options	Nil	N/A	Nil 600,000[9]	N/A 16.93%	N/A 16.93%

Notes:

1. This does not include the 3,000,000 Units to be issued pursuant to the Second DHS Issuance, the 300,000 stock options to be issued concurrently with the Second DHS Issuance or the 3,000,000 Common Shares to be issued pursuant to the Second MML Issuance.

2. Of the 3,000,000 Common Shares and 1,500,000 DHS Warrants issuable under the First DHS Issuance, 300,000 Common Shares and 150,000 DHS Warrants are being distributed directly to Tee Mac Iseli. The remaining 2,700,000 Common Shares and 1,350,000 DHS Warrants are held by DHS subject to a Power of Attorney in favour of Knut Søvold and held beneficially as follows: (i) 1,350,000 Common Shares and 675,000 DHS Warrants for Daewoo Shipbuilding & Marine Engineering (which is a public company); and (ii) 1,350,000 Common Shares and 675,000 DHS Warrants for Turtle Ship, of which 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Suma Holdings, 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Knut Søvold, 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Acatos Consulting and 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Rasco Ltd.

3. These securities, including any underlying securities to be issue pursuant thereto, will be deposited in escrow pursuant to a Tier 2 Value Security Escrow Agreement which provides that 10% of the number of shares will be released on the date of the Final Exchange Bulletin and 15% of the number of shares shall be released on the 6, 12, 18, 24, 30 and 36 month anniversaries of the date of the Final Exchange Bulletin.

4. If the Company achieves the Production Threshold then it will issue an additional 3,000,000 Common Shares, and 1,500,000 DHS Warrants to DHS under the Second DHS Issuance. If issued during the escrow period these securities will also be deposited in escrow pursuant to a Tier 2 Value Security Escrow Agreement. If the exercise price of the stock options is greater than the price of the Common Shares issued under the Financing, these stock options will not be subject to a Tier 2 Value Security Escrow Agreement. Of the 3,000,000 Common Shares and 1,500,000 DHS Warrants issuable under the Second DHS Issuance, 300,000 Common Shares and 150,000 DHS Warrants are being distributed directly to Tee Mac Iseli. The remaining 2,700,000 Common Shares and 1,350,000 DHS Warrants are held by DHS subject to a Power of Attorney in favour of Knut Søvold and held beneficially as follows: (i) 1,350,000 Common Shares and 675,000 DHS Warrants for Daewoo Shipbuilding & Marine Engineering (which is a public company); and (ii) 1,350,000 Common Shares and 675,000 DHS Warrants for Turtle Ship, of which 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Suma Holdings, 405,000 Common Shares and 202,500 DHS Warrants are held beneficially for Knut Søvold, 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Acatos Consulting and 270,000 Common Shares and 135,000 DHS Warrants are held beneficially for Rasco Ltd.

5. Each DHS Warrant is exercisable for one Common Share at an exercise price of $1.25 per Common Share for a period of two years from the date of issuance.

6. These stock options are to be issued at the same time as the First DHS Issuance, will be held beneficially for DHS in the name of Knut Søvold, and are exercisable for 5 years from the date of grant at the current market price on the date of issue, provided that the exercise price of the stock options may not be less than the price of the Common Shares issued under the Financing. If the exercise price of these stock options is greater than the price of Common Shares issued under the Financing, these stock options will not be subject to the escrow requirement described in note 3, above. If the Company achieves the Production Threshold, concurrently with the Second DHS Issuance it will issue a further 300,000 stock options to DHS in the name of Knut Søvold, with such stock options to be exercisable for 5 years from the date of grant at the current market price on the date of issue. In the event that these stock options are issued during the escrow period these securities will also be deposited in escrow pursuant to a Tier 2 Value Security Escrow Agreement, provided however, that if the exercise price of such stock options is greater than the price of Common Shares issued under the Financing, these stock options will not be subject to the escrow requirement described in note 3, above.

7. The Common Shares issuable under the First MML Issuance are being distributed directly to the underlying shareholders of MML.

8. If the Company achieves the Production Threshold then it will issue an additional 3,000,000 Common Shares to MML under the Second MML Issuance. If issued during the escrow period, these securities will also be deposited in escrow pursuant to a Tier 2 Value Security Escrow Agreement. The Common Shares issuable under the Second MML Issuance are being distributed directly to the underlying shareholders of MML. The MML shareholders shall receive the following number of Common Shares: (i) Chief Michael Andrew Olorunfemi will receive 787,500 Common Shares; (ii) Mrs. Ebahi Aizoelegbe Olorunfemi will receive 315,000 Common Shares; (iii) Synergy International Corporation will receive 656,250 Common Shares, which will be distributed 164,063 Common Shares to Mr. Wale Olorunsola, 164,062 Common Shares to Mrs. Idowu Sotade, 164,062 Common Shares to Mrs. Taiwo Emovon and 164,062 Common Shares to Mrs. Kehinde Olorunsola; (iv) Mr. Femi Ojo will receive 183,750 Common Shares; (v) Mrs. Funke Staeuble will receive 420,000 Common Shares; (vi) Mr. Olufemi Omoniyi will receive 262,500 Common Shares to be distributed MML's employees; and (vii) Mr. Jay Freeman will receive 375,000 Common Shares.

9. These securities, including any underlying securities to be issue pursuant thereto, will be deposited in escrow pursuant to a Tier 1 Value Security Escrow Agreement which provides that 25% of the number of shares will be released on the date of the Final Exchange Bulletin and 25% of the number of shares shall be released on the 6, 12 and 18 month anniversaries of the date of the Final Exchange Bulletin.

Auditor, Transfer Agent and Registrar

There are no changes to the Company's auditors or transfer agent as described above under the section entitled "*Information Concerning the Company – Auditors, Transfer Agent & Registrar*".

GENERAL MATTERS

Sponsorship

The Company is exempt from obtaining a Sponsor in connection with the Change of Business under Subsection 3.4(a)(ii) of Exchange Policy 2.2.

Interest of Experts

None of the authors of the Sproule Report hold any Shares of the Company, or shares of any Associate or Affiliate of the Company, and did not receive any direct or indirect beneficial ownership of Shares of the Company, or shares of any Associate or Affiliate of the Company, in connection with the preparation of the Sproule Report.

The audited financial statements of the Company for the years ended December 31, 2011 and December 31, 2010 are included in **Schedule "E"**, including the respective auditor's reports of McGovern, Hurley Cunningham LLP, independent chartered accountants, upon the authority of said firm as experts in accounting and auditing. McGovern, Hurley Cunningham LLP is independent of the Company within the meaning of the applicable rules of professional conduct in Canada, and has advised that it beneficially owns, directly or indirectly, less than 1% of the issued and outstanding Shares, and as a group they own less than 1% of the issued and outstanding Shares.

Management Contracts

Management functions of the Company and its subsidiaries are not to any substantial degree performed by those other than by the directors or executive officers of the Company or its subsidiaries.

Interest of Informed Persons In Material Transactions

Neither the Company nor any director or officer of the Company, nor any other informed person of the Company, nor any Associate or Affiliate of any of the foregoing has or has had, at any time since the beginning of the year ended December 31, 2011, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company or any of its subsidiaries.

Other Material Facts

Management is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting accompanying this Information Circular. If any other business properly comes before the Meeting, it is the intention of the persons named in the Instrument of Proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

Board Approval

The contents and the sending of this Information Circular to the Shareholders of the Company have been approved by the Board.

Additional Information

Copies of the Company's audited financial statements for the year ended December 31, 2011, and this Information Circular may be obtained on SEDAR at www.sedar.com, from the Company free of charge upon request to the Chief Financial Officer of the Company at Suite 800, 20 Victoria Street, Toronto, Ontario M5C 2N8.

CERTIFICATE OF THE COMPANY

DATED: January 9, 2013

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of James Bay Resources Limited assuming completion of the Change of Business.

"Stephen Shefsky"	*"Eric Szustak"*
Stephen Shefsky President & Chief Executive Officer	Eric Szustak Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Mark Brennan"	*"Jon Pereira"*
Mark Brennan, Director	Jon Pereira, Director

ACKNOWLEDGEMENT — PERSONAL INFORMATION

"Personal Information" means any information about an identifiable individual and includes information contained in any items in the attached Information Circular that are analogous to items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41, and 42 of Form 3D1 of the Exchange, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

1. the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B to the Corporate Finance Manual of the Exchange) pursuant to Form 3D1 of the Exchange; and

2. the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated as of January 9, 2013

JAMES BAY RESOURCES LIMITED

Per:

"Stephen Shefsky"

Stephen Shefsky
President & Chief Executive Officer

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Email info@mhc-ca.com
Web www.mhc-ca.com

AUDITOR'S CONSENT

We have read the Information Circular of James Bay Resources Limited (the "Company") dated January 9, 2013 with respect to the change of business of the Company by way of acquisition of a 47% interest in the Ogedeh Marginal Field within OML-90 and to the proposed amendments to the Company's 2008 Stock Option Plan. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Information Circular of our reports to the directors of the Company on the following financial statements:

- The consolidated statements of financial position of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, the consolidated statements of cash flows and the consolidated statements of changes in equity for the years ended December 31, 2011 and 2010. Our report is dated April 24, 2012.
- The consolidated balance sheets of the Company as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, and the consolidated statements of cash flows for the years then ended. Our report is dated April 21, 2011.

MCGOVERN, HURLEY, CUNNINGHAM LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
January 9, 2013

SCHEDULE "A"

THE SPROULE REPORT

EVALUATION OF THE CONTINGENT OIL RESOURCES

OF

JAMES BAY RESOURCES LIMITED

IN OGEDEH FIELD, NIGERIA

(As of June 30, 2012)

Sproule

Worldwide Petroleum Consultants

900, 140 Fourth Avenue SW Calgary AB T2P 3N3 Canada | Phone: 1-403-294-5500 | Fax: 1-403-294-5590 | Toll-Free: 1-877-777-6135
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Copies:	James Bay Resources Limited (3 copies) Sproule International Limited (1 copy) Electronic (3 copies)
Project No.:	4337.70707
Prepared For:	James Bay Resources Limited
Authors:	Magued Wilson Bastawross, B.Sc., Project Leader Greg D. Robinson, P.Eng. Suryanarayana Karri, P.Geoph. Douglas J. Carsted, P.Geol.
Exclusivity:	This report has been prepared for the exclusive use of James Bay Resources Limited. It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule International Limited, and without the complete contents of the report being made available to that party.

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Introduction

This report was prepared by Sproule International Limited ("Sproule") at the request of Mr. Stephen Shefsky, President and Chief Executive Officer, James Bay Resources Limited (hereinafter referred to as "the Company"). The effective date of this report is June 30, 2012, and it consists of an evaluation of the contingent oil resources associated with the Company's interests in the Ogedeh Field, in Nigeria.

This report was prepared during the months of July and August 2012 for the purpose of evaluating the Company's contingent oil resources according to the Canadian Oil and Gas Evaluation Handbook (COGEH) reserve and resource definitions that are consistent with the standards of National Instrument 51-101. This report was prepared for the Company's corporate purposes.

This report is contained in one volume, comprised of the following sections: Introduction, Summary, Discussion and Appendices. The Introduction includes a summary of evaluation standards and procedures and pertinent author certificates; the Summary includes high-level summaries of the evaluation; and the Discussion includes general commentaries pertaining to the evaluation of the contingent oil resources as well as the detailed description and evaluation of the Ogedeh Field. Reserves definitions, product price forecasts, abbreviations, units, and conversion factors are included in Appendices A, B and C. Economic sensitivity results for a 0 percent Petroleum Profit Tax (PPT) case have been included as Appendix D.

Field Operations

In the preparation of this evaluation, a field inspection of the properties was not performed by Sproule. The relevant engineering data were made available by the Company or obtained from public sources and the non-confidential files at Sproule. No material information regarding the resource evaluation would have been obtained by an on-site visit.

Historical Data, Interests and Burdens

1. All well data, development plans, capital and operating costs budgets, pricing information and other data that were obtained from the Company or from public sources were accepted as represented, without any further investigation by Sproule.

2. Property descriptions and details of interests held, as supplied by the Company, were accepted as represented. No investigation was made into either the legal titles held or any operating agreements in place relating to the subject properties.

3. Lessor and overriding royalties and other burdens were obtained from the Company. No further investigation was undertaken by Sproule.

Disclaimer

This report has been prepared by Sproule using current geological and engineering knowledge, techniques and computer software. It has been prepared within the Code of Ethics of the Association of Professional Engineers and Geoscientists of Alberta (APEGA). This report adheres in all material aspects to the “best practices” recommended in the COGE Handbook, which are in accordance with principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGE Handbook is incorporated by reference in National Instrument 51-101.

Sproule reserves the right to review all calculations made, referred to or included in this report and to revise the estimates as a result of erroneous data supplied by the Company or information that exists but was not made available to us, which becomes known subsequent to the preparation of this report.

Evaluation Procedures

1. The Company provided Sproule with capital and operating costs budgets and development plans to determine certain economic parameters.

2. The forecasts of product prices used in this evaluation were based on Sproule’s June 30, 2012 price forecasts. Further discussion is included in Appendix B.

3. Well abandonment and disconnect costs were included in this report for wells which have contingent resources assigned. No allowances for reclamation or salvage values were made. No provision for abandonment or decommissioning of platforms, facilities or pipelines has been included in this evaluation.

4. The principal legislation governing the operation of marginal fields in Nigeria was provided by the Company and has been considered in this report. There are no outstanding tax pools.

Evaluation Results

1. The accuracy of resource estimates and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data provided at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that reservoir and financial performance subsequent to the date of the estimates may necessitate revision. These revisions may be material.

2. The net present values of the resources presented in this report simply represent discounted future cash flow values at several discount rates. Though net present values form an integral part of fair market value estimations, without consideration for other economic criteria, they are not to be construed as Sproule's opinion of fair market value.

3. The dollar values presented throughout the report are in United States dollars, unless otherwise stated.

4. Due to rounding, certain totals may not be consistent from one presentation to the next.

BOE Cautionary Statement

BOEs (or McfGEs or other applicable units of equivalency) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl (or an McfGE conversion ratio of 1 bbl:6 Mcf) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Statements

This report may contain forward-looking statements including expectations of future production revenues and capital expenditures. Information concerning reserves may also be deemed to be forward-looking as estimates involve the implied assessment that the reserves described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the underlying risks of the oil and gas industry (i.e., corporate commitment, regulatory approval, operational risks in development, exploration and production); potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimations; the uncertainty of estimates and projections relating to production; costs and expenses; health, safety and environmental factors; commodity prices; and exchange rate fluctuation.

Exclusivity

This report has been prepared for the exclusive use of James Bay Resources Limited. It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule, and without the complete contents of the report being made available to that party.

Certification

Report Preparation

This report entitled, "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in the Ogedeh Field, Nigeria (As of June 30, 2012)," was prepared by the following Sproule personnel:

Original Signed by Magues W. Bastawross, B.Sc.

Magued W. Bastawross, B.Sc.(Honours)
Project Leader;
Petroleum Evaluator
05 / 09 /2012 dd/mm/yr

Original Signed by Greg D. Robinson, P.Eng.

Greg D. Robinson, P. Eng.
Vice-President and Director
05 / 09 /2012 dd/mm/yr

Original Signed by Suryanarayana Karri, P.Geoph.

Suryanarayana Karri, P.Geoph.
Senior Petrophysicist, Supervisor,
Geoscience and Partner
05 / 09 /2012 dd/mm/yr

Original Signed by Barrie F. Jose, P.Geoph.
on behalf of Douglas J. Carsted, P.Geol.

Douglas J. Carsted, P.Geol.
Vice-President, Geoscience and Director
05 / 09 /2012 dd/mm/yr

Sproule Executive Endorsement

This report has been reviewed and endorsed by the following Executive of Sproule:

Original Signed by Barrie F. Jose, P.Geoph.

Barrie F. Jose, P.Geoph.
Vice-President, Geosciences and Partner
05 / 09 /2012 dd/mm/yr

Permit to Practice

Sproule International Limited is a member of the Association of Professional Engineers, and Geoscientists of Alberta and our permit number is PO6151.

Certificate

Magued Wilson Bastawross, B.Sc. (Honours)

I, Magued Wilson Bastawross, B.Sc., Petroleum Evaluator of Sproule, 900, 140 Fourth Ave. SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
   a. B.Sc. Petroleum Engineering (1998), Cairo University, Cairo, Egypt

2. I am a member of the following professional organizations:
   a. Society of Petroleum Engineers (SPE)

3. My contribution to the report entitled "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria (As of June 30, 2012)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

4. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of James Bay Resources Limited.

Original Signed by Magued Wilson Bastawross, B.Sc.

Magued Wilson Bastawross, B.Sc.

Certificate

Greg D. Robinson, B.Sc., P.Eng.

I, Greg D. Robinson, Vice-President and Director of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
   a. B.Sc. Civil Engineering (1978) University of Manitoba, Winnipeg MB, Canada

2. I am a registered professional:
   a. Professional Engineer (P.Eng.) Province of Alberta, Canada

3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Society of Petroleum Engineers (SPE)
   c. Society of Petroleum Evaluation Engineers (SPEE)

4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.

5. My contribution to the report entitled "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria (As of June 30, 2012)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of James Bay Resources Limited.

Original Signed by Greg D. Robinson, P.Eng.

Greg D. Robinson, P.Eng.

Certificate

Suryanarayana Karri, M.Sc., P.Geoph.

I, Suryanarayana Karri, Supervisor, Geoscience, Senior Petrophysicist and Partner of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
   a. M.Sc. Engineering Physics and Instrumentation (1983), Osmania University, Hyderabad, India

2. I am a registered professional:
   a. Professional Geophysicist (P.Geoph.), Province of Alberta, Canada

3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Society of Petroleum Engineers (SPE)
   c. The Society of Petrophysicists and Well Log Analysts (SPWLA)
   d. Canadian Well Logging Society (CWLS)

4. My contribution to the report entitled "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria (As of June 30, 2012)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

5. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of James Bay Resources Limited.

Original Signed by Suryanarayana Karri, P.Geoph.

Suryanarayana Karri, P.Geoph.

Certificate

Douglas J. Carsted, B.Sc., P.Geol.

I, Douglas J. Carsted, Vice-President, Geoscience, and Director of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
   a. B.Sc. (Honours) Geology (1982) University of Manitoba, Winnipeg MB, Canada
   b. B.Sc. Chemistry (1979) University of Winnipeg, Winnipeg MB, Canada

2. I am a registered professional:
   a. Professional Geologist (P.Geol.) Province of Alberta, Canada

3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Canadian Society of Petroleum Geologists (CSPG)
   c. American Association of Petroleum Geologists (AAPG)
   d. Society of Petroleum Engineers (SPE)
   e. Canadian Well Logging Society (CWLS)
   f. Indonesian Petroleum Association, Professional Division (IPA)

4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.

5. My contribution to the report entitled "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria (As of June 30, 2012)" is based on my geological knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of James Bay Resources Limited.

Original Signed by Douglas J. Carsted, P.Geol.

Douglas J. Carsted, P.Geol.

Certificate

Barrie F. Jose, M.Sc., P.Geoph.

I, Barrie F. Jose, Vice-President, Geosciences and Partner of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
   a. M.Sc. Geophysics (1979) University of British Columbia, Vancouver, B.C., Canada
   b. B.Sc. (Honours) Geological Science with Physics (1977) Queens University, Kingston, ON, Canada

2. I am a registered professional:
   a. Professional Geophysicist (P.Geoph.) Province of Alberta, Canada

3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Canadian Society of Exploration Geophysicists (CSEG)
   c. Society of Exploration Geophysicists (SEG)
   d. Canadian Society of Petroleum Geologists (CSPG)
   e. American Association of Petroleum Geologists (AAPG)
   f. Petroleum Exploration Society of Great Britain (PESGB)
   g. European Association of Geoscientists and Engineers (EAGE)
   h. Indonesian Petroleum Association, Professional Division (IPA)

4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.

5. My contribution to the report entitled “Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria (As of June 30, 2012)” is based on my geophysical knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of James Bay Resources Limited.

Original Signed by Barrie F. Jose, P.Geoph.

Barrie F. Jose, P.Geoph.

Summary

Table S-1 summarizes our evaluation after income taxes, and Table S-1A summarizes our evaluation before income taxes, of the contingent oil resources associated with the James Bay Resources Limited interests in the Ogedeh Field of Nigeria, as of June 30, 2012. The Company's interests are located in Block OML 90. A map showing the location of the Company's property is included as Figure S-1.

The resources definitions and ownership classification used in this evaluation are in accordance with Canadian Oil and Gas Evaluation Handbook (COGEH) resources definitions and evaluation practices and procedures, which is compliant with National Instrument 51-101.

For contingent resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development". The volumes and values 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.

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 (after COGEH). Due to the unavailability of analogues, the volumes were assigned as contingent resources.

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 market.

The price forecasts that formed the basis for the revenue projections in the evaluation were based on Sproule's June 30, 2012 pricing model. Table S-2 presents a summary of selected forecasts.

The net present values of the reserves are presented in thousands of United States dollars and are based on annual projections of net revenue, which were discounted at various rates. These rates are 5, 10, 15 and 20 percent and undiscounted.

Operating and capital costs were escalated to the dates incurred at 2.0 percent per year.

Summary forecasts of production and net revenue for the various resource categories are presented in Tables S-3 through S-3B.

Well abandonment and disconnect costs were included in this report for wells which have resource volumes assigned. No allowances for reclamation or salvage values were made. No provision for abandonment or decommissioning of platforms, facilities or pipelines has been included in this evaluation.

There are no outstanding tax pools to be considered for the Company's interests under the marginal field program in Nigeria.

After the completion of the report, the Company informed us of a fee of 10 cents/bbl on production, which is payable to Bicta Energy up to $US 1.0 million. A sensitivity calculation was done for the P10 case which showed a before tax NPV (at 15% discount rate) of M$US 217,359 compared to the M$US 217,657 without the fee. This difference is considered to be immaterial; and our report was not revised to include this fee.

Summary of the Evaluation of the Contingent Oil Resources (Unrisked) and Net Present Values of the Ogedeh Field, Nigeria (As of June 30, 2012)

	Discovered Original Oil In Place Mbbl	Contingent Oil Resources (Unrisked) Mbbl			Net Present Values After Nigerian Income Taxes (MUS$)				
		Original	Company Gross Oil [1] Resources	Company Net Oil [2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	11,589	5,562	5,279	104,730	88,930	76,624	66,838	58,911
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[3]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	12,000	5,755	5,463	104,730	88,930	76,624	66,838	58,911

Notes:

Values may not balance due to rounding

1) - Company working interest volumes before deducting royalties and burden

2) - Company net economic volumes after deducting royalties and burden

3) - Included in economic oil in place

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 (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Summary of the Evaluation of the Contingent Oil Resources (Unrisked) and Net Present Values of the Ogedeh Field, Nigeria (As of June 30, 2012)

		Contingent Oil Resources (Unrisked) Mbbl			Net Present Values Before Nigerian Income Taxes (MUS$)				
	Discovered Original Oil In Place Mbbl	Original	Company Gross Oil [1] Resources	Company Net Oil [2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	11,589	5,562	5,279	417,666	324,947	262,255	217,657	184,601
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[3]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	12,000	5,755	5,463	417,666	324,947	262,255	217,657	184,601

Notes:

Values may not balance due to rounding

1) - Company working interest volumes before deducting royalties and burden

2) - Company net economic volumes after deducting royalties and burden

3) - Included in economic oil in place

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 (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Table S-2
Summary of Selected Price Forecasts
and Inflation Rate Assumptions
(Effective June 30, 2012)

Year	WTI Cushing [a] Oklahoma ($US/bbl)	Nigeria Bonny Light [b] ($US/bbl)	Inflation Rate [c] (%/Yr)
Historical			
2007	72.27	74.15	2.0
2008	99.59	101.37	1.1
2009	61.63	62.74	2.0
2010	79.43	80.76	1.2
2011	95.00	113.10	1.5
Forecast			
2012	86.39	103.48	2.0
2013	87.61	101.25	2.0
2014	86.67	97.97	2.0
2015	91.61	101.76	2.0
2016	99.37	109.72	2.0
2017	101.35	111.91	2.0
2018	103.38	114.15	2.0
2019	105.45	116.43	2.0
2020	107.56	118.76	2.0
2021	109.71	121.14	2.0
2022	111.90	123.56	2.0
Escalation rate of 2.0% thereafter			

Notes:
- a. 40 degrees API, 0.4% sulphur
- b. 36.7 degrees API, 0.33% sulphur
- c. Inflation rates for forecasting costs

Economic Summary

Table S-3

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	45.47	0.00	100.00	47.78
Company (% of Contr)	47.90	0.00	100.00	47.78
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.92	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	417,666	104,730	8.15	1.26
5.0	324,947	88,930	6.86	1.42
10.0	262,255	76,624	5.86	1.42
15.0	217,657	66,838	5.09	1.37
20.0	184,601	58,911	4.49	1.30
25.0	159,272	52,384	4.01	1.22

AT ROR (%)	487.82	Contr Take (%)	15.33
AT Payout (yrs)	0.75	NOC Take (%)	0.00
F&D ($US/BOE)	8.59	Gov't Take (%)	84.67

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	589,534	100.00	111.67
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	105,519	17.90	19.99
Tariffs	0	0.00	0.00
Prod & Asset Taxes	13,502	2.29	2.56
Capital Costs	51,248	8.69	9.71
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	417,666	70.85	79.11
Less Income Tax	312,936	53.08	59.27
After Tax Cash Flow	104,730	10.98	12.26

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	11,589	5,562	5,279
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	11,589	5,562	5,279

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,893	5,893	5,893
Total	(M$US)	51,248	51,248	51,248

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	347	229	-13,307	0	-13,307
2013(12)	82,745	6,047	32,640	173	1,308	691	233	41,653	32,500	9,152
2014(12)	80,893	4,401	0	194	1,528	135	238	74,398	46,948	27,449
2015(12)	65,829	4,489	0	161	1,225	138	243	59,575	37,202	22,372
2016(12)	56,713	4,579	0	141	1,040	141	247	50,565	31,306	19,259
2017(12)	46,595	4,670	0	119	836	144	252	40,573	25,331	15,242
2018(12)	38,877	4,764	0	103	680	147	257	32,926	27,987	4,939
2019(12)	32,800	4,859	0	85	556	149	263	26,887	22,854	4,033
2020(12)	28,027	4,956	0	75	459	152	268	22,117	18,799	3,318
2021(12)	24,019	5,055	0	67	377	156	273	18,092	15,378	2,714
2022(12)	20,808	5,156	0	60	310	159	279	14,844	12,617	2,227
2023(12)	18,155	5,259	0	55	255	162	284	12,140	10,319	1,821
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	589,534	105,519	45,355	1,599	9,403	4,099	5,893	417,666	312,936	104,730

Economic Summary

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	46.10	0.00	100.00	48.62
Company (% of Contr)	48.56	0.00	100.00	48.62
Partner (% of Contr)	89.40	0.00	0.00	0.00
Contr	94.95	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2023/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	209,692	57,793	4.13	0.79
5.0	176,288	50,596	3.68	0.80
10.0	150,504	44,547	3.30	0.78
15.0	130,174	39,441	2.99	0.75
20.0	113,847	35,104	2.72	0.72
25.0	100,521	31,397	2.48	0.68

AT ROR (%)	260.09	Contr Take (%)	20.07
AT Payout (yrs)	0.83	NOC Take (%)	0.00
F&D ($US/BOE)	14.89	Gov't Take (%)	79.93

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	322,338	100.00	105.80
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	53,406	16.57	17.53
Tariffs	0	0.00	0.00
Prod & Asset Taxes	7,652	2.37	2.51
Capital Costs	50,720	15.73	16.65
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	209,692	65.05	68.82
Less Income Tax	151,898	47.12	49.85
After Tax Cash Flow	57,793	12.43	13.15

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	6,599	3,209	3,047
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	6,599	3,209	3,047

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,365	5,365	5,365
Total	(M$US)	50,720	50,720	50,720

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	352	400	-13,483	0	-13,483
2013(12)	72,352	6,094	32,640	152	1,087	719	408	31,253	25,663	5,590
2014(12)	64,574	4,401	0	158	1,200	138	416	58,262	36,339	21,923
2015(12)	48,006	4,489	0	122	866	141	424	41,964	25,623	16,341
2016(12)	37,681	4,579	0	100	658	143	433	31,769	18,947	12,821
2017(12)	28,179	4,670	0	79	466	146	442	22,376	13,366	9,009
2018(12)	21,378	4,764	0	65	328	149	450	15,622	13,279	2,343
2019(12)	16,375	4,859	0	50	226	152	459	10,628	9,034	1,594
2020(12)	11,957	4,956	0	40	136	155	469	6,201	5,271	930
2021(12)	9,403	5,055	0	35	82	158	478	3,594	3,055	539
2022(12)	7,432	5,156	0	31	41	162	488	1,554	1,321	233
2023(12)	5,001	4,383	0	23	8	138	497	-49	0	-49
Total	322,338	53,406	45,355	869	5,098	2,554	5,365	209,692	151,898	57,793

Economic Summary

Table S-3B

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	44.72	0.00	0.00	46.96
Company (% of Contr)	47.13	0.00	0.00	46.96
Partner (% of Contr)	-104.69	0.00	0.00	0.00
Contr	94.89	0.00	0.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	207,974	46,937	393.55	46.65
5.0	148,659	38,335	-318.56	-61.98
10.0	111,751	32,077	-142.70	-35.86
15.0	87,483	27,398	-103.12	-30.38
20.0	70,754	23,807	-85.91	-28.24
25.0	58,751	20,987	-76.24	-27.15

AT ROR (%)	>800.00	Contr Take (%)	10.09
AT Payout (yrs)	0.00	NOC Take (%)	0.00
F&D ($US/BOE)	0.00	Gov't Take (%)	89.91

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	267,196	100.00	119.68
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	52,113	19.50	23.34
Tariffs	0	0.00	0.00
Prod & Asset Taxes	5,851	2.19	2.62
Capital Costs	528	0.20	0.24
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	207,974	77.84	93.15
Less Income Tax	161,037	60.27	72.13
After Tax Cash Flow	46,937	9.23	11.04

Company Prod and Investments

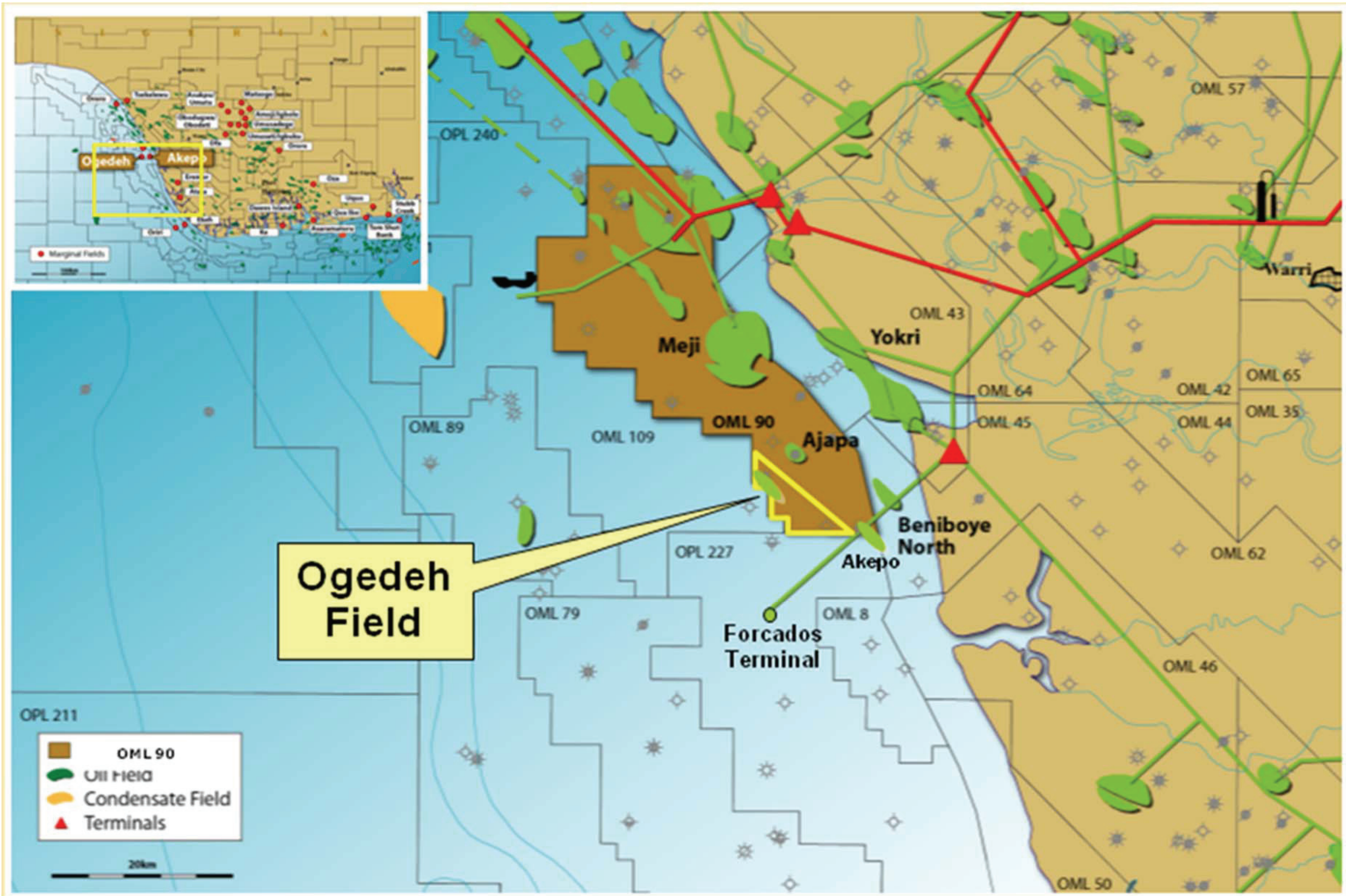
		Project	Company Gross	Company Net
Oil	(MSTB)	4,991	2,353	2,233
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	4,991	2,353	2,233

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	0	0	0
Abandonment	(M$US)	528	528	528
Total	(M$US)	528	528	528

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	0	0	0	-5	-171	176	0	176
2013(12)	10,393	-46	0	21	221	-27	-175	10,399	6,838	3,562
2014(12)	16,319	0	0	36	328	-3	-178	16,136	10,609	5,527
2015(12)	17,823	0	0	39	358	-3	-182	17,611	11,579	6,032
2016(12)	19,032	0	0	42	382	-3	-186	18,796	12,358	6,438
2017(12)	18,416	0	0	40	370	-3	-189	18,198	11,965	6,233
2018(12)	17,499	0	0	38	352	-3	-193	17,305	14,709	2,596
2019(12)	16,425	0	0	36	330	-3	-197	16,258	13,820	2,439
2020(12)	16,071	0	0	35	323	-3	-201	15,916	13,528	2,387
2021(12)	14,616	0	0	32	294	-3	-205	14,498	12,323	2,175
2022(12)	13,376	0	0	29	269	-3	-209	13,290	11,296	1,993
2023(12)	13,154	877	0	31	248	23	-213	12,188	10,319	1,870
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	267,196	52,113	0	730	4,306	1,545	528	207,974	161,037	46,937

Figure S-1



LOCATION MAP OF OGEDEH FIELD, NIGER DELTA, NIGERIA

Discussion

1.0 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.

The field is bounded to the north by the Efon 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, in shallow water offshore OML 90. Hydrocarbon were found in both the B and D sands of the Agbada Formation. However, the well encountered mechanical problems and has not been tested. Well Ogedeh-2 was drilled in 1994, in a separate fault block, about 9 km southeast of Ogedeh-1. The Ogedeh-2 well was dry.

In 2004, 100 percent of the field was awarded to Bicta Energy & Management Systems Limited during the federal government discretionary bid round of 2003. Then, Bicta assigned 47 percent of the participating interest to D&H Energy Nigeria Limited through a joint operating agreement made in 2012. D&H Energy Nigeria Limited 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 interests are held by Bicta Energy & Management Systems Limited.

2.0 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 in 1993 by Chevron Nigeria Limited 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 oil in five sands, 26 feet TVD gas in two sands and 37 feet TVD 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 in 1994 on a different structure and fault block about 8 km southeast of the discovery 1 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.

2.1 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 2 wells, Ogedeh concession coordinates and reports of all the previous work done in the field were also provided.

2.2 Seismic Audit

The seismic data audit includes the verification of the defined structural framework of the field and an 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 GOC surface also was generated. The P90 and P1 (spill point) areas were created. Using these prospective area boundaries, gross rock volumes were calculated.

2.3 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 original oil in place. This well is deviated; however, the deviation survey data are not available. Conventional openhole logs are recorded covering the B sand package. The underlying D sand package has only the LWD GR and resistivity logs.

The B sands were evaluated using all available logs. The volume of shale (V_{sh}) 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 (PHIE) 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°F was used for formation water resistivity (Rw). The water saturation (Sw) 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 cutoff values PHIE > 10 percent, V_{sh} < 50 percent and Sw < 50 percent. The well log interpretation results are illustrated in Figures 2, 3 and 4 for the B1, B2 and D4 sands, respectively.

3.0 Fluid Properties

No PVT data were available for the discovery well Ogedeh 1. 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 following tables summarize the oil properties used in this evaluation for both the B and D4 sands of the Agbada Formation.

Estimated Oil Properties of the Agbada B Sands

Oil gravity at standard conditions	40 deg API
Reservoir temperature	160 deg F
Initial reservoir pressure	2,400 psia
Reference Depth	5,665 ft-TVD
Initial formation volume factor	1.363 rb/stb
Oil viscosity at initial reservoir conditions	0.413 cp
Initial solution gas-oil ratio	688 scf/bbl
Saturation pressure	2,375 psia
Formation volume factor at saturation pressure	1.362 rb/stb
Oil viscosity at saturation pressure	0.409 cp

Estimated Oil Properties of the Agbada D4 Sand

Oil gravity at standard conditions	40 deg API
Reservoir temperature	292 deg F
Initial reservoir pressure	3,875 psia
Reference Depth	8,837 ft-TVD
Initial formation volume factor	1.502 rb/stb
Oil viscosity at initial reservoir conditions	0.201 cp
Initial solution gas-oil ratio	688 scf/bbl
Saturation pressure	3,105 psia
Formation volume factor at saturation pressure	1.510 rb/stb
Oil viscosity at saturation pressure	0.190 cp

4.0 Resource Volumes and Production Forecasts

The 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. Forecasts of cash flows were prepared by forecasting annual production from the resources, production taxes, product prices and costs. Annual production was forecast taking into account the conceptual development plans proposed by the Company.

Table 1 presents the results of the probabilistic analysis. Table 2 presents a summary of the recoverable contingent oil resources, both economic and sub-economic volumes. Detailed forecasts of production and net revenue for the various resource categories are presented in Tables 3, 3-A and 3-B.

5.0 Pricing

Sproule's oil price forecast in effect on June 30, 2012 for Nigeria Bonny Light formed the basis for the prices used in our evaluation of the Ogedeh oil resource volumes, as presented in Table S-2.

The Ogedeh crude is expected to be sweet with a gravity of approximately 40^{o} API, and no quality adjustment was applied to the Nigeria Bonny Light crude oil price forecast. Transportation costs were included in the operating costs.

6.0 Operating and Capital Costs

The Company has supplied us with capital and operating cost budgets. The Company plans to re-enter the suspended well Ogedeh-1 and perform an extended well test for six months. Production tests incorporated with pressure measurements may confirm the potential commerciality of the hydrocarbons from the Agbada Formation. The anticipated cost for the re-entry, testing up to three separate zones and a dual completion is estimated at approximately $US 12.7 million.

Once the well test is completed, and if the resource assessment is confirmed with these production tests, the potential well resources will be completed and developed through the existing wellbore. The Company then plans to drill two offsetting appraisal wells in order to drain the remaining recoverable oil volumes from both the B and D sands of the Agbada Formation. The expected cost to drill and complete a new well is estimated at approximately $US 16.0 million.

The fixed operating costs for transporting the oil using Beniboye neighboring facilities were provided at $US 9.0 million per year.

Well abandonment and disconnect costs of $US 1.6 million per well (or 10 percent of the drilling cost of a new well) were used in the economic input, as provided by the Company. No allowances for reclamation or salvage values were made.

These costs were escalated to the dates incurred at 2.0 percent per year.

7.0 Taxes and Royalties

The tax and royalty terms used in this evaluation were provided by the Company and are as follows:

Marginal field royalties were calculated incrementally based on the following tranches:

Equal or less than (bopd)	Royalty
5,000	2.5%
10,000	7.5%
15,000	12.5%
25,000	18.5%

The overriding royalties paid to the farmer are calculated incrementally based on the following tranches:

Equal or less than (bopd)	ORI
2,000	2.5%
5,000	3.0%
10,000	5.5%
15,000	7.5%

Nigerian Export Supervision Scheme (NESS) fees of 0.2 percent were applied against the Company net revenue. A Central Bank of Nigeria (CBN) commission of 0.25 percent was applied against the marginal field royalty. Import duties of 7 percent were applied against facility capital expenditures. A Niger Delta Development Commission (NDDC) fee was applied at 3 percent of operating and capital expenditures. An education tax of 2 percent was applied against assessable profits.

Petroleum Profit Tax was applied at a rate of 65.75 percent for the first five years of production, and at a rate of 85 percent thereafter. Tangible drilling costs are assumed to be 33 percent of the drilling capital expenditures, with the remainder designated as intangible. A Petroleum Investment Allowance (PIA) of 10 percent was applied to all qualifying tangible capital expenditures. All tangible expenditures are depreciated based on five-year straight line depreciation, though the depreciation is only 19 percent in the fifth year, as per Nigerian law. All other costs were expensed.

Table 1
Volumetric Reservoir Data and Estimates of Contingent Oil Resources
Ogedeh Field, Niger Delta, Nigeria
(As of June 30, 2012)

Agbada Formation
Probabilistic Input Distributions, B1-Sandstone

	P90	P50	P10	Distribution Type
GRV, 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

	P90	P50	P10	Distribution Type
GRV, 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

	P90	P50	P10	Distribution Type
GRV, 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

Total, Agbada Formation, OOIP, Contingent Oil Resource Volumes [1)]

	OOIP, Mbbls	Contingent Oil Resource Volumes [1)], Mbbls	Contingent Oil Resource Volumes [1)] Company WI, Mbbls
C2 (P50)	**24,600**	**6,850**	**3,327**
C2 + C3 (P10)	**40,800**	**12,000**	**5,755**

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. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Sproule

Table 2
Ogedeh Field, Niger Delta, Nigeria
Estimates of Contingent Oil Resources (Unrisked) and Net Present Values
(As of June 30, 2012)

Contingent Oil Resources (Unrisked)

Category	Discovered Original Oil In Place	Recovery Factor [1]	Original Recoverable Oil [1]	Cumulative Production to June 30, 2012	Gross Remaining Oil Resources [1]	Royalties and Burden	Contract Gross Oil [1] Resources	Working Interest Net Oil [1] Resources	Net Present Values Before Nigerian Income Taxes (M$US)				
	(Mbbls)	(%)	(Mbbls)	(Mbbls)	(Mbbls)	(%)	(Mbbls)	(Mbbls)	0%	5%	10%	15%	20%
C2 (P50)	**24,600**	**27**	**6,599**	**-**	**6,599**	**5**	**6,266**	**3,047**	**209,692**	**176,288**	**150,504**	**130,174**	**113,847**
C2 + C3 (P10)	**40,800**	**28**	**11,589**	**-**	**11,589**	**5**	**11,000**	**5,279**	**417,666**	**324,947**	**262,255**	**217,657**	**184,601**

Notes:

Values may not balance due to rounding

1) - Adjusted for economic cut-off

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. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Economic Summary

Table 3

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	45.47	0.00	100.00	47.78
Company (% of Contr)	47.90	0.00	100.00	47.78
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.92	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	417,666	104,730	8.15	1.26
5.0	324,947	88,930	6.86	1.42
10.0	262,255	76,624	5.86	1.42
15.0	217,657	66,838	5.09	1.37
20.0	184,601	58,911	4.49	1.30
25.0	159,272	52,384	4.01	1.22

AT ROR (%)	487.82	Contr Take (%)	15.33
AT Payout (yrs)	0.75	NOC Take (%)	0.00
F&D ($US/BOE)	8.59	Gov't Take (%)	84.67

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	589,534	100.00	111.67
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	105,519	17.90	19.99
Tariffs	0	0.00	0.00
Prod & Asset Taxes	13,502	2.29	2.56
Capital Costs	51,248	8.69	9.71
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	417,666	70.85	79.11
Less Income Tax	312,936	53.08	59.27
After Tax Cash Flow	104,730	10.98	12.26

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	11,589	5,562	5,279
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	11,589	5,562	5,279

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,893	5,893	5,893
Total	(M$US)	51,248	51,248	51,248

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	347	229	-13,307	0	-13,307
2013(12)	82,745	6,047	32,640	173	1,308	691	233	41,653	32,500	9,152
2014(12)	80,893	4,401	0	194	1,528	135	238	74,398	46,948	27,449
2015(12)	65,829	4,489	0	161	1,225	138	243	59,575	37,202	22,372
2016(12)	56,713	4,579	0	141	1,040	141	247	50,565	31,306	19,259
2017(12)	46,595	4,670	0	119	836	144	252	40,573	25,331	15,242
2018(12)	38,877	4,764	0	103	680	147	257	32,926	27,987	4,939
2019(12)	32,800	4,859	0	85	556	149	263	26,887	22,854	4,033
2020(12)	28,027	4,956	0	75	459	152	268	22,117	18,799	3,318
2021(12)	24,019	5,055	0	67	377	156	273	18,092	15,378	2,714
2022(12)	20,808	5,156	0	60	310	159	279	14,844	12,617	2,227
2023(12)	18,155	5,259	0	55	255	162	284	12,140	10,319	1,821
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	589,534	105,519	45,355	1,599	9,403	4,099	5,893	417,666	312,936	104,730

Production Detail

Table 3

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	2	4,351	1,588	862	817	101.25	0	0	0	0	0	0.00
2014(12)	3	5,082	1,855	872	826	97.97	0	0	0	0	0	0.00
2015(12)	3	3,975	1,451	682	647	101.76	0	0	0	0	0	0.00
2016(12)	3	3,164	1,158	544	517	109.72	0	0	0	0	0	0.00
2017(12)	3	2,555	932	438	416	111.91	0	0	0	0	0	0.00
2018(12)	3	2,090	763	359	341	114.15	0	0	0	0	0	0.00
2019(12)	3	1,729	631	297	282	116.43	0	0	0	0	0	0.00
2020(12)	3	1,444	529	248	236	118.76	0	0	0	0	0	0.00
2021(12)	3	1,217	444	209	198	121.14	0	0	0	0	0	0.00
2022(12)	3	1,033	377	177	168	123.56	0	0	0	0	0	0.00
2023(12)	3	884	323	152	144	126.03	0	0	0	0	0	0.00
2024(12)	3	761	279	131	124	128.55	0	0	0	0	0	0.00
2025(12)	3	659	241	113	107	131.12	0	0	0	0	0	0.00
2026(12)	3	574	209	98	94	133.74	0	0	0	0	0	0.00
2027(12)	3	502	183	86	82	136.42	0	0	0	0	0	0.00
2028(12)	3	442	162	76	72	139.15	0	0	0	0	0	0.00
2029(12)	3	390	142	67	64	141.93	0	0	0	0	0	0.00
2030(12)	3	346	126	59	56	144.77	0	0	0	0	0	0.00
2031(12)	3	308	112	53	50	147.66	0	0	0	0	0	0.00
2032(12)	3	277	85	40	38	150.62	0	0	0	0	0	0.00
Total	---	---	11,589	5,562	5,279	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	1,588	862	817	101.25	160,785
2014(12)	0	0	0	0	0.00	1,855	872	826	97.97	181,710
2015(12)	0	0	0	0	0.00	1,451	682	647	101.76	147,624
2016(12)	0	0	0	0	0.00	1,158	544	517	109.72	127,053
2017(12)	0	0	0	0	0.00	932	438	416	111.91	104,356
2018(12)	0	0	0	0	0.00	763	359	341	114.15	87,070
2019(12)	0	0	0	0	0.00	631	297	282	116.43	73,459
2020(12)	0	0	0	0	0.00	529	248	236	118.76	62,771
2021(12)	0	0	0	0	0.00	444	209	198	121.14	53,795
2022(12)	0	0	0	0	0.00	377	177	168	123.56	46,603
2023(12)	0	0	0	0	0.00	323	152	144	126.03	40,660
2024(12)	0	0	0	0	0.00	279	131	124	128.55	35,810
2025(12)	0	0	0	0	0.00	241	113	107	131.12	31,543
2026(12)	0	0	0	0	0.00	209	98	94	133.74	28,017
2027(12)	0	0	0	0	0.00	183	86	82	136.42	25,010
2028(12)	0	0	0	0	0.00	162	76	72	139.15	22,495
2029(12)	0	0	0	0	0.00	142	67	64	141.93	20,205
2030(12)	0	0	0	0	0.00	126	59	56	144.77	18,274
2031(12)	0	0	0	0	0.00	112	53	50	147.66	16,589
2032(12)	0	0	0	0	0.00	85	40	38	150.62	12,746
Total	---	0	0	0	0.00	11,589	5,562	5,279	---	1,296,576

Revenue & Burden Detail

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	16	0	0	0	16
2013(12)	160,785	2	4,020	3	4,269	8,288	152,496	16	0	146	10	326
2014(12)	181,710	3	4,682	3	4,915	9,597	172,113	17	0	165	12	364
2015(12)	147,624	2	3,691	3	3,871	7,562	140,062	17	0	134	9	297
2016(12)	127,053	2	3,176	3	3,210	6,387	120,666	17	0	116	8	257
2017(12)	104,356	2	2,609	2	2,609	5,218	99,138	18	0	95	7	213
2018(12)	87,070	2	2,177	2	2,177	4,353	82,716	18	0	79	5	179
2019(12)	73,459	2	1,836	2	1,836	3,673	69,786	14	0	67	5	151
2020(12)	62,771	2	1,569	2	1,569	3,139	59,633	14	0	57	4	130
2021(12)	53,795	2	1,345	2	1,345	2,690	51,105	14	0	49	3	112
2022(12)	46,603	2	1,165	2	1,165	2,330	44,273	15	0	43	3	98
2023(12)	40,660	2	1,017	2	1,017	2,033	38,627	15	0	37	3	87
2024(12)	35,810	2	895	2	895	1,791	34,020	15	0	33	2	77
2025(12)	31,543	2	789	2	789	1,577	29,966	16	0	29	2	69
2026(12)	28,017	2	700	2	700	1,401	26,616	16	0	26	2	62
2027(12)	25,010	2	625	2	625	1,251	23,760	16	0	23	2	57
2028(12)	22,495	2	562	2	562	1,125	21,371	16	0	21	1	52
2029(12)	20,205	2	505	2	505	1,010	19,195	17	0	18	1	48
2030(12)	18,274	2	457	2	457	914	17,360	17	0	17	1	44
2031(12)	16,589	2	415	2	415	829	15,760	17	0	15	1	41
2032(12)	12,746	2	319	2	319	637	12,109	15	0	12	1	32
Total	1,296,576	---	32,554	---	33,250	65,804	1,230,771	336	0	1,182	81	2,712

Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	347	12,715	0	9,587	420	9,950
2013(12)	9,180	691	32,640	1,308	25,095	1,077	33,315
2014(12)	9,364	135	0	1,528	3,231	0	9,489
2015(12)	9,551	138	0	1,225	3,236	0	9,248
2016(12)	9,742	141	0	1,040	3,199	0	9,100
2017(12)	9,937	144	0	836	2,299	0	8,068
2018(12)	10,135	147	0	680	257	0	5,950
2019(12)	10,338	149	0	556	263	0	5,913
2020(12)	10,545	152	0	459	268	0	5,911
2021(12)	10,756	156	0	377	273	0	5,927
2022(12)	10,971	159	0	310	279	0	5,964
2023(12)	11,190	162	0	255	284	0	6,015
2024(12)	11,414	165	0	210	290	0	6,079
2025(12)	11,642	168	0	169	296	0	6,152
2026(12)	11,875	172	0	136	302	0	6,234
2027(12)	12,113	175	0	107	308	0	6,323
2028(12)	12,355	179	0	82	314	0	6,419
2029(12)	12,602	182	0	59	320	0	6,521
2030(12)	12,854	186	0	39	326	0	6,628
2031(12)	13,111	190	0	22	333	0	6,740
2032(12)	11,145	162	0	6	489	0	5,922
Total	220,821	4,099	45,355	9,403	51,248	1,497	171,868

Economic Summary

Table 3-A

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	46.10	0.00	100.00	48.62
Company (% of Contr)	48.56	0.00	100.00	48.62
Partner (% of Contr)	89.40	0.00	0.00	0.00
Contr	94.95	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2023/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	209,692	57,793	4.13	0.79
5.0	176,288	50,596	3.68	0.80
10.0	150,504	44,547	3.30	0.78
15.0	130,174	39,441	2.99	0.75
20.0	113,847	35,104	2.72	0.72
25.0	100,521	31,397	2.48	0.68

AT ROR (%)	260.09	Contr Take (%)	20.07
AT Payout (yrs)	0.83	NOC Take (%)	0.00
F&D ($US/BOE)	14.89	Gov't Take (%)	79.93

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	322,338	100.00	105.80
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	53,406	16.57	17.53
Tariffs	0	0.00	0.00
Prod & Asset Taxes	7,652	2.37	2.51
Capital Costs	50,720	15.73	16.65
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	209,692	65.05	68.82
Less Income Tax	151,898	47.12	49.85
After Tax Cash Flow	57,793	12.43	13.15

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	6,599	3,209	3,047
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	6,599	3,209	3,047

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,365	5,365	5,365
Total	(M$US)	50,720	50,720	50,720

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	352	400	-13,483	0	-13,483
2013(12)	72,352	6,094	32,640	152	1,087	719	408	31,253	25,663	5,590
2014(12)	64,574	4,401	0	158	1,200	138	416	58,262	36,339	21,923
2015(12)	48,006	4,489	0	122	866	141	424	41,964	25,623	16,341
2016(12)	37,681	4,579	0	100	658	143	433	31,769	18,947	12,821
2017(12)	28,179	4,670	0	79	466	146	442	22,376	13,366	9,009
2018(12)	21,378	4,764	0	65	328	149	450	15,622	13,279	2,343
2019(12)	16,375	4,859	0	50	226	152	459	10,628	9,034	1,594
2020(12)	11,957	4,956	0	40	136	155	469	6,201	5,271	930
2021(12)	9,403	5,055	0	35	82	158	478	3,594	3,055	539
2022(12)	7,432	5,156	0	31	41	162	488	1,554	1,321	233
2023(12)	5,001	4,383	0	23	8	138	497	-49	0	-49
Total	322,338	53,406	45,355	869	5,098	2,554	5,365	209,692	151,898	57,793

Production Detail
Ogedeh Field, Nigeria - C2: Contingent (unrisked)
Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	2	3,763	1,374	753	715	101.25	0	0	0	0	0	0.00
2014(12)	3	4,050	1,478	695	659	97.97	0	0	0	0	0	0.00
2015(12)	3	2,895	1,057	497	472	101.76	0	0	0	0	0	0.00
2016(12)	3	2,102	769	362	343	109.72	0	0	0	0	0	0.00
2017(12)	3	1,545	564	265	252	111.91	0	0	0	0	0	0.00
2018(12)	3	1,149	419	197	187	114.15	0	0	0	0	0	0.00
2019(12)	3	863	315	148	141	116.43	0	0	0	0	0	0.00
2020(12)	3	616	225	106	101	118.76	0	0	0	0	0	0.00
2021(12)	3	476	174	82	78	121.14	0	0	0	0	0	0.00
2022(12)	3	369	135	63	60	123.56	0	0	0	0	0	0.00
2023(12)	3	292	89	42	40	126.03	0	0	0	0	0	0.00
Total	---	---	6,599	3,209	3,047	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	1,374	753	715	101.25	139,065
2014(12)	0	0	0	0	0.00	1,478	695	659	97.97	144,820
2015(12)	0	0	0	0	0.00	1,057	497	472	101.76	107,516
2016(12)	0	0	0	0	0.00	769	362	343	109.72	84,393
2017(12)	0	0	0	0	0.00	564	265	252	111.91	63,111
2018(12)	0	0	0	0	0.00	419	197	187	114.15	47,879
2019(12)	0	0	0	0	0.00	315	148	141	116.43	36,673
2020(12)	0	0	0	0	0.00	225	106	101	118.76	26,779
2021(12)	0	0	0	0	0.00	174	82	78	121.14	21,060
2022(12)	0	0	0	0	0.00	135	63	60	123.56	16,644
2023(12)	0	0	0	0	0.00	89	42	40	126.03	11,201
Total	---	0	0	0	0.00	6,599	3,209	3,047	---	699,141

Revenue & Burden Detail

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

(Real values)

Pioneer Option at 0% PPT

Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	16	0	0	0	16
2013(12)	139,065	2	3,477	3	3,617	7,094	131,971	16	0	127	9	283
2014(12)	144,820	2	3,620	3	3,808	7,428	137,391	17	0	132	9	292
2015(12)	107,516	2	2,688	2	2,688	5,376	102,141	17	0	98	7	219
2016(12)	84,393	2	2,110	2	2,110	4,220	80,173	17	0	77	5	174
2017(12)	63,111	2	1,578	2	1,578	3,156	59,956	18	0	58	4	132
2018(12)	47,879	2	1,197	2	1,197	2,394	45,485	18	0	44	3	102
2019(12)	36,673	2	917	2	917	1,834	34,840	14	0	33	2	78
2020(12)	26,779	2	669	2	669	1,339	25,440	14	0	24	2	59
2021(12)	21,060	2	526	2	526	1,053	20,007	14	0	19	1	48
2022(12)	16,644	2	416	2	416	832	15,812	15	0	15	1	40
2023(12)	11,201	2	280	2	280	560	10,641	12	0	10	1	28
Total	699,141	---	17,479	---	17,806	35,285	663,856	188	0	637	44	1,471

Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	352	12,715	0	9,758	420	10,126
2013(12)	9,180	719	32,640	1,087	25,270	1,077	33,321
2014(12)	9,364	138	0	1,200	3,410	0	9,306
2015(12)	9,551	141	0	866	3,418	0	9,036
2016(12)	9,742	143	0	658	3,384	0	8,864
2017(12)	9,937	146	0	466	2,488	0	7,850
2018(12)	10,135	149	0	328	450	0	5,756
2019(12)	10,338	152	0	226	459	0	5,746
2020(12)	10,545	155	0	136	469	0	5,756
2021(12)	10,756	158	0	82	478	0	5,809
2022(12)	10,971	162	0	41	488	0	5,877
2023(12)	9,325	138	0	8	647	0	5,199
Total	109,844	2,554	45,355	5,098	50,720	1,497	112,646

Table 3-B

Economic Summary

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	44.72	0.00	0.00	46.96
Company (% of Contr)	47.13	0.00	0.00	46.96
Partner (% of Contr)	-104.69	0.00	0.00	0.00
Contr	94.89	0.00	0.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	207,974	46,937	393.55	46.65
5.0	148,659	38,335	-318.56	-61.98
10.0	111,751	32,077	-142.70	-35.86
15.0	87,483	27,398	-103.12	-30.38
20.0	70,754	23,807	-85.91	-28.24
25.0	58,751	20,987	-76.24	-27.15

AT ROR (%)	>800.00	Contr Take (%)	10.09
AT Payout (yrs)	0.00	NOC Take (%)	0.00
F&D ($US/BOE)	0.00	Gov't Take (%)	89.91

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	267,196	100.00	119.68
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	52,113	19.50	23.34
Tariffs	0	0.00	0.00
Prod & Asset Taxes	5,851	2.19	2.62
Capital Costs	528	0.20	0.24
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	207,974	77.84	93.15
Less Income Tax	161,037	60.27	72.13
After Tax Cash Flow	46,937	9.23	11.04

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	4,991	2,353	2,233
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	4,991	2,353	2,233

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	0	0	0
Abandonment	(M$US)	528	528	528
Total	(M$US)	528	528	528

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	0	0	0	-5	-171	176	0	176
2013(12)	10,393	-46	0	21	221	-27	-175	10,399	6,838	3,562
2014(12)	16,319	0	0	36	328	-3	-178	16,136	10,609	5,527
2015(12)	17,823	0	0	39	358	-3	-182	17,611	11,579	6,032
2016(12)	19,032	0	0	42	382	-3	-186	18,796	12,358	6,438
2017(12)	18,416	0	0	40	370	-3	-189	18,198	11,965	6,233
2018(12)	17,499	0	0	38	352	-3	-193	17,305	14,709	2,596
2019(12)	16,425	0	0	36	330	-3	-197	16,258	13,820	2,439
2020(12)	16,071	0	0	35	323	-3	-201	15,916	13,528	2,387
2021(12)	14,616	0	0	32	294	-3	-205	14,498	12,323	2,175
2022(12)	13,376	0	0	29	269	-3	-209	13,290	11,296	1,993
2023(12)	13,154	877	0	31	248	23	-213	12,188	10,319	1,870
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	267,196	52,113	0	730	4,306	1,545	528	207,974	161,037	46,937

Production Detail

Table 3-B

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	0	588	215	109	103	101.25	0	0	0	0	0	0.00
2014(12)	0	1,032	377	177	167	97.97	0	0	0	0	0	0.00
2015(12)	0	1,080	394	185	175	101.76	0	0	0	0	0	0.00
2016(12)	0	1,062	389	183	173	109.72	0	0	0	0	0	0.00
2017(12)	0	1,010	369	173	165	111.91	0	0	0	0	0	0.00
2018(12)	0	941	343	161	153	114.15	0	0	0	0	0	0.00
2019(12)	0	866	316	148	141	116.43	0	0	0	0	0	0.00
2020(12)	0	828	303	142	135	118.76	0	0	0	0	0	0.00
2021(12)	0	740	270	127	121	121.14	0	0	0	0	0	0.00
2022(12)	0	664	242	114	108	123.56	0	0	0	0	0	0.00
2023(12)	1	640	234	110	104	126.03	0	0	0	0	0	0.00
2024(12)	3	761	279	131	124	128.55	0	0	0	0	0	0.00
2025(12)	3	659	241	113	107	131.12	0	0	0	0	0	0.00
2026(12)	3	574	209	98	94	133.74	0	0	0	0	0	0.00
2027(12)	3	502	183	86	82	136.42	0	0	0	0	0	0.00
2028(12)	3	442	162	76	72	139.15	0	0	0	0	0	0.00
2029(12)	3	390	142	67	64	141.93	0	0	0	0	0	0.00
2030(12)	3	346	126	59	56	144.77	0	0	0	0	0	0.00
2031(12)	3	308	112	53	50	147.66	0	0	0	0	0	0.00
2032(12)	3	277	85	40	38	150.62	0	0	0	0	0	0.00
Total	---	---	4,991	2,353	2,233	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	215	109	103	101.25	21,720
2014(12)	0	0	0	0	0.00	377	177	167	97.97	36,891
2015(12)	0	0	0	0	0.00	394	185	175	101.76	40,108
2016(12)	0	0	0	0	0.00	389	183	173	109.72	42,660
2017(12)	0	0	0	0	0.00	369	173	165	111.91	41,245
2018(12)	0	0	0	0	0.00	343	161	153	114.15	39,191
2019(12)	0	0	0	0	0.00	316	148	141	116.43	36,786
2020(12)	0	0	0	0	0.00	303	142	135	118.76	35,992
2021(12)	0	0	0	0	0.00	270	127	121	121.14	32,735
2022(12)	0	0	0	0	0.00	242	114	108	123.56	29,958
2023(12)	0	0	0	0	0.00	234	110	104	126.03	29,460
2024(12)	0	0	0	0	0.00	279	131	124	128.55	35,810
2025(12)	0	0	0	0	0.00	241	113	107	131.12	31,543
2026(12)	0	0	0	0	0.00	209	98	94	133.74	28,017
2027(12)	0	0	0	0	0.00	183	86	82	136.42	25,010
2028(12)	0	0	0	0	0.00	162	76	72	139.15	22,495
2029(12)	0	0	0	0	0.00	142	67	64	141.93	20,205
2030(12)	0	0	0	0	0.00	126	59	56	144.77	18,274
2031(12)	0	0	0	0	0.00	112	53	50	147.66	16,589
2032(12)	0	0	0	0	0.00	85	40	38	150.62	12,746
Total	---	0	0	0	0.00	4,991	2,353	2,233	---	597,435

Revenue & Burden Detail

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

(Real values)

Pioneer Option at 0% PPT

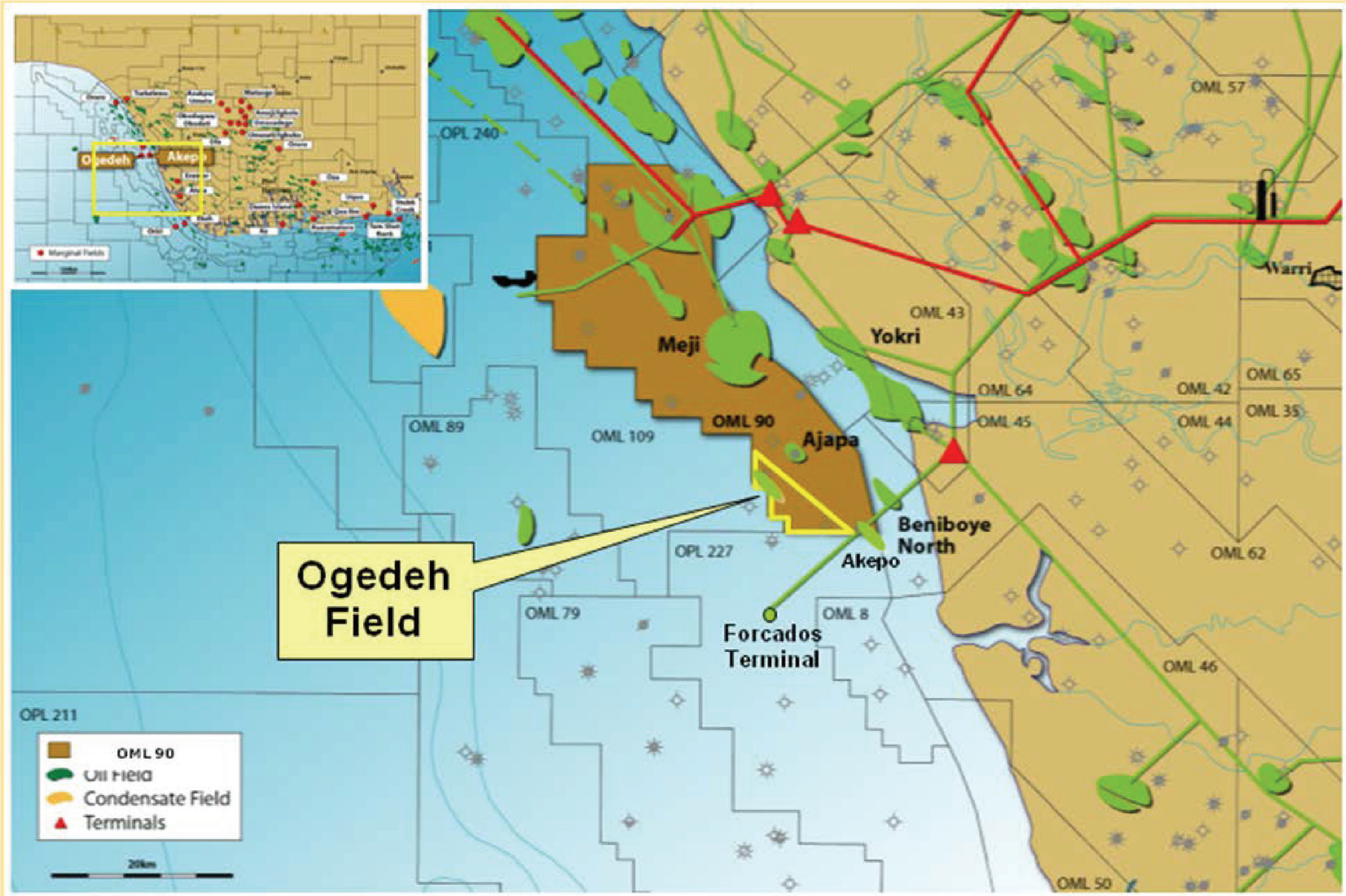
Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	0	0	0	0	0
2013(12)	21,720	2	543	3	652	1,195	20,525	0	0	20	1	42
2014(12)	36,891	3	1,062	3	1,107	2,169	34,722	0	0	33	3	72
2015(12)	40,108	2	1,003	3	1,183	2,186	37,922	0	0	36	3	78
2016(12)	42,660	2	1,066	3	1,101	2,167	40,493	0	0	39	3	84
2017(12)	41,245	2	1,031	2	1,031	2,062	39,183	0	0	38	3	81
2018(12)	39,191	2	980	2	980	1,960	37,231	0	0	36	2	77
2019(12)	36,786	2	920	2	920	1,839	34,947	0	0	34	2	72
2020(12)	35,992	2	900	2	900	1,800	34,193	0	0	33	2	71
2021(12)	32,735	2	818	2	818	1,637	31,098	0	0	30	2	64
2022(12)	29,958	2	749	2	749	1,498	28,461	0	0	27	2	59
2023(12)	29,460	2	736	2	736	1,473	27,987	2	0	27	2	59
2024(12)	35,810	2	895	2	895	1,791	34,020	15	0	33	2	77
2025(12)	31,543	2	789	2	789	1,577	29,966	16	0	29	2	69
2026(12)	28,017	2	700	2	700	1,401	26,616	16	0	26	2	62
2027(12)	25,010	2	625	2	625	1,251	23,760	16	0	23	2	57
2028(12)	22,495	2	562	2	562	1,125	21,371	16	0	21	1	52
2029(12)	20,205	2	505	2	505	1,010	19,195	17	0	18	1	48
2030(12)	18,274	2	457	2	457	914	17,360	17	0	17	1	44
2031(12)	16,589	2	415	2	415	829	15,760	17	0	15	1	41
2032(12)	12,746	2	319	2	319	637	12,109	15	0	12	1	32
Total	597,435	---	15,076	---	15,444	30,519	566,915	148	0	544	38	1,241

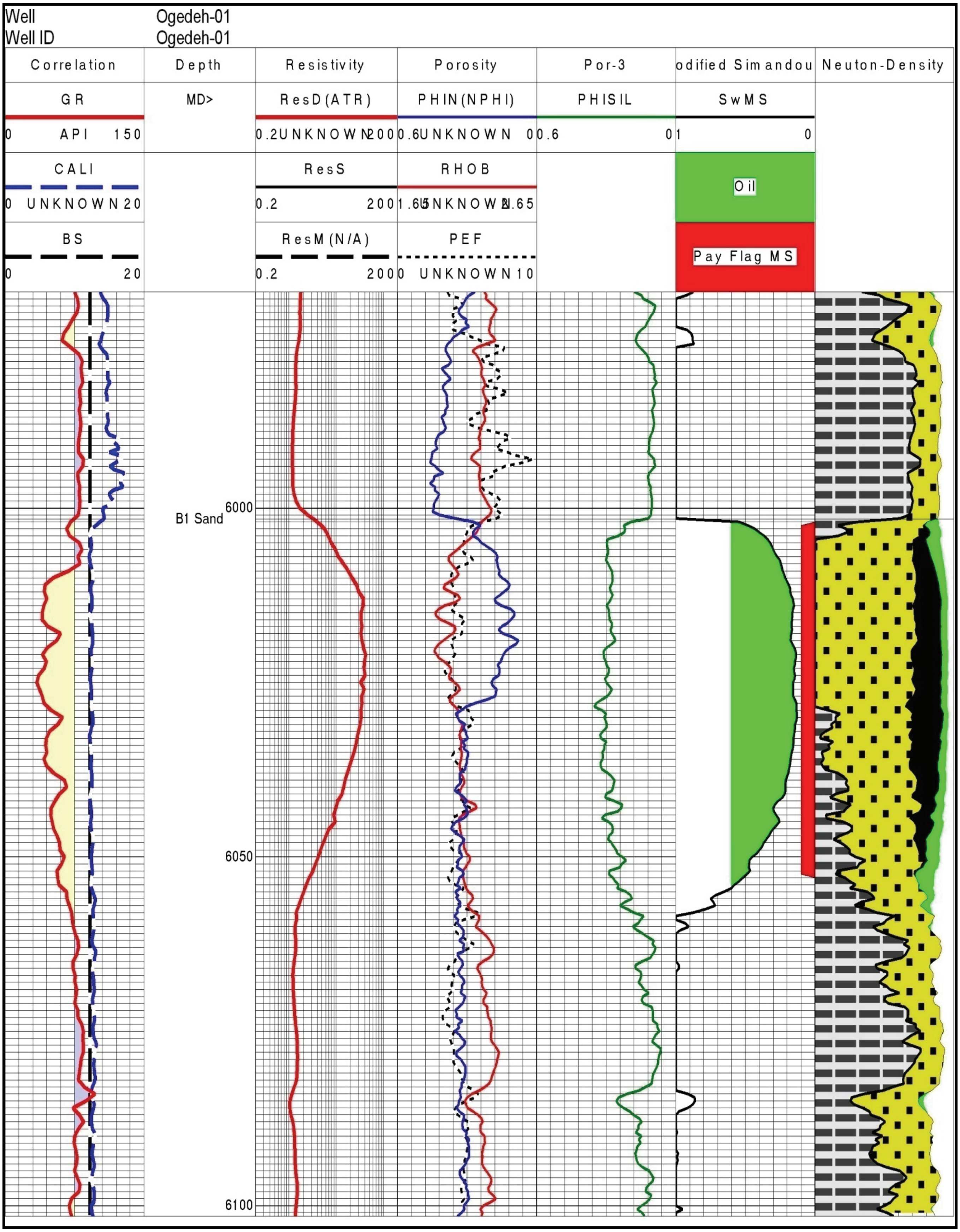
Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	-5	0	0	-171	0	-176
2013(12)	0	-27	0	221	-175	0	-7
2014(12)	0	-3	0	328	-178	0	183
2015(12)	0	-3	0	358	-182	0	213
2016(12)	0	-3	0	382	-186	0	236
2017(12)	0	-3	0	370	-189	0	218
2018(12)	0	-3	0	352	-193	0	194
2019(12)	0	-3	0	330	-197	0	167
2020(12)	0	-3	0	323	-201	0	155
2021(12)	0	-3	0	294	-205	0	118
2022(12)	0	-3	0	269	-209	0	87
2023(12)	1,865	23	0	248	-363	0	816
2024(12)	11,414	165	0	210	290	0	6,079
2025(12)	11,642	168	0	169	296	0	6,152
2026(12)	11,875	172	0	136	302	0	6,234
2027(12)	12,113	175	0	107	308	0	6,323
2028(12)	12,355	179	0	82	314	0	6,419
2029(12)	12,602	182	0	59	320	0	6,521
2030(12)	12,854	186	0	39	326	0	6,628
2031(12)	13,111	190	0	22	333	0	6,740
2032(12)	11,145	162	0	6	489	0	5,922
Total	110,977	1,545	0	4,306	528	0	59,222

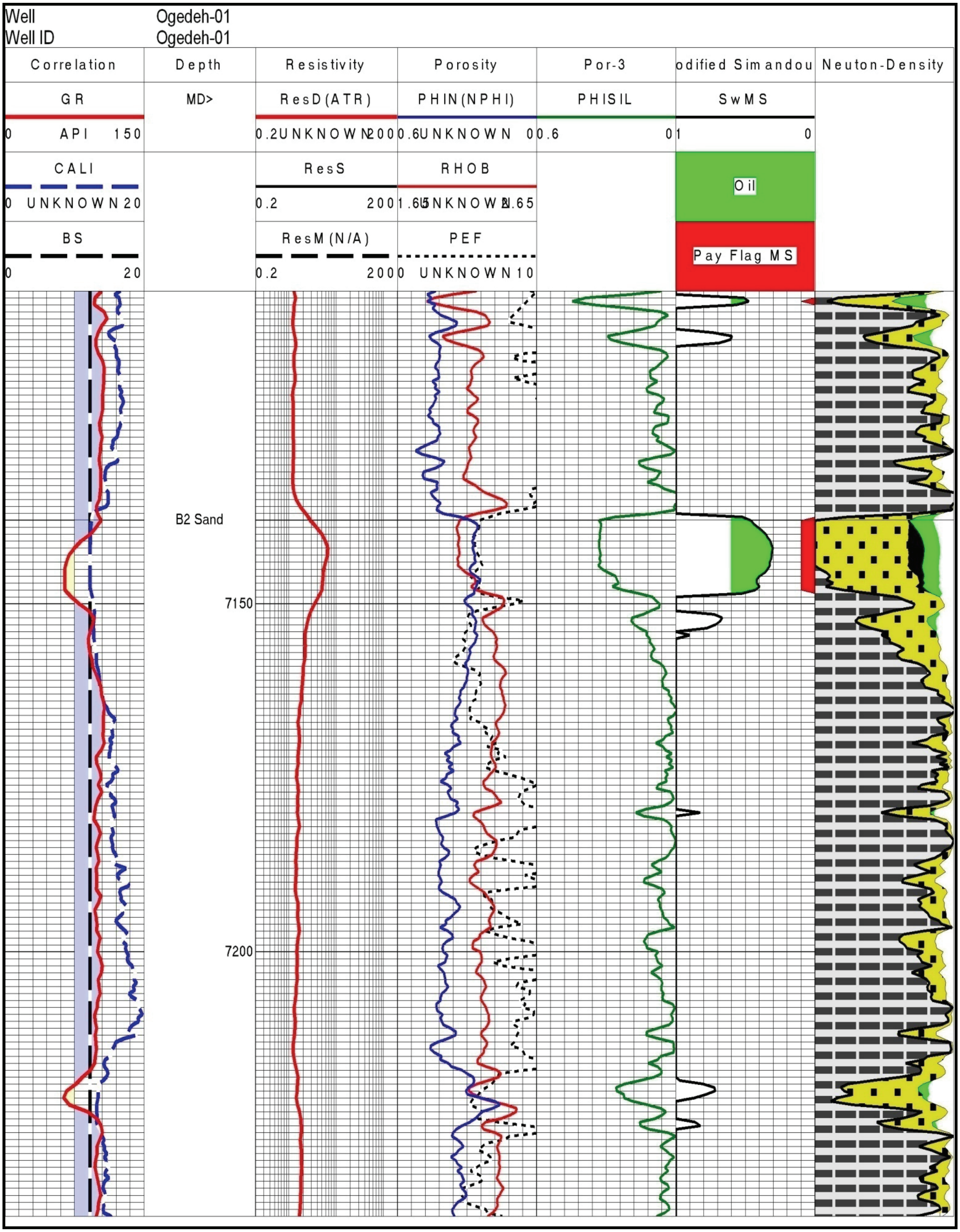
Figure 1



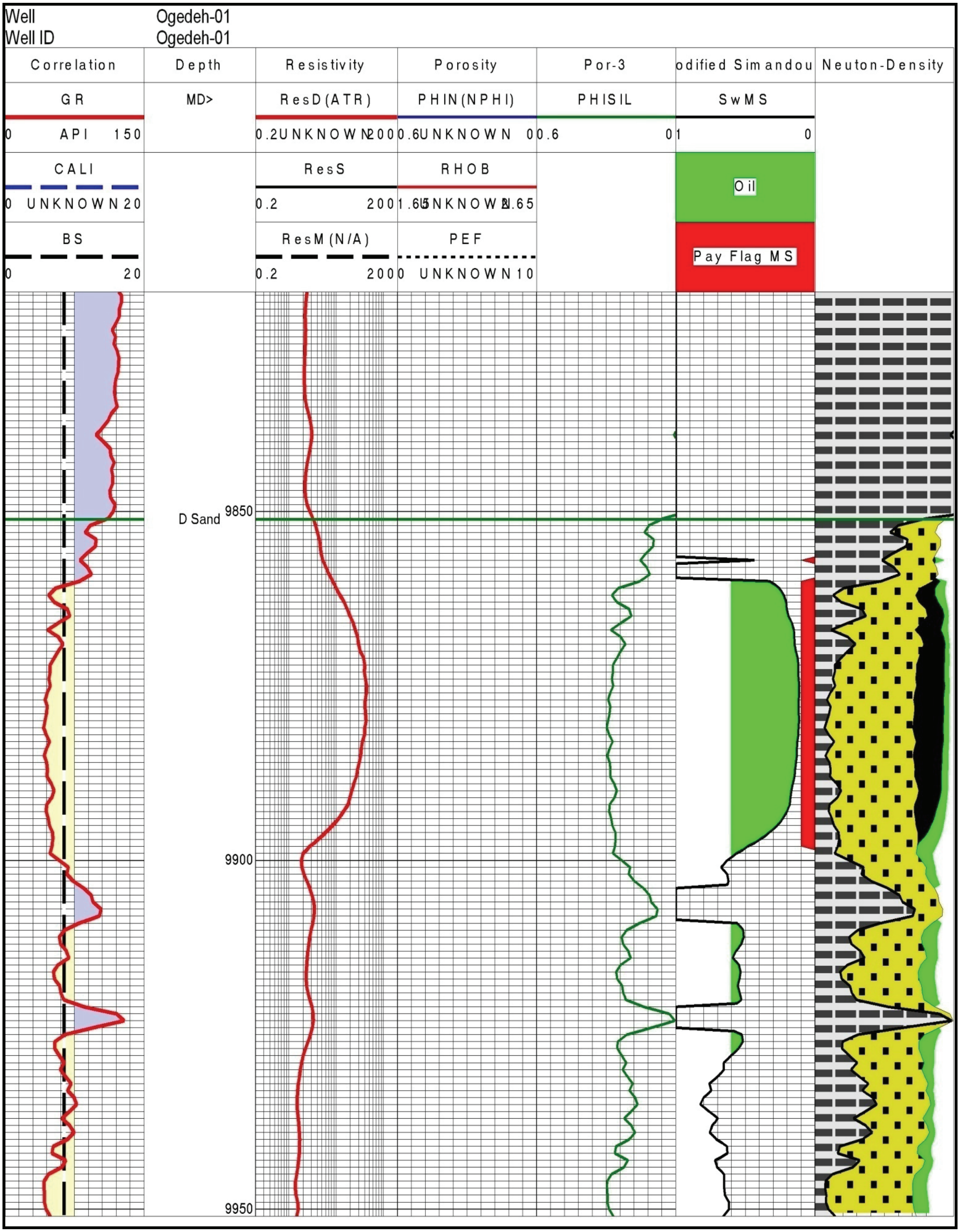
Ogedeh Field Location Map



Ogedeh-01 Well Log Interpretation of Agbada B1 Sand



Ogedeh-01 Well Log Interpretation of Agbada B2 Sand



Ogedeh-01 Well Log Interpretation of Agbada D4 Sand

APPENDIX A

RESOURCE DEFINITIONS

Appendix A — Resource Definitions

This discussion has been excerpted from Sections 5.2 and 5.3 of the Canadian Oil and Gas Evaluation Handbook, Second Edition, September 1, 2007.

The following definitions relate to the subdivisions in the SPE-PRMS resources classification framework and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

Total Petroleum Initially-In-Place (PIIP) *is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").*

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) *is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.* The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

> ***Production*** *is the cumulative quantity of petroleum that has been recovered at a given date.*
>
> **Reserves** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.
>
> ***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. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. *Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.*

Unrecoverable *is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.*

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) *is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered.* The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable."

Prospective Resources *are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.*

Resource Categories

Due to the high uncertainty in estimating resources, evaluations of these assets require some type of probabilistic methodology. When evaluating resources, in particular, contingent and prospective resources, the following mutually exclusive categories are recommended:

- Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P_{90} confidence level.

- Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P_{50}/median, or arithmetic average/mean).

- High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P_{10} confidence level.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within Contingent and Prospective Resources.

Company Gross Contingent Resources are the Company's working interest share of the contingent resources, before deduction of any royalties.

Company Net Contingent Resources are the gross contingent resources of the properties in which the Company has an interest, less all royalties and interests owned by others.

Fair Market Value is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.

APPENDIX B

PRICES (AS OF JUNE 30, 2012)

Appendix B — Prices (As of June 30, 2012)

Sproule's short-term outlook for oil prices adopts the NYMEX futures market for the forecast period ending **June 30, 2015**. The forecast used in this evaluation was derived as of **June 30, 2012**, and reflects the arithmetic average of the futures market at the close of trading each day, for the month prior to the Termination of Trading date for a **July** contract. The oil price forecasts are based on the NYMEX Division light, sweet (low-sulphur) crude oil futures contract, which specifies the West Texas Intermediate crude as a deliverable.

The NYMEX oil futures prices are the foundation of Sproule's energy pricing models in the early years. This data is combined with Sproule's assumptions respecting long-term prices, inflation rates, and exchange rates. The following paragraphs briefly describe some of the key considerations included in Sproule's long-term outlook for oil price forecasts.

Oil Prices

In the long term, the price of oil will be governed by supply and demand, and the degree that OPEC is able to manage supply will be a major determinant in establishing oil prices for the next 10 years. A strong demand for crude oil, instability in the Middle East, and the increasing cost of exploration and development has served to increase the price of crude oil throughout the world. In recognition of these factors, Sproule's long-term WTI forecast has been set at **$90.00 US** per barrel (2012 dollars).

The oil price forecasts set out in Table S-2 are based on a forecast of prices for West Texas Intermediate crude at Cushing, Oklahoma. The price of this marker crude is expected to directly reflect world oil prices over the forecast period. The Nigeria Bonny Light prices were forecast based on historical pricing relationships to WTI. The actual wellhead price of oil will vary with the quality of the crude and the cost of the transportation from the wellhead to the trading hub.

APPENDIX C

ABBREVIATIONS, UNITS AND CONVERSION FACTORS

Appendix C — Abbreviations, Units and Conversion Factors

This appendix contains a list of abbreviations found in Sproule reports, a table comparing Imperial and Metric units, and conversion tables used to prepare this report.

Abbreviations

AFE	authority for expenditure
AOF	absolute open flow
APO	after pay out
B_g	gas formation volume factor
B_o	oil formation volume factor
bopd	barrels of oil per day
bfpd	barrels of fluid per day
BPO	before pay out
BS&W	basic sediment and water
BTU	British thermal unit
bwpd	barrels of water per day
CF	casing flange
CGR	condensate gas ratio
D&A	dry and abandoned
DCQ	daily contract quantity
DSU	drilling spacing unit
DST	drill stem test
EOR	enhanced oil recovery
EPSA	exploration and production sharing agreement
FVF	formation volume factor
GOR	gas-oil ratio
GORR	gross overriding royalty
GWC	gas-water-contact
HCPV	hydrocarbon pore volume
ID	inside diameter
IOR	improved oil recovery
IPR	inflow performance relationship
IRR	internal rate of return
k	permeability
KB	kelly bushing
LKH	lowest known hydrocarbons
LNG	liquefied natural gas

LPG	liquefied petroleum gas
md	millidarcies
MDT	modular formation dynamics tester
MPR	maximum permissive rate
MRL	maximum rate limitation
NGL	natural gas liquids
NORR	net overriding royalty
NPI	net profits interest
NPV	net present value
OD	outside diameter
OGIP	original gas in place
OOIP	original oil in place
ORRI	overriding royalty interest
OWC	oil-water-contact
P1	proved
P2	probable
P3	possible
P&NG	petroleum and natural gas
PI	productivity index
ppm	parts per million
PSU	production spacing unit
PSA	production sharing agreement
PSC	production sharing contract
PVT	pressure-volume-temperature
RFT	repeat formation tester
RT	rotary table
SCAL	special core analysis
SS	subsea
TVD	true vertical depth
WGR	water gas ratio
WI	working interest
WOR	water oil ratio
2D	two-dimensional
3D	three-dimensional
4D	four-dimensional
1P	proved
2P	proved plus probable
3P	proved plus probable plus possible
^{o}API	degrees API (American Petroleum Institute)

Imperial and Metric Units

Imperial Units			Metric Units	
M (10^3)	one thousand	**Prefixes**	k (10^3)	one thousand
MM (10^6)	Million		M (10^6)	million
B (10^9)	one billion		T (10^{12})	one billion
T (10^{12})	one trillion		E (10^{18})	one trillion
			G (10^9)	one milliard
in.	Inches	**Length**	cm	centimetres
ft	Feet		m	metres
mi	Mile		km	kilometres
ft^2	square feet	**Area**	m^2	square metres
ac	Acres		ha	hectares
cf or ft^3	cubic feet	**Volume**	m^3	cubic metres
scf	Standard cubic feet			
gal	Gallons		L	litres
Mcf	Thousand cubic feet			
Mcfpd	Thousand cubic feet per day			
MMcf	million cubic feet			
MMcfpd	million cubic feet per day			
Bcf	billion cubic feet (10^9)			
bbl	Barrels		m^3	cubic metre
Mbbl	Thousand barrels			
stb	stock tank barrel		stm^3	stock tank cubic metres
bbl/d	barrels per day		m^3/d	cubic metre per day
bbl/mo	barrels per month			
Btu	British thermal units	**Energy**	J	joules
			MJ/m^3	megajoules per cubic metre (10^6)
			TJ/d	terajoule per day (10^{12})
oz	ounce	**Mass**	g	gram
lb	pounds		kg	kilograms
ton	ton		t	tonne
lt	long tons			
Mlt	thousand long tons			
psi	pounds per square inch	**Pressure**	Pa	pascals
			kPa	kilopascals (10^3)
psia	pounds per square inch absolute			
psig	pounds per square inch gauge			
°F	degrees Fahrenheit	**Temperature**	°C	degrees Celsius
°R	degrees Rankine		K	Kelvin
M$	thousand dollars	**Dollars**	k$	thousand dollars

Imperial and Metric Units (Cont'd)

Imperial Units			Metric Units	
sec	second	**Time**	s	second
min	minute		min	minute
hr	hour		h	hour
day	day		d	day
wk	week			week
mo	month			month
yr	year		a	annum

Conversion Tables

Conversion Factors — Metric to Imperial

cubic metres (m^3) (@ 15°C)	x 6.29010	= barrels (bbl) (@ 60°F), water
m^3 (@ 15°C)	x 6.3300	= bbl (@ 60°F), Ethane
m^3 (@ 15°C)	x 6.30001	= bbl (@ 60°F), Propane
m^3 (@ 15°C)	x 6.29683	= bbl (@ 60°F), Butanes
m^3 (@ 15°C)	x 6.29287	= bbl (@ 60°F), oil, Pentanes Plus
m^3 (@ 101.325 kPaa, 15°C)	x 0.0354937	= thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)
1,000 cubic metres (10^3m^3) (@ 101.325 kPaa, 15°C)	x 35.49373	= Mcf (@ 14.65 psia, 60°F)
hectares (ha)	x 2.4710541	= acres
1,000 square metres (10^3m^2)	x 0.2471054	= acres
10,000 cubic metres (ha·m)	x 8.107133	= acre feet (ac-ft)
$m^3/10^3m^3$ (@ 101.325 kPaa, 15° C)	x 0.0437809	= Mcf/Ac.ft. (@ 14.65 psia, 60°F)
joules (j)	x 0.000948213	= Btu
megajoules per cubic metre (MJ/m^3) (@ 101.325 kPaa, 15°C)	x 26.714952	= British thermal units per standard cubic foot (Btu/scf) (@ 14.65 psia, 60°F)
dollars per gigajoule ($/GJ)	x 1.054615	= $/Mcf (1,000 Btu gas)
metres (m)	x 3.28084	= feet (ft)
kilometres (km)	x 0.6213712	= miles (mi)
dollars per 1,000 cubic metres ($\$/10^3m^3$)	x 0.0288951	= dollars per thousand cubic feet ($/Mcf) (@ 15.025 psia) B.C.
($\$/10^3m^3$)	x 0.02817399	= $/Mcf (@ 14.65 psia) Alta.
dollars per cubic metre ($\$/m^3$)	x 0.158910	= dollars per barrel ($/bbl)
gas/oil ratio (GOR) (m^3/m^3)	x 5.640309	= GOR (scf/bbl)
kilowatts (kW)	x 1.341022	= horsepower
kilopascals (kPa)	x 0.145038	= psi
tonnes (t)	x 0.9842064	= long tons (LT)
kilograms (kg)	x 2.204624	= pounds (lb)
litres (L)	x 0.2199692	= gallons (Imperial)
litres (L)	x 0.264172	= gallons (U.S.)
cubic metres per million cubic metres ($m^3/10^6m^3$) (C_3)	x 0.177496	= barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia)
$m^3/10^6m^3$ (C_4)	x 0.1774069	= bbl/MMcf (@ 14.65 psia)
$m^3/10^6m^3$ (C_{5+})	x 0.1772953	= bbl/MMcf (@ 14.65 psia)
tonnes per million cubic metres ($t/10^6m^3$) (sulphur)	x 0.0277290	= LT/MMcf (@ 14.65 psia)
millilitres per cubic meter (mL/m^3) (C_{5+})	x 0.0061974	= gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf)
(mL/m^3) (C_{5+})	x 0.0074428	= gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf)
Kelvin (K)	x 1.8	= degrees Rankine (°R)
millipascal seconds (mPa·s)	x 1.0	= centipoise

Conversion Tables (Cont'd)

Conversion Factors — Imperial to Metric		
barrels (bbl) (@ 60°F)	x 0.15898	= cubic metres (m^3) (@ 15°C), water
bbl (@ 60°F)	x 0.15798	= m^3 (@ 15°C), Ethane
bbl (@ 60°F)	x 0.15873	= m^3 (@ 15°C), Propane
bbl (@ 60°F)	x 0.15881	= m^3 (@ 15°C), Butanes
bbl (@ 60°F)	x 0.15891	= m^3 (@ 15°C), oil, Pentanes Plus
thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)	x 28.17399	= m^3 (@ 101.325 kPaa, 15°C)
Mcf (@ 14.65 psia, 60°F)	x .02817399	= 1,000 cubic metres (10^3m^3) (@ 101.325 kPaa, 15°C)
acres	x 0.4046856	= hectares (ha)
acres	x 4.046856	= 1,000 square metres (10^3m^2)
acre feet (ac-ft)	x 0.123348	= 10,000 cubic metres (10^4m^3) (ha·m)
Mcf/ac-ft (@ 14.65 psia, 60°F)	x 22.841028	= $10^3m^3/m^3$ (@ 101.325 kPaa, 15°C)
Btu	x 1054.615	= joules (J)
British thermal units per standard cubic foot (Btu/Scf) (@ 14.65 psia, 60°F)	x .03743222	= megajoules per cubic metre (MJ/m^3) (@ 101.325 kPaa, 15°C)
$/Mcf (1,000 Btu gas)	x 0.9482133	= dollars per gigajoule ($/GJ)
$/Mcf (@ 14.65 psia, 60°F) Alta.	x 35.49373	= $\$/10^3m^3$ (@ 101.325 kPaa, 15°C)
$/Mcf (@ 15.025 psia, 60°F), B.C.	x 34.607860	= $\$/10^3m^3$ (@ 101.325 kPaa, 15°C)
feet (ft)	x 0.3048	= metres (m)
miles (mi)	x 1.609344	= kilometres (km)
$/bbl	x 6.29287	= $\$/m^3$ (average for 30°-50° API)
GOR (scf/bbl)	x 0.177295	= gas/oil ratio (GOR) (m^3/m^3)
horsepower	x 0.7456999	= kilowatts (kW)
psi	x 6.894757	= kilopascals (kPa)
long tons (LT)	x 1.016047	= tonnes (t)
pounds (lb)	x 0.453592	= kilograms (kg)
gallons (Imperial)	x 4.54609	= litres (L) (.001 m^3)
gallons (U.S.)	x 3.785412	= litres (L) (.001 m^3)
barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia) (C_3)	x 5.6339198	= cubic metres per million cubic metres ($m^3/10^6m^3$)
bbl/MMcf (C_4)	x 5.6367593	= ($m^3/10^6m^3$)
bbl/MMcf (C_{5+})	x 5.6403087	= ($m^3/10^6m^3$)
LT/MMcf (sulphur)	x 36.063298	= tonnes per million cubic metres ($t/10^6m^3$)
gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf) (C_{5+})	x 161.3577	= millilitres per cubic meter (mL/m^3)
gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf) (C_{5+})	x 134.3584	= (mL/m^3)
degrees Rankine (°R)	x 0.555556	= Kelvin (K)
centipoises	x 1.0	= millipascal seconds (mPa·s)

APPENDIX D

Economic Sensitivity Results for a 0% PPT (Petroleum Profit Tax) During the First Five Years

Economic Summary

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

pioneer status option 0% PPT

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	45.47	0.00	100.00	47.78
Company (% of Contr)	47.90	0.00	100.00	47.78
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.92	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	417,666	278,018	8.15	4.82
5.0	324,947	237,162	6.86	4.71
10.0	262,255	204,837	5.86	4.43
15.0	217,657	178,838	5.09	4.12
20.0	184,601	157,614	4.49	3.82
25.0	159,272	140,060	4.01	3.54

AT ROR (%)	>800.00	Contr Take (%)	54.63
AT Payout (yrs)	0.75	NOC Take (%)	0.00
F&D ($US/BOE)	8.59	Gov't Take (%)	45.37

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	589,534	100.00	111.67
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	105,519	17.90	19.99
Tariffs	0	0.00	0.00
Prod & Asset Taxes	13,502	2.29	2.56
Capital Costs	51,248	8.69	9.71
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	417,666	70.85	79.11
Less Income Tax	139,648	23.69	26.45
After Tax Cash Flow	278,018	41.89	46.78

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	11,589	5,562	5,279
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	11,589	5,562	5,279

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,893	5,893	5,893
Total	(M$US)	51,248	51,248	51,248

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	347	229	-13,307	0	-13,307
2013(12)	82,745	6,047	32,640	173	1,308	691	233	41,653	0	41,653
2014(12)	80,893	4,401	0	194	1,528	135	238	74,398	0	74,398
2015(12)	65,829	4,489	0	161	1,225	138	243	59,575	0	59,575
2016(12)	56,713	4,579	0	141	1,040	141	247	50,565	0	50,565
2017(12)	46,595	4,670	0	119	836	144	252	40,573	0	40,573
2018(12)	38,877	4,764	0	103	680	147	257	32,926	27,987	4,939
2019(12)	32,800	4,859	0	85	556	149	263	26,887	22,854	4,033
2020(12)	28,027	4,956	0	75	459	152	268	22,117	18,799	3,318
2021(12)	24,019	5,055	0	67	377	156	273	18,092	15,378	2,714
2022(12)	20,808	5,156	0	60	310	159	279	14,844	12,617	2,227
2023(12)	18,155	5,259	0	55	255	162	284	12,140	10,319	1,821
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	589,534	105,519	45,355	1,599	9,403	4,099	5,893	417,666	139,648	278,018

Production Detail

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs
pioneer status option 0% PPT

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	2	4,351	1,588	862	817	101.25	0	0	0	0	0	0.00
2014(12)	3	5,082	1,855	872	826	97.97	0	0	0	0	0	0.00
2015(12)	3	3,975	1,451	682	647	101.76	0	0	0	0	0	0.00
2016(12)	3	3,164	1,158	544	517	109.72	0	0	0	0	0	0.00
2017(12)	3	2,555	932	438	416	111.91	0	0	0	0	0	0.00
2018(12)	3	2,090	763	359	341	114.15	0	0	0	0	0	0.00
2019(12)	3	1,729	631	297	282	116.43	0	0	0	0	0	0.00
2020(12)	3	1,444	529	248	236	118.76	0	0	0	0	0	0.00
2021(12)	3	1,217	444	209	198	121.14	0	0	0	0	0	0.00
2022(12)	3	1,033	377	177	168	123.56	0	0	0	0	0	0.00
2023(12)	3	884	323	152	144	126.03	0	0	0	0	0	0.00
2024(12)	3	761	279	131	124	128.55	0	0	0	0	0	0.00
2025(12)	3	659	241	113	107	131.12	0	0	0	0	0	0.00
2026(12)	3	574	209	98	94	133.74	0	0	0	0	0	0.00
2027(12)	3	502	183	86	82	136.42	0	0	0	0	0	0.00
2028(12)	3	442	162	76	72	139.15	0	0	0	0	0	0.00
2029(12)	3	390	142	67	64	141.93	0	0	0	0	0	0.00
2030(12)	3	346	126	59	56	144.77	0	0	0	0	0	0.00
2031(12)	3	308	112	53	50	147.66	0	0	0	0	0	0.00
2032(12)	3	277	85	40	38	150.62	0	0	0	0	0	0.00
Total	---	---	11,589	5,562	5,279	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	1,588	862	817	101.25	160,785
2014(12)	0	0	0	0	0.00	1,855	872	826	97.97	181,710
2015(12)	0	0	0	0	0.00	1,451	682	647	101.76	147,624
2016(12)	0	0	0	0	0.00	1,158	544	517	109.72	127,053
2017(12)	0	0	0	0	0.00	932	438	416	111.91	104,356
2018(12)	0	0	0	0	0.00	763	359	341	114.15	87,070
2019(12)	0	0	0	0	0.00	631	297	282	116.43	73,459
2020(12)	0	0	0	0	0.00	529	248	236	118.76	62,771
2021(12)	0	0	0	0	0.00	444	209	198	121.14	53,795
2022(12)	0	0	0	0	0.00	377	177	168	123.56	46,603
2023(12)	0	0	0	0	0.00	323	152	144	126.03	40,660
2024(12)	0	0	0	0	0.00	279	131	124	128.55	35,810
2025(12)	0	0	0	0	0.00	241	113	107	131.12	31,543
2026(12)	0	0	0	0	0.00	209	98	94	133.74	28,017
2027(12)	0	0	0	0	0.00	183	86	82	136.42	25,010
2028(12)	0	0	0	0	0.00	162	76	72	139.15	22,495
2029(12)	0	0	0	0	0.00	142	67	64	141.93	20,205
2030(12)	0	0	0	0	0.00	126	59	56	144.77	18,274
2031(12)	0	0	0	0	0.00	112	53	50	147.66	16,589
2032(12)	0	0	0	0	0.00	85	40	38	150.62	12,746
Total	---	0	0	0	0.00	11,589	5,562	5,279	---	1,296,576

Revenue & Burden Detail

Ogedeh Field, Nigeria - C2+C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

pioneer status option 0% PPT

Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	16	0	0	0	16
2013(12)	160,785	2	4,020	3	4,269	8,288	152,496	16	0	146	10	326
2014(12)	181,710	3	4,682	3	4,915	9,597	172,113	17	0	165	12	364
2015(12)	147,624	2	3,691	3	3,871	7,562	140,062	17	0	134	9	297
2016(12)	127,053	2	3,176	3	3,210	6,387	120,666	17	0	116	8	257
2017(12)	104,356	2	2,609	2	2,609	5,218	99,138	18	0	95	7	213
2018(12)	87,070	2	2,177	2	2,177	4,353	82,716	18	0	79	5	179
2019(12)	73,459	2	1,836	2	1,836	3,673	69,786	14	0	67	5	151
2020(12)	62,771	2	1,569	2	1,569	3,139	59,633	14	0	57	4	130
2021(12)	53,795	2	1,345	2	1,345	2,690	51,105	14	0	49	3	112
2022(12)	46,603	2	1,165	2	1,165	2,330	44,273	15	0	43	3	98
2023(12)	40,660	2	1,017	2	1,017	2,033	38,627	15	0	37	3	87
2024(12)	35,810	2	895	2	895	1,791	34,020	15	0	33	2	77
2025(12)	31,543	2	789	2	789	1,577	29,966	16	0	29	2	69
2026(12)	28,017	2	700	2	700	1,401	26,616	16	0	26	2	62
2027(12)	25,010	2	625	2	625	1,251	23,760	16	0	23	2	57
2028(12)	22,495	2	562	2	562	1,125	21,371	16	0	21	1	52
2029(12)	20,205	2	505	2	505	1,010	19,195	17	0	18	1	48
2030(12)	18,274	2	457	2	457	914	17,360	17	0	17	1	44
2031(12)	16,589	2	415	2	415	829	15,760	17	0	15	1	41
2032(12)	12,746	2	319	2	319	637	12,109	15	0	12	1	32
Total	1,296,576	---	32,554	---	33,250	65,804	1,230,771	336	0	1,182	81	2,712

Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	347	12,715	0	9,587	420	9,950
2013(12)	9,180	691	32,640	1,308	25,095	1,077	33,315
2014(12)	9,364	135	0	1,528	3,231	0	9,489
2015(12)	9,551	138	0	1,225	3,236	0	9,248
2016(12)	9,742	141	0	1,040	3,199	0	9,100
2017(12)	9,937	144	0	836	2,299	0	8,068
2018(12)	10,135	147	0	680	257	0	5,950
2019(12)	10,338	149	0	556	263	0	5,913
2020(12)	10,545	152	0	459	268	0	5,911
2021(12)	10,756	156	0	377	273	0	5,927
2022(12)	10,971	159	0	310	279	0	5,964
2023(12)	11,190	162	0	255	284	0	6,015
2024(12)	11,414	165	0	210	290	0	6,079
2025(12)	11,642	168	0	169	296	0	6,152
2026(12)	11,875	172	0	136	302	0	6,234
2027(12)	12,113	175	0	107	308	0	6,323
2028(12)	12,355	179	0	82	314	0	6,419
2029(12)	12,602	182	0	59	320	0	6,521
2030(12)	12,854	186	0	39	326	0	6,628
2031(12)	13,111	190	0	22	333	0	6,740
2032(12)	11,145	162	0	6	489	0	5,922
Total	220,821	4,099	45,355	9,403	51,248	1,497	171,868

Economic Summary

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs
pioneer status option 0% PPT

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	46.10	0.00	100.00	48.62
Company (% of Contr)	48.56	0.00	100.00	48.62
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.95	0.00	100.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2023/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	209,692	177,732	4.13	3.36
5.0	176,288	154,067	3.68	3.15
10.0	150,504	134,747	3.30	2.93
15.0	130,174	118,801	2.99	2.73
20.0	113,847	105,506	2.72	2.53
25.0	100,521	94,314	2.48	2.36

AT ROR (%)	597.29	Contr Take (%)	74.69
AT Payout (yrs)	0.83	NOC Take (%)	0.00
F&D ($US/BOE)	14.89	Gov't Take (%)	25.31

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	322,338	100.00	105.80
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	53,406	16.57	17.53
Tariffs	0	0.00	0.00
Prod & Asset Taxes	7,652	2.37	2.51
Capital Costs	50,720	15.73	16.65
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	209,692	65.05	68.82
Less Income Tax	31,960	9.91	10.49
After Tax Cash Flow	177,732	52.93	56.00

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	6,599	3,209	3,047
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	6,599	3,209	3,047

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,365	5,365	5,365
Total	(M$US)	50,720	50,720	50,720

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	12,715	16	0	352	400	-13,483	0	-13,483
2013(12)	72,352	6,094	32,640	152	1,087	719	408	31,253	0	31,253
2014(12)	64,574	4,401	0	158	1,200	138	416	58,262	0	58,262
2015(12)	48,006	4,489	0	122	866	141	424	41,964	0	41,964
2016(12)	37,681	4,579	0	100	658	143	433	31,769	0	31,769
2017(12)	28,179	4,670	0	79	466	146	442	22,376	0	22,376
2018(12)	21,378	4,764	0	65	328	149	450	15,622	13,279	2,343
2019(12)	16,375	4,859	0	50	226	152	459	10,628	9,034	1,594
2020(12)	11,957	4,956	0	40	136	155	469	6,201	5,271	930
2021(12)	9,403	5,055	0	35	82	158	478	3,594	3,055	539
2022(12)	7,432	5,156	0	31	41	162	488	1,554	1,321	233
2023(12)	5,001	4,383	0	23	8	138	497	-49	0	-49
Total	322,338	53,406	45,355	869	5,098	2,554	5,365	209,692	31,960	177,732

Production Detail
Ogedeh Field, Nigeria - C2: Contingent (unrisked)
Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs
pioneer status option 0% PPT

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	2	3,763	1,374	753	715	101.25	0	0	0	0	0	0.00
2014(12)	3	4,050	1,478	695	659	97.97	0	0	0	0	0	0.00
2015(12)	3	2,895	1,057	497	472	101.76	0	0	0	0	0	0.00
2016(12)	3	2,102	769	362	343	109.72	0	0	0	0	0	0.00
2017(12)	3	1,545	564	265	252	111.91	0	0	0	0	0	0.00
2018(12)	3	1,149	419	197	187	114.15	0	0	0	0	0	0.00
2019(12)	3	863	315	148	141	116.43	0	0	0	0	0	0.00
2020(12)	3	616	225	106	101	118.76	0	0	0	0	0	0.00
2021(12)	3	476	174	82	78	121.14	0	0	0	0	0	0.00
2022(12)	3	369	135	63	60	123.56	0	0	0	0	0	0.00
2023(12)	3	292	89	42	40	126.03	0	0	0	0	0	0.00
Total	---	---	6,599	3,209	3,047	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	1,374	753	715	101.25	139,065
2014(12)	0	0	0	0	0.00	1,478	695	659	97.97	144,820
2015(12)	0	0	0	0	0.00	1,057	497	472	101.76	107,516
2016(12)	0	0	0	0	0.00	769	362	343	109.72	84,393
2017(12)	0	0	0	0	0.00	564	265	252	111.91	63,111
2018(12)	0	0	0	0	0.00	419	197	187	114.15	47,879
2019(12)	0	0	0	0	0.00	315	148	141	116.43	36,673
2020(12)	0	0	0	0	0.00	225	106	101	118.76	26,779
2021(12)	0	0	0	0	0.00	174	82	78	121.14	21,060
2022(12)	0	0	0	0	0.00	135	63	60	123.56	16,644
2023(12)	0	0	0	0	0.00	89	42	40	126.03	11,201
Total	---	0	0	0	0.00	6,599	3,209	3,047	---	699,141

Revenue & Burden Detail

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June 30, 2012. Escalated Prices and Costs

pioneer status option 0% PPT

Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	16	0	0	0	16
2013(12)	139,065	2	3,477	3	3,617	7,094	131,971	16	0	127	9	283
2014(12)	144,820	2	3,620	3	3,808	7,428	137,391	17	0	132	9	292
2015(12)	107,516	2	2,688	2	2,688	5,376	102,141	17	0	98	7	219
2016(12)	84,393	2	2,110	2	2,110	4,220	80,173	17	0	77	5	174
2017(12)	63,111	2	1,578	2	1,578	3,156	59,956	18	0	58	4	132
2018(12)	47,879	2	1,197	2	1,197	2,394	45,485	18	0	44	3	102
2019(12)	36,673	2	917	2	917	1,834	34,840	14	0	33	2	78
2020(12)	26,779	2	669	2	669	1,339	25,440	14	0	24	2	59
2021(12)	21,060	2	526	2	526	1,053	20,007	14	0	19	1	48
2022(12)	16,644	2	416	2	416	832	15,812	15	0	15	1	40
2023(12)	11,201	2	280	2	280	560	10,641	12	0	10	1	28
Total	699,141	---	17,479	---	17,806	35,285	663,856	188	0	637	44	1,471

Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	352	12,715	0	9,758	420	10,126
2013(12)	9,180	719	32,640	1,087	25,270	1,077	33,321
2014(12)	9,364	138	0	1,200	3,410	0	9,306
2015(12)	9,551	141	0	866	3,418	0	9,036
2016(12)	9,742	143	0	658	3,384	0	8,864
2017(12)	9,937	146	0	466	2,488	0	7,850
2018(12)	10,135	149	0	328	450	0	5,756
2019(12)	10,338	152	0	226	459	0	5,746
2020(12)	10,545	155	0	136	469	0	5,756
2021(12)	10,756	158	0	82	478	0	5,809
2022(12)	10,971	162	0	41	488	0	5,877
2023(12)	9,325	138	0	8	647	0	5,199
Total	109,844	2,554	45,355	5,098	50,720	1,497	112,646

Economic Summary

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June, 30, 2012. Escalated Prices and Costs

pioneer status option 0% PPT

Company Description

	Net Revenue	Net Expl	Net Dev	Net Opex
Company (% of Total)	44.72	0.00	0.00	46.96
Company (% of Contr)	47.13	0.00	0.00	46.96
Partner (% of Contr)	0.00	0.00	0.00	0.00
Contr	94.89	0.00	0.00	100.00
NOC	0.00	0.00	0.00	0.00

Model	Nigeria R/T (2000)James Bay
Global Params	SIL as of June 30, 2012
Escalation Date	2012/07
Discount Date	2012/07
Economic Limit	2032/10

Company Economic Indicators

Disc. Rate (%)	BT NPV (M$US)	AT NPV (M$US)	BT PIR (fraction)	AT PIR (fraction)
0	207,974	100,286	393.55	144.47
5.0	148,659	83,095	-318.56	-154.91
10.0	111,751	70,090	-142.70	-82.88
15.0	87,483	60,036	-103.12	-67.65
20.0	70,754	52,108	-85.91	-61.51
25.0	58,751	45,746	-76.24	-58.26

AT ROR (%)	>800.00	Contr Take (%)	32.40
AT Payout (yrs)	0.00	NOC Take (%)	0.00
F&D ($US/BOE)	0.00	Gov't Take (%)	67.60

Company Economics (per Unit)

	(M$US)	(%)	($US/BOE)
Net Revenue	267,196	100.00	119.68
Less:			
Bonuses & Fees	0	0.00	0.00
Operating Costs	52,113	19.50	23.34
Tariffs	0	0.00	0.00
Prod & Asset Taxes	5,851	2.19	2.62
Capital Costs	528	0.20	0.24
Plus: Other Income/Expense	0	0.00	0.00
Before Tax Cash Flow	207,974	77.84	93.15
Less Income Tax	107,688	40.30	48.23
After Tax Cash Flow	100,286	28.57	34.20

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	4,991	2,353	2,233
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	4,991	2,353	2,233

		Project	Contr	Company
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	0	0	0
Abandonment	(M$US)	528	528	528
Total	(M$US)	528	528	528

Company Cash Flow

Date	WI Comp Net Revenue Total	Total Operating Costs	Capital	Gov't Duties & Fees	Education Tax	NDDC Levy	Aband	BTCF	PPT	ATCF
	M$US	M$US		M$US	M$US	M$US	M$US	M$US	M$US	M$US
2012(12)	0	0	0	0	0	-5	-171	176	0	176
2013(12)	10,393	-46	0	21	221	-27	-175	10,399	0	10,399
2014(12)	16,319	0	0	36	328	-3	-178	16,136	0	16,136
2015(12)	17,823	0	0	39	358	-3	-182	17,611	0	17,611
2016(12)	19,032	0	0	42	382	-3	-186	18,796	0	18,796
2017(12)	18,416	0	0	40	370	-3	-189	18,198	0	18,198
2018(12)	17,499	0	0	38	352	-3	-193	17,305	14,709	2,596
2019(12)	16,425	0	0	36	330	-3	-197	16,258	13,820	2,439
2020(12)	16,071	0	0	35	323	-3	-201	15,916	13,528	2,387
2021(12)	14,616	0	0	32	294	-3	-205	14,498	12,323	2,175
2022(12)	13,376	0	0	29	269	-3	-209	13,290	11,296	1,993
2023(12)	13,154	877	0	31	248	23	-213	12,188	10,319	1,870
2024(12)	15,989	5,365	0	50	210	165	290	9,910	8,423	1,486
2025(12)	14,084	5,472	0	46	169	168	296	7,932	6,742	1,190
2026(12)	12,509	5,581	0	43	136	172	302	6,276	5,335	941
2027(12)	11,167	5,693	0	41	107	175	308	4,844	4,118	727
2028(12)	10,044	5,807	0	38	82	179	314	3,625	3,081	544
2029(12)	9,022	5,923	0	36	59	182	320	2,501	2,126	375
2030(12)	8,159	6,041	0	35	39	186	326	1,531	1,301	230
2031(12)	7,407	6,162	0	34	22	190	333	667	567	100
2032(12)	5,691	5,238	0	27	6	162	340	-82	0	-82
Total	267,196	52,113	0	730	4,306	1,545	528	207,974	107,688	100,286

Production Detail

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

Prod'n Start: 2013/01, As Of: June, 30, 2012. Escalated Prices and Costs
pioneer status option 0% PPT

Prod Detail 1

Date	# of Oil Wells	Project Oil Rate	Project Oil Volume	Comp WI Oil Volume	Comp Net Volume Oil	Oil Price	# of Gas Wells	Project Gas Rate	Project Gas Volume	Comp Gross Gas Volume	Comp Gas Volume	Gas Price
		Bbl/d	MSTB	MSTB	MSTB	$US/Bbl		mcf/d	MMSCF	MMSCF	MMSCF	$US/mcf
2012(12)	0	0	0	0	0	0.00	0	0	0	0	0	0.00
2013(12)	0	588	215	109	103	101.25	0	0	0	0	0	0.00
2014(12)	0	1,032	377	177	167	97.97	0	0	0	0	0	0.00
2015(12)	0	1,080	394	185	175	101.76	0	0	0	0	0	0.00
2016(12)	0	1,062	389	183	173	109.72	0	0	0	0	0	0.00
2017(12)	0	1,010	369	173	165	111.91	0	0	0	0	0	0.00
2018(12)	0	941	343	161	153	114.15	0	0	0	0	0	0.00
2019(12)	0	866	316	148	141	116.43	0	0	0	0	0	0.00
2020(12)	0	828	303	142	135	118.76	0	0	0	0	0	0.00
2021(12)	0	740	270	127	121	121.14	0	0	0	0	0	0.00
2022(12)	0	664	242	114	108	123.56	0	0	0	0	0	0.00
2023(12)	1	640	234	110	104	126.03	0	0	0	0	0	0.00
2024(12)	3	761	279	131	124	128.55	0	0	0	0	0	0.00
2025(12)	3	659	241	113	107	131.12	0	0	0	0	0	0.00
2026(12)	3	574	209	98	94	133.74	0	0	0	0	0	0.00
2027(12)	3	502	183	86	82	136.42	0	0	0	0	0	0.00
2028(12)	3	442	162	76	72	139.15	0	0	0	0	0	0.00
2029(12)	3	390	142	67	64	141.93	0	0	0	0	0	0.00
2030(12)	3	346	126	59	56	144.77	0	0	0	0	0	0.00
2031(12)	3	308	112	53	50	147.66	0	0	0	0	0	0.00
2032(12)	3	277	85	40	38	150.62	0	0	0	0	0	0.00
Total	---	---	4,991	2,353	2,233	---	---	---	0	0	0	0.00

Prod Detail 2

Date	Project NGL Rate	Project NGL Volume	Comp Gross Reserves NGL	Comp Net NGL Volume	NGL Price	Project BOE Volume	Comp Gross BOE Volume	Comp Net BOE Volume	Blended BOE Price	Total Project Revenue
	Bbl/d	MSTB	MSTB	MSTB	$US/Bbl	MBOE	MSTB	MBOE	$US/BOE	M$US
2012(12)	0	0	0	0	0.00	0	0	0	0.00	0
2013(12)	0	0	0	0	0.00	215	109	103	101.25	21,720
2014(12)	0	0	0	0	0.00	377	177	167	97.97	36,891
2015(12)	0	0	0	0	0.00	394	185	175	101.76	40,108
2016(12)	0	0	0	0	0.00	389	183	173	109.72	42,660
2017(12)	0	0	0	0	0.00	369	173	165	111.91	41,245
2018(12)	0	0	0	0	0.00	343	161	153	114.15	39,191
2019(12)	0	0	0	0	0.00	316	148	141	116.43	36,786
2020(12)	0	0	0	0	0.00	303	142	135	118.76	35,992
2021(12)	0	0	0	0	0.00	270	127	121	121.14	32,735
2022(12)	0	0	0	0	0.00	242	114	108	123.56	29,958
2023(12)	0	0	0	0	0.00	234	110	104	126.03	29,460
2024(12)	0	0	0	0	0.00	279	131	124	128.55	35,810
2025(12)	0	0	0	0	0.00	241	113	107	131.12	31,543
2026(12)	0	0	0	0	0.00	209	98	94	133.74	28,017
2027(12)	0	0	0	0	0.00	183	86	82	136.42	25,010
2028(12)	0	0	0	0	0.00	162	76	72	139.15	22,495
2029(12)	0	0	0	0	0.00	142	67	64	141.93	20,205
2030(12)	0	0	0	0	0.00	126	59	56	144.77	18,274
2031(12)	0	0	0	0	0.00	112	53	50	147.66	16,589
2032(12)	0	0	0	0	0.00	85	40	38	150.62	12,746
Total	---	0	0	0	0.00	4,991	2,353	2,233	---	597,435

Revenue & Burden Detail
Ogedeh Field, Nigeria - C3: Contingent (unrisked)
Prod'n Start: 2013/01, As Of: June, 30, 2012. Escalated Prices and Costs
pioneer status option 0% PPT

Revenue & Burden Detail1

Date	Total Revenue	Marginal Fields Royalty Rate	Marginal Field Royalty	ORR Rate	Over-riding Royalty	Total Oil Royalty	Total Contr Revenue	Surface Rental	Import Duties	NESS Fee	CBN Commision	Total Gov't Duties & Fees
	M$US	%	M$US	%	M$US	M$US	M$US	M$US	M$US	M$US	M$US	
2012(12)	0	0	0	0	0	0	0	0	0	0	0	0
2013(12)	21,720	2	543	3	652	1,195	20,525	0	0	20	1	42
2014(12)	36,891	3	1,062	3	1,107	2,169	34,722	0	0	33	3	72
2015(12)	40,108	2	1,003	3	1,183	2,186	37,922	0	0	36	3	78
2016(12)	42,660	2	1,066	3	1,101	2,167	40,493	0	0	39	3	84
2017(12)	41,245	2	1,031	2	1,031	2,062	39,183	0	0	38	3	81
2018(12)	39,191	2	980	2	980	1,960	37,231	0	0	36	2	77
2019(12)	36,786	2	920	2	920	1,839	34,947	0	0	34	2	72
2020(12)	35,992	2	900	2	900	1,800	34,193	0	0	33	2	71
2021(12)	32,735	2	818	2	818	1,637	31,098	0	0	30	2	64
2022(12)	29,958	2	749	2	749	1,498	28,461	0	0	27	2	59
2023(12)	29,460	2	736	2	736	1,473	27,987	2	0	27	2	59
2024(12)	35,810	2	895	2	895	1,791	34,020	15	0	33	2	77
2025(12)	31,543	2	789	2	789	1,577	29,966	16	0	29	2	69
2026(12)	28,017	2	700	2	700	1,401	26,616	16	0	26	2	62
2027(12)	25,010	2	625	2	625	1,251	23,760	16	0	23	2	57
2028(12)	22,495	2	562	2	562	1,125	21,371	16	0	21	1	52
2029(12)	20,205	2	505	2	505	1,010	19,195	17	0	18	1	48
2030(12)	18,274	2	457	2	457	914	17,360	17	0	17	1	44
2031(12)	16,589	2	415	2	415	829	15,760	17	0	15	1	41
2032(12)	12,746	2	319	2	319	637	12,109	15	0	12	1	32
Total	597,435	---	15,076	---	15,444	30,519	566,915	148	0	544	38	1,241

Revenue & Burden Detail2

Date	Total Operating Costs	NDDC Levy Total	Capital	Education Tax	Amortization	PIA	Total PPT Deduct
	M$US	M$US		M$US	M$US	M$US	M$US
2012(12)	0	-5	0	0	-171	0	-176
2013(12)	0	-27	0	221	-175	0	-7
2014(12)	0	-3	0	328	-178	0	183
2015(12)	0	-3	0	358	-182	0	213
2016(12)	0	-3	0	382	-186	0	236
2017(12)	0	-3	0	370	-189	0	218
2018(12)	0	-3	0	352	-193	0	194
2019(12)	0	-3	0	330	-197	0	167
2020(12)	0	-3	0	323	-201	0	155
2021(12)	0	-3	0	294	-205	0	118
2022(12)	0	-3	0	269	-209	0	87
2023(12)	1,865	23	0	248	-363	0	816
2024(12)	11,414	165	0	210	290	0	6,079
2025(12)	11,642	168	0	169	296	0	6,152
2026(12)	11,875	172	0	136	302	0	6,234
2027(12)	12,113	175	0	107	308	0	6,323
2028(12)	12,355	179	0	82	314	0	6,419
2029(12)	12,602	182	0	59	320	0	6,521
2030(12)	12,854	186	0	39	326	0	6,628
2031(12)	13,111	190	0	22	333	0	6,740
2032(12)	11,145	162	0	6	489	0	5,922
Total	110,977	1,545	0	4,306	528	0	59,222

SCHEDULE "B"

STOCK OPTION PLAN RESOLUTION

BE IT RESOLVED BY ORDINARY RESOLUTION THAT:

1. the amendment to the Stock Option Plan from a "rolling" plan to a "fixed number" plan so as to confirm the form of the Stock Option Plan substantially in the form as attached as **Schedule "C"** to the Information Circular dated January 9, 2013 be and is hereby approved and such plan, as hereby amended, be and is hereby adopted, ratified and confirmed as the Stock Option Plan of the Company;

2. the increase in the maximum number of Common Shares which may be issued under the Stock Option Plan be fixed at 5,608,070 Common Shares, being 20% of the issued and outstanding Common Shares of the Company on January 9, 2013, be and is hereby approved, ratified and confirmed;

3. in the event that the Financing and the Issuances are completed, the increase in the maximum number of Common Shares which may be issued under the Stock Option Plan by 1,300,000 Common Shares following the Issuances and by a further 20% of the Common Shares issued under the Financing, resulting in the maximum number Common Shares which may be issued under the Stock Option Plan being fixed at that number of Common Shares equal to 20% of the issued and outstanding Common Shares of the Company as of the date of the closing of the Financing and the Issuances, be and is hereby approved, ratified and confirmed;

4. the grant of stock options prior to the date hereof to acquire Common Shares in excess of the limit set forth in the existing Stock Option Plan, but subject to the limit set forth in the Stock Option Plan, as amended, be and is hereby ratified and approved and all outstanding stock options are continued under the Stock Option Plan, as amended;

5. the form of the Stock Option Plan may be further amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval from the Shareholders of the Company; and

6. any one director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Company be necessary or desirable to carry out the intent of the foregoing resolution.

SCHEDULE "C"

STOCK OPTION PLAN

JAMES BAY RESOURCES LIMITED

2008 AMENDED AND RESTATED
STOCK OPTION PLAN

THIS PLAN was first approved and adopted on 28th day of March, 2008 by the Board of Directors of the Corporation and ratified and approved by the shareholders on June 23, 2009, further amended and restated by the Board of Directors on May 25, 2011 and ratified and approved by the shareholders on June 29, 2011 and further amended and restated by the Board of Directors on January 9, 2012 and ratified and approved by the shareholders on or about February 4, 2013.

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** Where used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the meanings set forth below:

(a) "**Administrator**" means, initially, the President or Secretary of the Corporation and thereafter will mean such director or other senior officer or employee of the Corporation or a duly appointed committee thereof as may be designated as Administrator by the Board from time to time.

(b) "**Affiliate**" has the meaning ascribed to it in Policy 1.1 of the Exchange Corporate Finance Manual, as amended from time to time.

(c) "**Associate**" has the meaning ascribed to it in Policy 1.1 of the TSX-V Corporate Finance Manual, as amended from time to time.

(d) "**Board**" means the board of directors of the Corporation, or any duly appointed committee thereof to which the board of directors of the Corporation has delegated the power to administer and grant Options under this Plan, as constituted from time to time.

(e) "**Cause**" means, with respect to a particular Employee:

(i) "cause" as such term is defined in the written employment agreement between the Corporation and the Employee; or

(ii) in the event there is no written employment agreement between the Corporation and the Employee or "cause" is not defined in the written employment agreement between the Corporation and the Employee, the usual meaning of cause under the laws of the Province of Ontario.

(f) "**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association, or other entity other than an individual.

(g) "**Consultant**" means a person, other than an Employee or Director of the Corporation, or a Company, who:

(i) provides on a *bona fide* basis consulting, technical, management or other services to the Corporation or an Affiliate of the Corporation under a written contract;

(ii) possesses technical, business, management or other expertise of value to the Corporation or an Affiliate of the Corporation;

(iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation; and

(iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

(h) "**Corporation**" means James Bay Resources Limited, and includes any successor corporation thereto.

(i) "**Directors**" means directors, senior officers and Management Company Employees of the Corporation or an Affiliate of the Corporation to whom stock options may be granted in reliance on a prospectus exemption under applicable Securities Laws.

(j) "**Discounted Market Price**" has the meaning given to it in Policy 1.1 of the TSX-V Corporate Finance Manual.

(k) "**Disinterested Shareholder Approval**" means approval by a majority of the votes cast by all shareholders of the Corporation at a duly called and held meeting of shareholders of the Corporation, excluding votes attaching to Shares beneficially owned by:

(i) Insiders to whom Options may be granted under this Plan; and

(ii) associates of Insiders referred to in Section 1.1(k)(i) above.

(l) "**Effective Date**" means the effective date of this Plan being March 28, 2008.

(m) "**Employee**" means an individual who:

(i) is considered an employee of the Corporation or a Subsidiary of the Corporation under the *Income Tax Act* (Canada) (i.e., for whom income tax, employment insurance and CPP deductions must be made at source); or

(ii) works full-time for the Corporation or a Subsidiary of the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or

(iii) works for the Corporation or a Subsidiary of the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

(n) "**Exchange**" means the TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time.

(o) "**Exercise Notice**" means the notice respecting the exercise of an Option, in the form set out in Exhibit "I" of the Option Agreement, duly executed by the Option Holder.

(p) "**Exercise Period**" means the period during which a particular Option may be exercised and, subject to earlier termination in accordance with the terms hereof, is the period from and including the Grant Date through to and including the Expiry Date.

(q) "**Exercise Price**" means the price per Share at which Shares may be purchased under an Option duly granted under this Plan, as determined in accordance with Section 3.5 of this Plan and, if applicable, adjusted in accordance with Section 3.8 of this Plan.

(r) "**Expiry Date**" means the date determined in accordance with Section 3.3 of this Plan and after which a particular Option cannot be exercised and is deemed to be null and void and of no further force or effect.

(s) "**Grant Date**" means the date on which the Board grants a particular Option.

(t) "**Insider**" means:

(i) an Insider as defined in Section 1(1) of the Securities Act, other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary; or

(ii) an associate of an Insider, a director or senior officer of a Company that is an Insider or Subsidiary of the Corporation.

(u) "**Investor Relations Activities**" has the meaning given to it in Policy 1.1 of the TSX-V Corporate Finance Manual.

(v) "**Limit**" shall have the meaning ascribed thereto in Section 3.2 of this Plan.

(w) "**Market Price**" at any date in respect of the Shares shall be the closing price of such Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last Business Day prior to the Grant Date (or, if such Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and asked prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion.

(x) "**Management Company Employees**" means an individual employed by a person providing management services to the Corporation which are required for the on-going successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities.

(y) "**OBCA**" means the *Business Corporations Act* (Ontario) as amended from time to time.

(z) "**Option**" means an option to acquire Shares granted to a Director, Employee or Consultant pursuant to this Plan.

(aa) "**Option Agreement**" means an agreement, in the form substantially similar as that set out in Schedule "A" hereto, evidencing an Option granted under this Plan.

(bb) "**Option Holder**" means a Director, Employee or Consultant or former Director, Employee or Consultant, to whom an Option has been granted and who continues to hold an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.

(cc) "**Plan**" means this stock option plan as may be amended from time to time.

(dd) "**person**" means a Company or an individual.

(ee) "**Personal Representative**" means:

(i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and

(ii) in the case of an Option Holder who, for any reason, is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.

(ff) "**Regulatory Authorities**" means all stock exchanges and any other organized trading facilities on which the Corporation's Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.

(gg) "**Re-Organization Event**" has the meaning given in Section 3.8 of this Plan.

(hh) "**Securities Act**" means the *Securities Act* (Ontario), as amended, or such other successor legislation as may be enacted, from time to time.

(ii) "**Securities Laws**" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act.

(jj) "**Share**" or "**Shares**" means, as the case may be, one (1) or more common shares without par value in the capital stock of the Corporation as constituted on the Effective Date or, in the event of an adjustment contemplated by Section 3.8 of this Plan, such other shares or securities to which an Option Holder may be entitled upon the due exercise of an Option as a result of such adjustment.

(kk) "**Share Compensation Arrangement**" means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of Shares to one or more Directors, Employees or Consultants, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.

(ll) "**Subsidiary**" means a subsidiary as defined in the OBCA.

(mm) "**Termination Date**" means:

(i) in the case of the resignation of the Option Holder as an Employee of the Corporation, the date that the Option Holder provides notice of his or her resignation as an Employee of the Corporation to the Corporation; or

(ii) in the case of the termination of the Option Holder as an Employee of the Corporation by the Corporation for any reason other than death, the effective date of termination set out in the Corporation's notice of termination of the Option Holder as an Employee of the Corporation to the Option Holder; or

(iii) in the case of the termination of the written contract of the Option Holder to provide consulting services or Investor Relations Activities to the Corporation, the effective date of termination set out in any notice provided by one of the parties to the written contract to the other party; or

(iv) the effective date of termination of a Director, Employee or Consultant pursuant to an order made by any Regulatory Authority having jurisdiction to so order.

1.2 **Choice of Law.** This Plan is established under and the provisions of this Plan will be subject to and interpreted and construed in accordance with the laws of the Province of Ontario.

1.3 **Headings**. The headings used herein are for convenience only and are not to affect the interpretation of this Plan.

ARTICLE 2
PURPOSE AND PARTICIPATION

2.1 **Purpose**. The purpose of this Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants, to reward such of those Directors, Employees and Consultants as may be granted Options under this Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments and proprietary interests in the Corporation.

2.2 **Participation**. The Board will, from time to time and in its sole discretion, determine those Directors, Employees, Consultants (and, when applicable, to a Company wholly owned by any such Director, Employee or Consultant), if any, to whom Options are to be granted. The Board may only grant options to an Employee, Consultant or Management Company Employee if such Employee, Consultant or

Management Company Employee is a *bona fide* Employee, Consultant or Management Company Employee of the Corporation or a Subsidiary of the Corporation, as the case may be. The Board may, in its sole discretion, grant the majority of the Options to Insiders of the Corporation. However, in no case will the grant of Options under this Plan, together with any proposed or previously existing Share Compensation Arrangement, result in (in each case, as determined on the Grant Date):

(a) the number of Shares reserved for issuance pursuant to stock options granted to Insiders exceeding 10% of the Corporation's issued and outstanding Shares (on a non-diluted basis);

(b) the grant to Insiders, within any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate 10% of the Corporation's issued and outstanding Shares (on a non-diluted basis);

(c) the grant to any one individual, within any twelve-month period, Options reserving for issuance a number of Shares exceeding in the aggregate 5% of the Corporation's issued and outstanding Shares (on a non-diluted basis) unless the Corporation obtains the requisite Disinterested Shareholder Approval;

(d) the grant to all persons engaged by the Corporation to provide Investor Relations Activities, within any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate 2% of the Corporation's issued and outstanding Shares (on a non-diluted basis); or

(e) the grant to any one Consultant, in any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate 2% of the Corporation's issued and outstanding Shares (on a non-diluted basis).

Any entitlement to acquire Shares granted pursuant to this Plan or any other Share Compensation Agreement prior to the Optionee becoming an Insider shall be excluded for the purposes of calculating the limits set out in Subsections 2.2(a), (b) and (c), above.

2.3 **Notification of Grant.** Following the approval by the Board of the granting of an Option, the Administrator will notify the Option Holder in writing of the award and will enclose with such notice the Option Agreement representing the Option so granted.

2.4 **Copy of Plan.** Each Option Holder, concurrently with the notice of the award of the Option, will, upon written request, be provided with a copy of this Plan, and a copy of any amendment to this Plan will be promptly provided by the Administrator to each Option Holder.

2.5 **Limitation.** This Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Corporation, does not give any Option Holder that is an Employee the right to be or to continue to be employed by the Corporation and does not give any Option Holder that is a Consultant the right to be or continue to be retained or engaged by the Corporation as a consultant for the Corporation.

2.6 **Filing Requirements.** Each Option Holder, as a pre-condition of any grant of Options under this Plan, shall execute and deliver to the Corporation all forms and documents required to be filed with any Regulatory Authority or under Securities Laws including, without limitation:

(a) if an Option Holder is not an individual, a Certification and Undertaking Required from a Company Granted an Incentive Stock Option (Exchange Form 4F);

(b) if an Option Holder is a new Insider or is engaged to provide Investor Relations Activities, a Personal Information Form (Exchange Form 2A); and

(c) any other forms or documents as may be required by the Corporation based on the advice of its counsel.

ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS

3.1 **Board to Issue Shares.** The Shares to be issued to Option Holders upon the exercise of Options will be previously authorized but unissued Shares in the capital stock of the Corporation.

3.2 **Number of Shares Reserved.** Subject to adjustment as provided for in Section 3.8 of this Plan and any subsequent amendment to this Plan, the number of Shares reserved for issuance and which will be available for purchase pursuant to Options granted under this Plan shall not exceed 5,608,070 Shares, being 20% of the issued and outstanding Shares on January 9, 2013 (the "**Limit**"), provided that the Board shall have the right, from time to time, to increase the Limit, subject to the approval of the Exchange and the shareholders of the Corporation. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of which Option expired or terminated, as the case may be, shall not be counted towards the Limit, and will again be available for the purposes of this Plan.

[Note: In the event that the Financing and the Issuances (as defined in the Management Information Circular of the Corporation dated January 9, 2013) are completed, the maximum number of Shares which may be issued under the Plan shall be increased by 1,300,000 Shares following the Issuances and by a further 20% of the Shares issued under the Financing, resulting in the maximum number Shares which may be issued under the Plan being fixed at that number of Shares equal to 20% of the issued and outstanding Shares of the Corporation as of the date of the closing of the Financing and the Issuances.]

3.3 **Term of Option**. Subject to Section 3.4, the Expiry Date of an Option will be the date so fixed by the Board at the time the particular Option is granted, provided that such date will be no later than the tenth (10^{th}) anniversary of the Grant Date of such Option.

3.4 **Termination of Option.** Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period will terminate and become null, void and of no effect as of 5:00 p.m. (Toronto time) on the Expiry Date. The Expiry Date of an Option will be the earlier of the date so fixed by the Board at the time the Option is granted and the date established, if applicable, in subsections (a) to (d) below:

(a) Death of Option Holder

In the event that the Option Holder should die while he or she is still a Director (if he or she holds his or her Option as a Director), an Employee (if he or she holds his or her Option as an Employee) or a Consultant (if he or she holds his or her Option as a Consultant), the Expiry Date will be the first anniversary of the Option Holder's date of death.

(b) Ceasing to Hold Office

In the event that the Option Holder holds his or her Option as a Director of the Corporation and such Option Holder ceases to be a Director of the Corporation other than by reason of death, the Expiry Date of the Option will not exceed the ninetieth (90^{th}) day following the date the Option Holder ceases to be a Director of the Corporation unless the Option Holder ceases to be a Director of the Corporation as a result of:

(i) ceasing to meet the qualifications of a director set forth in the OBCA; or

(ii) an ordinary resolution having been passed by the shareholders of the Corporation pursuant to subsection 122 of the OBCA; or

(iii) an order made by any Regulatory Authority having jurisdiction to so order, in which case the Expiry Date will be the date the Option Holder ceases to be a Director of the Corporation.

(c) Ceasing to be an Employee or Consultant

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Corporation and such Option Holder ceases to be an Employee or Consultant of the Corporation other than by reason of death, the Expiry Date of the Option will not exceed the ninetieth (90th) day following the Termination Date unless the Option Holder ceases to be:

(i) an Employee of the Corporation as a result of termination for Cause; or

(ii) an Employee or Consultant of the Corporation as a result of an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date.

(d) Ceasing to be a Consultant Providing Investor Relations Activities

Notwithstanding **subsections 3.4(a), (b) and (c)** above, in the event that the Option Holder holds his or her Option as a person engaged to provide Investor Relations Activities and such Option Holder ceases to be so engaged other than by reason of death, the Expiry Date of the Option will not exceed the 30th day following the Termination Date unless the Option Holder ceases to be so engaged as a result of:

(i) termination for Cause; or

(ii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date.

(e) Bankruptcy

In the event that an Option Holder commits an act of bankruptcy or any proceeding is commenced against an Option Holder under the *Bankruptcy and Insolvency Act* (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy or insolvency and such proceeding remains undismissed for a period of thirty

(30) days, no Option held by such Option Holder may be exercised following the date on which such Option Holder commits such act of bankruptcy or such proceeding remains undismissed, as the case may be.

Notwithstanding anything contained in this Plan, in no case will an Option be exercisable after the tenth (10^{th}) anniversary of the Grant Date of the Option.

3.5 **Exercise Price.** The price at which an Option Holder may purchase a Share upon the exercise of an Option (the "**Exercise Price**") will be determined by the Board and set forth in the Option Agreement issued in respect of such Option and, in any event, will not be less than the Discounted Market Price of the Corporation's Shares calculated as of the Grant Date. Notwithstanding anything else contained in this Plan, in no case will the Discounted Market Price be less than the minimum prescribed by each of the organized trading facilities as would apply to the Grant Date in question.

3.6 **Additional Terms.** Subject to all applicable Securities Laws of all applicable Regulatory Authorities and the policies of the Exchange, the Board may attach other terms and conditions to the grant of a particular Option, such terms and conditions to be referred to in the Option Agreement at the time of grant. These terms and conditions may include, but are not necessarily limited to, the following:

(a) providing that an Option expires on a date other than as provided for herein;

(b) providing that a portion or portions of an Option vest after certain periods of time or upon the occurrence of certain events, or expire after certain periods of time or upon the occurrence of certain events;

(c) providing that an Option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile take-over bid for the Corporation;

(d) providing that an Option issued to, held by or exercised by an Option Holder who is a citizen or resident of the United Sates of America, and otherwise meeting the statutory requirements, be treated as an "Incentive Stock Option" as that term is defined for purposes of the United States of America Internal Revenue Code of 1986, as amended; and

(e) providing that the provisions of Section 4.2 of this Plan have been complied with to the Board’s satisfaction as a condition to the exercise of an Option.

3.7 **Non-Transferability of Options.** The Options granted hereunder are not assignable, transferable or negotiable (whether by operation of law or otherwise) and may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by Section 4.1 of this Plan, exercise the Option within the Exercise Period. Upon any attempt to assign, transfer, negotiate, pledge, hypothecate or otherwise dispose of or transfer an Option contrary to this Section 3.7 of this Plan, or upon the levy of any attachment or similar process upon an Option, the Option and all rights, benefits and privileges arising thereunder or therefrom, at the sole discretion and election of the Corporation, shall cease and terminate and be of no further force or affect whatsoever.

3.8 **Adjustments.** If, prior to the complete exercise of an Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively, a "**Re-Organization Event**"), an Option, to the extent that it has not been exercised, will be adjusted by the Board in accordance with such Re-Organization Event in the manner the Board deems appropriate.

No fractional Shares will be issued upon the exercise of the Options and accordingly, if as a result of the Re-Organization Event, an Option Holder would become entitled to a fractional Share, such Option Holder will have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.9 **Vesting requirement for Investor Relation Activities.** Notwithstanding any other provision hereof, Options granted to persons engaged to provide Investor Relations Activities shall vest in stages over a period of 12 months from the Grant Date with no more than ¼ of any such Options granted vesting in any three-month period.

3.10 **Hold Periods.** In addition to any resale restrictions under Securities Laws, any Option granted under this Plan and any Shares issued upon the due exercise of any such Option so granted will be subject to a four-month Exchange hold period commencing from the Grant Date of the Option if the Exercise Price of the Option is granted at less than the Market Price, in which case the Option, and the Shares issued upon due exercise of the Option, if applicable, will bear the following legend:

> *"Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until* ***[four months and one day from the Grant Date]****."*

3.11 **No Rights as Shareholders.** An Option Holder shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the due exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

ARTICLE 4
EXERCISE OF OPTION

4.1 **Exercise of Option.** An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder. Subject to the provisions of this Plan, an Option Holder or the Personal Representative of an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. (Toronto time) on the Expiry Date by: (i) delivering to the Administrator, (a) an Exercise Notice, (b) the applicable Option Agreement, and (c) a certified cheque or bank draft payable to "**James Bay Resources Limited**" in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option; and (ii) making suitable arrangements with the Corporation, in accordance with Section 4.2, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the "**Withholding Obligations**").

4.2 **Withholding Taxes**. Upon the exercise of an Option by an Option Holder, the Corporation shall have the right to require the Option Holder to remit to the Corporation an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the amount of the Withholding Obligations (the "**Withholding Amount**") may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:

(a) the tendering by the Option Holder of cash payment to the Corporation in an amount less than or equal to the Withholding Amount; or

(b) the withholding by the Corporation from the Shares otherwise due to the Option Holder such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the Option Agreement, the Option Holder shall be deemed to have consented to such sale and have granted to the Corporation an irrevocable power of attorney to effect the sale of such Shares and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Shares; or

(c) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Option Holder, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the Option Agreement shall provide that the Option Holder (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board nor the Corporation shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board, the Corporation, nor any of its employees or representatives shall have any liability to an Option Holder (or its beneficiaries) with respect thereto.

4.3 **Issue of Share Certificates.** As soon as practicable following the receipt of the Exercise Notice and satisfaction of the other requirements set forth in Section 4.1 and 4.2, the Administrator will cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Agreement, the Option Holder will surrender the Option Agreement to the Corporation and the Administrator will forward a new Option Agreement to the Option Holder concurrently with delivery of the Share certificate for the balance of Shares available under the Option.

4.4 **Condition of Issue.** The Options and the issue of Shares by the Corporation pursuant to the exercise of Options are subject to the terms and conditions of this Plan and compliance with the rules and policies of all applicable Regulatory Authorities to the granting of such Options and to the issuance and distribution of such Shares, and to all applicable Securities Laws. The Option Holder agrees to comply with all such laws, regulations, rules and policies and agrees to furnish to the Corporation any information, reports or undertakings required to comply with and to fully cooperate with the Corporation in complying with such laws, regulations, rules and policies. Notwithstanding any of the provisions contained in this Plan or in any Option, the Corporation's obligation to issue Shares to an Option Holder pursuant to the exercise of any Option granted under the Plan shall be subject to:

(a) completion of such registration or other qualification of such Shares or obtaining approval of such Regulatory Authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed;

(c) the receipt from the Option Holder of such representations, warranties, agreements and undertakings, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the Securities Laws of any jurisdiction; and

(d) the satisfaction of any conditions on exercise prescribed pursuant to Section 3.6 and Article 5 of this Plan.

ARTICLE 5
ADMINISTRATION

5.1 **Administration**. This Plan will be administered by the Administrator on the instructions of the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with this Plan as it may deem necessary or advisable for the proper administration and operation of this Plan and such regulations will form part of this Plan. The Board may delegate to the Administrator or any director or other senior officer or employee of the Corporation such administrative duties and powers as it may see fit.

5.2 **Board Powers.** The Board shall have the power, where consistent with the general purpose and intent of this Plan and subject to the specific provisions of this Plan:

(a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of this Plan;

(b) to interpret and construe this Plan and to determine all questions arising out of this Plan or any Option, and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;

(c) to determine the number of Shares reserved for issuance by each Option;

(d) to determine the Exercise Price of each Option;

(e) to determine the time or times when Options will be granted and exercisable;

(f) to determine if the Shares which are issuable on the due exercise of an Option will be subject to any restrictions upon the due exercise of such Option; and

(g) to prescribe the form of the instruments and certificates relating to the grant, exercise and other terms of Options.

5.3 **Board Discretion**. The Board may, in its discretion, require as conditions to the grant or exercise of any Option that the Option Holder shall have:

(a) represented, warranted and agreed in form and substance satisfactory to the Corporation that the Option Holder is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Shares, for his, her or its own account, for investment and not with a view to or in connection with any distribution, that the Option Holder has had access to such information as is necessary to enable him, her or it to evaluate the merits and risks of such investment and that the Option Holder is able to bear the economic risk of holding such Shares for an indefinite period;

(b) agreed to restrictions on transfer in form and substance satisfactory to the Corporation and to an endorsement on any option agreement or certificate representing the Shares making appropriate reference to such restrictions; and

(c) agreed to indemnify the Corporation in connection with the foregoing.

5.4 **Board Requirements.** Any Option granted under this Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the Shares issuable upon due exercise of such Option upon any securities exchange or under any Securities Laws of any jurisdiction, or the consent or approval of Regulatory Authority, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

5.5 **Interpretation.** The interpretation by the Board of any of the provisions of this Plan and any determination by it pursuant thereto will be final and conclusive and will not be subject to any dispute by any Option Holder. No member of the Board or any individual acting pursuant to authority delegated by it hereunder will be liable for any action or determination in connection with this Plan made or taken in good faith and each member of the Board and each such individual will be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

ARTICLE 6
AMENDMENT AND TERMINATION

6.1 **Prospective Amendment and Termination.** The Board may amend or terminate the Plan at any time upon receipt of requisite regulatory approval including, without limitation, the approval of the Exchange, provided, however, that no such amendment may increase the maximum number of Shares that may be optioned under the Plan, change the manner of determining the minimum Option Price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the Exchange.

6.2 **Retrospective Amendment.** The Board may from time to time retrospectively amend this Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options that have been previously granted.

6.3 **Sale of Corporation, Extension of Expiration Date, Non-Applicability of Termination of Employment Provisions.** Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board in implementation thereof:

(a) in the event the Corporation proposes to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned Subsidiary) or to liquidate, dissolve or wind-up, or in the event an offer to purchase or repurchase the Shares of the Corporation or any part thereof shall be made to all or substantially all holders of Shares of the Corporation, the Corporation shall have the right, upon written notice thereof to each Option Holder holding Options under the Plan, to permit the exercise of all such Options within the twenty (20) day period next following the date of such notice and to determine that upon the expiration of such twenty (20) day period, all rights of the Option Holders to such Options or to exercise same (to the extent not theretofore exercised) shall ipso facto terminate and cease to have further force or effect whatsoever;

(b) in the event of the sale by the Corporation of all or substantially all of the assets of the Corporation as an entirety or substantially as an entirety so that the Corporation shall cease to operate as an active business, any outstanding Option may be exercised as to all or any part of the Optioned Shares in respect of which the Option Holder would have been entitled to exercise the Option in accordance with the provisions of the Plan at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is thirty (30) days following the date of completion of such sale; and (ii) the close of business on the Expiry Date of the Option; but the Option Holder shall not be entitled to exercise the Option with respect to any other Shares;

(c) subject to the rules of any relevant Regulatory Authority and the written acceptance from the Exchange, the Board may, by resolution, extend the Expiry Date of any Option. The Board shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Option Holder; and

(d) the Board may, by resolution, but subject to requirements of applicable Regulatory Authorities (including the Exchange) and Securities Laws, decide that any of the provisions hereof concerning the effect of termination of the Option Holder's employment shall not apply to any Option Holder for any reason acceptable to the Board.

Notwithstanding the provisions of this Section 6.3, should changes be required to the Plan by any Regulatory Authority of any jurisdiction to which this Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

6.4 **Regulatory Authority Approval.** This Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities.

6.5 **Disinterested Shareholder Approval.** Disinterested Shareholder Approval must be obtained for any reduction in the Exercise Price if the Option Holder is an Insider of the Corporation at the time of the proposed reduction. Furthermore, Disinterested Shareholder Approval must be obtained if the number of Shares reserved for issuance under the Plan to be granted to Insiders exceeds 10% of the issued and outstanding Shares and if the grant of Options to Insiders, within any 12-month period, exceeds 10% of the Corporation's issued and outstanding Shares.

6.6 **Agreement.** The Corporation and every Option granted hereunder will be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Corporation to be bound by the terms and conditions of this Plan.

6.7 **Effective Date of Plan.** Upon approval by the Board and ratification by the shareholders of the Corporation in accordance with the OBCA, and by acceptance by the Exchange (if the Shares are listed or posted on the Exchange and such acceptance is required), this Plan shall be deemed to be effective as of the Effective Date.

6.8 **Governing Law.** This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

NON-TRANSFERRABLE

SCHEDULE "A"

*Unless permitted under securities legislation, the holder of this security must not trade the security before **(four months and one day from the date of grant)**.*

If the Option is granted at below Market Price insert the below legend as well.

[Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until (four months and one day from the date of grant).]

*Unless otherwise defined, all capitalized terms used herein will have the meanings specified in the stock option plan adopted by James Bay Resources Limited effective as of March 28, 2008 (the "**Plan**").*

OPTION AGREEMENT

THIS AGREEMENT made as of **[•]**, 200**[•]** (the "**Effective Date**").

BETWEEN:

JAMES BAY RESOURCES LIMITED, a corporation incorporated pursuant to the laws of the Province of Ontario,

(the "**Corporation**")

OF THE FIRST PART

- and -

[•],

(the "**Optionee**")

OF THE SECOND PART.

For good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto), the Corporation and the Optionee hereby agree as follows:

1. **<u>Grant of Option</u>**

1.1 The Corporation hereby grants to the Optionee pursuant to the terms of the Plan the right and option (the "**Option**") to purchase all or any part of an aggregate of up to **[•]** Shares at a purchase price of $**[•]** per Share expiring on **[•]** and on the terms and conditions set forth herein and therein.

2. **<u>Vesting</u>**

2.1 Notwithstanding Section 1 above or any other provision of this Agreement, legal and beneficial title to the Option granted to the Optionee hereunder, in respect of the Shares and all rights, privileges and benefits arising and flowing therefrom or to arise or flow therefrom hereafter, shall vest in the Optionee and the Optionee shall be entitled to exercise said Option to purchase the Shares only in the proportion and on the dates (the "**Vesting Dates**") set out below, provided that the Optionee is a **[Consultant or Employee or Director]** of the Corporation on such Vesting Date (and has been a **[Consultant or Employee or Director]** of the Corporation continuously from the date hereof):

Vesting Date	Number of Shares subject to the Option	Exercise Price
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
Total:	[•]	[•]

3. **Exercise of Option**

3.1 Subject to the provisions of this Agreement, including, without limitation, Section 2 above, the Option may be exercised from time to time prior to the Expiry Time (as hereinafter defined) by delivery to the Corporation at its registered office of an executed Exercise Notice (attached hereto as Exhibit "I") addressed to the President of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full, by cash or certified cheque, of the purchase price of the Shares then being purchased. The Optionee must also make suitable arrangements with the Corporation, in accordance with Section 3.2, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of the Option (the "**Withholding Obligation**s"). Subject to any provisions of this Agreement to the contrary, certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice, payment of the purchase price and receipt by the Corporation of an amount sufficient to satisfy any Withholding Obligations in respect of the exercise of the Option.

3.2 Upon the due exercise of an Option by the Optionee, the Corporation shall have the right to require the Optionee to remit to the Corporation an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the board of directors (the "**Board**") or by applicable law, satisfaction of the amount of the Withholding Obligations (the "**Withholding Amoun**t") may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:

(a) the tendering by the Optionee of cash payment to the Corporation in an amount less than or equal to the Withholding Amount; or

(b) the withholding by the Corporation from the Shares otherwise due to the Optionee such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering this Agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Corporation an irrevocable power of attorney to effect the sale of such Shares and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Shares; or

(c) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

3.3 The Optionee acknowledges and agrees, that pursuant to the exercise of the Options, the Optionee shall be responsible for all taxes with respect to the exercise of the Options granted hereunder and acknowledges that neither the Board nor the Corporation makes any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of the Options or payments on account of the Withholding Amount made under this Agreement and none of the Board, the Corporation, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

3.4 Notwithstanding any provisions contained in this Agreement, the Corporation's obligation to issue Shares to the Optionee pursuant to the exercise of the Option shall be subject to: (i) receipt of any required shareholder approval; (ii) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; (iii) the admission of such Shares to listing on any stock exchange or market on which the Shares may then be listed; (iv) the receipt from the Optionee of such representations, warranties, agreements and undertakings as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdictions; (v) receipt by the Corporation of the Withholding Amount, and (vi) compliance with the terms and conditions of the Plan. compliance with the terms and conditions of the Plan. Nothing contained in this Agreement shall be deemed to require the Corporation to apply for or obtain any such registration, qualification, approval or listing referred to above. The Optionee hereby acknowledges and agrees that he has had access to such information as is necessary to enable him to evaluate the merits and risks of acquiring Shares pursuant to the exercise of the Option and that he is able to bear the economic risk of holding such Shares for an indefinite period.

4. **No Assignment**

4.1 The Option is personal to the Optionee and non-assignable (whether by operation of law or otherwise). Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option contrary to the provisions of this Agreement, or upon the levy of any attachment or similar process upon the Option, the Option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.

5. **Expiration**

5.1 Subject to the terms and conditions set out in this Agreement, including the vesting conditions set out in Section 2 above and the termination provisions set out in Section 6 below, the Optionee shall have the right to exercise the Option with respect to all or any part of the Shares to the extent vested at any time or from time to time after the date hereof and prior to the close of business on **[•]** (the "**Expiry Time**"). On the Expiry Time, the Option shall forthwith expire and terminate and be of no further force or effect whatsoever with respect to the unexercised balance of the Shares available under the Option, whether vested or not.

6. **Termination of Employment; Death; Bankruptcy**

6.1 Subject to the provisions of this Agreement and this Section 6 and to any express resolution passed with respect to the Option by the Board of Directors of the Corporation (the "**Board**") or by any committee of the Board established by the Board to administer the Plan (the "**Committee**"), the Option and all rights to purchase Shares pursuant thereto shall immediately expire, except to the extent vested in which case they shall expire and terminate on the [●] day following the date the Optionee ceases to be a ["**Consultant**" or "**Employee**" or "**Director**"] within the meaning of Section 1.1 of the Plan.

6.2 Subject to the provisions of this Agreement and this Section 6, if the Optionee shall die prior to the full exercise of the Option, his Personal Representatives, heirs or legatees may, at any time within twelve (12) months after the date of such death, exercise the Option with respect to the unexercised balance of the Shares to the extent vested, subject to the terms of the Option but only to the same extent to which the Optionee could have exercised the Option immediately before the date of such death. In no event, however, shall the Option be exercisable after the Expiry Time.

6.3 In the event that the Optionee commits an act of bankruptcy or any proceeding is commenced against the Optionee under the Bankruptcy and Insolvency Act (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy and such proceeding remains undismissed for a period of thirty (30) days, the Option may not be exercised following the date on which the Optionee commits such act of bankruptcy or such proceeding remains undismissed, as the case may be.

7. **Rights as a Shareholder**

7.1 An Optionee shall not have any rights as a shareholder of the Corporation with respect to any of the Shares subject to the Option until the date of issuance of a certificate for such Shares upon the exercise of the Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

8. **Inconsistency with Plan**

8.1 The parties hereto agree that in the event this Agreement is inconsistent with the Plan the Plan shall prevail.

9. **Certain Adjustments**

9.1 In the event that the Shares are at any time changed or affected as a result of the declaration of a stock dividend thereon or their subdivision or consolidation, the number of Shares reserved for the Option shall be adjusted accordingly by the Board or the Committee to such extent as they deem proper in their discretion. In such event, the number of, and the price payable for, the Shares that are then subject to the Option may also be adjusted by the Board or the Committee to such extent, if any, as they deem proper in their discretion.

9.2 If at any time after the date of this Agreement and prior to the expiration of the term of the Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Section 8.1 of this Agreement or, subject to the provisions of subsection 10.1(a) of this Agreement, the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the

"**Successor Corporation**"), the Optionee shall be entitled to receive upon the subsequent exercise of the Option in accordance with the terms of this Agreement and shall accept in lieu of the number of Shares to which he was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) and/or other consideration from the Corporation or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or, subject to the provisions of subsection 9.1 of this Agreement, as a result of such consolidation, merger or amalgamation, if on the record date of such reclassification, reorganization or other change or the effective date of such consolidation, merger or amalgamation, as the case may be, he had been the registered holder of the number of Shares to which he was theretofore entitled upon such exercise.

10. **Amendments to the Option**

10.1 Notwithstanding anything to the contrary contained in this Agreement:

(a) in the event the Corporation proposes to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned Subsidiary) or to liquidate, dissolve or wind-up, or in the event an offer to purchase or repurchase the Shares or any part thereof shall be made to all or substantially all holders of the Shares, the Corporation shall have the right, upon written notice thereof to the Optionee, to permit the exercise of the Option within the twenty (20) day period next following the date of such notice and to determine that upon the expiration of such twenty (20) day period, all rights of the Optionee to the Option or to exercise same (to the extent not theretofore exercised) shall ipso facto terminate and cease to have further force or effect whatsoever;

(b) in the event of the sale by the Corporation of all or substantially all of the assets of the Corporation as an entirety or substantially as an entirety so that the Corporation shall cease to operate as an active business, the Option may be exercised as to all or any part of the Shares subject to the Option in respect of which the Optionee would have been entitled to exercise the Option in accordance with the provisions of this Agreement at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is thirty (30) days following the date of completion of such sale; and (ii) the close of business on the expiration date of the Option; but the Optionee shall not be entitled to exercise the Option with respect to any other Shares; and

(c) subject to the rules of any relevant stock exchange or other regulatory authority, the Board may, by resolution, advance the date on which any Option may be exercised or extend the expiration date of the Option.

(d) The Optionee hereby acknowledges and agrees that the Board may at any time by resolution terminate the Plan. In such event, the Option if vested and outstanding may be exercised by the Optionee after the date on which the Corporation shall have notified the Optionee of the termination of the Plan, but only to the same extent as the Optionee could have exercised the Option immediately prior to the date of such notification.

11. **Notice**

11.1 All communications and payments provided for under this Agreement shall be in writing and shall be deemed to be given when delivered in person or deposited in the mail, first class, certified or registered, return receipt requested, with proper postage prepaid and,

(a) if to the Optionee, addressed to:

●

Phone No.: **[•]**
Fax No.: **[•]**

(b) if to the Corporation, addressed to:

James Bay Resources Limited
[•]

Attention: President

Phone No.: **[•]**
Fax No.: **[•]**

in either case with a copy to:

WeirFoulds LLP
4100 – 66 Wellington Street West
PO Box 35, Toronto-Dominion Centre
Toronto, ON M5K 1B7

Attention: Wayne T. Egan

Phone No. 416-947-5086
Fax No. 416-365-1876

12. **Time of Essence**

12.1 Time shall be of the essence of this Agreement and each and every part hereof.

13. **Binding Effect**

13.1 This Agreement shall enure to the benefit of and be binding upon the parties hereto, the successors of the Corporation and the executor, administrator, heirs and personal representatives of the Optionee. This Agreement shall not be assignable by the Optionee.

14. **Headings**

14.1 The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

15. **Amendment**

15.1 This Agreement may be amended only by a written instrument signed by each of the parties hereto.

16. **Governing Law**

16.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

17. **Duplicate Originals**

17.1 It is hereby acknowledged by the parties hereto that this Agreement has been signed in duplicate only, one (1) original executed copy delivered to the Optionee and one (1) delivered to the Corporation.

18. **Paramountcy**

18.1 To the extent there is any inconsistency or ambiguity between this Agreement and any other employment or consulting agreement, the terms of this Agreement shall govern to the extent of such inconsistency or ambiguity.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date first above written.

SIGNED, SEALED & DELIVERED	)	**JAMES BAY RESOURCES LIMTIED**
in the presence	)	
	)	
	)	Per: ______________________
	)	Name:
	)	Title:
	)	
	)	
	)	
______________________	)	______________________
Witness:	)	**[•]**

EXHIBIT "I"

EXERCISE NOTICE

TO: **JAMES BAY RESOURCES LIMITED**

AND TO: **THE BOARD OF DIRECTORS THEREOF**

Unless otherwise defined herein, all capitalized terms will have the meanings specified in the stock option plan adopted by James Bay Resources Limited effective as of March 28, 2008.

The undersigned holder of the Options evidenced by the Option Agreement hereby subscribes for ____________________ Shares of the Corporation pursuant to such Options exercisable at an aggregate exercise price of Cdn$____________________ until the Expiry Time (or such other price as is determined pursuant to the Option Agreement) on the terms specified in such Option Agreement and enclosed herewith a certified cheque, bank draft or money order payable to the order of the Corporation in payment therefor.

The undersigned hereby irrevocably directs that the said Shares be issued in the name of the undersigned and delivered as follows:

Name(s) in Full	**Address(es)**	**SIN Number (if applicable)**	**Number(s) of Common Shares**	**Taxpayer Identification Number (if) applicable)**
________________	______________	_________________	_________________	______________

(Please print full name in which Share certificates are to be issued. If any Shares are to be issued to a person or persons other than the holder, the holder must pay to the Corporation all exigible transfer taxes or other government charges.)

DATED this __________ day of ____________________, 20_____.

____
Signature Guaranteed

____
Signature of Subscriber

____
Name of Subscriber

____
Address of Subscriber

____

☐ **Please check if the Share certificates are to be delivered at the office where this Exercise Notice is surrendered, failing which the certificates will be mailed.**

Certificates will be delivered or mailed only after the transfer books of the Corporation have been opened for five (5) business days after the due surrender of the Exercise Notice as aforesaid.

SCHEDULE "D"

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

JAMES BAY RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2012
(Unaudited - Stated in Canadian dollars)

JAMES BAY RESOURCES LIMITED

Unaudited Pro Forma Consolidated Statement of Financial Position
September 30, 2012
(Stated in Canadian Dollars)

	September 30, 2012 $	Pro Forma Adjustments Note 3(a) $	Pro Forma Adjustments Note 3(b) $	Pro Forma Adjustments Note 3(c) $	Pro Forma Consolidation $
ASSETS					
Current					
Cash and cash equivalents	2,480,488	(196,000) (162,000)	(100,000)	13,500,000 (810,000) (100,000)	14,612,488
Restricted cash	491,600	-	-	-	491,600
Prepaid expenses	287,458	-	-	-	287,458
Amounts receivable	37,035	-	-	-	37,035
Total current assets	3,296,581	(358,000)	(100,000)	12,590,000	15,428,581
Equipment	3,644	-	-	-	3,644
Oil and gas property	-	196,000 162,000 3,500,000 3,000,000 660,000 234,000	100,000	-	7,852,000
Total assets	3,300,225	7,394,000	-	12,590,000	23,284,225
LIABILITIES					
Current					
Accounts payable and accrued liabilities	280,982	-	-	-	280,982
Total current liabilities	280,982	-	-	-	280,982
SHAREHOLDERS' EQUITY					
Common shares (Note 4)	9,261,904	3,500,000 3,000,000	-	13,500,000 (810,000) (100,000)	28,351,904
Share-based payments reserve	1,388,523	234,000	-	-	1,622,523
Warrant reserve	1,217,372	660,000	-	-	1,877,372
Deficit	(8,848,556)	-	-	-	(8,848,556)
Total shareholders' equity	3,019,243	7,394,000	-	12,590,000	23,003,243
Total liabilities and shareholders' equity	3,300,225	7,394,000	-	12,590,000	23,284,225

See accompanying Notes to the Unaudited Pro Forma Consolidated Statement of Financial Position.

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated statement of financial position for James Bay Resources Limited ("the Company") has been compiled from information derived from the unaudited consolidated financial statements of the Company at September 30, 2012, and other information available to the Company. The consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards.

The unaudited pro forma consolidated statement of financial position of the Company has been prepared by management of the Company for inclusion in the information circular (the "Circular") of the Company, and reflects the Company's proposed acquisition of a 47% interest in the Ogedeh Marginal Field within OML-90 (the "Ogedeh Project"), and the resulting change of business of the Company, on the basis of the assumptions described in Note 3 below. The unaudited pro forma statement of financial position of the Company should be read in conjunction with the foregoing financial statements, including the notes thereto.

The pro forma consolidated statement of financial position is not necessarily indicative of the financial position of the Company on the date of the completion of the change of business of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited pro forma consolidated statement of financial position are as set out in the Company's audited financial statements for the year ended December 31, 2011. In preparing the unaudited pro forma consolidated statement of financial position, a review was undertaken of subsequent events and transactions, up to the date the Circular is filed with the regulatory authorities.

3. PRO FORMA TRANSACTIONS AND ASSUMPTIONS

The consolidated pro forma statement of financial position incorporates the following transactions and assumptions:

a. The Company has entered into various agreements relating to the acquisition of a 47% interest in the Ogedeh Project (the "Acquisition"). It is assumed that all necessary shareholder and regulatory approvals will be received for the Company to complete the Acquisition, thereby effecting a change in business under the policies of the TSX Venture Exchange.

   As consideration for the Acquisition, the Company will be required to pay US$2,500,000 commencing with US$100,000 due on the completion of due diligence by the Company (paid), and including:

   - US$200,000 due upon receipt of regulatory approval of the transfer of the 47% interest to the Company;
   - US$300,000 due following the grant of government permits for drilling activity and arrival of a drill rig at the Ogedeh Project;
   - US$1,000,000 due upon completion of a final independent report of reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve level are not attained, then the Company shall pay US$0.10 per barrel of oil produced; and
   - US$900,000 due upon the completion of 60 days of commercial production.

   The US$200,000 ($196,000) due upon receipt of regulatory approval has been reflected in the pro forma financial statement of financial position. As the other payments are contingent on the occurrence of future events, they have been excluded from the pro forma adjustments.

(Stated in Canadian Dollars)

3. PRO FORMA TRANSACTIONS AND ASSUMPTIONS (Continued)

a. (continued)

The Company will also be responsible for funding capital costs of the Ogedeh Project, to an amount not exceeding US$500,000 and paying to the vendor a monthly management retainer fee of US$30,000 commencing on the date of a drill rig arriving at the Ogedeh Project and ceasing on commercial production. The Company will be entitled to a preferential return of 80% of the available cash flow from oil production until all capital costs are reimbursed.

Related to the Acquisition the Company has entered into two consulting agreements. Payments required under these agreements include

- 3,500,000 common shares;
- 3,000,000 common share units (“Units”) consisting of one common share and one half of one common share purchase warrant. Each full common share purchase warrant entitles the holder to acquire one common share for an exercise price of $1.25 expiring on the date that is 24 months from the date of issue;
- 300,000 stock options exercisable for 5 years from the date of issue; and
- a cash payment of US$165,000 ($162,000).

These payments are due upon receipt of various regulatory approvals of the transfer of the 47% interest to the Company.

The value of the common shares has been estimated at $6,500,000 based on the estimated share price of the concurrent financing of $1.00 (see Note 3(c)). The value of the common share purchase warrants has been estimated at $660,000 using the Black-Sholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 94%; risk free interest rate of 1.04% and an expected life of two years. The issuance of these shares and warrants has been reflected in the pro forma statement of financial position. The value of the stock options has been estimated at $234,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 108%; risk free interest rate of 1.21% and an expected life of five years.

Additional payments required under the consulting agreements include 3,000,000 Units, 3,000,000 common shares and 300,000 stock options. These payments become due on the earlier of the Company achieving an average production rate of 1,500 barrels of oil equivalent (“BOE”) per day over a 60 day period and the Company completing a minimum recoverable estimate of at least 50 million BOE at the Ogedeh Project. As these additional payments are contingent on the occurrence of future events, they have been excluded from the pro forma adjustments.

The below amounts have been included in the cost of the Acquisition:

	$
Payment of US$200,000	196,000
Payment of US$165,000	162,000
Issuance of 3,500,000 common shares	3,500,000
Issuance of 3,000,000 units - share valuation	3,000,000
Issuance of 3,000,000 units - warrant valuation	660,000
Issuance of 300,000 stock options	234,000
	7,752,000

(Stated in Canadian Dollars)

3. PRO FORMA TRANSACTIONS AND ASSUMPTIONS (Continued)

b. Management has estimated that the Company will incur approximately $100,000 of professional fees and other regulatory costs in connection with the Acquisition.

c. The Company intends to complete an equity financing (the "Financing") on a best efforts agency basis by issuing securities of the Company on terms and prices to be determined through negotiation with the agent upon engagement. The Company expects the agency commission fees to be approximately $810,000 and the costs of the Financing to be approximately $100,000 resulting in expected net proceeds of approximately $12,590,000. The terms of the financing have not yet been established. The number of shares to be issued pursuant to the Financing is determined below, based on estimated prices ranging from $0.50 to $1.25 per share:

- At $0.50 per share, 27,000,000 shares will be issued
- At $0.75 per share, 18,000,000 shares will be issued
- At $1.00 per share, 13,500,000 shares will be issued
- At $1.25 per share, 10,800,000 shares will be issued

For the purposes of this pro forma consolidated financial statement, it is assumed that 13,500,000 shares will be issued for $1.00.

4. PRO FORMA COMMON SHARES

The pro forma issued and outstanding common shares at the completion of the Acquisition are:

	#	$
Common shares outstanding at September 30, 2012	28,040,350	9,261,904
Shares to be issued pursuant to the Acquisition	6,500,000	6,500,000
Shares to be issued pursuant to the Financing	13,500,000	12,590,000
	48,040,350	28,351,904

5. PRO FORMA EFFECTIVE INCOME TAX RATE

The pro forma effective income tax rate applicable to consolidated operations is expected to be 0% for the periods ended September 30, 2012.

SCHEDULE "E"

FINANCIAL STATEMENTS

JAMES BAY RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012 AND 2011

(Unaudited)

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Expressed in Canadian dollars
As at

	September 30, 2012 $	December 31, 2011 $
ASSETS		
Current assets		
Cash and cash equivalents	2,480,488	4,791,243
Restricted cash (Note 8)	491,600	834,047
Prepaid expenses	287,458	74,248
Amounts receivable	37,035	25,156
Total current assets	3,296,581	5,724,694
Exploration and evaluation assets (Note 8)	-	2,433,662
Equipment	3,644	339
Total assets	3,300,225	8,158,695
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	280,982	104,765
EQUITY		
Common shares (Note 9)	9,261,904	9,261,904
Share-based payments reserve (Note 10)	1,388,523	1,294,394
Warrant reserve (Notes 7 and 11)	1,217,372	1,217,372
Deficit	(8,848,556)	(3,719,740)
Total equity	3,019,243	8,053,930
Total equity and liabilities	3,300,225	8,158,695

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 10 and 15)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director

Signed "MARK BRENNAN", Director

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)

Expressed in Canadian dollars

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Expenses				
Management salaries	$ 79,206	$ 76,797	$ 234,542	$ 219,955
Professional fees (Note 14)	86,183	25,107	125,253	108,160
Office and general (Note 14)	13,663	54,915	122,396	196,662
Consulting fees	4,166	5,166	14,333	23,959
Due diligence on oil & gas property (Note 8)	-	391,166	217,724	764,406
Evaluation costs (Note 8)	865,771	-	1,981,194	-
Shareholder relations	8,177	3,000	16,294	21,868
Transfer agent and listing fees	8,471	7,578	22,655	18,893
Amortization	-	45	339	136
	1,065,637	563,774	2,734,730	1,354,039
Loss before the undernoted	(1,065,637)	(563,774)	(2,734,730)	(1,354,039)
Foreign exchange (loss) gain	(25,455)	117,360	(41,640)	58,932
Write-off of exploration and evaluation assets (Note 8)	-	-	(2,433,662)	-
Net loss on fair value through profit or loss investments	-	(20,000)	-	(201,120)
Gain on loan	-	-	-	132,871
Interest income	9,296	13,587	37,016	50,536
Net loss for the period	$(1,081,796)	$ (452,827)	$(5,173,016)	$(1,312,820)
Loss per share				
Basic and diluted	(0.04)	(0.02)	(0.18)	(0.05)
Weighted average common shares outstanding				
Basic and diluted	28,040,350	28,040,350	28,040,350	28,040,350

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Expressed in Canadian dollars

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash used in operating activities:				
Net loss for the period	$(1,081,796)	$ (452,827)	$(5,173,016)	$(1,312,820)
Add (deduct) items not affecting cash:				
Amortization	-	45	339	136
Share-based compensation	34,028	-	138,329	-
Write-off of exploration and evaluation assets	-	-	2,433,662	-
Loss on held-for-trading investment	-	20,000	-	201,120
Gain on loan	-	-	-	(132,871)
Interest income	-	-	-	(13,898)
Net change in non-cash working capital	(179,225)	157,302	294,762	618,653
	(1,226,993)	(275,480)	(2,305,924)	(639,680)
Cash provided by investing activities:				
Sale of marketable securities	-	-	-	206,380
Repayment of loan	-	-	-	285,473
Interest in exploration and evaluation assets	-	-	-	5,000
Acquisition of equipment	(1,086)	-	(4,831)	-
	(1,086)	-	(4,831)	496,853
(Decrease) in cash and cash equivalents	(1,228,079)	(275,480)	(2,310,755)	(142,827)
Cash and cash equivalents, beginning of period	3,708,567	6,443,085	4,791,243	6,310,432
Cash and cash equivalents, end of period	$ 2,480,488	$ 6,167,605	$ 2,480,488	$ 6,167,605

Cash and cash equivalents are as follows:				
Cash	$ 176,792	$1,504,296	$ 176,792	$ 1,504,296
Cash equivalents	2,303,696	4,663,309	2,303,696	4,663,309
Cash and cash equivalents	$ 2,480,488	$ 6,167,605	$2,480,488	$ 6,167,605

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
Expressed in Canadian dollars

	Common shares $	Share-based Payments Reserve $	Warrant Reserve $	Accumulated Deficit $	Total Equity $
Balance, December 31, 2011	9,261,904	1,294,394	1,217,372	(3,719,740)	8,053,930
Share-based compensation	-	138,329	-	-	138,329
Expiry of stock options	-	(44,200)	-	44,200	-
Loss for the period	-	-	-	(5,173,016)	(5,173,016)
Balance, September 30, 2012	9,261,904	1,388,523	1,217,372	(8,848,556)	3,019,243

	Common shares $	Share-based Payments Reserve $	Warrant Reserve $	Accumulated Deficit $	Total Equity $
Balance, December 31, 2010	9,261,904	1,294,394	1,217,372	(1,862,434)	9,911,236
Loss for the period	-	-	-	(1,312,820)	(1,312,820)
Balance, September 30, 2011	9,261,904	1,294,394	1,217,372	(3,175,254)	8,598,416

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company has interests in resource properties in the Porcupine mining district of Ontario, Canada (the “Claims”) and is currently involved in the exploration of oil and gas interest in Nigeria. The Company has not determined whether the properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any income from the Claims.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to secure an interest in new properties or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has a need for equity capital and financing for working capital and acquisition exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material.

The Company’s shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8. These condensed interim consolidated financial statements of the Company for the period ended September 30, 2012 were approved and authorized for issue by the board of directors on November 29, 2012.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements and accompanying notes. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards, amendments to standards and interpretations have been issued.

IAS 1 – Financial Statements Presentation ("IAS 1")
On June 16, 2011 the IASB issued amendments to IAS 1 Financial Statement Presentation. These amendments improve presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012. The Company has not yet assessed the impact of the standard on its consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This new standard is effective for the Company's and annual consolidated financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Expressed in Canadian dollars

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

4. PRINCIPLES OF CONSOLIDATION

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

James Bay Energy Nigeria LLC, USA	100%
2255431 Ontario Inc., Canada	100%
James Bay Energy Nigeria Limited, Nigeria	100%
D&H Energy Nigeria Limited, Nigeria	100%
Ondobit Limited, Nigeria	100%

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. Intercompany transactions are eliminated on consolidation.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

(a) Capitalization of exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 8 for details of exploration and evaluation assets.

(b) Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(d) Share-based payments and warrants
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

(e) Contingencies
Refer to Notes 10 and 15

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Income Tax

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

(e) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration and evaluation assets. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. The Company's due diligence costs related to its search for a suitable oil and gas property in Nigeria (Note 8) have been expensed directly to the condensed interim consolidated statements of comprehensive loss as they relate to work performed in advance of the Company securing a license to explore any specific project.

The Company's property interests are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of "Exploration and evaluation assets" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed. To the extent that exploration expenditures are not expected to be recovered, they are charged to profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office equipment	-	20%, declining balance basis
Computer hardware	-	55%, declining balance basis

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. For exploration and evaluation assets, indicators of impairment would include: exploration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(h) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash and amounts receivable.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the statement of comprehensive loss.

The Company has designated its cash equivalents at fair value through profit or loss. The Company evaluates its financial assets at fair value through profit or loss to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
The Company has designated its cash, restricted cash, and amounts receivable as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognised in the statement of comprehensive loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the condensed interim consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Other financial liabilities
The Company has designated its accounts payable and accrued liabilities as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the condensed interim consolidated statement of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive. As at September 30, 2012, all outstanding options and warrants were anti-dilutive.

7. CHANGE IN ACCOUNTING POLICY

In a report dated July 19, 2012, the Accounting Standards Board's IFRS Discussion Group concluded that the accounting under IFRS for the modification of warrants issued as part of a private placement unit should not trigger an expense; rather the modification would trigger a reclassification within equity, or alternatively no recognition at all. In consideration of this new guidance, the Company has elected to change its policy to not value warrant modifications. This policy has been applied retrospectively.

The impact on the consolidated statement of financial position as at December 31, 2011 and the condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2011 is as follows:

Expressed in Canadian dollars

7. CHANGE IN ACCOUNTING POLICY (continued)

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Net loss, original	(452,827)	(1,386,820)
Changes	-	74,000
Net loss, restated	(452,827)	(1,312,820)

	December 31, 2011, original	Changes	December 31, 2011, restated
Warrant reserve	1,403,372	(186,000)	1,217,372
Deficit	(3,905,740)	186,000	(3,719,740)

8. EXPLORATION AND EVALUATION ASSETS

James Bay Property, Ontario, Canada

The Company acquired, by staking, certain claims in Ontario, Canada.

Balance, January 1, 2010	$ 2,431,529
Additions	7,133
Balance, December 31, 2010	$ 2,438,662
Recovery	(5,000)
Balance, December 31, 2011	$ 2,433,662
Write-off	(2,433,662)
Balance, September 30, 2012	$ -

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.

Nigeria Oil and Gas Properties

D&H Solutions AS ("D&H")

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") (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Nigeria Oil and Gas Properties (continued)

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
- 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.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumed D&H's agreement to acquire a 47% interest in certain oil and gas interests in Nigeria through the formation of a joint operation with the seller. As consideration for the transfer of the interest, the Company will be required to pay US$2,500,000. These payments are to commence only upon completion of due diligence by the Company and to occur over a period of time defined by the accomplishment of project landmarks, ending with the achievement of commercial production. In addition, on the commencement of commercial production the Company will pay a monthly management retainer of US$30,000 to the seller in return for the seller performing its ordinary legal and regulatory duties as marginal field license holder. The Company will also be required to pay up to US$500,000 in capital contribution to the project as required to finance the joint operation until the commencement of commercial production. Related to this agreement, the Company paid US$50,000 for the first installment in exclusivity, data purchase and administrative fees during the 2011 year. The second installment of US$50,000 was paid in March 2012. The transfer of these oil and gas interests is dependent upon the successful remediation of a claim brought against the vendor relating to the termination of a prior business relationship related to these oil and gas interests.

Upon the completion of the due diligence process, the Company is required pay US$100,000 (paid), spread into 5 monthly installments of US$20,000.

Included in restricted cash is US$500,000 (CAD$491,600) in capital contribution to the project as required to finance the joint operation until the commencement of commercial production held in an Escrow account (Note 16).

Expressed in Canadian dollars

8. EXPLORATION AND EVALUATION ASSETS (continued)

Nigeria Oil & Gas Property

MAK MERA

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & 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:

- 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;
- 3,000,000 common shares upon the Company reaching 1,500 BOE per day or a minimum recoverable estimate of 50 million BOE; and
- Cash payment of US$165,000 upon signing a definitive agreement (paid).

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required, shareholder approval.

9. COMMON SHARES

(a) **Authorized** - Unlimited common shares

(b) **Issued** - 28,040,350 common shares

	#	$
Balance at December 31, 2011 and September 30, 2012	28,040,350	9,261,904

10. SHARE-BASED PAYMENTS

The Company has an incentive stock option plan (the “Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital at the time of granting of options for a maximum term of five years. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. In no case (calculated at the time of grant) shall the Plan result in:

- the number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- the aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- the number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- the aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

Expressed in Canadian dollars

10. SHARE-BASED PAYMENTS

The following reconciles the share options outstanding during the period:

	From January 1, 2012 to September 30, 2012		From January 1, 2011 to December 31, 2011	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of period	2,765,000	0.75	2,765,000	0.75
Expired	(120,000)	(0.75)	-	-
Balance, end of period	2,645,000	0.75	2,765,000	0.75

The Company has the following share options outstanding at September 30, 2012:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
768,944	1,350,000	1,350,000	0.75	April 2, 2013
383,250	1,095,000	1,095,000	0.75	September 17, 2013
98,000	200,000	200,000	0.75	June 11, 2015
1,250,194	2,645,000	2,645,000		

The weighted average exercise price of options exercisable at September 30, 2012 is $0.75 (December 31, 2011 - $0.75).

During the period ended September 30, 2012, the Company committed to granting 600,000 stock options. These options are expected to vest as follows: 1/3 immediately, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date. The grant of the options is contingent on the Company passing an amendment to the Plan, allowing for additional options to be granted. The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 98%; risk free interest rate of 1.8% and expected life of five years. An expense of $138,329 was recorded relating to these stock options during the period ended September 30, 2012.

11. WARRANT RESERVE

The following table reflects the continuity of warrants:

	Number #	Amount $
Balance at December 31, 2011 and September 30, 2012 (Note 7)	3,723,925	1,217,372

As of September 30, 2012, the following warrants were outstanding:

Estimated Grant Date Fair Value $	Outstanding Warrants #	Exercise Price $	Expiry Date
1,217,372	3,723,925	1.25	July 24, 2013

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company at September 30, 2012 consists of equity attributable to common shareholders comprised of common shares, warrant reserve, share-based payments reserve and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

13. 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 guaranteed investment certificates and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates 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 September 30, 2012, the Company had cash and cash equivalents of $2,480,488 (December 31, 2011 - $4,791,243) to settle current liabilities of $280,980 (December 31, 2011 - $104,765). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

13. FINANCIAL INSTRUMENTS (continued)

(b) Price risk
The ability of the Company to develop its property 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. The Company is therefore subject to gains and losses due to fluctuations in the US dollar 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 nine month period. The Company's cash equivalents as at September 30, 2012 are held at a fixed interest rate of 1.3% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $23,000 based on the cash equivalents balance at September 30, 2012.

As at September 30, 2012, the Company has US cash and cash equivalents of approximately $610,900 (US $620,000). 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 $62,000 based on the balance of these assets held in US dollars at September 30, 2012.

Fair value
The carrying value of cash, restricted cash, amounts receivable and accounts payable and accrued liabilities 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 September 30, 2012, the Company's cash equivalents were classified as Level 2 in the fair value hierarchy.

14. RELATED PARTY DISCLOSURES

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the nine month periods ended September 30, 2012 and 2011 the Company entered into the following transactions involving related parties:

The Company rent office space from a corporation controlled by a director of the Company. During the period ended September 30, 2012, approximately $31,464 (September 30, 2011 - $46,405) was charged by this corporation. The amount is included in office and general expense on the statement of comprehensive loss.

Expressed in Canadian dollars

14. RELATED PARTY DISCLOSURES (continued)

The Company incurred legal fees of approximately $120,200 (September 30, 2011 - $38,830) paid to a law firm of which a partner is a director of the Company. This amount is included in professional fees on the statement of comprehensive loss. As of September 30, 2012, included in accounts payable and accrued liabilities are approximately $74,000 related party legal fees.

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2012 and 2011 were as follows:

	2012 $	2011 $
Management salaries and benefits	572,852	218,705

Included in accounts payable and accrued liabilities is approximately $87,900 management travel expenses reimbursement.

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

15. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $504,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $508,000.

The Company's mining and exploration activities are subject to various federal and provincial 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.

16. SUBSEQUENT EVENT

On October 11, 2012, the Company announced that it had filed a National Instrument 51-101 report to pursue conditional approval its change of business under the policies of the TSX Venture Exchange. See Note 8 for details of the agreements entered into regarding this change of business.

JAMES BAY RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months period ended September 30, 2012

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 interim consolidated financial statements for the three and nine months period ended September 30, 2012. Those financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The following Management's Discussion and Analysis ("MD&A") has been prepared as at November 29, 2012.

HIGHLIGHTS

- The Company has entered into a Joint Operating Agreement ("JOA") and deed of assignment with an oil and gas field owner in Nigeria.
- In June, 2012, the Company appointed Adeniyi Olaniyan as Chief Operating Officer and Country Manager for James Bay Energy Nigeria Limited.
- D&H Solutions to second management personnel to James Bay to increase its capabilities to source and develop oil & gas exploration and production assets.
- The Company enters into agreement with domestic oil and gas service provider Mak Mera.
- Extends the expiry date of 3,723,925 warrants for one year.
- In October 2012, the Company file for a Change of Business pursuant to Policy 5.2 of the Exchange with the resulting focus on the oil and gas industry.

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 104 unpatented claims covering a total of approximately 1,319 claim units or approximately 21,620 ha of mineral exploration rights.

In March 21, 2011 the Company entered into a preliminary agreement to conduct due diligence to identify potential oil and gas acquisition targets in Nigeria.

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. 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. On October 11, 2012, the Company filed a National Instrument 51-101 report to pursue conditional approval its change of business under the policies of the TSX Venture Exchange.

History and corporate structure

The Company was incorporated on November 5, 2007 as "2153325 Ontario Inc." pursuant to the provisions of the Business Corporations Act (Ontario). By articles of amendment on November 22, 2007, the Company changed its name to its current name "James Bay Resources Limited". By articles of amendment effective June 16, 2008, the Company removed the restrictions on the issue, transfer or ownership of shares of the Company.

February 27, 2012, the Company incorporated a wholly owned Nigerian subsidiary, James Bay Energy Nigeria Limited. In 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 100% ownership interest to James Bay Coal LLC to James Bay. James Bay Coal LLC is a US entity and a wholly owned subsidiary of James Bay. James Bay Coal LLC was later converted from a Delaware corporation to a Delaware limited liability company called James Bay Energy Nigeria LLC.

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective ownership listed in the following table:

2255431 Ontario Inc., Canada	100%
James Bay Energy Nigeria LLC ("JBEN LLC"), USA	100%
James Bay Energy Nigeria Limited ("JBENL"), Nigeria	100%
D&H Energy Nigeria Limited ("DHENL"), Nigeria	100%
Ondobit Limited ("OL"), Nigeria	100%

JAMES BAY DIRECT INTEREST IN OIL AND GAS FIELD

In June 2012, James Bay entered into its first Joint Operating Agreement (JOA) with an oil and gas field owner in Nigeria. The JOA and Deed of Assignment (DOA) have been filed with the Department of Petroleum Resources (DPR).

The Company's near term goal is to re-enter the well later this year with the goal of commercial production by mid-2013. 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.

The field was discovered in the early 90´s by Chevron and auctioned by the Nigerian government in the 2003 marginal field auction. The structural framework of the field has been well delineated by the interpretation of the available 3D seismic dataset and the well control logs which James Bay and its technical consultants have reviewed. Some shallow and intermediate depth reservoirs exhibit good amplitude reflections that act as direct hydrocarbon indicators (DHIs) on the seismic reports. The petro physical data evaluation by James Bay confirmed four main hydrocarbon bearing intervals, consisting of both oil and gas with one bottom hole oil sample. James Bay has prepared reserve estimates and production forecasts which are based upon wire-line logs evaluation, well drilling reports and analogue experience from comparable data from nearby producing and development fields within 5 - 10 km's of the field.

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 29, 2012). In order to earn its interest in the Project, James Bay is required to pay an aggregate amount of US$2,500,000 as follows:

- The sum of 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.
- 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.

Included in restricted cash is US$500,000 (CAD$491,600) in capital contribution to the project as required to finance the joint operation until the commencement of commercial production held in an Escrow account.

Relationships in Nigeria

D&H Solutions AS ("D&H")

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") (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & 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
- 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.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumed D&H's agreement to acquire a 47% interest in certain oil and gas interest in Nigeria through the formation of a joint operation with the seller.

MAK MERA

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & gas service provider, MAK MERA. On February 6, 2012, a new agreement with MAK MERA was signed. The new consulting services agreement calls for the issuance of common shares of the Company to MAK MERA as follows:

- 3,500,000 common shares upon the closing a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria, and
- 3,000,000 common shares upon the Company reaching 1,500 boe per day or a minimum recoverable estimate of 50 million BOE.
- Cash payment of US$165,000 upon signing a definitive agreement (paid).

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required shareholder approval.

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.

On March 4, 2010, 3 mining claims were re-staked due to claim tag issues. Rather than requesting a Mining Recorder's Order to move claim posts, it was far more efficient and cost effective to restake the claims. Under provisions of the Ontario Mining Act, a Notice of Restaking of Transferred Claim could be filed for each of the 3 claims so that the assessment work on file for the original claims would not be lost and would be directly transferred to the new mining claim. A Notice of Restaking of Transferred Claim was filed for each of the 3 claims on March 16, 2010.

On September 5, 2011, the three E Block claims expired. As of November 1, 2011, there is sufficient assessment work to keep the main contiguous block of claims in good standings for just under 2 years.

The Company originally capitalized $2,433,662 since incorporation related to its James Bay Lowlands property. These costs are detailed as follows:

Description	Amount
Balance at January 1, 2009	$ 2,529,529
Assaying	3,924
Drilling	(27,292)
Fuel and transportation	46,613
Mapping and airborne geophysics	(105,133)
Site management and Supplies	(14,888)
Staking costs	(1,366)
Travel and accommodation	142
Balance at December 31, 2009	$ 2,431,529
Costs incurred during the year	7,133
Balance at December 31, 2010	$ 2,438,662
Costs recovered during the year:	(5,000)
Balance at December 31, 2011	$ 2,433,662
Write-off	(2,433,662)
Balance at September 30, 2012	$ -

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 Property was written off.

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue
The Company is in the development stage and therefore did not have revenues from operations. Interest income for the three month period ended September 30, 2012 was $9,296 (September 30, 2011 - $13,587). The Company deposited approximately $2,303,000 in cashable GICs at an interest rate of 1.30%.

Expenses
The Company recorded total expense of $1,065,637 for the three month period ended September 30, 2012 as compared to $563,774 of operating expense in the comparative period in 2011.

Net loss and comprehensive loss
For the period ended September 30, 2012, the Company recorded net loss of $1,081,796 with basic and diluted loss per share of $0.04 (September 30, 2011 - $452,827). This is mainly attributable to expenditures incurred in relation to exploration expenses in Nigeria. The Company concluded the due diligence process in early March 2012. Exploration costs incurred between March to September 30, 2012 totalled $865,771.

Year-to-date

Interest income for the nine month period ended September 30, 2012 was $37,016 (September 30, 2011 - $50,536). Included in 2011 amount is $142,100 of loan interest received from Morumbi loan. The loan was repaid in the prior year.

Expenses for the nine month period ended September 30, 2012 totalled $2,734,730 as compared to $1,354,039 in the comparative period in 2011. The increase in expense is mainly attributable to the exploration costs incurred in Nigeria and due diligence expense. The due diligence expense was incurred over the 2011 and 2012 period. The Company spent $764,406 in 2011 and $217,724 in 2012. Subsequent to the due diligence process, the Company incurred a further $1,981,194 on evaluation costs detailed as follows:

Description	Amount
Acquisition costs	$ 253,181
Management fees	310,213
Share-based compensation	138,329
Consulting fees	494,928
Travel and accommodation	251,700
Professional fees	229,036
Legal fees	147,518
Transfer agent and listing fees	9,729
Amortization	1,192
General and administrative expense	145,368
Balance at September 30, 2012	$ 1,981,194

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	September 30, 2012	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**
Working Capital	$3,015,599	$4,063,866	$4,876,068	$5,619,929
Exploration and evaluation Assets	-	-	2,433,662	2,433,662
Operating expenses	1,065,637	946,321	1,092,771	518,279
Interest income	9,296	13,495	14,225	13,990
Loss and comprehensive loss	1,081,796	3,365,682	1,095,538	544,486
Loss and comprehensive loss per share	0.04	0.12	0.04	0.02

	Quarter-ended			
	September 30, 2011	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**
Working capital	$6,164,370	$6,597,151	$6,908,443	$6,925,849
Exploration and evaluation Assets	2,433,662	2,433,662	2,438,662	2,438,662
Operating expenses (recovery)	563,774	599,193	191,072	(5,145)*
Share-based compensation	-	-	-	42,000
Interest income	13,587	144,046	25,774	20,481
Loss and comprehensive loss	452,827	673,939	186,054	29,914
Loss and comprehensive loss per share	0.02	0.02	0.01	0.00

* Expenses in the fourth quarter of 2010 were reduced by the recovery of due diligence fees.

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.

CASH FLOWS

Operating Activities

The Company had a net outflow of $1,226,993 from operating activities for the three months ended September 30, 2012 (September 30, 2011 – $275,480).

Year to date the Company had net outflow of $2,305,924 from operating activities, reflecting an increase of $1,666,244 from the same period in 2011. This is mainly attributable to expenditures incurred in relation to exploration in Nigeria.

Investing Activities

The Company had a net outflow of $1,086 from investing activities (September 30, 2011 – $nil).

Year to date the Company had net outflow of $4,831 from investing activities as compared to an inflow of $496,853 from the same period in 2011.

Financing Activities

The Company had no financing activities during the period.

LIQUIDITY

The Company had opening cash and cash equivalents balance of $3,708,567 and $520,000 restricted cash. The Company used $1,226,993 in operating activities and $1,086 in investing activities during the period. At September 30, 2012, the Company had cash and cash equivalents of $2,480,488 and US$500,000 (CAD$491,600) restricted cash held in a trust account.

Common shares

At September 30, 2012, the Company had issued and outstanding 28,040,350 common shares. There were no additional common shares issued between the period from October 1, 2012 to November 29, 2012.

Warrants

At September 30, 2012, a total of 3,723,925 warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry date of July 24, 2013 at a price of $1.25.

Stock options

At September 30, 2012, a total of 2,645,000 stock options are issued and outstanding with expiry dates ranging from April 2, 2013 through to June 11, 2015. The weighted average exercise price for all stock options is $0.75. All stock options entitle the holder to purchase common shares of the Company. There were no additional stock options granted or exercised between the period from October 1, 2012 to November 29, 2012.

OUTLOOK

The Company's near-term goal is to preserve cash and cash equivalents to the greatest extent possible. The Company is seeking additional opportunities which may include acquisitions or joint ventures.

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 guaranteed investment certificates and amounts receivable and the loan receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates 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 these financial instruments 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 September 30, 2012, the Company had cash and cash equivalents of $2,480,488 (December 31, 2011 - $4,791,243) to settle current liabilities of $280,980 (December 31, 2011 - $104,765). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 deposit 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 develop its property 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. The Company is therefore subject to gains and losses due to fluctuations in the US dollar 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 nine month period. The Company’s cash equivalents as at September 30, 2012 are held at a fixed interest rate of 1.3% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $23,000 based on the cash equivalents balance at September 30, 2012.

The Company has US cash and cash equivalents of approximately $610,900 (US $620,000) at September 30, 2012. 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 $62,000 based on the balance of these assets held in US dollars at September 30, 2012.

Fair Value
The carrying value of cash, restricted cash, investments, amounts receivable and accounts payable and accrued liabilities 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, 2011 and September 30, 2012, cash equivalents were classified as Level 2 in the fair value hierarchy.

RECENT ACCOUNTING PRONOUCEMENTS

Certain new accounting standards, amendments to standards and interpretations have been issued.

IAS 1 – Financial Statements Presentation.
On June 16, 2011, the IASB issued amendments to IAS 1 *Financial Statement Presentation*. These amendments improve presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 9, Financial Instruments ("IFRS 9")
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This new standard is effective for the Company's and annual consolidated financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements

RELATED PARTY DISCLOSURES

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the nine month period ended September 30, 2012 and 2011 the Company entered into the following transactions involving related parties.

The Company rent office space from a corporation controlled by a director of the Company. During the period ended September 30, 2012, approximately $31,464 (September 30, 2011 - $46,405) was charged by this corporation. The amount is included in office and general expense on the statement of comprehensive loss.

The Company incurred legal fees of approximately $120,200 (September 30, 2011 - $38,830) paid to a law firm of which a partner is a director of the Company. This amount is included in professional fees on the statement of comprehensive loss. As of September 30, 2012, included in accounts payable and accrued liabilities are approximately $74,000 related party legal fees.

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2012 and 2011 were as follows:

	2012 $	2011 $
Management salaries and benefits	572,852	218,705

Included in accounts payable and accrued liabilities is approximately $87,900 management travel expenses reimbursement.

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

COMMITMENTS AND CONTINGENCIES
The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $504,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $508,000.

The Company's mining and exploration activities are subject to various federal and provincial 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.

OFF BALANCE SHEET ARRANGEMENTS
The Company has no off balance sheet arrangements.

RISKS AND UNCERTAINTIES

Additional Capital

The Company began conducting due diligence to identify potential acquisition targets of onshore/offshore Nigerian oil and gas project. If the results are favourable, Company will require additional capital which may come from future financings or the exercise of outstanding convertible securities of the Company. 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 minerals, the rate of inflation, the inventory of mineral 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 minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral 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 mineral 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 mineral 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. See "Risk Factors".

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 such a claim be resolved by government or the courts in favour of the aboriginal people, it could materially adversely affect the business of James Bay. 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 directors and officers of the Company may also serve as directors and officers 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.

CAUTIONARY STATEMENT REGARDING 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.

Additional Information

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

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To the Directors of James Bay Resources Limited

We have audited the accompanying consolidated financial statements of James Bay Resources Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, and December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, the consolidated statements of cash flows and the consolidated statements of changes in equity for the years ended December 31, 2011 and 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of James Bay Resources Limited and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and their financial performance and cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 24, 2012

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Financial Position
Expressed in Canadian dollars

As at

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
		(Note 18)	(Note 18)
ASSETS			
Current assets			
Cash and cash equivalents (Note 7)	4,791,243	6,310,432	7,847,068
Restricted cash (Note 7)	834,047	-	-
Prepaid expenses (Note 7)	74,248	12,202	12,431
Amounts receivable (Note 7)	25,156	747,244	1,972
	5,724,694	7,069,878	7,861,471
Exploration and evaluation assets (Note 7)	2,433,662	2,438,662	2,431,529
Equipment	339	521	702
Investments (Note 8)	-	407,500	190,000
Loan receivable (Note 9)	-	138,704	-
	8,158,695	10,055,265	10,483,702
LIABILITIES			
Current			
Accounts payable and accrued liabilities	104,765	144,029	41,386
EQUITY			
Common shares (Note 10)	9,261,904	9,261,904	9,261,904
Share-based payments reserve (Note 11)	1,294,394	1,294,394	1,538,626
Warrant reserve (Note 12)	1,403,372	1,329,372	1,217,372
Deficit	(3,905,740)	(1,974,434)	(1,575,586)
	8,053,930	9,911,236	10,442,316
	8,158,695	10,055,265	10,483,702

COMMITMENTS AND CONTINGENCIES (Note 17)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" , Director

Signed "MARK BRENNAN" , Director

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Comprehensive Loss
Expressed in Canadian dollars
For the years ended December 31,

	2011	2010
Expenses		
Share-based compensation	$ -	$ 182,447
Management salaries and benefits	300,238	286,819
Professional fees (Note 15)	116,742	89,505
Office and general (Note 15)	133,791	98,357
Consulting fees	42,993	23,417
Due diligence on oil & gas property (Note 7)	1,233,304	-
Shareholder relations	25,384	66,899
Warrant extension valuation (Note 12)	74,000	112,000
Transfer agent and listing fees	19,684	26,482
Amortization	182	181
Loss before the undernoted	(1,946,318)	(886,107)
Foreign exchange gain (loss)	18,735	(51,422)
Loss on held-for-trading investments (Note 8)	(201,120)	(22,500)
Gain on loan	132,871	37,764
Interest income	64,526	96,738
Net loss and comprehensive loss for the year	$ (1,931,306)	$ (825,527)
Loss per share		
Basic and diluted	$ (0.07)	$ (0.03)
Weighted average number of shares outstanding – basic and diluted	28,040,350	28,040,350

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the years ended December 31,

	2011	2010
Cash used in operating activities:		
Net loss for the year	$ (1,931,306)	$ (825,527)
Add (deduct) items not affecting cash:		
Amortization	182	181
Share–based compensation	-	182,447
Foreign exchange (gain) loss	(24,742)	47,000
Warrant extension valuation	74,000	112,000
Gain on loan	(132,871)	(37,764)
Loss on held-for-trading investment	230,000	22,500
Gain on held-for-trading investment	(28,880)	-
Interest income	(13,898)	(28,440)
Net change in non-cash working capital	(213,269)	(637,400)
Net cash used in operating activities	(2,040,784)	(1,165,003)
Cash used in investing activities:		
Sale of marketable securities	206,380	-
Exercise of investment in warrants	-	(85,000)
Due diligence fee received	-	22,500
Repayment (issuance) of loan	285,473	(250,000)
Interest in mineral properties	5,000	(12,133)
Net cash provided by (used in) investing activities	496,853	(324,633)
Change in cash and cash equivalents during the year	(1,543,931)	(1,489,636)
Effect of change in foreign exchange	24,742	(47,000)
Cash and cash equivalents at beginning of year	6,310,432	7,847,068
Cash and cash equivalents at end of year	$ 4,791,243	$ 6,310,432
Cash and cash equivalents are as follows:		
Cash	$ 113,970	$ 2,182,814
Cash equivalents	4,677,273	4,127,618
Cash and cash equivalents	$ 4,791,243	$ 6,310,432

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	Common shares $	Share-based Payments Reserve $	Warrant Reserve $	Accumulated Deficit $	Total Equity $
Balance, December 31, 2010	9,261,904	1,294,394	1,329,372	(1,974,434)	9,911,236
Share-based compensation	-	-	74,000	-	74,000
Loss for the year	-	-	-	(1,931,306)	(1,931,306)
Balance, December 31, 2011	9,261,904	1,294,394	1,403,372	(3,905,740)	8,053,930

	Common shares $	Share-based Payments Reserve $	Warrant Reserve $	Accumulated Deficit $	Total Equity $
Balance, January 1, 2010	9,261,904	1,538,626	1,217,372	(1,575,586)	10,442,316
Share-based compensation	-	182,447	112,000	-	294,447
Expiry of warrants and stock options	-	(426,679)	-	426,679	-
Loss for the year	-	-	-	(825,527)	(825,527)
Balance, December 31, 2010	9,261,904	1,294,394	1,329,372	(1,974,434)	9,911,236

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company currently has interests in resource properties in the Porcupine mining district of Ontario, Canada (the “Claims”) and during 2011, was involved in the evaluation of oil and gas related opportunities in Nigeria. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any income from the Claims.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to secure an interest in new properties or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has a need for equity capital and financing for working capital and acquisition exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management believes it will be successful in rising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company’s shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8. These consolidated financial statement of the Company for the years ended December 31, 2011 and 2010 were approved and authorized for issue by the board of directors on April 24, 2012.

2. BASIS OF PREPARATION

(a) Conversion to IFRS

These annual consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 1, Presentation of Financial Statements and by IFRS 1, First-time Adoption of IFRS. These annual consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company's consolidated statements of financial position as at January 1, 2010 and December 31, 2010 and the consolidated statements of comprehensive loss for the year ended December 31, 2010.

The preparation of financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards, amendments to standards and interpretations have been issued.

IFRS 9, Financial Instruments ("IFRS 9")
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This new standard is effective for the Company's and annual consolidated financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

4. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. (Note 15)

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. Intercompany transactions are eliminated on consolidation.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants, investments and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

(a) Capitalization of exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred during the year may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 7 for details of capitalized exploration and evaluation assets.

(b) Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management’s ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(d) Share-based payments and Warrants

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

(e) Contingencies

Refer to Note 17

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Income Tax

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

(e) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration and evaluation assets. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. The Company's due diligence costs related to its search for a suitable oil and gas property in Nigeria (Note 7) have been expensed directly to the Consolidated Statements of Comprehensive Loss as they relate to work performed in advance of the Company securing a license to explore any specific project.

The Company's property interests are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of "Exploration and evaluation assets" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed. To the extent that exploration expenditures are not expected to be recovered, they are charged to profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office equipment	-	20%, declining balance basis
Computer software	-	100%, declining balance basis

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. For exploration and evaluation assets, indicators of impairment would include: exploration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(h) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at FVTPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash, amounts receivable, loan receivable and investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the statement of comprehensive loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

The Company has designated its cash equivalents and investments at fair value through profit or loss. The Company evaluates its financial assets at fair value through profit or loss to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
The Company has designated its cash, restricted cash, and amounts receivable as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognised in the statement of comprehensive loss.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

(h) Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate (“EIR”) method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company’s case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive. As at December 31, 2011 and 2010, all outstanding options and warrants were anti-dilutive.

Expressed in Canadian dollars

7. EXPLORATION AND EVALUATION ASSETS

James Bay Property, Ontario Canada

The Company acquired, by staking, certain claims in Ontario, Canada.

Balance, January 1, 2010	$ 2,431,529
Additions	7,133
Balance, December 31, 2010	$ 2,438,662
Recovery	(5,000)
Balance, December 31, 2011	$ 2,433,662

Nigeria Oil & Gas Property

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”) (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets.

Subsequent to December 31, 2011, 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 a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project 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.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumes D&H’s agreement to acquire a 47% interest in certain oil and gas interest in Nigeria through the formation of a joint operation with the seller. As consideration for the transfer of the interest, the Company will be required to pay US$2,500,000. These payments are to commence only upon completion of due diligence by the Company and to occur over a period of time defined by the accomplishment of project landmarks, ending with the achievement of commercial production. In addition, on the commencement of commercial production the Company will pay a monthly management retainer of US$30,000 to the seller in return for the seller performing its ordinary legal and regulatory duties as marginal field license holder. The Company will also be required to pay up to US$500,000 in capital contribution to the project as required to finance the joint operation until the commencement of commercial production. Related to this agreement, the Company paid US$50,000 for the first installment in exclusivity, data purchase and administrative fees during the 2011 year. The second installment of US$50,000 was paid subsequent to year-end.

Expressed in Canadian dollars

7. EXPLORATION AND EVALUATION ASSETS (continued)

Nigeria Oil & Gas Property

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & gas service provider, MAK MERA. Subsequent to December 31, 2011, a new agreement with MAK MERA was signed. The new consulting services agreement calls for the issuance of common shares of the Company to MAK MERA as follows:

- 3,500,000 common shares upon a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria, and
- 3,000,000 common shares upon the Company reaching 1,500 BOE per day or a minimum recoverable estimate of 50 million BOE.

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required shareholder approval.

As of December 31, 2011, approximately US$1,180,000 of the US$2 million placed in an escrow account was drawn down for the purpose of conducting the initial due diligence to identify and secure the acquisition of oil & gas property targets in Nigeria. The expenses incurred in relation to the due diligence were approximately US$1,069,000 ($1,089,676). US$11,000 ($11,000) remained payable from the escrow account related to these expenses as at December 31, 2011. As at December 31, 2011, the restricted cash balance of $834,047 (US$820,000) represented the unspent funds in the escrow account.

Included in cash and cash equivalents is approximately $60,000 funds held by the Company's solicitor for payment of the second installment in connection with the acquisition of oil & gas interest in Nigeria. Included in prepaid expenses is approximately $58,000 in prepaid office rent in Nigeria.

8. INVESTMENTS

As at December 31, 2011, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value December 31, 2011 $
Hendricks Resources Limited	(iii)	1,000,000 warrants	-

As at December 31, 2010, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value December 31, 2010 $
Royal Coal Corp.	(i)	1,000,000 warrants	140,000
Largo Resources Ltd.	(iv)	500,000 common shares	177,500
Morumbi Oil & Gas Inc.	(ii)	500,000 warrants	90,000
			407,500

Expressed in Canadian dollars

8. INVESTMENTS (continued)

As at January 1, 2010, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value January 1, 2010 $
Royal Coal Corp.	(i)	1,000,000 warrants	190,000

(i) Royal Coal Corp. (Formerly CDR Minerals Inc.)

On June 29, 2009, the Company entered into a letter of agreement with CDR Minerals Inc. ("CDR"), regarding a proposed business combination. As part of the agreement, the Company provided a loan of US$500,000 ($576,500) to CDR. The loan bore interest at 7.5% and was due upon closing of the business combination with a provision that if the business combination was not completed, the interest rate would increase to 15%. The loan was also convertible at the option of the Company at any time prior to the due date at a rate of $0.50 per share. The business combination was not completed and the loan and accrued interest were repaid in full prior to December 31, 2009. The Company received 1,000,000 CDR warrants on October 21, 2009, exercisable at a price of $0.50 for a period of two years following the date of issue. In addition, CDR agreed to pay a corporate finance fee of $200,000 to the Company in the event that the warrants are exercised.

The fair value of these warrants was originally estimated at $190,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.5% and expected life of 2 years. The estimated fair value of these warrants has been recorded as gain on termination of letter of agreement in the statement of comprehensive loss for the year ended December 31, 2009.

During 2010, CDR completed an amalgamation with Amalfi Capital Corporation, a public company which trades on the TSX Venture Exchange. The amalgamated company then changed its name to Royal Coal Corp. All warrants of CDR were exchanged for warrants of Royal Coal Corp. on a one-for-one basis, having the same terms as the original CDR warrants.

The fair value of these warrants as at December 31, 2010 was estimated at $140,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk free interest rate of 1.5% and expected life of 0.81 years. The unrealized loss of $50,000 has been recorded as part of the net gain on fair value through profit or loss investments in the statement of comprehensive loss for the year ended December 31, 2010.

These warrants expired during the year ended December 31, 2011. Accordingly a loss of $140,000 has been recorded as part of the net loss on held-for-trading investments in the statement of comprehensive loss for the year ended December 31, 2011.

(ii) Morumbi Oil & Gas Inc.

See Note 9. The fair value of these warrants as at December 31, 2010 was estimated at $90,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; expected life – 2.6 years.

As Morumbi repaid the loan in full prior to the first anniversary date of the loan agreement, the policies of the TSX Venture Exchange required the immediate termination of the Morumbi warrants held by the Company. During the year ended December 31, 2011, the Company realized a loss of $90,000 related to the termination of the Morumbi Warrants.

8. INVESTMENTS (continued)

(iii) Hendricks Resource Limited

On September 2, 2010, the Company entered into an agreement to acquire certain coal assets. The completion of the transaction was subject to the signing of a definitive purchase and sale agreement, among other conditions. A definitive purchase and sale agreement was not signed and the transaction was not completed. Subsequent to December 31, 2010, the Company was reimbursed for due diligence costs incurred totaling $733,496. This amount is included in amounts receivable on the balance sheet as at December 31, 2010. The Company also received 1,000,000 warrants in Hendricks Resources Limited, a private corporation, subsequent to December 31, 2010. The warrants are exercisable into 1,000,000 shares of Hendricks Resources Limited at USD$1.20 per share until January 31, 2013.

As the fair value for these warrants could not be reasonably assessed by the Company, the Company was precluded by IAS 39 from valuing these warrants at fair value. The warrants are thus being carried at their original cost of Nil.

(iv) Largo Resources Ltd.

On August 30, 2010**,** the Company entered into a short term bridge loan agreement with Largo Resources Ltd. ("Largo"). As part of the agreement, the Company provided a loan of $750,000 to Largo. The loan bore interest at 12%, was to mature on August 31, 2011 and was secured against all the assets of Largo and its subsidiaries. The Company had the right at any time up to August 31, 2011 to convert up to 50% of the outstanding loan balance into units of Largo at a conversion price of $0.17 per unit. Each unit would be comprised of one common share of Largo and one half of one common share purchase warrant with each whole warrant exercisable into a common share of Largo for $0.25 for a period of twelve months from August 30, 2010. In addition, as consideration for the loan, the Company received 500,000 share purchase warrants of Largo. Each warrant is exercisable for one common share of Largo at an exercise price of $0.17 for a period of one year following the date of issue. A director of the Company is also a director of Largo.

The fair value of these warrants upon receipt was estimated at $25,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 70%; risk free interest rate of 1.22% and expected life of 1 year. The value of these warrants was applied against the carrying value of the loan receivable and was to be recognized as income over the term of the loan.

The conversion option was valued at $88,000. The fair value of the conversion option was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 94%; risk-free interest rate of 0.94%; and expected life of three months. This amount was recorded as an asset on the balance sheet and was also applied against the carrying value of the loan receivable. The conversion option was available until November 30, 2010.

During 2010, the Company received $776,677 from Largo which consisted of $750,000 principal repayment, $22,500 of due diligence fees and $4,177 of interest income. The carrying values of the loan and conversion option asset totaled $712,236 at the time of repayment. The difference between this and the $750,000 face value of the loan has been recorded as a gain on loan in the statement of comprehensive loss for the year ended December 31, 2010.

On October 17, 2010, the Company exercised the 500,000 share purchase warrants of Largo at an exercise price of $0.17. The Company realized a gain of $96,380 on the disposition of the 500,000 share purchase warrants.

On January 17, 2011, the Company disposed of its full shareholdings in Largo, realizing an additional gain of $28,880 during 2011.

Expressed in Canadian dollars

9. LOAN RECEIVABLE

On August 13, 2010, the Company entered into a loan agreement with Morumbi Oil & Gas Inc. ("Morumbi") to extend a net amount of $250,000 which requires Morumbi to repay an aggregate of $275,000 plus interest on or before August 13, 2013. The loan bears an interest rate of 5% for the first year and 9% for the following two years and is secured against the assets of Morumbi. As consideration for the loan, the Company received a total of 500,000 warrants of Morumbi. Each warrant entitles the Company to acquire one common share of Morumbi at a price of $0.25 for a period of three years. Certain directors and officers of the Company are also directors and officers of Morumbi. The loan was repaid in full during the year ended December 31, 2011 (Note 8(ii)).

10. SHARE CAPITAL

(a) Authorized - Unlimited common shares

(b) Issued - 28,040,350 common shares

	#	$
Balance at January 1, 2010, December 31, 2010 and December 31, 2011	28,040,350	9,261,904

11. SHARE-BASED PAYMENTS

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital at the time of granting of options for a maximum term of five years. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

On June 11, 2010, the Company granted a total of 200,000 stock options. The options vested immediately. Each option allows the holder to purchase one share of the Company at an exercise price of $0.75 for a period of five years from the date of grant. The estimated grant date fair value of these options was estimated at $0.49 each using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105%; risk free interest rate of 2.7%; and expected life of five years. Expected volatility is estimated by considering historic average share price volatility.

Expressed in Canadian dollars

11. SHARE-BASED PAYMENTS (continued)

The following reconciles the share options outstanding during the year:

	From January 1, 2011 to December 31, 2011		From January 1, 2010 to December 31, 2010	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of year	2,765,000	0.75	3,201,835	0.85
Granted	-	-	200,000	0.75
Expired	-	-	(636,835)	(0.85)
Balance, end of year	2,765,000	0.75	2,765,000	0.75

The Company has the following share options and compensation options outstanding at December 31, 2011:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
768,944	1,350,000	1,350,000	0.75	April 2, 2013
5,700	10,000	10,000	0.75	April 16, 2013
421,750	1,205,000	1,205,000	0.75	September 17, 2013
98,000	200,000	200,000	0.75	June 11, 2015
1,294,394	2,765,000	2,765,000		

The weighted average exercise price of options exercisable at December 31, 2011 is $0.75 (December 31, 2010 - $0.75).

The weighted average contractual life of options outstanding at December 31, 2011 is 1.6 years (December 31, 2010 – 2.6 years).

12. WARRANTS

The following table reflects the continuity of warrants:

	Number #	Amount $
Balance at December 31, 2009	3,723,925	1,217,372
Revaluation of warrants – extended term (i)	-	112,000
Balance at December 31, 2010	3,723,925	1,329,372
Revaluation of warrants – extended term (ii)	-	74,000
Balance December 31, 2011	3,723,925	1,403,372

(i) On June 7, 2010, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the initial public offering (the "IPO") financing that closed on July 24, 2008. The expiry date for all these warrants was extended until July 24, 2011. The incremental fair value of the warrants created by the extension of the expiry date of $112,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78%; risk free interest rate of 3.12%; expected life of 1.12 years. These warrants have an exercise price of $2.00. Expected volatility is estimated by considering historic average share price volatility.

Expressed in Canadian dollars

12. WARRANTS (continued)

(ii) On June 20, 2011, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the IPO financing that closed on July 24, 2008. The expiry date for all these warrants was extended until July 24, 2012. The incremental fair value of the warrants created by the extension of the expiry date of $74,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 84%; risk free interest rate of 1.49%; expected life of 1.09 years. These warrants have an exercise price of $2.00. Expected volatility is estimated by considering historic average share price volatility.

As of December 31, 2011, the following warrants were outstanding:

Estimated Grant Date Fair Value $	Outstanding Warrants #	Exercise Price $	Expiry Date
1,403,372	3,723,925	2.00	July 24, 2012

Subsequent to December 31, 2011, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the initial public offering (the "IPO") financing that closed on July 24, 2008. The expiry date for these warrants has now been extended until July 24, 2013. The exercise price of these warrants has been reduced from $2.00 to $1.25 per warrant.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company at December 31, 2011 consists of equity attributable to common shareholders comprised of common share-based payments reserve, warrant reserve and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended December 31, 2011 and 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS

The Company has designated its cash equivalents and investments as fair value through profit or loss, measured at fair value. Cash, restricted cash, amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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 guaranteed investment certificates and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable at December 31, 2011 and 2010 consist of sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments 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, 2011, the Company had cash and cash equivalents (including restricted cash) of $5,625,290 (December 31, 2010 - $6,310,432; January 1, 2010 - $7,847,068) to settle current liabilities of $104,765 (December 31, 2010 - $144,029; January 1, 2010 - $41,386). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The loan receivable bears interest at a fixed rate and therefore does not give rise to interest rate risk.

(b) Price risk
The ability of the Company to develop its property and the future profitability of the Company is directly related to the market price of certain minerals. The Company is also exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

(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. The Company is therefore subject to gains and losses due to fluctuations in the US dollar 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 year ended: The Company's cash equivalents as at December 31, 2011 are held at a fixed interest rate of 1.2% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $46,500 based on the cash balance at December 31, 2011.

14. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)
As at December 31, 2011, the Company has US cash and cash equivalents of approximately $834,000 (US $820,000). 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 $83,000 based on the balance of these assets held in US dollars at December 31, 2011.

Fair Value
The carrying value of cash and cash equivalents, restricted cash, investments, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The fair value of the loan receivable approximates its carrying value given the short amount of time passed since its inception.

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, 2011, December 31, 2010 and January 1, 2010, cash equivalents were Level 2. As at December 31, 2010 and January 1, 2010, investments consisting of common shares were level 1 and investments consisting of warrants were Level 2.

15. RELATED PARTY DISCLOSURES

These consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the year ended December 31, 2011 and 2010 the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation controlled by a director of the Company. During the year ended December 31, 2011, approximately $60,955 (December 31, 2010 - $42,742) was charged by this corporation. The amount is included in office and general expense on the statement of comprehensive loss. In March 2011, the Company renewed the sublease agreement for another 18 months, resulting in a lease commitment of approximately $38,800 as at December 31, 2011.

Expressed in Canadian dollars

15. RELATED PARTY DISCLOSURES (continued)

The Company incurred legal fees of approximately $29,200 (December 31, 2010 - $39,700) paid to a law firm of which a partner is a director of the Company. This amount is included in professional fees on the statement of comprehensive loss.

The consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective ownership listed in the following table:

James Bay Coal Co., USA	100%
2255431 Ontario Limited, Canada	100%

The remuneration of directors and other members of key management personnel during the year ended December 31, 2011 and 2010 were as follows:

	2011 $	2010 $
Management salaries	284,738	312,319
Share-based payments	-	98,000
	284,738	410,319

16. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 28% (2010 - 31%) were as follows:

	2011 **$**	**2010** **$**
(Loss) before income taxes	(1,931,306)	(825,527)
Expected income tax recovery based on statutory rate	(546,000)	(256,000)
Adjustment to expected income tax benefit:		
Warrant extension	21,000	-
Share-based compensation	-	91,000
Taxable gain on sale of marketable securities	(9,000)	-
Gain on loan	-	(13,000)
Change in tax rates	65,000	(20,000)
Other	28,000	16,000
Tax benefits not recognized	441,000	182,000
Deferred income tax provision	-	-

Expressed in Canadian dollars

16. INCOME TAXES (continued)

b) Deferred tax assets have not been recognized in respect of the following items:

	2011 $	2010 $
Non-capital loss carry-forwards	750,000	246,000
Loan receivable	-	34,000
Marketable securities	-	(44,000)
Share issue costs	68,000	141,000
Exploration and evaluation assets	193,000	193,000
Equipment	2,000	2,000
	1,013,000	572,000

c) Tax Loss Carry-Forwards

As at December 31, 2011, the Company had approximately $3,205,000 (2010 - $3,210,000) of Canadian exploration and development expenditures, which under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2011, the Company had approximately $3,016,000 (2010 - $1,028,000) of non-capital losses in Canada, which can be used to reduce taxable income in future years. The losses expire as follows:

Year of Expiry	Amount $
2027	7,000
2028	107,000
2029	102,000
2030	812,000
2031	1,988,000
	3,016,000

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $504,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $508,000.

In March 2011, the Company renewed the sublease agreement for another 18 months, resulting in a lease commitment of approximately $38,800 as at December 31, 2011.

The Company's mining and exploration activities are subject to various federal and provincial 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.

18. TRANSITION TO IFRS

The Company's financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS and these consolidated financial statements were prepared as described in note 2, including the application of IFRS 1.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

2. *Changes in Existing Decommissioning, Restoration and Similar Liabilities – IFRIC 1.* The Company did not apply the recognition and measurement principles of IFRIC 1 prior to January 1, 2010.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Adjustments on transition to IFRS

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. The impact of the change was a decrease to deficit and a decrease to share-based payments reserve of $670,254 at December 31, 2010 (January 1, 2010 - $243,575)

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive loss have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

Expressed in Canadian dollars

18. TRANSITION TO IFRS (continued)

Reconciliation of consolidated statement of financial position as of January 1, 2010

		Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		7,847,068	-	7,847,068
Prepaid expenses		12,431	-	12,431
Amounts receivable		1,972	-	1,972
Total current assets		7,861,471	-	7,861,471
Exploration and evaluation assets		2,431,529	-	2,431,529
Equipment		702	-	702
Investments		190,000	-	190,000
Total assets		10,483,702	-	10,483,702
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		41,386	-	41,386
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	(a)	1,782,201	(243,575)	1,538,626
Warrant reserve		1,217,372	-	1,217,372
Deficit	(a)	(1,819,161)	243,575	(1,575,586)
Total equity		10,442,316	-	10,442,316
Total liabilities and equity		10,483,702	-	10,483,702

Expressed in Canadian dollars

18. TRANSITION TO IFRS (continued)

Reconciliation of consolidated statement of financial position as of December 31, 2010

		Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		6,310,432	-	6,310,432
Prepaid expenses		12,202	-	12,202
Amounts receivable		747,244	-	747,244
Total current assets		7,069,878	-	7,069,878
Exploration and evaluation assets		2,438,662	-	2,438,662
Equipment		521	-	521
Investments		407,500	-	407,500
Loan receivable		138,704	-	138,704
Total assets		10,055,265	-	10,055,265
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		144,029	-	144,029
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	(a)	1,964,648	(670,254)	1,294,394
Warrant reserve		1,329,372	-	1,329,372
Deficit	(a)	(2,644,688)	670,254	(1,974,434)
Total equity		9,911,236	-	9,911,236
Total liabilities and equity		10,055,265	-	10,055,265

Expressed in Canadian dollars

18. TRANSITION TO IFRS (continued)

Reconciliation of consolidated statement of comprehensive loss for the year ended December 31, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Share-based compensation	182,447	-	182,447
Management salaries and benefits	286,819	-	286,819
Professional fees	89,505	-	89,505
Office and general	98,357	-	98,357
Consulting fees	23,417	-	23,417
Shareholder relations	66,899	-	66,899
Warrant extension valuation	112,000	-	112,000
Transfer agent and listing fees	26,482	-	26,482
Amortization	181	-	181
Loss before the undernoted	886,107	-	886,107
Foreign exchange loss	51,422	-	51,422
Net loss on fair value through profit or loss investments	22,500	-	22,500
Gain on loan	(37,764)	-	(37,764)
Interest income	(96,738)	-	(96,738)
Comprehensive loss for the year	825,527	-	825,527
Loss per share			
Basic and diluted	(0.03)	-	(0.03)
Weighted average number of shares outstanding – basic and diluted	28,040,350	-	28,040,350

Note

(a) On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. The impact of the change was a decrease to deficit and a decrease to share-based payments reserve of $670,254 at December 31, 2010 (January 1, 2010 - $243,575).

JAMES BAY RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2011 and 2010

The following Management's Discussion and Analysis ("MD&A") has been prepared as at April 26, 2012. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The MD&A of James Bay Resources Limited (the "Company" or "James Bay") should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011. Those financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board of Canada ("AcSB") requires that Canadian publicly accountable enterprises adopt IFRS effective January 1, 2011.

The Company's consolidated financial statements are the Company's first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ended December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. For further information, please refer to the Company's consolidated financial statements and notes for the year ended December 31, 2011.

COMPANY OVERVIEW

James Bay is a junior resource company 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 104 unpatented claims covering a total of approximately 1,319 claim units or approximately 21,620 ha of mineral exploration rights.

In March 21, 2011 the Company entered into a preliminary agreement to conduct due diligence to identify potential oil and gas acquisition targets in Nigeria. Management's goal is to continue seeking additional opportunities to add value for shareholders.

History and corporate structure

The Company was incorporated on November 5, 2007 as "2153325 Ontario Inc." pursuant to the provisions of the Business Corporations Act (Ontario). By articles of amendment on November 22, 2007, the Company changed its name to its current name "James Bay Resources Limited". By articles of amendment effective June 16, 2008, the Company removed the restrictions on the issue, transfer or ownership of shares of the Company.

EXPLORATION AND EVALUATION ACTIVITIES

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.

EXPLORATION AND EVALUATION ACTIVITIES (continued)

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.

On March 4, 2010, 3 mining claims were re-staked due to claim tag issues. Rather than requesting a Mining Recorder's Order to move claim posts, it was far more efficient and cost effective to restake the claims. Under provisions of the Ontario Mining Act, a Notice of Restaking of Transferred Claim could be filed for each of the 3 claims so that the assessment work on file for the original claims would not be lost and would be directly transferred to the new mining claim. A Notice of Restaking of Transferred Claim was filed for each of the 3 claims on March 16, 2010.

On September 5, 2011, the three E Block claims cancelled. As of November 1, 2011, there is sufficient assessment work to keep the main contiguous block of claims in good standings for just under 2 years.

In April 2012, a 2000 metre – 10 hole diamond drill program is proposed the property drill testing previously untested airborne magnetic and electromagnetic anomalies. The plan is subject to approval.

EXPLORATION AND EVALUATION ASSETS

The Company capitalized $2,433,662 since incorporation related to its James Bay Lowlands property. These costs are detailed as follows:

Description	**Amount**
Balance at January 1, 2009	$ 2,529,529
Assaying	3,924
Drilling	(27,292)
Fuel and transportation	46,613
Mapping and airborne geophysics	(105,133)
Site management and Supplies	(14,888)
Staking costs	(1,366)
Travel and accommodation	142
Balance at December 31, 2009	$ 2,431,529
Costs incurred during the year	7,133
Balance at December 31, 2010	$ 2,438,662
Costs recovered during the year:	(5,000)
Balance at December 31, 2011	$ 2,433,662

EXPLORATION AND EVALUATION ACTIVITIES (continued)

Oil and Gas Properties

D&H Solutions AS (“D&H”)

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”) (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets.

Subsequent to December 31, 2011, 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 a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project 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.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumes D&H’s agreement to acquire a 47% interest in certain oil and gas interest in Nigeria through the formation of a joint operation with the seller. As consideration for the transfer of the interest, the Company will be required to pay US$2,500,000. These payments are to commence only upon completion of due diligence by the Company and to occur over a period of time defined by the accomplishment of project landmarks, ending with the achievement of commercial production. In addition, on the commencement of commercial production the Company will pay a monthly management retainer of US$30,000 to the seller in return for the seller performing its ordinary legal and regulatory duties as marginal field license holder. The Company will also be required to pay up to US$500,000 in capital contribution to the project as required to finance the joint operation until the commencement of commercial production. Related to this agreement, the Company paid US$50,000 for the first installment in exclusivity, data purchase and administrative fees during the 2011 year. The second installment of US$50,000 was paid subsequent to year-end.

EXPLORATION AND EVALUATION ACTIVITIES (continued)

Oil and Gas Property

MAK MERA

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & gas service provider, MAK MERA. Subsequent to December 31, 2011, a new agreement with MAK MERA was signed. The new consulting services agreement calls for the issuance of common shares of the Company to MAK MERA as follows:

- 3,500,000 common shares upon a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria, and
- 3,000,000 common shares upon the Company reaching 1,500 boe per day or a minimum recoverable estimate of 50 million BOE.

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required shareholder approval.

As of December 31, 2011, approximately US$1,180,000 of the US$2 million placed in an escrow account was drawn down for the purpose of conducting the initial due diligence to identify and secure the acquisition of oil & gas property targets in Nigeria. The expenses incurred in relation to the due diligence were approximately US$1,069,000 ($1,089,676). US$11,000 ($11,000) remained payable from the escrow account related to these expenses as at December 31, 2011. As at December 31, 2011, the restricted cash balance of $834,047 (US$820,000) represented the unspent funds in the escrow account.

Included in cash and cash equivalents is approximately $60,000 funds held by the Company's solicitor for payment of the second installment in connection with the acquisition of oil & gas interest in Nigeria. Included in prepaid expenses is approximately $58,000 in prepaid office rent in Nigeria.

SELECTED ANNUAL FINANCIAL INFORMATION

The consolidated financial statements of the Company to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first IFRS annual consolidated financial statements and IFRS 1, First Time Adoption of IFRS has been applied. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported consolidated statements of financial position, comprehensive loss and changes in equity of the Company is provided in note 18 to the December 31, 2011 annual statements. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, December 31, 2009, December 31, 2010 and for the year ended December 31, 2011.

The following table sets out the annual financial information of James Bay and is derived from the Company's audited financial statements for the years ended December 31, 2009, 2010 and 2011.

Summary of Consolidated Statement of Financial Position

	December 31, 2011 IFRS ($)	**December 31, 2010 IFRS ($)**	**December 31, 2009 Canadian GAAP ($)**
Current assets	5,724,694	7,069,878	7,861,471
Current liabilities	104,765	144,029	41,386
Working capital	5,619,929	6,925,849	7,820,085
Total assets	8,158,695	10,055,265	10,483,702
Shareholders' equity	8,053,930	9,911,236	10,442,316
Deficit	3,905,740	1,974,434	1,819,161

	December 31, 2011 IFRS ($)	**December 31, 2010 IFRS ($)**	**December 31, 2009 Canadian GAAP ($)**
Expenses	1,946,318	886,107	1,130,872
Net loss and comprehensive loss	1,931,306	825,527	782,635
Net loss per share	0.07	0.03	0.03
Weighted average number of shares	28,040,350	28,040,350	28,040,350

Notes: Net loss per share on a diluted basis is the same as basic net loss per share, as all factors which were considered in the calculation are anti-dilutive.

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue

The Company is in the development stage and therefore did not have revenues from operations. Interest income for the year ended December 31, 2011 was $64,526 (December 31, 2010 - $96,738).

The Company deposited approximately $4,654,000 in cashable GICs at an interest rate of 1.20%. Year-to-date GIC interest income was approximately $50,628 (December 31, 2010 - $64,120).

Net loss and comprehensive loss

For the year ended December 31, 2011, the Company recorded net loss and comprehensive loss of $1,931,306 with basic and diluted loss per share of $0.07, reflecting an increase of $1,105,779 as compared to 2010. This increase is mainly attributable to the increase in due diligence expense as detailed below.

Expenses

The Company recorded total expenses of $1,946,318 for the year ended December 31, 2011 as compared to $886,107 in the comparative period in 2010. The reasons for the increase in expense are as follows:

- On March 21, 2011, the Company signed an MoU to conduct due diligence to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets. The Company placed US$2 million in an escrow account.

  The Company incurred a total of $1,233,304 due diligence expense on oil & gas properties in Nigeria, of which US$1,180,000 was drawn down from the US$2 million placed in the escrow account. The $1,233,304 due diligence expense consisted of: $831,040 consulting fees; $362,940 office and general expenses incurred in Nigeria; and $39,324 professional fees.

- Professional fees increased to $116,742 for the year ended December 31, 2011 as compared to $89,505 for the same period in 2010, reflecting an increase of $27,237 due to additional fees paid in relation to IFRS conversion.

- Office and general fees increased to $133,791 for the year ended December 31, 2011 as compared to $98,357 for the same period in 2010, reflecting an increase of $35,434. This is mainly due to the increase in rent and general office expenses in addition to travel in seeking new business opportunities.

Fourth quarter

Interest income was $13,990, reflecting a decrease of $6,491 from the same period in 2010. Expenses were $518,279, reflecting an increase of $523,424 from the same period in 2010. This is mainly due to increase of due diligence on oil and gas property in the fourth quarter of 2011. Net loss and comprehensive loss was $544,486 as compared to $29,914. The change in net loss is attributable to a reimbursement of due diligence expense incurred in prior year.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (continued)

SUMMARY OF QUARTERLY RESULTS

The quarterly results for the period ended December 31, 2011 and 2010 have been restated on an IFRS basis as follows:

Quarter ended	IFRS basis			
	December 31, 2011	**September 30, 2011**	**June 30, 2011**	**March 31, 2010**
Working Capital	$5,619,929	$6,164,370	$6,597,151	$6,908,443
Exploration and evaluation Assets	2,433,662	2,433,662	2,433,662	2,438,662
Operating expenses	518,279	637,774	599,193	191,072
Interest Income	13,990	13,587	144,046	25,774
Loss and comprehensive loss	544,486	526,827	673,939	186,054
Loss and comprehensive loss per share	0.02	0.02	0.02	0.01

Quarter ended	IFRS basis			
	December 31, 2010	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**
Working capital	$6,925,849	$7,072,141	$7,491,805	$7,671,285
Exploration and evaluation Assets	2,438,662	2,438,662	2,438,662	2,438,631
Operating (income) expenses	(5,145)*	221,454	665,234	190,566
Share-based compensation	42,000	17,644	73,605	49,198
Interest Income	20,481	44,079	16,025	16,153
Loss and comprehensive loss	29,914	165,575	625,099	190,941
Loss and comprehensive loss per share	0.00	0.01	0.02	0.01

* Expenses in the fourth quarter of 2010 were reduced by the reimbursement of due diligence fees.

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.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (continued)

CASH FLOWS

Operating Activities

The Company had a net outflow of $2,040,784 from operating activities (December 31, 2010 – $1,165,003).

Investing Activities

The Company had a net inflow of $496,853 (December 31, 2010 – $324,633 net outflow) from sale of investments and repayment of loan. The Company had a $5,000 refund on expenses incurred in the James Bay Lowlands during the year.

During the year, the $250,000 loan to Morumbi Resources Inc. ("Morumbi") was repaid. Since Morumbi repaid the loan prior to the first anniversary date of the loan agreement, the policies of the TSX Venture Exchange required the immediate termination of the Morumbi warrants held by the Company. At December 31, 2011, the value of Morumbi warrants was written-off.

Financing Activities

The Company had no financing activities during the year.

Fourth quarter

Cash used in operations was $1,441,577, reflecting an increase of $800,958 from the same period in 2010. Cash received from investing was $40,473, reflecting an increase of 102,973 from the same period in 2010. This is mainly due to sale of marketable securities and repayment of loan.

LIQUIDITY

The Company had opening cash and cash equivalents balance of $6,310,432. The Company used $2,040,784 in operating activities and received $496,853 cash from investing activities during the year. The effect of change in foreign exchange was $24,742. At December 31, 2011, the Company had cash and cash equivalents of $4,791,243 and $834,047 restricted cash. On January 5, 2012, the cash restriction was lifted.

Common shares

At December 31, 2011, the Company had issued and outstanding 28,040,350 common shares. There were no additional common shares issued between the period from January 1, 2011 to December 31, 2011 and to April 26, 2012.

Warrants

At December 31, 2011, a total of 3,723,925 warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry date of July 24, 2012. The Company have extended the expiry date of the 3,723,925 common share purchase warrants issued by the Company in connection with the initial public offering (the "IPO") financing that closed on July 24, 2008 to July 24, 2013 subsequent to December 31, 2011. The exercise price of these warrants has been reduced from $2.00 to $1.25 per warrant.

Stock options

At December 31, 2011, a total of 2,765,000 stock options are issued and outstanding with expiry dates ranging from April 2, 2013 through to June 11, 2015. The weighted average exercise price for all stock options is $0.75. All stock options entitle the holder to purchase common shares of the Company. There were no additional stock options issued or exercised between the period from January 1, 2011 to December 31, 2011.

OUTLOOK

The Company's near-term goal is to preserve cash and cash equivalents to the greatest extent possible. The Company is seeking additional opportunities which may include acquisitions or joint ventures.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants, investments and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

(a) Capitalization of exploration and evaluation assets

Management has determined that exploration and evaluation costs incurred during the year may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 7 for details of capitalized exploration and evaluation assets.

(b) Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

(c) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(d) Share-based payments and Warrants
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Income Tax

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for

current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

(e) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to mineral properties and deferred exploration. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. The Company's due diligence costs related to its search for a suitable oil and gas property in Nigeria (Note 7) have been expensed directly to the Consolidated Statements of Comprehensive Loss as they relate to work performed in advance of the Company securing a license to explore any specific project.

The Company's property interests are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of “Exploration and evaluation costs” into “Mine Development”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within “Mine development”. After production starts, all assets included in “Mine development” are transferred to “Producing Mines”.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed. To the extent that exploration expenditures are not expected to be recovered, they are charged to profit or loss.

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office equipment	-	20%, declining balance basis
Computer software	-	100%, declining balance basis

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset’s value in use. For exploration and evaluation assets indicators of impairment would include: exploration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(h) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at FVTPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company’s financial assets include cash and cash equivalents, restricted cash, amounts receivable, loan receivable and investments.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the statement of comprehensive loss.

The Company has designated its cash equivalents and investments at fair value through profit or loss. The Company evaluates its financial assets at fair value through profit or loss to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
The Company has designated its cash, restricted cash, and amounts receivables as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognised in the statement of comprehensive loss.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Company has transferred substantially all the risks and rewards of the asset; or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's financial liabilities include accounts payable and accrued liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive. As at December 31, 2011 and 2010, all outstanding options and warrants were anti-dilutive.

FINANCIAL INSTRUMENTS

The Company has designated its cash equivalents and investments as fair value through profit or loss, measured at fair value. Cash, restricted cash equivalents, amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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 guaranteed investment certificates and amounts receivable and the loan receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable at December 31, 2011 and 2010 consist of sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments 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, 2011, the Company had cash and cash equivalents (including restricted cash) of $5,625,290 (December 31, 2010 - $6,310,432; January 1, 2010 - $7,847,068) to settle current liabilities of $104,765 (December 31, 2010 - $144,029; January 1, 2010 - $41,386). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The loan receivable bears interest at a fixed rate and therefore does not give rise to interest rate risk.

(b) Price risk
The ability of the Company to develop its property and the future profitability of the Company is directly related to the market price of certain minerals. The Company is also exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

(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. The Company is therefore subject to gains and losses due to fluctuations in the US dollar 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 year ended: The Company’s cash equivalents as at December 31, 2011 are held at a fixed interest rate of 1.2% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $46,500 based on the cash balance at December 31, 2011.

FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)
As at December 31, 2011, the Company has US cash and cash equivalents of approximately $834,000 (US $820,000). 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 $83,000 based on the balance of these assets held in US dollars at December 31, 2011.

Fair Value
The carrying value of cash and cash equivalents, restricted cash, investments, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The fair value of the loan receivable approximates its carrying value given the short amount of time passed since its inception.

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, 2011, December 31, 2010 and January 1, 2010, cash equivalents were Level 2. As at December 31, 2010 and January 1, 2010, investments consisting of common shares were level 1 and investments consisting of warrants were Level 2.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Transition to International Financial Reporting Standards

As stated in Note 18 of the consolidated financial statements, these are the Company's annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Notes 6 and 18 have been applied as follows:

- in preparing the consolidated financial statements for the year ended December 31, 2011;
- the comparative information for the year ended December 31, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

First-time adoption of International Financial Reporting Standards

In preparing these consolidated financial statements, the Company has applied IFRS 1, First-time Adoption of International Financial Reporting Standards, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based payment transactions
The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that is not fully vested at January 1, 2010.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (continued)

Changes in Existing Decommissioning, Restoration and Similar Liabilities – IFRIC 1
The Company did not apply the recognition and measurement principles of IFRIC 1 prior to January 1, 2010.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented. In preparing the condensed consolidated financial statements, the Company reflected the result of transition in the following tables:

Reconciliation of consolidated balance sheet as of January 1, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		7,847,068	-	7,847,068
Prepaid expenses		12,431	-	12,431
Amounts receivable		1,972	-	1,972
		7,861,471	-	7,861,471
Exploration and evaluation assets		2,431,529	-	2,431,529
Equipment		702	-	702
Investments		190,000	-	190,000
		10,483,702	-	10,483,702
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		41,386	-	41,386
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	(a)	1,782,201	(243,575)	1,538,626
Warrant reserve		1,217,372	-	1,217,372
Deficit	(a)	(1,819,161)	243,575	(1,575,586)
		10,442,316	-	10,442,316
		10,483,702	-	10,483,702

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (continued)

Reconciliation of consolidated balance sheet as of December 31, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		6,310,432	-	6,310,432
Prepaid expenses		12,202	-	12,202
Amounts receivable		747,244	-	747,244
		7,069,878	-	7,069,878
Exploration and evaluation assets		2,438,662	-	2,438,662
Equipment		521	-	521
Investments		407,500	-	407,500
Loan receivable		138,704	-	138,704
		10,055,265	-	10,055,265
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		144,029	-	144,029
EQUITY				
Common shares		9,261,904	-	9,261,904
Share-based payments reserve	(a)	1,964,648	(670,254)	1,294,394
Warrant reserve		1,329,372	-	1,329,372
Deficit	(a)	(2,644,688)	670,254	(1,974,434)
		9,911,236	-	9,911,236
		10,055,265	-	10,055,265

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (continued)

Reconciliation of consolidated statement of comprehensive loss for the year ended December 31, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Share-based compensation	182,447	-	182,447
Management salaries and benefits	286,819	-	286,819
Professional fees	89,505	-	89,505
Office and general	98,357	-	98,357
Consulting fees	23,417	-	23,417
Shareholder relations	66,899	-	66,899
Warrant extension valuation	112,000	-	112,000
Transfer agent and listing fees	26,482	-	26,482
Amortization	181	-	181
Loss before the undernoted	886,107	-	886,107
Foreign exchange loss	51,422	-	51,422
Net loss on fair value through profit or loss investments	22,500	-	22,500
Gain on loan	(37,764)	-	(37,764)
Interest income	(96,738)	-	(96,738)
Comprehensive loss for the year	825,527	-	825,527
Loss per share			
Basic and diluted	(0.03)	-	(0.03)
Weighted average number of shares outstanding – basic and diluted	28,040,350	-	28,040,350

Note

(a) On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. The impact of the change was a decrease to deficit and a decrease to share-based payments reserve of $670,254 at December 31, 2010 (January 1, 2010 - $243,575).

RECENT ACCOUNTING PRONOUCEMENTS

Certain new accounting standards, amendments to standards and interpretations have been issued.

IFRS 9, Financial Instruments (“IFRS 9”)
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This new standard is effective for the Company’s and annual consolidated financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”)
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”)
IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment’s opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement (“IFRS 13”)
IFRS 13 converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

RELATED PARTY DISCLOSURES

The audited consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the year ended December 31, 2011 and 2010 the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation controlled by a director of the Company. During the year, approximately $60,955 (December 31, 2010 - $42,742) was charged by this corporation. The amount is included in office and general expense on the statement of comprehensive loss. In March 2011, the Company renewed the sublease agreement for another 18 months, resulting in a lease commitment of approximately $38,800 as at December 31, 2011.

The Company incurred legal fees of approximately $29,200 (December 31, 2010 - $39,700) paid to a law firm of which a partner is a director of the Company. This amount is included in office and general expense on the statement of comprehensive loss.

The consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective ownership listed in the following table:

James Bay Coal Co., USA	100%
2255431 Ontario Limited, Canada	100%

The remuneration of directors and other members of key management personnel during the years ended December 31, 2011 and 2010 was as follows:

	2011 $	2010 $
Management salaries	284,738	312,319
Share-based payments	-	98,000
Share-based payments	284,738	410,319

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $504,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $508,000. In March 2011, the Company renewed the sublease agreement for another 18 months, resulting in a lease commitment of approximately $38,800 as at December 31, 2011.

The Company's mining and exploration activities are subject to various federal and provincial 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RISKS AND UNCERTAINTIES

Additional Capital
The Company began conducting due diligence to identify potential acquisition targets of onshore/offshore Nigerian oil and gas project. If the results are favourable, Company will require additional capital which may come from future financings or the exercise of outstanding convertible securities of the Company. 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 minerals, the rate of inflation, the inventory of mineral 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 minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral 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.

RISKS AND UNCERTAINTIES (continued)

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 mineral 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 mineral 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. See "Risk Factors".

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 such a claim be resolved by government or the courts in favour of the aboriginal people, it could materially adversely affect the business of James Bay. 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 directors and officers of the Company may also serve as directors and officers 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.

CAUTIONARY STATEMENT REGARDING 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.

Additional Information

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

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND DECEMBER 31, 2009

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 and DECEMBER 31, 2009

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INDEPENDENT AUDITORS REPORT

To the Directors of
JAMES BAY RESOURCES LIMITED

We have audited the accompanying consolidated financial statements of James Bay Resources Limited and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of James Bay Resources Limited and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 21, 2011

JAMES BAY RESOURCES LIMITED
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
As at December 31,

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	$ 6,310,432	$ 7,847,068
Prepaid expenses	12,202	12,431
Amounts receivable (Note 3)	747,244	1,972
	7,069,878	7,861,471
Long-term		
Equipment	521	702
Loan receivable (Note 4)	138,704	-
Marketable Securities (Note 5)	407,500	190,000
Interest in mineral properties and deferred exploration expenditures (Note 6)	2,438,662	2,431,529
	$ 10,055,265	$ 10,483,702
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	$ 144,029	$ 41,386
SHAREHOLDERS' EQUITY		
Common shares (Note 7)	9,261,904	9,261,904
Contributed surplus (Note 10)	1,964,648	1,782,201
Warrants (Note 8)	1,329,372	1,217,372
Deficit	(2,644,688)	(1,819,161)
	9,911,236	10,442,316
	$ 10,055,265	$ 10,483,702

COMMITMENTS AND CONTINGENCIES (Notes 1, 11, 12 and 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" , Director

Signed "MARK BRENNAN" , Director

JAMES BAY RESOURCES LIMITED

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

For the Years Ended December 31,

	2010	2009
Expenses		
Stock-based compensation	$ 182,447	$ 370,106
Management salaries and benefits (Note 11)	286,819	255,286
Professional fees (Note 11)	89,505	221,170
Office and general (Note 11)	98,357	116,216
Consulting fees	23,417	74,067
Shareholder relations (Note 11)	66,899	73,321
Warrant extension valuation (Note 8)	112,000	-
Transfer agent and listing fees	26,482	16,734
Amortization	181	3,972
	886,107	1,130,872
Loss before the undernoted	(886,107)	(1,130,872)
Foreign exchange loss	(51,422)	(56,558)
Net loss on held-for-trading investments (Notes 4 and 5)	(22,500)	-
Gain on loan (Note 5)	37,764	-
Gain on termination of letter agreement (Note 5)	-	190,000
Interest income	96,738	214,795
Net loss and comprehensive loss for the year	(825,527)	(782,635)
Deficit at beginning of year	(1,819,161)	(1,036,526)
Deficit at end of year	$ (2,644,688)	$ (1,819,161)

Loss per share		
Basic and diluted	$ (0.03)	$ (0.03)

Weighted average common shares outstanding		
Basic and diluted	28,040,350	28,040,350

JAMES BAY RESOURCES LIMITED

(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash used in operating activities:		
Net loss for the year	$ (825,527)	$ (782,635)
Add (deduct) items not affecting cash:		
Amortization	181	3,972
Stock–based compensation	182,447	370,106
Warrant extension valuation	112,000	-
Foreign exchange loss	47,000	46,650
Gain on loan (Note 5)	(37,764)	-
Gain on termination of letter agreement (Note 5)	-	(190,000)
Loss on held-for-trading investments (Notes 4 and 5)	22,500	-
Interest accretion	(28,440)	-
Net change in non-cash working capital	(637,400)	38,790
	(1,165,003)	(513,117)
Cash used in investing activities:		
Interest in mineral properties	(12,133)	157,213
Recoveries from interest in mineral properties	-	(171,103)
Exercise of investment in warrants (Note 5)	(85,000)	-
Due diligence fee received	22,500	-
Issuance of loans	(1,000,000)	(576,500)
Repayment of loan	750,000	529,850
Acquisition of equipment	-	(372)
	(324,633)	(60,912)
Changes in cash and cash equivalents during the year	(1,489,636)	(574,029)
Effect of changes in foreign exchange on cash and cash equivalent balances	(47,000)	-
Cash and cash equivalents at beginning of year	7,847,068	8,421,097
Cash and cash equivalents at end of year	$ 6,310,432	$ 7,847,068
Cash and cash equivalents are as follows:		
Cash	$ 2,182,814	$ 126,040
Cash equivalents	4,127,618	7,721,028
Cash and cash equivalents	$ 6,310,432	$ 7,847,068
Supplemental information:		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -
Change in accrued mineral property expenditures	$ (5,000)	$ (111,890)

Continued...

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company is a development stage entity as defined by the Canadian Institute of Chartered Accountants' (the "CICA") Accounting Guideline 11 and currently has interests in resource properties in the Porcupine mining district of Ontario, Canada (the "Claims"). The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any income from the Claims.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and deferred exploration expenditures and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") consistently applied. Outlined below are those policies considered significant.

a) Principles of consolidation

The consolidated financial statements include the amounts of the Company, its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Interest in mineral properties and deferred exploration expenditures

Exploration expenses relating to mineral properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale. Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties, net of any recoveries. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.
The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

c) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Computer equipment	-	30%, declining balance basis
Computer software	-	100%, declining balance basis

The Company recognizes an impairment loss on equipment when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its estimated fair value.

d) Measurement uncertainty and use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants, marketable securities and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Asset retirement obligations

The Company recognizes the fair value of a liability for asset retirement obligations in the year in which it is incurred when a reasonable estimate of a fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimated undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. As at December 31, 2010 and 2009, management has determined that there are no significant asset retirement obligations.

f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

g) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

h) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. Warrants included in Note 8 and options included in Note 9 have not been included in diluted loss per share as they are anti-dilutive.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments and derivatives

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the year. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive loss until the asset is removed from the balance sheet or until any impairment is determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the year, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive loss.

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).

j) Cash and cash equivalents

The Company classified cash, redeemable investment deposits, and deposits with original maturities less than or equal to three months as cash and cash equivalents.

k) Translation of foreign currencies and foreign subsidiaries

The functional and reporting currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in operations.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Recent accounting pronouncements not yet adopted

(i) International Financial Reporting Standards
In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS consolidated financial statements for the interim periods and fiscal year ends beginning in 2011. An initial analysis that identifies the high level differences between Canadian GAAP and IFRS that may impact the Company was completed during 2009. The full impact of the required changes to accounting systems, processes and training and development required for key personnel has been assessed during 2010. The Company will continue its analysis of accounting and disclosure differences, continue to work with external consultants to assess the impact on its internal controls, and work on a changeover plan as necessary. There will be changes in accounting policies related to the adoption of IFRS and these may materially impact the Company's consolidated financial statements in the future.

(ii) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt these standards on January 1, 2011 and does not anticipate the standards will have a material impact on the Company's financial statements.

3. AMOUNTS RECEIVABLE

On September 2, 2010, the Company entered into an agreement to acquire certain coal assets. The completion of the transaction was subject to the signing of a definitive purchase and sale agreement, among other conditions. A definitive purchase and sale agreement was not signed and the transaction was not completed. Subsequent to December 31, 2010, the Company was reimbursed for due diligence costs incurred totaling $733,496. This amount is included in amounts receivable on the balance sheet as at December 31, 2010. The Company also received 1,000,000 warrants in Hendricks Resources Limited, a private corporation, subsequent to December 31, 2010. The warrants are exercisable into 1,000,000 shares of Hendricks Resources Limited at US$1.20 per share until January 31, 2013.

Continued...

4. LOAN RECEIVABLE

On August 13, 2010, the Company entered into a loan agreement with Morumbi Oil & Gas Inc. ("Morumbi") to extend a net amount of $250,000 which requires Morumbi to repay an aggregate of $275,000 plus interest on or before August 13, 2013. The loan bears an interest rate of 5% for the first year and 9% for the following two years and is secured against the assets of Morumbi. As consideration for the loan, the Company received a total of 500,000 warrants of Morumbi. Each warrant entitles the Company to acquire one common share of Morumbi at a price of $0.25 for a period of three years. These warrants expire on August 13, 2013.

The fair value of these warrants was estimated at $75,000 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; and expected life – three years. The value of these warrants has been applied against the carrying value of the loan receivable and will be recognized as income over the term of the loan.

The loan is also convertible at the Company's option into: a 10% working interest in the Morumbi McKinley well (the "Well"); a 7% royalty over production from the Well (which royalty decreases to 3.5% once the loan and interest are repaid in full); or the outstanding principal amount can be converted into units of Morumbi at a conversion price of $0.25 per unit (the "Conversion Option"). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant will be exercisable into one common share of Morumbi at a price of $0.40 until August 13, 2011.

The Conversion Option was valued at $55,000. The fair value of the Conversion Option was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility 81%; risk-free interest rate – 0.89%; and expected life – four months. This amount was recorded as an asset on the balance sheet and has also been applied against the carrying value of the loan receivable. The Conversion Option was available until December 13, 2010 and it expired on that date. The value of $55,000 was recorded as a loss from held-for-trading investments on the statement of operations for the year ended December 31, 2010.

The loan is being accreted to its face value using an effective interest rate of 41%.

Certain directors and officers of the Company are also directors and officers of Morumbi.

5. MARKETABLE SECURITIES

As at December 31, 2010, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value December 31, 2010 $
Royal Coal Corp.	(i)	1,000,000 warrants	140,000
Largo Resources Ltd.	(ii)	500,000 common shares	177,500
Morumbi Oil & Gas Inc.	(iii)	500,000 warrants	90,000
			407,500

As at December 31, 2009, the Company's marketable securities consisted of the following:

	Note	Security Description	Fair value December 31, 2009 $
CDR Minerals Inc. (Subsequently changed to Royal Coal Corp.)	(i)	1,000,000 warrants	190,000

Continued...

5. MARKETABLE SECURITIES (continued)

(i) Royal Coal Corp. (formerly CDR Minerals Inc.)

On June 29, 2009 the Company entered into a letter of agreement with CDR Minerals Inc. ("CDR"), regarding a proposed business combination. As part of the agreement, the Company provided a loan of US$500,000 ($576,500) to CDR. The loan bore interest at 7.5% and was due upon closing of the business combination with a provision that if the business combination was not completed, the interest rate would increase to 15%. The loan was also convertible at the option of the Company at any time prior to the due date at a rate of $0.50 per share. The business combination was not completed and the loan and accrued interest were repaid in full prior to December 31, 2009. The Company received 1,000,000 CDR warrants on October 21, 2009, exercisable at a price of $0.50 for a period of two years following the date of issue. In addition, CDR agreed to pay a corporate finance fee of $200,000 to the Company in the event that warrants are exercised.

The fair value of these warrants was originally estimated at $190,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.5% and expected life of 2 years. The estimated fair value of these warrants has been recorded as gain on termination of letter of agreement in the statement of operations for the year ended December 31, 2009.

During 2010, CDR completed an amalgamation with Amalfi Capital Corporation, a public company which trades on the TSX Venture Exchange. The amalgamated company then changed its name to Royal Coal Corp. All warrants of CDR were exchanged for warrants of Royal Coal Corp. on a one-for-one basis, having the same terms as the original CDR warrants.

The fair value of these warrants as at December 31, 2010 was estimated at $140,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk free interest rate of 1.5% and expected life of 0.81 years. The unrealized loss of $50,000 has been recorded as a loss on held-for-trading investments in the statement of operations for the year ended December 31, 2010.

(ii) Largo Resources Ltd.

On August 30, 2010**,** the Company entered into a short term bridge loan agreement with Largo Resources Ltd. ("Largo"). As part of the agreement, the Company provided a loan of $750,000 to Largo. The loan bore interest at 12%, was to mature on August 31, 2011 and was secured against all the assets of Largo and its subsidiaries. The Company has the right at any time up to August 31, 2011 to convert up to 50% of the outstanding loan balance into units of Largo at a conversion price of $0.17 per unit. Each unit would be comprised of one common share of Largo and one half of one common share purchase warrant with each whole warrant exercisable into a common share of Largo for $0.25 for a period of twelve months from August 30, 2010. In addition, as consideration for the loan, the Company received 500,000 share purchase warrants of Largo. Each warrant is exercisable for one common share of Largo at an exercise price of $0.17 for a period of one year following the date of issue.

The fair value of these warrants was estimated at $25,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 70%; risk free interest rate of 1.22% and expected life of 1 year. The value of these warrants was applied against the carrying value of the loan receivable and was to be recognized as income over the term of the loan.

The conversion option was valued at $88,000. The fair value of the conversion option was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 94%; risk-free interest rate of 0.94%; and expected life of three months. This amount was recorded as an asset on the balance sheet and was also applied against the carrying value of the loan receivable. The conversion option was available until November 30, 2010.

Continued...

5. MARKETABLE SECURITIES (continued)

During 2010, the Company received $776,677 from Largo which consisted of $750,000 principal repayment, $22,500 of due diligence fees and $4,177 of interest income. The carrying values of the loan and conversion option asset totaled $712,236 at the time of repayment. The difference between this and the $750,000 face value of the loan has been recorded as a gain on loan in the statement of operations for the year ended December 31, 2010.

On October 17, 2010, the Company exercised the 500,000 share purchase warrants of Largo at an exercise price of $0.17. At December 31, 2010, the Company recorded an unrealized gain of $67,500 on this investment. The shares were sold subsequent to year-end.

A director of the Company is also a director of Largo.

(iii) Morumbi Oil & Gas Inc.

See Note 4. The fair value of these warrants as at December 31, 2010 was estimated at $90,000 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 112%; risk-free interest rate – 1.74%; expected life – 2.6 years.

6. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

James Bay Property, Ontario, Canada

The Company acquired, by staking, certain claims in Ontario, Canada.

Balance at December 31, 2008	$ 2,529,529
Costs incurred (recovered) during the year:	
Assaying	3,924
Drilling	(27,292)
Fuel and transportation	46,613
Mapping and airborne geophysics	(105,133)
Site management and supplies	(14,888)
Staking costs	(1,366)
Travel and accommodation	142
	$ (98,000)
Balance at December 31, 2009	$ 2,431,529
Costs incurred during the year:	
Staking costs	7,133
Balance, December 31, 2010	$ 2,438,662

During 2009, the Company sold certain survey data and other property related supplies resulting in a net recovery in deferred expenditures.

Continued...

7. CAPITAL STOCK

(a) Authorized - Unlimited common shares

(b) Issued - 28,040,350 common shares

	#	$
Balance at December 31, 2008, 2009 and 2010	28,040,350	9,261,904

8. WARRANTS

The following table reflects the continuity of warrants for the:

	Number \#	Amount $
Balance at December 31, 2008	5,250,175	1,445,572
Expired	(1,526,250)	(228,200)
Balance at December 31, 2009	3,723,925	1,217,372
Revaluation of warrants – extended term (i)	-	112,000
Balance at December 31, 2010	3,723,925	1,329,372

(i) On June 7, 2010, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the initial public offering (the “IPO”) financing that closed on July 24, 2008. The expiry date for all these warrants has now been extended until July 24, 2011. The incremental fair value of the warrants created by the extension of the expiry date of $112,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78%; risk free interest rate of 3.12%; expected life of 1.12 years. These warrants have an exercise price of $2.00.

9. STOCK OPTIONS

The Company has an incentive stock option plan (the “Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital at the time of granting of options. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

On June 11, 2010, the Company granted a total of 200,000 stock options. The options vested immediately. Each option allows the holder to purchase one share of the Company at an exercise price of $0.75 for a period of five years from the date of grant. The estimated grant date fair value of these options was estimated at $0.49 each using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105%; risk free interest rate of 2.7%; and expected life of five years.

Continued...

9. STOCK OPTIONS (continued)

The following table reflects the continuity of stock options for 2010 and 2009:

	December 31, 2010		December 31, 2009	
	Number of stock options #	Weighted average exercise price $	Number of stock options #	Weighted average exercise price $
Balance, beginning of year	3,201,835	0.85	3,201,835	0.85
Granted	200,000	0.75	-	-
Expired	(636,835)	0.85	-	-
Balance, end of year	2,765,000	0.75	3,201,835	0.85

The Company has the following stock options and compensation options outstanding at December 31, 2010:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
783,750	1,350,000	1,350,000	0.75	April 2, 2013
5,700	10,000	10,000	0.75	April 16, 2013
421,750	1,205,000	1,205,000	0.75	September 17, 2013
98,000	200,000	200,000	0.75	June 11, 2015
1,309,200	2,765,000	2,765,000	0.75	

The weighted average exercise price of options exercisable at December 31, 2010 is $0.75 (2009 - $0.89).

The weighted average contractual life of options outstanding at December 31, 2010 is 2.6 years (2009 – 2.9 years).

10. CONTRIBUTED SURPLUS

	2010	2009
Balance, beginning of year	$ 1,782,201	$ 1,183,895
Stock-based compensation expense	182,447	370,106
Warrants expired, reallocation of valuation	-	228,200
Balance, end of year	$ 1,964,648	$ 1,782,201

11. RELATED PARTY TRANSACTIONS

The Company rents office space from a corporation controlled by a director of the Company. During 2010, approximately $42,742 (2009 - $30,962) was charged by this corporation. These amounts are included in office and general expense in the statement of operations. In July 2010, the Company renewed the sublease agreement for another 15 months. The Company has remaining lease commitments of approximately $40,000 all due within one year.

Continued...

11. RELATED PARTY TRANSACTIONS (continued)

The Company incurred consulting fees and management fees of approximately $312,319 (2009 - $315,286) during the year ended December 31, 2010. Of the $312,319, a total of $252,319 (2009 - $255,286) was paid to an officer and to a director and is included in management salaries and benefits in the statement of operations. A company controlled by a director of the Company was paid $60,000 (2009 - $60,000) which is included in shareholder relations in the statement of operations.

The Company incurred legal fees of approximately $39,700 (2009 - $64,000) paid to a law firm of which a partner is a director of the Company. These amounts are included in professional fees in the statement of operations. At December 31, 2010, there is $67,012 (2009 - $6,290) included in accounts payable and accrued liabilities owing to this law firm. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

See Notes 4 and 5.

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. COMMITMENTS AND CONTINGENCIES

a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $648,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $680,000.

b) The Company's mining and exploration activities are subject to various federal and provincial 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.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company at December 31, 2010 consists of equity attributable to common shareholders comprised of common shares, warrants, contributed surplus and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended December 31, 2010 and 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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14. FINANCIAL INSTRUMENTS

The Company has designated its cash equivalents and marketable securities as held-for-trading, measured at fair value. Amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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

Credit risk
The Company's credit risk is primarily attributable to guaranteed investment certificates, amounts receivable and the loan receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and a reimbursement of due diligence expenses (see Note 3). The Company also has credit risk in the form of a loan receivable which has a carrying value of $138,704 as at December 31, 2010. Management believes that the credit risk concentration with respect to these financial instruments 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, 2010, the Company had cash and cash equivalents of $6,310,432 (December 31, 2009 - $7,847,068) to settle current liabilities of $144,029 (December 31, 2009 - $41,386). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The loan receivable bears interest at a fixed rate and therefore does not give rise to interest rate risk.

(b) Price risk
The ability of the Company to develop its property and the future profitability of the Company is directly related to the market price of certain minerals. The Company is also exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favorable prices.

(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. The Company is therefore subject to gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

Continued...

14. FINANCIAL INSTRUMENTS (continued)

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 year:

The Company's cash equivalents as at December 31, 2010 are held at a fixed interest rate of 1.1% and are therefore not subject to fluctuations in interest rates. A change in interest rates of 1% will result in a corresponding change in net loss of approximately $21,800 based on the cash and cash equivalents balance at December 31, 2010.

As at December 31, 2010, the Company has cash and cash equivalents of approximately $2,012,000 (US $2,023,000) and amounts receivable of approximately $733,000 (US $729,000) in US funds. 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 $274,000 based on the balance of these assets held in US dollars at December 31, 2010.

A 10% decrease in the closing prices on its portfolio investments would result in a corresponding change in net loss of approximately $48,000. This estimated impact on net loss includes the estimated value of the non-traded warrants held, as determined using the Black-Scholes option pricing model.

Fair Value
The carrying value of cash equivalents, marketable securities, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The fair value of the loan receivable approximates its carrying value given the short amount of time passed since its inception.

Fair Value hierarchy and liquidity risk disclosure
At December 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash equivalents and marketable securities (Note 5), have been classified in the following levels:

	Level 1	Level 2	Level 3
	$	$	$
Cash equivalents	-	4,127,618	-
Marketable securities			
Publicly traded marketable securities	177,500	-	-
Non-trading warrants on public marketable securities	-	230,000	-

As at December 31, 2009, the Company's financial instruments that are carried at fair value, consisting of cash equivalents and marketable securities (Note 5), have been classified in the following levels:

	Level 1	Level 2	Level 3
	$	$	$
Cash equivalents	-	7,721,028	-
Marketable securities			
Non-trading warrants on private marketable securities	-	-	190,000

During 2009, the level 3 classification increased by $190,000 as a result of the receipt of warrants of CDR, a private corporation. During 2010, CDR completed a transaction whereby it became a public company. As a result, the value of these warrants was reclassified to level 2. See Note 5.

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15. INCOME TAXES

a) Provision for Income Taxes
Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 31% (2009 – 33%) are as follows:

	2010 $	2009 $
Loss before taxes:	(825,527)	(782,635)
Expected income tax benefit based on statutory rate	(256,000)	(258,000)
Adjustments to benefit resulting from:		
Stock-based compensation	91,000	122,000
Gain on loan	(13,000)	-
Changes and differences in tax rates	(20,000)	86,000
Other	16,000	-
Change in valuation allowance	182,000	50,000
Income tax provision	-	-

b) Future Tax Balances
The tax effects of temporary differences that give rise to future income tax assets and liabilities at December 31 are as follows:

	2010 $	2009 $
Future income tax assets		
Non-capital losses	246,000	55,000
Loan receivable	34,000	-
Marketable securities	(44,000)	(54,000)
Resource properties	193,000	193,000
Share issue costs	141,000	195,000
Equipment	2,000	1,000
	572,000	390,000
Valuation allowance	(572,000)	(390,000)
Net future tax asset	-	-

c) Tax Loss Carry-Forwards
As at December 31, 2010, the Company had approximately $3,210,000 (2009 - $3,200,000) of Canadian exploration and development expenditures, which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2010, the Company had approximately $979,000 (2009 - $218,000) of non-capital losses in Canada, which can be used to reduce taxable income in future years. The losses expire as follows:

Year of Expiry	Amount ($)
2027	7,000
2028	107,000
2029	102,000
2030	763,000
	979,000

Continued...

16. SUBSEQUENT EVENT

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 (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable negotiate an agreement to acquire and develop these assets. It is intended that James Bay will earn a 50% interest in the SPV on the condition that the Company invests up to US$32 million. As part of the initial MoU, James Bay has deposited US$2 million in an escrow account to provide initial funding assurances to its future joint venture partner D&H for purposes of conducting the initial due diligence to identify and secure the acquisition of oil & gas property targets. An additional up to US$10 million will be invested by James Bay after signing an agreement to acquire an advanced oil & gas project, with the funds due within 30 days of receipt of all regulatory approvals, with the up to US$20 million balance to be invested within one year of signing an acquisition agreement in respect of an identified target.

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil & gas service provider, MAK MERA. Subject to locating and completing an acquisition of a target oil & gas asset, James Bay will pay US$300,000 and will issue up to 12 million shares to MAK MERA based on the following schedule:

a) US$300,000 to be paid and 3 million shares to be issued upon successful completion of due diligence and acquisition of oil & gas assets in Nigeria;
b) 3 million shares to be issued upon the Company reaching 1,500 boe per day;
c) 3 million shares to be issued upon the Company reaching 4,000 boe per day; and
d) 3 million shares to be issued upon the Company reaching 5,500 boe per day.

If a target is identified through this process, completion of an acquisition could represent a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction would be subject to a number of conditions, including TSX Venture Exchange acceptance and if required shareholder approval.