JAMES BAY RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 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 consolidated financial statements for the year ended December 31, 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 April 22, 2013.

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 filed a National Instrument 51-101 report to pursue conditional approval its change of business under the policies of the TSX Venture 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 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 in the beginning of 2014. 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 47% 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 the US$500,000 (CAD$497,450) 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 upon attaining mining licenses from the Ministry of Miners 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 and 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 of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria;
- 3,000,000 common shares 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 the target is identified through this process, completion of an acquisition represents a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction will be subject to a number of conditions and shareholder approval.

The Company expensed $2,869,003 in evaluation costs detailed as follows:

Description	Amount
Acquisition costs	$ 247,941
Management fees	826,553
Share-based compensation	172,356
Consulting fees	540,106
Travel and accommodation	363,011
Professional fees	273,316
Legal fees	134,780
Transfer agent and listing fees	9,702
Amortization	4,906
General and administrative expense	296,332
Balance at December 31, 2012	$ 2,869,003

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.

In February 2013, the Company contracted with MacDonald Mines to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey will form the basis for a report of work, which will be submitted for assessment credits in April, 2013. There will be sufficient assessment credits generated by this report of work to keep the claims in good standings for 1 assessment year (and will satisfy the current extension of time that exists on certain claims with a due date of September 2013).

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 December 31, 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 exploration and evaluation development stage and therefore did not have revenues from operations. Interest income for the year ended December 31, 2012 was $41,931 (December 31, 2011 - $64,526). The Company deposited approximately $1,000,454 in cashable GICs at an interest rate of 1.30%. The cashable GICs approximately decreased of $3,600,000 as of December 31, 2012 from the same period of 2011.

Fourth quarter interest income was $4,915, reflecting a decrease of $9,075 from the same period in 2011.

Expenses

The Company recorded total expense of $3,782,064 for the year ended December 31, 2012 as compared to $1,872,318 of operating expenses in the comparative period in 2011. Refer to year-to-date expenses.

Fourth quarter expenses were $1,047,334, reflecting an increase of $529,055 from the same period in 2011. This is mainly due to evaluation costs increased in Nigeria project.

Net loss and comprehensive loss

For the year ended December 31, 2012, the Company recorded net loss of $6,201,439 with basic and diluted loss per share of $0.22 (December 31, 2011 - $1,857,306). This is mainly attributable to expenditures incurred in relation to evaluation expenses incurred in Nigeria. The Company concluded the due diligence process in early March 2012. Evaluation costs incurred between March 2012 and December 31, 2012 totalled $2,869,003. In 2012, the Company wrote down exploration and evaluation assets of $2,433,662.

Fourth quarter net loss and comprehensive loss was $1,028,423, reflecting an increase of $483,937 from the same period in 2011.

Year-to-date expenses

Expenses for the year ended December 31, 2012 totalled $3,782,064 as compared to $1,872,318 in the comparative period in 2011. The increase in expense is mainly attributable to the evaluation costs incurred in Nigeria and due diligence expense as indicated above. The due diligence expense was incurred over the 2011 and 2012 period. The Company spent $1,233,304 in 2011 and $217,724 in the first two months of 2012. Subsequent to the due diligence process, the Company incurred a further $2,869,003 between March and December 2012.

CASH FLOWS

Operating Activities

The Company had a net outflow of $3,274,290 from operating activities for the year ended December 31, 2012 (December 31, 2011 – $2,040,784). This is mainly attributable to expenditures incurred in relation to evaluation costs in Nigeria.

Fourth quarter cash used in operating activities was $968,366, reflecting a decrease of $432,738 from the same period in 2011. This is mainly due to non-cash working capital outflow of $831,922 in the fourth quarter in 2011.

Investing Activities
The Company had a net outflow of $240,626 from investing activities for the year ended December 31, 2012 (December 31, 2011 – inflow of $496,853). This is mainly attributed to the office equipment related costs for Nigeria office.

Fourth quarter cash used in investing activities was $235,795, reflecting an increase of $235,795 from the same period in 2011. This is attributable to the increase of acquisition of equipment in Nigeria office of $131,897 and increase in long-term rent prepaid of $103,898 in the fourth quarter 2012.

Financing Activities
The Company had no financing activities during the year.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

SELECTED THREE-YEAR ANNUAL INFORMATION

For the year ended December 31,	**2012** **$**	**2011** **$**	**2010** **$**
Interest revenue	41,931	64,526	96,738
Expenses	3,782,064	1,872,318	774,107
Net loss and comprehensive loss	6,201,439	1,857,306	713,527
Basic and diluted loss per share	0.22	0.07	0.03
Exploration and evaluation assets	-	2,433,662	2,438,662
Total assets	2,201,014	8,158,695	10,055,265
Shareholders’ equity	2,024,847	8,053,930	9,911,236

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Working Capital	$1,789,835	$3,015,599	$4,063,866	$4,876,068
Exploration and evaluation Assets	-	-	-	2,433,662
Operating expenses	1,047,334	1,065,637	946,321	1,092,771
Interest income	4,915	9,296	13,495	14,225
Loss and comprehensive loss	1,028,423	1,081,796	3,365,682	1,095,538
Loss and comprehensive loss per share	0.04	0.02	0.12	0.04

	Quarter-ended			
	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 (recovery)	518,279	563,774	599,193	191,072
Share-based compensation	-	-	-	-
Interest income	13,990	13,587	144,046	25,774
Loss and comprehensive loss	544,486	452,827	673,939	186,054
Loss and comprehensive loss per share	0.02	0.02	0.02	0.01

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

LIQUIDITY

The Company had opening cash and cash equivalents balance of $4,791,243. The Company used $3,274,290 in operating activities and $240,626 in investing activities during the year. At December 31, 2012, the Company had cash and cash equivalents of $1,261,307.

Common shares

At December 31, 2012, the Company had issued and outstanding 28,040,350 common shares. There were no additional common shares issued between the period from January 1, 2013 to April 22 2013.

Warrants

At December 31, 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. There were no additional warrants issued between the period from January 1, 2013 to April 22, 2013.

Stock options
At December 31, 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. On April 2, 2013, 1,350,000 stock options expired. At April 22, 2013, the Company have 1,295,000 stock options issued and outstanding.

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

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2012, the Company had cash and cash equivalents of $1,261,307 (December 31, 2011 - $4,791,243) to settle current liabilities of $176,167 (December 31, 2011 - $104,765). The Company has working capital of $1,789,835 at December 31, 2012 (December 31, 2011 - $5,619,929). 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 guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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

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

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period. The Company's cash equivalents as at December 31, 2012 are held at a fixed interest rate of 1.3% and are therefore not subject to fluctuations in interest rates.

As at December 31, 2012, the Company has net monetary assets denominated in US dollars of approximately $603,700 (US $605,800). 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 $60,300 based on the balance of these amounts held in US dollars at December 31, 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 December 30, 2012 and 2011, the Company's financial instruments carried at fair value consisted of cash equivalents which 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 ("IAS 1")
IAS 1 was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 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")
IFRS 9 was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 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 was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. IFRS 10 is effective for annual periods beginning on or after 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 was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 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 was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

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, 2012 and 2011 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, 2012, approximately $36,326 (December 31, 2011 - $60,955) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss.

The Company incurred legal fees of approximately $211,600 (December 31, 2011 - $57,280) 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 December 31, 2012, included in accounts payable and accrued liabilities are $24,165 (December 31, 2011 - $29,227) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel for the year ended December 31, 2012 and 2011 were as follows:

	2012 $	2011 $
Management salaries and benefits	735,846	284,738

Included in accounts payable and accrued liabilities as at December 31, 2012 is approximately $25,499 (2011 - $nil) management travel expenses reimbursement.

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

During the year ended December 31, 2011, the Company realized a net loss on held for trading investments of $201,120. The loss consisted of losses on the expiry of non-trading common share purchase warrants held in CDR Minerals Inc. and Morumbi Oil & Gas Inc. of $140,000 and $90,000, respectively, and a gain on the sale of 500,000 common shares of Largo Resources Ltd. of $28,880. Largo Resources Ltd. and Morumbi Oil & Gas Inc. are considered related parties to the Company, by virtue of sharing certain directors and officers in common. As at December 31, 2012, the Company did not have any investments in other companies.

During the year ended December 31, 2011, the Company received an early repayment of its loan receivable from Morumbi Oil & Gas Inc. Pursuant to this repayment, the Company recognized a gain of $132,871.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $864,000 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 $1,022,000, of which $620,000 is due within one year and the remainder is due within two years.

The Company is subject to a lease commitment for premises in Nigeria expiring in September 2017. Additional minimum lease payments required under this lease total approximately $603,000, of which $127,000 will be incurred within one year. The first two years of this lease have been paid in advance and are included in current and long term prepaid expenses as at December 31, 2012. Subsequent to December 31, 2012, the Company entered into a lease agreement for office space in Canada expiring on November 30, 2014. Minimum lease payments under this lease total approximately $85,000, of which $38,000 will be incurred within one year.

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

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

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

Competition
The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the search for and the acquisition of attractive properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may not be able to acquire attractive properties in the future on terms it considers acceptable. Finally, the Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investments and other capital. The ability of the Company to acquire attractive properties in the future depends not only on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. 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 in Ontario 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 only for the James Bay lowlands property. The Company is fully aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is fully supportive of measures established to achieve such cooperation.

Conflicts of Interest
Certain of the 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.