



**NOTICE OF MEETING**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**in respect of the**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**to be held on Thursday, August 28, 2014**

**Dated as of July 28, 2014**

## **JAMES BAY RESOURCES LIMITED**

20 Victoria Street, Suite 800  
Toronto, Ontario M5C 2N8

### **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE CORPORATION TO BE HELD ON TUESDAY, AUGUST 28, 2014**

#### **TO THE SHAREHOLDERS OF JAMES BAY RESOURCES LIMITED**

**NOTICE IS HEREBY GIVEN THAT** an annual general meeting (the "**Meeting**") of the shareholders (the "**Shareholders**") of **JAMES BAY RESOURCES LIMITED** (the "**Corporation**") will be held at **the offices of WeirFoulds LLP, 4100 – 66 Wellington Street West, TD Bank Tower, Mason Room**, on Thursday, August 28, 2014 at the hour of 10:00 a.m., Toronto time, for the following purposes:

1. To receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2013, together with the report of the auditors thereon;
2. To elect the directors of the Corporation;
3. To reappoint McGovern, Hurley, Cunningham, LLP as auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix their remuneration; and
4. To transact such further or other business as may properly come before the Meeting and any adjournments thereof.

The accompanying Management 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 July 28, 2014 are entitled to receive notice of and vote at the Meeting and any adjournment or postponement thereof.

**If you are a registered shareholder** of the Corporation and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to TMX Equity Transfer Services Inc., the registrar and transfer agent of the Corporation, at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 (fax 416.595.9593), not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the meeting or any adjournment thereof. Late proxies may be accepted or rejected by the chairman of the meeting in his discretion, and the chairman is under no obligation to accept or reject any particular late proxy.

**If you are not a registered shareholder** of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

**DATED** this 28<sup>th</sup> day of July, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"Stephen Shefsky"*

\_\_\_\_\_  
STEPHEN SHEFSKY, CHIEF EXECUTIVE OFFICER AND A DIRECTOR

**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 Corporation 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.**

**JAMES BAY RESOURCES LIMITED**

20 Victoria Street, Suite 800  
Toronto, Ontario M5C 2N8

**MANAGEMENT INFORMATION CIRCULAR  
SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR ("CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF JAMES BAY RESOURCES LIMITED (THE "CORPORATION") FOR USE AT AN ANNUAL GENERAL MEETING ("MEETING") OF SHAREHOLDERS ("SHAREHOLDERS") OF THE CORPORATION TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ATTACHED NOTICE ("NOTICE") OF THE MEETING.**

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or personal interview by regular employees of the Corporation, or by other proxy solicitation services retained by the Corporation. The costs thereof will be borne by the Corporation. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries to forward solicitation materials to the beneficial owners of common shares of the Corporation held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

Unless otherwise specified, information contained in this Circular is given as of July 28, 2014 ("**Record Date**") and, unless otherwise specified, all amounts shown represent Canadian dollars.

**APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES**

The persons named in the enclosed instrument of proxy are officers and directors of the Corporation who have been selected by the directors of the Corporation and have indicated their willingness to represent as proxies the Shareholders who appoint them.

**A SHAREHOLDER HAS THE RIGHT TO DESIGNATE OR APPOINT A PERSON OR COMPANY (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED INSTRUMENT OF PROXY.**

Such right may be exercised by striking out the names of the two persons designated in the instrument of proxy and by inserting in the blank space provided for that purpose the name of the desired person or company or by completing another proper instrument of proxy and, in either case, depositing the completed and executed proxy with the registrar and transfer agent of the Corporation, TMX Equity Transfer Services at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 (fax 416.595.9593), not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the meeting or any adjournment thereof. Late proxies may be accepted or rejected by the chairman of the meeting in his discretion, and the chairman is under no obligation to accept or reject any particular late proxy.

A Shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

A Shareholder who has given a proxy may revoke it at any time in so far as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the

Shareholder is a body corporate, by a duly authorized officer, attorney or representative thereof and deposited at the registered office of the Corporation at any time prior to 5:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law. The Corporation's registered office is located at 20 Victoria Street, Suite 800, Toronto, Ontario M5C 2N8.

#### **MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed instrument of proxy will vote or withhold from voting the common shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them and if the Shareholder specifies a choice with respect to any matter to be acted upon, the common shares shall be voted accordingly.

**WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR EACH OF THE MATTERS IDENTIFIED IN THE NOTICE AND DESCRIBED IN THIS CIRCULAR. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE. AS OF THE DATE OF THIS CIRCULAR, MANAGEMENT OF THE CORPORATION KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THE MATTERS REFERRED TO IN THE NOTICE.**

#### **ADVICE TO BENEFICIAL SHAREHOLDERS**

Shareholders who do not hold their shares in their own name ("**Beneficial Shareholders**") are advised that only shareholders whose names appear on the records of the Corporation as the registered holders of shares or duly appointed proxyholders can be recognized and permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but instead are registered in the name of a nominee, such as a brokerage firm through which they purchased the shares, bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans, or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder. In accordance with securities regulatory policy, the Corporation has distributed copies of the Meeting materials, being the Notice, this Circular and the form of proxy, to the Nominees for distribution to non-registered holders.

National Instrument 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. 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, 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 to ensure that your shares are voted at the Meeting. Non-registered holders who complete and return an instrument or proxy must indicate thereon the person who holds their 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 of proxy provided directly to registered shareholders by the Corporation. 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 Corporation to forward Meeting materials directly to "**non objecting beneficial owners**". If the Corporation 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 Corporation (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 Circular and the accompanying instrument of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

### **APPROVAL OF MATTERS**

Unless otherwise noted, approval of matters to be placed before the Meeting is by an "**ordinary resolution**", which is a resolution passed by a simple majority (50% plus 1) of the votes cast by Shareholders of the Corporation entitled to vote and present in person or represented by proxy.

### **INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No person who has been a director or officer of the Corporation at any time since the beginning of its last completed financial year, no proposed nominee for election as a director, and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As of the date of this Circular, the authorized capital of the Corporation consists of an unlimited number of common shares of which, as of the date of this Circular, an aggregate of 34,251,444 common shares of the Corporation are issued and outstanding. Each common share entitles the holder thereof to one vote at all meetings of Shareholders of the Corporation.

All holders of common shares of the Corporation of record at the close of business on the Record Date will be entitled either to attend and vote at the Meeting in person the shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation as described above, to attend and vote thereat by proxy the shares held by them.

As of the date of this Circular, the only persons or companies who, to the knowledge of the directors and executive officers of the Corporation, 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 Corporation are as follows<sup>(1)</sup>:

Name	Number of Shares	Percentage of Outstanding Common Shares
Stephen Shefsky <sup>(2)</sup>	5,307,667 common shares	15.5%
Mark Brennan <sup>(3)</sup>	4,892,000 common shares	14.2%

**Notes:**

- <sup>(1)</sup> This information was supplied to the Corporation by the shareholders and from the insider reports available at [www.sedi.ca](http://www.sedi.ca).
- <sup>(2)</sup> Of the 5,307,667 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, 196,101 through RRSP accounts and the remaining 1,420,766 common shares directly.
- <sup>(3)</sup> 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.

## PARTICULARS OF MATTERS TO BE ACTED ON

### A. ELECTION OF DIRECTORS

The term of office for each director is from the date of the meeting at which he is elected until the next annual meeting following his election or until his or her successor is elected or appointed. The board of directors (the "**Board of Directors**") of the Corporation is currently comprised of six (6) directors and the number of directors to be elected at the Meeting is seven (7).

Voting for the election of the below named directors will be conducted on an individual, and not slate basis. Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them. **It is the intention of the management designees, if named as proxy, to vote FOR the election of said persons to the board of directors.**

The following table and the notes thereto set out the name as well as the country and province and/or state of residence of each person proposed to be nominated for election as a director, his current position and office with the Corporation, his present principal occupation, business or employment, the date on which he was first elected or appointed a director of the Corporation, and the approximate number of common shares beneficially owned, or controlled or directed, directly or indirectly, which is in each instance based on information furnished by the person concerned as of the date of this Circular.

Name and Resident Country <sup>(1)</sup>	Present Position(s) with the Corporation	Present Principal Occupation or Employment <sup>(1)(2)</sup>	Director Since	Common Shares Beneficially Owned Directly or Indirectly <sup>(1)</sup>
<b>Stephen Shefsky</b> <sup>(3)</sup> Toronto, Ontario, Canada	President, Secretary, Chief Executive Officer and a Director of the Corporation <sup>(9)</sup>	President and Chief Executive Officer of the Corporation.	November, 2007	5,307,667 common shares <sup>(5)</sup>
<b>Mark Brennan</b> <sup>(4)</sup> Toronto, Ontario, Canada	Director	President and Chief Executive Officer of Largo Resources (TSXV: LGO). Executive Chairman of Morumbi Resources Inc. (TSXV: MOC).	November, 2007	4,892,000 common shares <sup>(6)</sup>
<b>Jon Pereira</b> <sup>(3)</sup> Toronto, Ontario, Canada	Director	Vice-President of Operations of Ddi Canada Inc. President and Chief Executive Officer of BE Resources Inc. (TSXV: BE).	January, 2008	677,500 common shares <sup>(7)</sup>
<b>Wayne Egan</b> <sup>(4)</sup> Toronto, Ontario, Canada	Chairman, Director	Partner at the law firm of WeirFoulds LLP.	March, 2008	110,000 common shares <sup>(8)</sup>
<b>Mike Sylvestre</b> <sup>(3)</sup> Port Hope, Ontario, Canada	Director	President and Chief Executive Officer of Castle Resources Inc.	June, 2010	Nil
<b>Jean Gauthier</b> Ottawa, Ontario, Canada	N/A	President and Chief Executive Officer of the Canadian Counsel on Africa	N/A	Nil
<b>Adeniyi Olaniyan</b> Calgary, Alberta, Canada	JBENL's Chief Operating Officer and the Corporation's Country Manager in Nigeria	JBENL's Chief Operating Officer and the Corporation's Country Manager in Nigeria	N/A	Nil

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 Corporation and has been furnished by the respective nominees.
- (2) Unless otherwise stated above, any nominees named above have held the principal occupation or employment indicated for at least five years.
- (3) Member of the Audit Committee of the Corporation, consisting of Stephen Shefsky, Jon Pereira and Mike Sylvestre.
- (4) Member of the Compensation Committee of the Corporation, consisting of Mark Brennan and Wayne Egan.
- (5) Of the 5,307,667 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, 196,101 through RRSP accounts and the remaining 1,420,766 common shares directly.
- (6) 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.
- (7) Jon Pereira directly holds the 577,500 common shares disclosed.

<sup>(8)</sup> Wayne Egan directly holds the 110,000 common shares disclosed.

<sup>(9)</sup> Stephen Shefsky is also the Chairman of JBENL, D&H Energy Nigeria Limited and Ondobit Limited, all wholly-owned subsidiaries of the Corporation.

### ***Stephen Shefsky***

Mr. Shefsky is the Chief Executive Officer, President and a director of the Corporation since incorporation and devotes substantially all his working time to the Corporation. 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, now Belo Sun Mining (TSX:BSX), a minerals exploration company with a focus on precious metal properties in Brazil (currently Belo Sun Mining Corp., TSXV:BSX). Mr. Shefsky was also a director and the Executive Chairman of Castle Resources Inc. (TSXV:CRI) from February 2008 and July 2011, respectively, until July, 2014. Mr. Shefsky was the vice-chairman and director of Morumbi Resources Inc. (TSXV:MOC) from December 2009 to November 2013. 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.

Mr. Shefsky is party to an employment agreement with the Corporation (see "*Statement of Executive Compensation*").

### ***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, CEO 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 has been a director of Vast Exploration Inc. (TSXV:VST) since February 2005, an oil exploration company in Kurdistan. Mr. Brennan was a founder of Castle Resources and was Chairman from October 2006 to June 2011 and was the Chief Executive Officer of Admiral Bay Resources Inc. (TSXV:ADB) from September 2003 to October 2005. Mr. Brennan is the Executive Chairman of Morumbi Resources Inc. (TSXV:MOC).

### ***Jon Pereira***

Mr. Pereira has been a director of the Corporation 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). Mr. Pereira is the President and CEO of BE Resources Inc. (TSXV:BE).

### ***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 MSc, P.Eng,ICD.D*

Mike Sylvestre is a mining executive with \ experience in leading major mining operations .. Over the span of a 35+ year career, Mr. Sylvestre has acquired extensive in country and global experience, including roles such as, CEO ValeInco New Caledonia, President Inco Manitoba and Vice President of Operations PTInco. Mr. Sylvestre also held many other various senior leadership roles within Inco Sudbury operations. Mr. Sylvestre holds a 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 He also most recently completed the Director's Education Program at Rotman's School of Management and subsequent designation within the Institute of Corporate Directors.

*Jean Gauthier*

In October 2013, Mr. Gauthier was appointed President and CEO of the Canadian Council on Africa, a not-for-profit organization devoted to the promotion of trade and economic relations between Canada and the African continent. 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. From May 2006 to August 2009, Mr. Gauthier was Deputy Director for the African Great Lakes Region, Central Africa and Nigeria where he had special responsibilities for coordinating Canada's bilateral relations with Nigeria. This role was in addition to the responsibilities he took on in 2003 as Deputy to Canada's Special Envoy and Ambassador for the African Great Lakes Region. Mr. Gauthier has also had overseas assignments in Egypt, Kuwait, Iraq, Saudi Arabia and Yemen where political developments, trade relations, and oil policies were his daily focus. He received in June 2005, a Professional Association of Foreign Service Officers award in recognition of the dedication and commitment that characterized his long and successful career in the Foreign Service.

*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 Corporation. Mr. Olaniyan does not currently own any Common Shares of the Corporation but has been issued 600,000 stock options of the Corporation, 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 Corporation will pay to Mr. Olaniyan a salary of \$30,000 per month during the term of his employment with the Corporation. 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.

**UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE FOR THE ELECTION OF ALL SEVEN (7) NOMINEES. MANAGEMENT OF THE CORPORATION DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR, BUT IF THAT SHOULD OCCUR FOR ANY REASON PRIOR TO THE MEETING, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE THE PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS IN PLACE OF ANY NOMINEE(S) UNABLE TO SERVE. EACH DIRECTOR ELECTED WILL HOLD OFFICE UNTIL THE CLOSE OF THE FIRST ANNUAL MEETING OF SHAREHOLDERS OF THE CORPORATION FOLLOWING HIS ELECTION UNLESS HIS OFFICE IS EARLIER VACATED IN ACCORDANCE WITH THE BY-LAWS OF THE CORPORATION.**



## **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Except as disclosed below, to the best knowledge of the Corporation, no proposed director of the Corporation is, as at the date hereof, or has been within the last ten years prior to the date hereof, (a) 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 of the Corporation was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) 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 of the Corporation ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity; or (c) a director or executive 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.

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 Corporation, no proposed director of the Corporation, (a) has been subject to any penalties or sanctions imposed by a court relating to securities 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 Shareholder in deciding whether to vote for a proposed director of the Corporation.

To the knowledge of the Corporation, no proposed director of the Corporation is, or has within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

## **B. APPOINTMENT OF AUDITORS**

McGovern, Hurley, Cunningham, LLP are the current auditors of the Corporation and were first appointed auditors of the Corporation on January 17, 2008. Shareholders of the Corporation will be asked at the Meeting to reappoint McGovern, Hurley, Cunningham, LLP as the Corporation's auditors to hold office until the close of the next annual meeting of Shareholders of the Corporation, and to authorize the directors of the Corporation to fix the auditors' remuneration.

**UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE FOR THE APPOINTMENT OF MCGOVERN, HURLEY, CUNNINGHAM, LLP AS AUDITORS OF THE CORPORATION UNTIL THE CLOSE OF THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND FOR THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION.**

## **STATEMENT OF EXECUTIVE COMPENSATION**

The Corporation'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 Corporation's Chief Executive Officer and Chief Financial Officer and each of the other three most highly compensated executive officers of the Corporation earning more than CDN\$150,000.00 in total compensation as at December 31 2013 (the "**Named Executive Officers**" or "**NEOs**") during the Corporation's last three most recently completed financial years. Based on the foregoing, Stephen Shefsky, President, Secretary, Chief Executive Officer and a director of the Corporation, Eric Szustak, the Chief Financial Officer of the Corporation, Knut Søvold, President and Chief Executive officer of James Bay Energy Nigeria Limited ("**JBENL**"), a wholly-owned subsidiary of the Corporation, and Adeniyi Olaniyan, a nominee director and Country Manager for the

Corporation in Nigeria and Chief Operating Officer of JBENL, a wholly-owned subsidiary of the Corporation, are the Corporation's only Named Executive Officers as at December 31, 2013.

### ***Compensation Discussion and Analysis***

#### ***Objectives of the Compensation Program***

The objectives of the Corporation'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 Corporation.

#### ***Overview of the Compensation Philosophy***

The following principles guide the Corporation'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 Corporation supports reasonable expenses in order that employees continuously maintain and enhance their skills.

The compensation committee of the Corporation (the "**Compensation Committee**") 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 Corporation 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 Corporation and strives to ensure that the NEOs are paid fairly and commensurate with their contributions to furthering the strategic direction and objectives of the Corporation. 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. Further information regarding the composition of the Compensation Committee is set out below under the section entitled "*Corporate Governance Disclosure – Compensation Committee*".

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

For the financial year ended December 31, 2013, the Corporation'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 Corporation's stock incentive plan (each, a "**Long-Term Incentive**").

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

<b>Element of Compensation</b>	<b>Summary and Purpose of Element</b>
<b><u>Short-Term Incentive Plan</u></b>	
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 Corporation'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	<p>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.</p> <p>Annual performance-based cash bonuses are a variable component of compensation designed to reward the Corporation's executive officers for maximizing annual operating performance.</p>
<b><u>Long-Term Incentive Plan</u></b>	
Stock Options	The granting of stock options is a variable component of compensation intended to reward the Corporation's NEOs for its success in achieving sustained, long-term profitability and increases in stock value.

### ***Base Salary***

In determining the base salary of an 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 Corporation. The Board of Directors may take into account executive compensation paid by companies comparable with the Corporation, 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, 2013, 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
Knut Søvold	President and Chief Executive Officer of JBENL	Nil
Adeniyi Olaniyan	Country Manager and Chief Operating Officer of JBENL	Nil

### ***Stock Options***

The granting of options to purchase common shares of the Corporation are designed to encourage the NEOs to own an interest in the Corporation and therefore tie their long-term interests to those of the shareholders of the Corporation. 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 Corporation, 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. See the section below entitled "*Securities Authorized for Issuance under Equity Compensation Plans*" for a description of the Corporation's stock option plan.

### ***Other Long-Term Incentive Plans***

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

During the financial year ended December 31, 2013, the Board of Directors, on the recommendation of the Compensation Committee did not grant any stock options to the Named Executive Officers except as set forth below. The Corporation's common shares were halted for trading on the TSX venture Exchange on September 27, 2013.

Name of Officer	Title of Officer	Number of Stock Options	Exercise Price (\$)
Stephen Shefsky	President, Secretary, Chief Executive Officer and Director	NIL	N/A
Eric Szustak	Chief Financial Officer	NIL	N/A
Knut Søvold	President and Chief Executive Officer of JBENL	NIL	N/A
Adeniyi Olaniyan	Country Manager and Chief Operating Officer of JBENL	NIL	N/A

### ***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:

- (c) A competitive cash compensation program, consisting of base salary and bonus opportunity; and
- (d) Providing an opportunity to participate in the Corporation's growth through options.

## 2. Alignment of Interest of Management with Interest of the Corporation's shareholders

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

- (e) Through the grant of stock options, if the price of the Corporation shares increases over time, both executives and shareholders will benefit; and
- (f) By providing a vesting period on stock awards, management has an interest in increasing the price of the Corporation's shares over time, rather than focusing on short-term increases.

### *Compensation Risk*

The Corporation has not adopted a formal policy on compensation risk management nor has it engaged an independent compensation consultant. The Corporation 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 Corporation does not believe the risks to be significant.

The Corporation 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 Corporation's directors and senior officers. The Board of Directors believes that the executive compensation program of the Corporation should not raise its overall risk profile. Accordingly, the Corporation'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 Corporation.

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 Corporation is still a development stage mining company, and given the current composition of the Corporation'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 Corporation'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 Corporation are reviewed, including executive compensation.

### *Summary Compensation Table*

The following tables provide information for the three most recently completed financial years ended December 31, 2013, 2012 and 2011 regarding compensation earned by each of the following Named Executive Officers of the Corporation: (a) Stephen Shefsky, the President, Secretary, Chief Executive Officer and a director of the Corporation; (b) Eric Szustak, the Chief Financial Officer of the Corporation; (c) Knut Søvold, the President and Chief Executive Officer of JBENL; and (d) Adeniyi Olaniyan, the Country Manager and Chief Operating Officer of JBENL.

The following table outlines the information for the financial years ended December 31, 2013, December 31, 2012 and December 31, 2011, 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, 2013, 2012 and 2011**

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Stephen Shefsky President, Secretary, Chief Executive Officer and Director	2013	\$180,000	NIL	NIL	NIL	NIL	NIL	NIL	\$180,000
	2012	\$180,000	NIL	NIL	NIL	NIL	NIL	NIL	\$180,000
	2011	\$180,000	NIL	NIL	NIL	NIL	NIL	NIL	\$180,000
Eric Szustak Chief Financial Officer	2013	\$72,000	NIL	NIL	NIL	NIL	NIL	NIL	\$72,000
	2012	\$72,000	NIL	NIL	NIL	NIL	NIL	NIL	\$72,000
	2011	\$72,000	NIL	NIL	NIL	NIL	NIL	NIL	\$72,000
Knut Søvold President and Chief Executive Officer of JBENL <sup>(3)</sup>	2013	\$156,000	NIL	NIL	NIL	NIL	NIL	NIL	\$156,000
	2012	\$237,600	N/A	NIL	NIL	NIL	NIL	NIL	\$237,600
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adeniyi Olaniyan Chief Operating Officer of JBENL and Country Manager <sup>(2)</sup>	2013	\$374,400	NIL	\$17,094 <sup>(4)</sup>	NIL	NIL	NIL	NIL	\$391,494
	2012	\$210,000	NIL	\$172,236 <sup>(4)</sup>	NIL	NIL	NIL	19,991	\$402,227
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes:**

- (1) This amount represents the grant date fair value of the stock options awarded in the fiscal year. The Black-Scholes option pricing model was used to estimate the fair value of the options at the grant date.
- (2) JBENL is a wholly-owned subsidiary of the Corporation. Mr. Olaniyan was appointed Chief Operating Officer of JBENL and Country Manager for the Corporation in Nigeria on June 1, 2012. Fees related to services provided by Adeniyi Olaniyan were paid to First Tribute Inc. During fiscal 2013 and 2012, Mr. Olaniyan was paid US\$360,000 (\$374,400) in fiscal 2013 and US\$210,000 (\$210,000) in fiscal 2012.
- (3) Mr. Søvold was appointed President and Chief Executive officer of JBENL on March 21, 2012. Fees related to services provided by Knut Søvold were paid to D&H Solution AS. Mr. Søvold was paid US\$150,000 (\$156,000) in fiscal 2013 and US\$237,500 (\$237,600) in fiscal 2012.
- (4) On June 1, 2012 the Corporation granted 600,000 incentive stock options to Mr. Olaniyan at an exercise price of \$0.63 per common share with an expiry date of June 1, 2017, subject to the approval of the Shareholders. These options were approved by the Shareholders at the special meeting of the Corporation on February 4, 2013.

**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 Corporation retained Mr. Shefsky to serve as the Corporation's President and Chief Executive Officer. Mr. Shefsky is also the Secretary and a director of the Corporation. 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 Corporation 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, then January 1, 2014 and has been most recently extended for a further one (1) year term, until January 1, 2015, on the same terms and conditions as the original agreement. It is anticipated that the Corporation will negotiate and enter into a new agreement with Mr. Shefsky in the near future.

#### Eric Szustak

Pursuant to the terms of an agreement (the "**Szustak Employment Agreement**") with Mr. Szustak dated April 1, 2008, the Corporation retained Mr. Szustak to serve as the Corporation'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 Corporation 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, then April 1, 2013, then April 1, 2014 and has been most recently extended for a further one (1) year term, until April 1, 2015, on the same terms and conditions as the original agreement.

#### Knut Søvold

Mr. Søvold, who is employed by D&H, has been seconded to JBENL and is engaged by JBENL on a month-to-month basis to act as the President and Chief Executive Officer of JBENL. Mr. Søvold does not have a formal agreement with the Corporation or JBENL.

#### Adeniyi Olaniyan

Pursuant to the terms of an agreement (the "**Olaniyan Employment Agreement**") with Mr. Olaniyan dated June 1, 2012, the Corporation retained Mr. Olaniyan to serve as the JBENL's Chief Operating Officer and the Corporation's Country Manager in Nigeria. The Olaniyan Employment Agreement provides for a monthly salary of \$30,000 for the term of the agreement, which runs until June 1, 2014, plus reimbursement for all reasonable out-of-pocket expenses incurred in connection with the performance of services under the agreement. Annual bonuses of up to one time the annual base salary may also be declared at the sole option and discretion of the Board of Directors based on Mr. Olaniyan performance. Although the Olaniyan Employment Agreement has expired, Mr. Olaniyan is currently providing services to the Corporation on the same terms as in the Olaniyan Employment Agreement. It is anticipated that the Corporation will negotiate and enter into a new agreement with Mr. Olaniyan in the near future.

Mr. Olaniyan 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 Corporation to its executives and senior employees generally.

#### **Incentive Plan Awards**

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of December 31, 2013.

## Outstanding Share-Based Awards and Option-Based Awards

Name and principal position	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
<b>Stephen Shefsky</b> President, Secretary, Chief Executive Officer and Director	NIL	NIL	NIL	NIL	N/A	N/A
<b>Eric Szustak</b> Chief Financial Officer	NIL	NIL	NIL	NIL	N/A	N/A
<b>Knut Søvold</b> <sup>(2)</sup> President and Chief Executive Officer of JBENL <sup>(2)</sup>	Nil	N/A	N/A	N/A	N/A	N/A
<b>Adeniyi Olaniyan</b> <sup>(2)</sup> Chief Operating Officer of James Bay Energy Nigeria Limited and Country Manager <sup>(2)</sup>	600,000	0.63	June 1, 2017	Nil	N/A	N/A

**Notes:**

<sup>(1)</sup> The Corporation's common shares were halted for trading on the TSX venture Exchange on September 27, 2012. This value is based on the closing price of the common shares of the Corporation as quoted by the TSX Venture Exchange on September 27, 2012, of \$0.52.

<sup>(2)</sup> JBENL is a wholly-owned subsidiary of the Corporation. Mr. Søvold was appointed President and Chief Executive officer of JBENL on March 21, 2012 and Mr. Olaniyan was appointed Chief Operating Officer of JBENL and Country Manager for the Corporation in Nigeria on June 1, 2012.

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended December 31, 2013.

### Value Vested or Earned During the Financial Year Ended December 31, 2013

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 (\$)
<b>Stephen Shefsky</b> President, Secretary, Chief Executive Officer and Director	NIL	N/A	NIL
<b>Eric Szustak</b> Chief Financial Officer	NIL	N/A	NIL
<b>Knut Søvold</b> <sup>(1)</sup> President and Chief Executive Officer of JBENL <sup>(1)</sup>	NIL	N/A	NIL
<b>Adeniyi Olaniyan</b> <sup>(1)</sup> Chief Operating Officer of James Bay Energy Nigeria Limited and Country Manager <sup>(1)</sup>	NIL	N/A	NIL

**Note:**

<sup>(1)</sup> JBENL is a wholly-owned subsidiary of the Corporation. Mr. Søvold was appointed President and Chief Executive officer of JBENL on March 21, 2012 and Mr. Olaniyan was appointed Chief Operating Officer of JBENL and Country Manager for the Corporation in Nigeria on June 1, 2012.



### ***Pension Plan Benefits***

The Corporation 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 Corporation and each of its Named Executive Officers are described below.

The term "**change of control**", as used in the below descriptions of the Shefsky Employment Agreement and the Szustak Employment Agreement, shall mean the occurrence of any one of: (I) either: (a) an issuance, acquisition or continuing ownership of the voting shares of the Corporation 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 *Business Corporations Act* (Ontario) 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 Corporation that would entitle the holders thereof to cast more than 20% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect directors of the Corporation; 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 Corporation to the Board of Directors of the Corporation 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 Corporation's assets to any other person or persons; (III) the entering into of a merger, amalgamation, arrangement or other reorganization by the Corporation 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 *Business Corporations Act* (Ontario) 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 Corporation that would entitle the holders thereof to cast more than 20% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect directors of the Corporation; (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 Corporation 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 Corporation, in the ownership of the Corporation's assets, the composition of the Board of Directors of the Corporation, 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 Corporation.

The terms "**change of control**", as used in the below description of the Olaniyan Employment Agreement, shall mean the occurrence of any one of: (I) the sale, lease or transfer of at least 50% of the Corporation's assets to any other person or persons; (II) the entering into of a merger, amalgamation, arrangement or other reorganization by the Corporation with another unrelated corporation resulting in person or group of persons (other than the Consultant, the Executive and any person related to the Consultant or the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the *Business Corporations Act* (Ontario) with any such person or group of persons (other than the Consultant, the Executive and any person related to the Consultant or the Executive) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially own voting shares of the Corporation that would entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect directors of the Corporation; (III) the entering into and completion of any stage of a series of transaction which would have the same or similar effect as any transaction or series of transactions referred to in paragraphs (I) or (II) above; or (IV) a determination by the Board of Directors of the Corporation 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 Corporation, in the ownership of the Corporation's assets, the composition of the Board of Directors of the Corporation, 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 Corporation.

### Stephen Shefsky

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

Any of the amounts or benefits payable by the Corporation 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 Corporation may terminate the Shefsky Employment Agreement without cause and at will with prior written notice to Mr. Shefsky. If terminated without cause, the Corporation 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 Corporation 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 Corporation, at will, by giving three (3) months' prior written notice to the Corporation, and upon the effective date of such termination, the Corporation 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 Corporation, all stock options of the Corporation 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 Corporation 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 Corporation at will or in connection with a change of control of the Corporation or as a result of Mr. Shefsky's death, all unvested stock options of the Corporation 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 Corporation 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 Corporation, 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 Corporation by voluntary resignation and the Corporation 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 Corporation and if the Corporation, within two (2) years of the effective date of such change of control, terminates Mr. Shefsky without cause, the Corporation shall pay to Mr. Shefsky the Shefsky Resignation Amount.

In the event of a change of control of the Corporation, and if Mr. Shefsky is no longer employed by the Corporation, Mr. Shefsky has the right to demand the Corporation 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 Corporation.

#### Eric Szustak

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

Any of the amounts or benefits payable by the Corporation 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 Corporation may terminate the Szustak Employment Agreement without cause and at will with prior written notice to Mr. Szustak. If terminated without cause, the Corporation 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 severance compensation equal to 24 months of the applicable base salary effective immediately prior to such termination.

The Corporation 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 Corporation, at will, by giving three (3) months' prior written notice to the Corporation, and upon the effective date of such termination, the Corporation 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 Corporation, all stock options of the Corporation 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 Corporation 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 Corporation or as a result of Mr. Szustak's death, all unvested stock options of the Corporation 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 Corporation 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 Corporation, 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 Corporation by voluntary resignation and the Corporation 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 Corporation and if the Corporation, within two (2) years of the effective date of such change of control, terminates Mr. Szustak without cause, the Corporation shall pay to Mr. Szustak the Szustak Resignation Amount.

In the event of a change of control of the Corporation, and if Mr. Szustak is no longer employed by the Corporation, Mr. Szustak has the right to demand the Corporation 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 Corporation.

#### *Adeniyi Olaniyan*

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

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

#### *Termination for Cause, At Will and by Voluntary Resignation*

The Corporation may terminate the Olaniyan Employment Agreement without cause and at will with prior written notice to Mr. Olaniyan. If terminated without cause, the Corporation 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 amounts due and owing up to the effective date of termination and, if terminated prior to the completion of the term of the Olaniyan Employment Agreement, severance compensation equal to the amount of base salary from the date of termination until the end of the term of the Olaniyan Employment Agreement.

The Corporation may terminate the Olaniyan Employment Agreement for a material breach of the agreement or in the event the Corporation, JBENL or Mr. Olaniyan becomes insolvent or voluntarily or involuntarily bankrupt, or makes an assignment for the benefit of its or his creditors, where upon such termination, there shall be no amounts owing to Mr. Olaniyan, other than amounts payable to the effective date of termination and amounts payable pursuant to statutory obligations.

The Olaniyan Employment Agreement may be immediately terminated by mutual consent of the parties at any time during the term of the agreement, at which point Mr. Olaniyan the Corporation shall pay to Mr. Olaniyan, 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. Olaniyan is terminated with cause or voluntarily resigns from his employment with the Corporation, all stock options of the Corporation held by Mr. Olaniyan 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 Corporation held by Mr. Olaniyan 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. Olaniyan is terminated at will or in connection with a change of control of the Corporation or as a result of Mr. Olaniyan death, all unvested stock options of the Corporation held by Mr. Olaniyan shall be deemed to have vested as of the effective date of such event to allow Mr. Olaniyan or his personal representatives, as the case may be, to exercise the stock options that Mr. Olaniyan 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 Corporation shall compensate Mr. Olaniyan by way of a cash payment of that amount of money which Mr. Olaniyan 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 Corporation, Mr. Olaniyan 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 Corporation by voluntary resignation and the Corporation shall pay to Mr. Olaniyan, to the extent earned, all amounts due and owing up to the effective date of termination, and, if such termination occurs after 1 year from the original date of the Olaniyan Employment Agreement, a settlement amount equal to 12 months' of base salary at the rate applicable immediately prior to the effective date of termination by voluntary resignation, or, if such termination occurs after 2 years from the original date of the Olaniyan Employment Agreement, 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.

*Estimated Incremental Payment on Change of Control or Termination*

The following table provides details regarding the estimated incremental payments from the Corporation to Messrs. Shefsky, Szustak and Olaniyan upon a change of control or on termination without cause, assuming a triggering event occurred on December 31, 2013:

NEO and Event	Severance Period (# of months)	Base Salary (\$ per year)	Total Payment (\$)
<b>Stephen Shefsky</b> Change of Control	24	180,000	360,000
<b>Stephen Shefsky</b> Termination without Cause	24	180,000	360,000
<b>Eric Szustak</b> Change of Control	24	72,000	144,000
<b>Eric Szustak</b> Termination without Cause	24	72,000	144,000
<b>Adeniyi Olaniyan</b> Change of Control after 1 year	12	370,800 <sup>(1)</sup>	370,800 <sup>(1)</sup>
<b>Adeniyi Olaniyan</b> Change of Control after 2 years	24	370,800 <sup>(1)</sup>	741,600 <sup>(1)</sup>
<b>Adeniyi Olaniyan</b> Termination without Cause	24	370,800 <sup>(1)</sup>	Amount remaining payable of his aggregate base salary

**Note:**

<sup>(1)</sup> Mr. Olaniyan's Employment Agreement provides for an annual salary of US\$360,000 (approximately CDN\$370,800 for the year ended December 31, 2013) for the term of the agreement, which runs until June 1, 2014.

### **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 Corporation 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 Corporation 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 Corporation's non-executive directors during the financial year ended December 31, 2013. Information regarding the compensation paid to Stephen Shefsky and Knut Søvold during the financial year ended December 31, 2013 (including as a director) is disclosed in the sections above relating to executive compensation.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Mark Brennan	20,000	NIL	NIL	NIL	NIL	NIL
Jon Pereira	20,000	NIL	NIL	NIL	NIL	NIL
Wayne Egan	20,000	NIL	NIL	NIL	NIL	NIL
Mike Sylvestre	20,000	NIL	NIL	NIL	NIL	NIL
Jean Gauthier <sup>(1)</sup>	NIL	NIL	NIL	NIL	NIL	NIL
<b>TOTALS</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**Note:**

<sup>(1)</sup> Jean Gauthier was appointed to the board of directors on December 10, 2012 and resigned from the board of directors on February 22, 2013. Mr. Gauthier is standing for election to the board of directors at the Meeting.

### **Incentive Plan Awards**

The following table provides information regarding the incentive plan awards for each non-executive director outstanding as of December 31, 2013. Information regarding the incentive plan awards for Stephen Shefsky and Knut Søvold during the financial year ended December 31, 2013 is disclosed in the sections above relating to executive compensation.

### **Outstanding Share-Based Awards and Option-Based Awards**

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards</b>	
	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (C\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options (\$)<sup>(1)</sup></b>	<b>Number of shares or units of shares that have not vested (#)</b>	<b>Market or payout value of share-based awards that have not vested (\$)</b>
Mark Brennan	NIL	N/A	N/A	NIL	N/A	N/A
Jon Pereira	NIL	N/A	N/A	NIL	N/A	N/A
Wayne Egan	NIL	N/A	N/A	NIL	N/A	N/A
Mike Sylvestre	200,000	0.75	June 11, 2015	NIL	N/A	N/A
Jean Gauthier <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A

**Note:**

- (1) The Corporation's common shares have been halted for trading on the TSX venture Exchange since September 27, 2012. This value is based on the last quoted price of the common shares of the Corporation as quoted by the TSX Venture Exchange on September 27, 2012, of \$0.52.
- (2) Jean Gauthier was appointed to the board of directors on December 10, 2012 and resigned from the board of directors on February 22, 2013. Mr. Gauthier is standing for election to the board of directors at the Meeting.

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, 2013. Information regarding the value vested or earned of incentive plan awards for Stephen Shefsky and Knut Søvold for the financial year ended December 31, 2013 is disclosed in the sections above relating to executive compensation.

#### **Value Vested or Earned During the Financial Year Ended December 31, 2013**

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
Jean Gauthier <sup>(1)</sup>	NIL	N/A	NIL

**Note:**

- (1) Jean Gauthier was appointed to the board of directors on December 10, 2012 and resigned from the board of directors on February 22, 2013. Mr. Gauthier is standing for election to the board of directors at the Meeting.

#### ***Retirement Policy for Directors***

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

#### ***Directors' and Officers' Liability Insurance***

The Corporation currently maintains directors' and officers' liability insurance in the amount of \$5,000,000 in the annual aggregate for the term ending July 9, 2014. There is a retention of \$25,000 for each claim for loss which the Corporation may advance or indemnify the insured persons. The aggregate annual premium for the policy is \$10,900. All costs associated with the premiums are borne by the Corporation.

### **CORPORATE GOVERNANCE DISCLOSURE**

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day to day management of the Corporation. The Board of Directors is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

The Corporation's common shares trade on the TSX Venture Exchange, a member of the TSX Group Inc. and Canada's foremost public venture marketplace. Accordingly, the Board of Directors of the Corporation has carefully considered the Corporate Governance Guidelines (the "**Guidelines**") adopted by the Toronto Stock Exchange, as well as those proposed by the Toronto Stock Exchange but not yet in force, and has deemed it to be in the best interests of shareholders to promote best corporate governance practices. Although there is no requirement for the Corporation to comply with the Guidelines, the Corporation considers the Guidelines to be an important guide for providing effective corporate governance and intends to implement many of the Guidelines over the current fiscal period.

## Corporate Governance Disclosure

The information required to be disclosed by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") is attached to this Circular as Schedule "A".

### Meetings of the Board of Directors and Committees (Audit Committee and Compensation Committee)

Typically, the Board of Directors meets either in person or via conference call regularly throughout the fiscal period, including six (6) official Board of Directors meetings during the fiscal year ending December 31, 2013. Additionally, some matters requiring approval of the Board of Directors of the Corporation were approved by written resolutions signed by all members of the Board of Directors.

The Board of Directors has established an audit committee ("**Audit Committee**") and a Compensation Committee. The Board of Directors has determined that it will implement corporate governance and compensation as an entire board.

#### Audit Committee

The Audit Committee's primary duties and responsibilities are to: (i) serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements; (ii) review and appraise the performance of the Corporation's external auditors; and (iii) provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors. The Audit Committee reports its deliberations and discussions regularly to the Board of Directors and submits to the Board of Directors the minutes of its meetings.

Formed during the second-quarter of the financial year ending December 31, 2008, the Audit Committee currently consists of Stephen Shefsky, Jon Pereira and Mike Sylvestre. Stephen Shefsky has been appointed the Chairman of the Audit Committee. All members of the Audit Committee are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and Jon Pereira and Mike Sylvestre are "independent" as that term is defined in NI 52-110.

The Chairman of the Audit Committee, in consultation with the Audit Committee members, determines the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four (4) times in each fiscal year and at least once in every fiscal quarter. The Audit Committee has the authority to convene additional meetings as circumstances require. A schedule for each of the meetings is disseminated to Audit Committee members prior to the start of each fiscal year. An agenda for each meeting is disseminated to Audit Committee members as far in advance of each meeting as is practicable. The Audit Committee held four (4) formal meetings during the financial year ending December 31, 2013.

#### Compensation Committee

To determine compensation payable, the Compensation Committee, consisting of Mark Brennan and Wayne Egan, of whom Mark Brennan is an independent director, reviews compensation paid for directors and officers of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation.

Further information regarding the Compensation Committee's responsibilities, powers and operation are set out above under the section entitled "*Statement of Executive Compensation*".

The Corporation believes that each of the Compensation Committee members possess the skills and experiences that enable the member to make decisions on the suitability of the compensation policies and practices of the Corporation as set out above.

Mr. Brennan has extensive experience as a director and senior executive of public companies, is the president of Linear Capital Corp., a merchant bank focused on developing assets in the mining & oil and gas sectors and has over



20 years financing experience in North America & European financial markets. Mr. Egan holds a law degree, has extensive experience as a director of public companies and has over 20 years practice experience as a corporate/securities lawyer.

#### AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

NI 52-110 requires the Corporation, as a venture issuer, to disclose annually in its Management Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as disclosed by Form 52-110F2 attached to this Circular as **Schedule "B"**.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of common shares to be issued pursuant to equity compensation plans under which equity securities of the Corporation are authorized for issuance for all compensation plans previously approved by security holders and all compensation plans not previously approved by security holders as of December 31, 2013.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) <sup>(1)</sup>
Equity compensation plans approved by security holders	800,000	\$0.66	4,808,070
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>800,000</b>	<b>\$0.66</b>	<b>4,808,070</b>

**Note:**

<sup>(1)</sup> The only equity compensation plan currently in place is the Corporation's 2008 stock option plan which is described below under the heading "*Particular Matters To Be Acted Upon*". The maximum number of common shares reserved for issuance and available for purchase under the plan is 5,608,070 common shares of the Corporation, of which 800,000 have been granted and are outstanding and 4,808,070 remain available for issuance under the plan as of the date of this Circular.

#### *Description Of 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 Corporation on June 23, 2009 and re-approved on June 29, 2011 and June 28, 2012. As discussed below, the Stock Option Plan was amended from a "rolling plan" to a "fixed number" plan on January 9, 2013 by the Board of Directors and was approved and ratified by the Shareholders on February 4, 2013.

The purpose of the Stock Option Plan is to attract and motivate directors, officers, employees, consultants and others providing services to the Corporation and its subsidiaries, and thereby advance the Corporation's interests, by affording such persons an opportunity to acquire an equity interest in the Corporation 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 800,000 stock options are outstanding.

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 believed that it is in the best

interest of the Corporation 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 at the time of the Amendments, may be reserved for issuance pursuant to stock options granted or governed under the Stock Option Plan. In addition, the Amendments contemplated that, upon the completion of the certain Common Shares issuances (collectively the "**Issuances**") detailed in the Corporation's Information Circular for a Special Meeting of Shareholder of the Corporation dated January 9, 2013, which is incorporated herein by reference, 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. The Shareholders approved and ratified the Amendments on February 4, 2013.

The terms and conditions 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 Corporation 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 Corporation's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Corporation in respect of options granted.

#### **RECEIPT OF FINANCIAL STATEMENTS**

A copy of the audited annual financial statements for the year-ended December 31, 2013, together with the auditors' report thereon, accompany this Circular. The directors will place before the Meeting the financial statements and auditors' report.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, executive officer, employee or former director, executive officer or employee of the Corporation or associate of any director, executive officer, employee or former director, executive officer or employee of the Corporation is, or at any time since the beginning of the Corporation's financial year-ended December 31, 2013, has been, indebted to the Corporation.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, no informed person of the Corporation, proposed director of the Corporation nor any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's financial year-ended December 31, 2013 or in any proposed transaction which has materially affected or would materially affect the Corporation.

#### **MANAGEMENT CONTRACTS**

No management functions of the Corporation are to any substantial degree performed by any other person or company other than by the directors or executive officers of the Corporation.

## **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice. If any other matter properly comes before the Meeting, it is the intention of the persons named in the Proxy to vote the common shares represented thereby in accordance with their best judgment on such matter.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation for the most recently completed financial year. Copies of the financial statements and management discussion and analysis may be obtained from the Corporation by contacting Lenny Foreht via telephone at (416) 366-4200.

## **DIRECTORS' APPROVAL**

The contents and the sending of this Circular to the Shareholders of the Corporation have been approved by the Board of Directors. Unless otherwise specified, information contained in this Circular is given as of July 28, 2014.

**DATED** at Toronto, Ontario as of July 28, 2014.

ON BEHALF OF THE BOARD OF  
**JAMES BAY RESOURCES LIMITED**

*"Stephen Shefsky"*

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**STEPHEN SHEFSKY**

Chief Executive Officer and a Director

## SCHEDULE "A"

### JAMES BAY RESOURCES LIMITED (the "Corporation")

#### FORM 58-101F2 CORPORATE GOVERNANCE DISCLOSURE

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required and hereby discloses its corporate governance practices as of the date of this Circular:

#### 1. Board of Directors

As at July 28, 2014 the board of directors (the "**Board**") is comprised of six directors.

Mark Brennan, Mike Sylvestre and Jon Pereira are "independent" (as that term is defined in NI 58-101) directors of the Corporation in that they are free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the directors' ability to act with the best interests of the Corporation, other than the interests and relationships arising from shareholdings.

Stephen Shefsky (Chief Executive Officer, President and Secretary) is a senior officer of the Corporation, Wayne Egan is a partner at WeirFoulds LLP (the Corporation's solicitors) and Knut Søvold (President and Chief Executive Officer) is a senior officer of a subsidiary of the Corporation, and are therefore not "independent", as that term is defined in NI 58-101.

The Board facilitates its exercise of independent supervision over the Corporation's management through frequent discussions with management and regular meetings of the Board.

#### 2. Directorships

Name of Director	Name of Reporting Issuer
Stephen Shefsky	N/A
Mark Brennan	Largo Resources Ltd. and Morumbi Resources Inc.
Jon Pereira	BE Resources Inc.
Wayne Egan	Exall Energy Corporation and Largo Resources Ltd.
Mike Sylvestre	Castle Resources Inc., Claude Resources Inc. and Prophecy Platinum Corp.
Knut Søvold	N/A

#### 3. Orientation and Continuing Education

While the Corporation does not have formal orientation and training programs, new directors are provided with access to publicly filed documents of the Corporation, technical reports, internal financial information, and management and technical experts and consultants.

#### **4. Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction.

The Board has considered the adoption of the following corporate governance policies with respect to maintaining the highest standards of integrity and ethical behaviour in the conduct of its business: (i) Whistleblower Policy (ii) Code of Conduct Policy; (iii) Insider Trading and Blackout Policy; and (iv) Corporate Disclosure Policy and Practices, and has adopted a Whistleblower Policy.

#### **5. Nomination of Directors**

Management of the Corporation is responsible for identifying individuals believed to be qualified to become board members, consistent with criteria approved by the Board, and to nominate to stand for election at the Corporation's annual meeting of shareholders or, if applicable, at a special meeting of the shareholders. In case of vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Board shall fill each such vacancy either through appointment by the Board or through election by shareholders. In recommending candidates, the management of the Corporation shall take into consideration the criteria approved by the Board and such other factors as it deems appropriate. These factors shall include judgment, skill, integrity, independence, diversity, experience with business and organizations of comparable size, the interplay of a candidate's experience with the experience of other Board members', willingness to commit the necessary time and energy to serve as director, and a genuine interest in the Corporation's business, and the extent to which a candidate would be a desirable addition to the Board or any committees of the Board.

#### **6. Compensation**

To determine compensation payable, the Compensation Committee consisting of Mark Brennan and Wayne Egan, reviews compensation paid for directors and officers of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation.

#### **7. Other Board Committees**

The Board has established an Audit Committee and a Compensation Committee.

##### ***Audit Committee***

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the following areas: (i) the Corporation's external audit function; (ii) internal control and management information systems; (iii) the Corporation's accounting and financial reporting requirements; (iv) the Corporation's compliance with law and regulatory requirements; (v) the Corporation's risks and risk management policies; and (vi) such other functions as are delegated to it by the Board. Specifically, with respect to the Corporation's external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: (i) the quality and integrity of the Corporation's financial statements; (ii) the independent auditors' qualifications; and (iii) the performance of the Corporation's independent auditors.

The Audit Committee's primary duties and responsibilities are to:

- (g) serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements;
- (h) review and appraise the performance of the Corporation's external auditors; and
- (i) provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board.

The Audit Committee reports its deliberations and discussions regularly to the Board and submits to the Board the minutes of its meetings.

The Audit Committee consists of as many members as the Board shall determine, but in any event not fewer than three (3) members who are appointed by the Board. All members of the Audit Committee shall be "unrelated" and "financially literate" and at least one (1) member shall have "accounting or related financial experience". For the purposes of the Audit Committee's terms of reference, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The Board has appointed Stephen Shefsky, Jon Pereira and Mike Sylvestre as members of the Audit Committee and Stephen Shefsky has been appointed the Chairman of the Audit Committee. All members of the Audit Committee are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110") and Jon Pereira and Mike Sylvestre are "independent" as that term is defined in NI 52-110.

#### ***Compensation Committee***

The Compensation Committee is comprised of Mark Brennan and Wayne Egan and is responsible for, among other things, reviewing executive compensation matters and making recommendations to the Board for its approval.

To determine compensation payable, the Compensation Committee reviews compensation paid for directors and officers of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation.

#### **8. Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees to satisfy itself that the Board, its committees and its individual directors are performing effectively.

## SCHEDULE "B"

### JAMES BAY RESOURCES LIMITED (the "Corporation")

#### FORM 52-110F2 AUDIT COMMITTEE DISCLOSURE

#### 1. The Audit Committee's Charter

See Exhibit "1" attached hereto.

#### 2. Composition of the Audit Committee

The audit committee of the Corporation (the "**Audit Committee**") consists of as many members as the board of directors (the "**Board**") shall determine, but in any event not fewer than three (3) members who are appointed by the Board. The composition of the Audit Committee shall meet all applicable independence, financial literacy and other legal and regulatory requirements. More specifically, all members of the Audit Committee shall be "unrelated" and "financially literate" and at least one (1) member shall have "accounting or related financial experience". For the purposes of the Audit Committee's terms of reference, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The Board has appointed Stephen Shefsky, Jon Pereira and Mike Sylvestre as members of the Audit Committee and Stephen Shefsky has been appointed the Chairman of the Audit Committee. All members of the Audit Committee are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and Jon Pereira and Mike Sylvestre are "independent" as that term is defined in NI 52-110.

#### 3. Relevant Education and Experience

Name	Independent of the Corporation	Financially Literate	Relevant Education and Experience
Stephen Shefsky	No	Yes	Mr. Shefsky is the Chief Executive Officer, President and a director of the Corporation since incorporation and devotes substantially all his working time to the Corporation. 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, now Belo Sun Mining (TSX:BSX), a minerals exploration company with a focus on precious metal properties in Brazil (currently Belo Sun Mining Corp., TSXV:BSX). Mr. Shefsky was also a director and the Executive Chairman of Castle Resources Inc. (TSXV:CRI) from February 2008 and July 2011, respectively, until July, 2014. Mr. Shefsky was the vice-chairman and director of Morumbi Resources Inc. (TSXV:MOC) from December 2009 to November 2013. 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.

Mike Sylvestre	Yes	Yes	Mike Sylvestre is a mining executive with \ experience in leading major mining operations .. Over the span of a 35+ year career, Mr. Sylvestre has acquired extensive in country and global experience, including roles such as, CEO ValeInco New Caledonia, President Inco Manitoba and Vice President of Operations PTInco. Mr. Sylvestre also held many other various senior leadership roles within Inco Sudbury operations. Mr. Sylvestre holds a 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 He also most recently completed the Director's Education Program at Rotman's School of Management and subsequent designation within the Institute of Corporate Directors.
Jon Pereira	Yes	Yes	Mr. Pereira has been a director of the Corporation 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). Mr. Pereira is the President and CEO of BE Resources Inc. (TSXV:BE).

#### 4. Audit Committee Oversight

The Audit Committee has not made a recommendation to the Board to nominate or compensate an external auditor.

#### 5. Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in Section 2.4 (*De Minimis Non-audit Services*) or Section 8 (*Exemptions*) of NI 52-110.

Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed five percent (5%) of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

#### 6. Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.

#### 7. External Auditor Service Fees (By Category)

The aggregate fees charged to the Corporation by the external auditors for last two fiscal years are as follows:

Nature of Services	Fees Paid to Auditor in Year-ended December 31, 2013	Fees Paid to Auditor in Year-ended December 31, 2012
Audit Fees <sup>(1)</sup>	\$21,000	\$84,000
Audit-Related Fees <sup>(2)</sup>	\$Nil	Nil
Tax Fees <sup>(3)</sup>	\$3,800	\$14,100
All Other Fees <sup>(4)</sup>	\$Nil	Nil
<b>Total</b>	<b>\$24,800</b>	<b>\$98,100</b>



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**Notes:**

- (1) "**Audit Fees**" include fees necessary to perform the annual audit and any quarterly reviews of the Corporation's financial statements and the Corporation's wholly owned subsidiaries. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "**Audit-Related Fees**" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are not included in "Audit Fees".
- (3) "**Tax Fees**" include fees for professional services rendered by the Corporation's auditors for tax compliance, tax advice and tax planning.
- (4) "**All Other Fees**" include fees for products and services provided by the Corporation's auditors other than the services included in "Audit Fees", "Audit-Related Fees" and "Tax Fees".

## **8. Exemption**

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

## EXHIBIT 1

### JAMES BAY RESOURCES LIMITED (the "Corporation")

#### AUDIT COMMITTEE CHARTER

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#### JAMES BAY RESOURCES LIMITED AUDIT COMMITTEE CHARTER

##### **Name**

There shall be a committee of the Board of Directors (the "**Board**") of James Bay Resources Limited (the "**Corporation**") known as the Audit Committee.

##### **General Purpose**

The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities with respect to the following areas: the Corporation's external audit function; internal control and management information systems; the Corporation's accounting and financial reporting requirements; the Corporation's compliance with law and regulatory requirements; the Corporation's risks and risk management policies and such other functions as are delegated to it by the Board. Specifically, with respect to the Corporation's external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: the quality and integrity of the Corporation's financial statements; the independent auditors' qualifications; and the performance of the Corporation's independent auditors.

The Audit Committee is intended to facilitate and provide a means of open communication between management, the external auditors and the Board.

##### **Composition and Qualifications**

The Audit Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three (3) members who are appointed by the Board. The composition of the Audit Committee shall meet all applicable independence, financial literacy and other legal and regulatory requirements. More specifically, all members of the Audit Committee shall be "unrelated" and "financially literate" and at least one (1) member shall have "accounting or related financial experience", as such terms are defined by the TSX Corporate Governance Guidelines<sup>1</sup> or such other applicable law, rule or guideline.

The Board shall designate the Chairman of the Audit Committee and in so doing shall consider the recommendation of the Governance and Compensation Committee. The Chairman shall have responsibility for overseeing that the Committee fulfills its mandate and duties effectively.

Each member of the Audit Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board, following consideration of the recommendation of the Governance and Compensation Committee, may fill a vacancy which occurs in the Audit Committee at any time.

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<sup>1</sup> Section 475(13) of the TSX Guidelines defines "financial literacy" as the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto and "accounting or related financial experience" as the ability to analyse and interpret a full set of financial statements including the notes attached thereto, in accordance with generally accepted accounting principles.

## **Meetings**

The Chairman of the Audit Committee, in consultation with the Audit Committee members, shall determine the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four (4) times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require. A schedule for each of the meetings will be disseminated to Audit Committee members prior to the start of each fiscal year. A detailed agenda for each meeting will be disseminated to Audit Committee members as far in advance of each meeting as is practicable.

The Audit Committee shall meet separately, periodically, with management, counsel and the external auditors. The Audit Committee shall meet separately with the external auditors at every meeting of the Audit Committee at which external auditors are present.

## **Responsibilities**

The Audit Committee is mandated to carry out the following responsibilities:

### **A. External Auditors**

- (1) Subject to applicable law, the Audit Committee shall be responsible for the appointment, compensation, oversight and termination of the external auditor. The external auditor shall report directly to the Audit Committee and shall be accountable to the Board and Audit Committee as representatives of the shareholders.
- (2) The Audit Committee shall pre-approve all non-audit mandates for services the external auditor shall undertake.
- (3) The Audit Committee shall satisfy itself, on behalf of the Board, that the external auditor is independent of management. In assessing such independence, the Audit Committee shall discuss with the external auditors, and may require a letter from the external auditor outlining, any relationships between the external auditors and the Corporation or its affiliates.
- (4) The Audit Committee shall review the audit plan of the external auditors, the integration of the external audit with the internal control program, and the results of the audit, which shall include reviewing the external auditor's letter to management and management's response thereto and other material written communications between management and the external auditors.
- (5) The Audit Committee shall satisfy itself, annually or more frequently as the Audit Committee considers appropriate, as to the external auditors' internal quality control procedures and any material issues raised by the most recent internal quality control review, or peer review, of the external auditor, or by any public enquiry, review, or investigation by governmental, professional or other regulatory authorities.
- (6) The Audit Committee shall periodically review and discuss with management and the external auditors the quality and acceptability of the Corporation's accounting policies and practices, the materiality levels which the external auditors propose to employ, any significant changes in the accounting policies and any proposed changes in accounting or financial reporting that may have a significant impact on the Corporation.
- (7) The Audit Committee shall discuss with management and the external auditors all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management by the external auditors, the ramifications of these alternative treatments and the treatment preferred by the external auditors.

B. Financial Information

- (1) The Audit Committee shall discuss with management and the external auditors whether the audited annual financial statements present fairly (in accordance with Canadian generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented and, where appropriate, recommend for approval to the Board, the annual audited financial statements of the Corporation.
- (2) The Audit Committee shall discuss with management and the external auditors whether the unaudited quarterly financial statements present fairly (in accordance with generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented and, where appropriate, recommend for approval to the Board, the unaudited quarterly financial statements of the Corporation.
- (3) The Audit Committee shall review the Annual Report to Shareholders and other financial information (including the annual and quarterly Management's Discussion and Analysis of Financial Condition and Results of Operations, the Annual Information Form and any prospectus or offering circular) prepared by the Corporation with management and, where appropriate, recommend for approval to the Board and recommend for filing with regulatory bodies.
- (4) The Audit Committee shall review any news releases and reports to be issued by the Corporation containing earnings guidance or financial information for research, analysts and rating agencies. The Audit Committee shall also review the Corporation's policies relating to financial disclosure and the release of earnings guidance and the Corporation's compliance with financial disclosure rules and regulations.

The Audit Committee shall discuss with management and the external auditors important trends and developments in financial reporting practices and requirements and their effect on the Corporation's financial statements.

C. Internal Control

- (1) The Audit Committee shall oversee the adequacy and effectiveness of the Corporation's internal control systems, through discussions with the Corporation's external auditors and management and shall report to the Board on an annual basis.
- (2) The Audit Committee shall review annually the Corporation's Code of Business Conduct and its effectiveness and enforcement.

D. Risk Management

- (1) The Audit Committee shall review with management the principal risks facing the Corporation, and the policies, processes and procedures for management's monitoring and managing of such risks or exposures. If necessary, the Audit Committee will mandate, monitor and evaluate the steps management has taken to monitor and manage such exposures, including insuring against such risks, where appropriate.

E. Compliance with Legal and Regulatory Requirements

- (1) The Audit Committee shall review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Corporation and any material reports or inquiries from regulatory or governmental agencies.

- (2) The Audit Committee shall review with counsel the adequacy and effectiveness of the Corporation's procedures to ensure compliance with the legal and regulatory responsibilities.

F. Other

- (1) The Audit Committee shall also perform such other activities related to this Charter as requested by the Board.
- (2) The Audit Committee shall review and assess the adequacy of this Charter annually and shall submit any proposed changes to the Board for approval.
- (3) The Audit Committee may delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

### **Reporting**

The Audit Committee shall report its deliberations and discussions regularly to the Board and shall submit to the Board the minutes of its meetings.

### **Resources**

The Audit Committee shall have the authority, in its sole discretion, to retain independent legal, accounting and other consultants to advise the Audit Committee at the expense of the Corporation. The Audit Committee shall be provided with the necessary funding to compensate the external auditors and any other advisors they engage.

The Audit Committee may request any officer or employee of the Corporation or the Corporation's external counsel or external auditors to attend a meeting of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee. The Audit Committee shall have full access to all of the Corporation's books, records, facilities and personnel.

### **Complaints Procedure**

Any director, officer or employee who has any concern or complaints regarding accounting, internal control or auditing matters or any potential violations of law or regulatory provisions may, in accordance with the Code of Business Conduct, make an anonymous submission to any member of the Audit Committee. The Audit Committee shall establish procedures for the review and resolution of such complaints.

### **Limitation on the Oversight Role of the Audit Committee**

Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject. Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives financial and other information, and the accuracy of the information provided to the Corporation by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of management and the external auditors.