JAMES BAY RESOURCES LIMITED

2013 ANNUAL REPORT

July 28, 2014

Dear Fellow Shareholders:

On behalf of the Board of Directors, I am pleased to report to you on our progress in 2013 and provide our outlook for 2014.

James Bay Resources Limited (the “Company” or “James Bay”) entered into an agreement to acquire from Bicta Energy and Management Systems Limited (“Bicta”) a 47% direct interest in the Ogedeh Project in Nigeria (the “Ogedeh Project”). The Ogedeh Project is a marginal field located in the south western corner of the Nigerian National Petroleum Corporation Block OML 90 (oil mining lease) in the western Niger Delta Basin, Nigeria. The Ogedeh marginal field was discovered by Chevron in 1993 by the drilling of the Ogedeh-1 well, in shallow water offshore from OML 90.

In order to acquire the 47% interest of the Ogedeh marginal field, James Bay entered into a Joint Operating Agreement with Bicta dated May 28, 2012 (the “JOA”) the Deed of Assignment dated March 9, 2012 (“DOA”), which was filed with the Department of Petroleum Resources in Nigeria (“DPR”) and in the fall of 2012 approvals were received. In addition, James Bay was audited by the Department of Petroleum Resources and found to be both financially and technically capable to operate oil and gas projects in Nigeria. On January 14, 2013, James Bay received conditional approval from the TSX Venture Exchange (“TSXV”) to change its business from mining to oil and gas exploration and production in Nigeria. At the February 4, 2013, special meeting, shareholders voted to approve the change in business of James Bay as well as the transaction in which the company acquired its interest in the Ogedeh Project. The Company is diligently working towards receipt of the final approval of the TSXV for the change of business. The material outstanding conditions include, completion of a financing, receipt of Ministerial approval in Nigeria and completion of acceptable due diligence each of which are moving forward. James Bay was pleased to report that the Honourable Minister of Petroleum Resources has granted approval to the assignment of 47% participating interest in the Ogedeh marginal field located in OML 90 in May 2013.

Subject to receipt of the final approval from the TSXV, James Bay intends to re-enter the discovery well on the Ogedeh Project to facilitate two drill stem tests later this year or the first quarter of 2015 and to put the Ogedeh marginal field on an extended well test designed to determine the next steps in the exploration and development of the field. The NI51-101 report prepared by Sproule, an Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field Nigeria, was published on June 30, 2012, indicating a Discovered Original Oil In Place of 24.6MMbbl (P50) with an economic contingent oil resource of 6.6MMbbl recoverable barrels and is being updated to reflect the current market. Our Company acquired a 45% interest in a new indigenous oil and gas company called Crestar Integrated Natural Resources Limited to look at opportunities being divested by major oil companies in Nigeria. The Company continues to source other potential projects, with the goal of building James Bay into a significant E&P company in Nigeria.

Given all of our efforts to build a presence and future in Nigeria, we are confident that James Bay is well positioned to capitalize on opportunities in Nigeria as soon as all required TSXV approvals have been obtained.

On behalf of the Board, we thank you for your continuing support.

Signed,

“Stephen Shefsky”

President & CEO

James Bay
Resources Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

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INTRODUCTION

The Management's Discussion and Analysis ("MD&A") of James Bay Resources Limited (the "Company" or "James Bay") should be read in conjunction with the Company's consolidated audited financial statements for the years ended December 31, 2013 and 2012. Those financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") and all amounts shown in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise noted. This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on April 28, 2014.

FORWARD-LOOKING INFORMATION

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

COMPANY OVERVIEW

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

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

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

HIGHLIGHTS

- In January 2013, the Company received conditional acceptance of its change of business ("COB"). On February 4, 2013, the Company's shareholders approved the proposed transaction for the COB.
- Receipt of Ministerial approval was a condition precedent to completion of the COB. In May 2013, the Honourable Minister of Petroleum Resources (HMPR) granted approval to the assignment of a 47% participating interest in the Ogedeh Project to the Company's wholly own subsidiary D&H Energy Nigeria Limited ("DHENL");
- The Company filed its National Instrument 51-101 (NI 51-101) report on the OML 90 Project.
- In March 2014, the Company received environmental impact assessment (EIA) approval for the OML 90 Project from the Federal Ministry of Environmental (FMEnu) of Nigeria. The approval given covers the re-entry of Ogedeh-1 well, drilling of two additional wells and other ancillary facilities.

CORPORATE STRUCTURE

On February 27, 2012, the Company incorporated a wholly-owned Nigerian subsidiary, James Bay Energy Nigeria Limited ("JBENL"). Pursuant to an agreement signed with D&H Solution AS, 100% share ownership interest of DHENL and Ondobit Limited ("OL") were transferred to JBENL on March 9, 2012.

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

In September 2013, Crestar Integrated Natural Resources Limited ("CINRL" or "Crestar") was incorporated. The Company has a 45% ownership interest in Crestar through its wholly-owned subsidiary, JBENL. As at December 31, 2013, the Company and one of its officers held the majority of voting shares of the Company and thus, effectively, controlled Crestar.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Their respective ownership percentages are listed in the following table:

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

JAMES BAY DIRECT INTEREST IN OIL AND GAS FIELD

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

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

Evaluating Report, Author, Date

Sproule, an independent qualified resource evaluator, has prepared a report in respect of the evaluation of the Ogedeh Project entitled "Evaluation of the Contingent Oil Resources of James Bay Resources Limited in Ogedeh Field, Nigeria" dated as of June 30, 2012 (the "Sproule Report").

The information set forth below is derived from the Sproule Report which has been prepared by Sproule in accordance with the standards contained in the Oil and Gas Evaluation Handbook (COGEH) and the definitions contained in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI-51-101"). In preparing the Sproule Report, Sproule reviewed the available technical data including the geological interpretation presented by the Company, the ownership terms provided by the Company, information from relevant nearby wells or analogous reservoirs and the proposed program for the Ogedeh Project. Sproule also reviewed this material with respect to the estimated contingent resources and productivity that would be expected of successful wells, the anticipated capital cost (including drilling, completion and equipment), the average operating costs in the area and expected product prices. Sproule has assumed that there were no market restrictions on the produced resources.

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

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The estimates presented herein have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources. No reserves have been attributed to the Ogedeh Property.

Summary of the Sproule Report

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

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

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

Confirmation of commercial productivity of an accumulation by production or a formation test is required for classification of reserves as proved. In the absence of production or formation testing, probable and/or possible reserves may be assigned to an accumulation on the basis of well logs and/or core analysis that indicates that the zone is hydrocarbon bearing and is analogous to other reservoirs in the immediate area that have demonstrated commercial productivity by actual production or formation testing (after COGEH). Due to the unavailability of analogues, the volumes in the Sproule Report were assigned as contingent resources.

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

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

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

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

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

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

Property Description and Location

The Ogedeh Field is located in approximately 40 feet of water in the extreme southwestern corner of NNPC (Nigerian National Petroleum Corporation) Block OML 90 in the western Niger Delta basin. The field is bounded to the north by the Efon Field, to the northeast by the Ajapa Field (discovered in 1984), to the southeast by the Akepo Field (discovered in 1993) and to the east by Nigerian Agip Oil Company's (NAOC) Beniboye Field.

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

In 2004, 100 percent of the field was awarded to Bicta during the federal government discretionary bid round of 2003. In 2012, Bicta assigned 47 percent of the participating interest to DHENL through the JOA. As a result, the Company currently owns a 47 percent interest in the Ogedeh Field. The remaining interests are held by Bicta.

Geology and Resources Estimates

Geoscience

The Ogedeh Field structure is mapped at shallow levels (e.g., the thin "A" gas sands over oil) as small, narrow, elongated and asymmetrical northwest-southeast trending anticlines, located downthrown to similarly trending normal growth faults.

At intermediate and deeper levels (e.g., the oil and gas "B" and "D" sands), the structure has evolved into up-dipping closures against the downthrown side of the normal growth faults.

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

The Ogedeh 1 discovery well was drilled in 1993 by Chevron Nigeria Limited as a directional hole, almost parallel to the fault planes within one of the many fault blocks in the field. The well encountered 50 feet TVD oil in five sands, 26 feet TVD gas in two sands and 37 feet TVD unknown hydrocarbons in one sand. The Ogedeh 1 discovery well was prematurely suspended due to safety considerations at about 10,000 feet MD, while drilling through a sequence of high pressured reservoir sands with mudlog hydrocarbon "shows" and experiencing some mechanical problems.

The Ogedeh 2 well was drilled in 1994 on a different structure and fault block about 8 km southeast of the discovery 1 well and was water wet at all its objective levels.

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

Data Control

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

Seismic Audit

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

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

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

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

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

Petrophysics

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

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

Fluid Properties

No PVT data were available for the discovery well Ogedeh 1. The oil properties were estimated based on standard correlations, in addition to certain regional case studies for different fields located in the Niger Delta basin. The following tables summarize the oil properties used in this evaluation for both the B and D4 sands of the Agbada Formation.

Estimated Oil Properties of the Agbada B Sands

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

Estimated Oil Properties of the Agbada D4 Sand

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

Resource Volumes and Production Forecasts

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

Recovery factors were selected from the results of analytical reservoir analyses. Forecasts of cash flows were prepared by forecasting annual production from the resources, production taxes, product prices and costs. Annual production was forecast taking into account the conceptual development plans proposed by the Company.

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

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

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

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

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

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

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

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

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

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

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

Pricing

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

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

Operating and Capital Costs

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

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

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

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

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

Taxes and Royalties

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

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

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

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

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

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

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

Table S-1

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

	Discovered Original Oil In Place Mbbl	Contingent Oil Resources (Unrisked) Mbbl			Net Present Values After Nigerian Income Taxes (MUS$)				
		Original	Company Gross Oil [1] Resources	Company Net Oil [2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	11,589	5,562	5,279	104,730	88,930	76,624	66,838	58,911
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[4]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	57,793	50,596	44,547	39,441	35,104
C2 + C3 (P10)	40,800	12,000	5,755	5,463	104,730	88,930	76,624	66,838	58,911

Values may not balance due to rounding

Notes:
1. Company working interest volumes before deducting royalties and burden
2. Company net economic volumes after deducting royalties and burden
3. Included in economic oil in place

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Table S-1A

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

		Contingent Oil Resources (Unrisked) Mbbl			Net Present Values Before Nigerian Income Taxes (MUS$)				
	Discovered Original Oil In Place Mbbl	Original	Company Gross Oil[1] Resources	Company Net Oil[2] Rseources	At 0%	At 5.0%	At 10.0%	At 15%	At 20%
Ogedeh Field (Block OML 90)									
Economic									
C2 (P50)	24,600	6,599	3,209	3,047	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	11,589	5,562	5,279	417,666	324,947	262,255	217,657	184,601
Sub-Economic									
C2 (P50)	-[3]	251	118	112	no values assigned (sub-economic)				
C2 + C3 (P10)	-[4]	411	193	184					
Total									
C2 (P50)	24,600	6,850	3,327	3,159	209,692	176,288	150,504	130,174	113,847
C2 + C3 (P10)	40,800	12,000	5,755	5,463	417,666	324,947	262,255	217,657	184,601

Values may not balance due to rounding

Notes:

1. Company working interest volumes before deducting royalties and burden
2. Company net economic volumes after deducting royalties and burden
3. Included in economic oil in place

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Table S-2 Summary of Selected Price Forecasts and Inflation Rate Assumptions (Effective June 30, 2012)			
Year	**WTI Cushing [a] Oklahoma ($US/bbl)**	**Nigeria Bonny Light [b] ($US/bbl)**	**Inflation Rate [c] (%/Yr)**
Historical			
2007	72.27	74.15	2.0
2008	99.59	101.37	1.1
2009	61.63	62.74	2.0
2010	79.43	80.76	1.2
2011	95.00	113.10	1.5
Forecast			
2012	86.39	103.48	2.0
2013	87.61	101.25	2.0
2014	86.67	97.97	2.0
2015	91.61	101.76	2.0
2016	99.37	109.72	2.0
2017	101.35	111.91	2.0
2018	103.38	114.15	2.0
2019	105.45	116.43	2.0
2020	107.56	118.76	2.0
2021	109.71	121.14	2.0
2022	111.90	123.56	2.0
Escalation rate of 2.0% thereafter			

Notes:

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

Economic Summary

Table S-3

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

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

Company Description

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

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

Company Economic Indicators

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

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

Company Economics (per Unit)

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

Company Prod and Investments

		Project	Company Gross	Company Net
Oil	(MSTB)	11,589	5,562	5,279
Gas	(MMSCF)	0	0	0
NGL	(MSTB)	0	0	0
Tax	(MSTB)	-	0	0
Total	(MBOE)	11,589	5,562	5,279
		Project	**Contr**	**Company**
Acquisition	(M$US)	-	-	0
Exploration	(M$US)	0	0	0
Development	(M$US)	45,355	45,355	45,355
Abandonment	(M$US)	5,893	5,893	5,893
Total	(M$US)	51,248	51,248	51,248

Company Cash Flow

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

Economic Summary

Table S-3A

Ogedeh Field, Nigeria - C2: Contingent (unrisked)

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

Company Description

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

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

Company Economic Indicators

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

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

Company Economics (per Unit)

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

Company Prod and Investments

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

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

Company Cash Flow

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

Economic Summary

Table S-3B

Ogedeh Field, Nigeria - C3: Contingent (unrisked)

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

Company Description

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

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

Company Economic Indicators

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

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

Company Economics (per Unit)

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

Company Prod and Investments

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

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

Company Cash Flow

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

James Bay Resources Limited

Figure S-1

LOCATION MAP OF OGEDEH FIELD, NIGER DELTA, NIGERIA

The Company's near term goal is to re-enter the well with the goal of commercial production 2014 subject to financing. After re-entry of the discovery well and an expected Long Term Test (LTT), a new well will be drilled as an appraisal well to define the in-place volumes.

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

- US$100,000 due 90 days from the date of execution of JOA or within 24 hours of the execution of the JOA and Deed of Assignment ("DOA"), whichever is earlier (paid in 2012).

- US$200,000 due upon approval from Department of Petroleum Resources ("DPR") of the assignment of direct interest in OML 90 Project to the Company (paid in 2013).

- US$300,000 to be released upon the grant of government permit for drilling activity at the OML 90 project. The government permit was received in March 2014. Of this amount, US$100,000 was paid prior to December 31, 2013. The remaining US$200,000 has not yet been paid.

- US$1,000,000 upon completion of a final independent report of P1 reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve levels are not attained, the Company shall pay US$0.10 per barrel of oil produced, to a maximum of US$1,000,000.

- US$900,000 upon the completion of 60 days of commercial production.

Included in long-term prepaid as at December 31, 2013 is US$100,000 (2012 - $nil) payment made in advance of the receipt of the grant of government permit for drilling activity.

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

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

D&H Solutions AS ("D&H")

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

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

- 3,000,000 units upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria; and

- 3,000,000 units upon the Company reaching 1,500 barrels oil equivalent ("BOE") per day or a minimum recoverable estimate of 50 million BOE.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The obligations created and transactions contemplated by the agreement with D&H are subject to receipt of all requisite corporate, regulatory, shareholder and court approvals (if required) and consents, including the approval of the TSXV and, where required, the shareholders of the Company.

The Company received the mining licenses in 2013 in respect of an interest in an oil and gas project in Nigeria under a definitive agreement. However, no amounts have been accrued relating to the above units and options as TSXV approval has not been obtained for the change of business. The Company has not been able to secure the required financing for this oil & gas project which is a condition for the TSXV approval for the change of business.

MAK MERA

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

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

The obligations created and transactions contemplated by the agreement with Mak Mera are subject to receipt of all requisite corporate, regulatory, shareholder and court approvals (if required) and consents, including the approval of the TSXV and where required, the shareholders of the Company.

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

JAMES BAY MINERAL PROPERTY

James Bay Lowlands property (the "Property")

Introduction

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

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

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

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

In February 2013, the Company engaged MacDonald Mines to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey will form the basis for a report of work, which will be submitted for assessment credits once all data has been reviewed from MacDonald Mines. The data was received from MacDonald Mines in February 2014, submitted as assessment work and accepted in March 2014. As at December 31, 2013, the Company incurred $198,489 (2012 - $nil) to complete the GPS survey. As of April 30, 2014, the claims are in good standing.

As part of the MacDonald agreement, the Company will issue 50,000 warrants to MacDonald exercisable for five years with an exercise price equal to the issue price of the financing required to be completed in relation to the change of business. This warrant issuance is subject to TSXV approval and as such approval has not yet been received, no amounts have been recorded in these consolidated financial statements relating to these warrants.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE

Exploration and Evaluation Asset

In 2013, the Company received licensing approval on the OML 90 Project. All expenditures incurred pre-licensing are not eligible exploration and evaluation asset expenditures and have thus been expensed as evaluation costs. Since the license to explore the area has been secured, all expenditures directly associated with finding specific mineral resources subsequent to May 17, 2013 have thus been capitalized to exploration and evaluation assets.

As at December 31, 2013, the Company capitalized a total of $959,817 in exploration and evaluation assets.

Description	Amount	
Acquisition costs	$	207,080
Management and consultant fees		410,544
Share-based payments		23,852
Professional fees		8,790
Legal fees		5,067
Travel, meals and accommodation		17,205
Amortization		21,760
General and administrative expense[i]		265,519
Balance at December 31, 2013	$	959,817

(i) Included in general and administrative expense was $65,557 in consulting and salaries, $70,880 in rent, $49,379 in telephone and internet, $10,651 in insurance expense and $69,052 in other office expenses.

Evaluation Costs

In accordance with IFRS 6 "Exploration for and evaluation of mineral resources", only expenditures that can be directly associated with finding specific mineral resources can be capitalized to exploration and evaluation assets. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. The Company's due diligence costs related to its search for a suitable oil and gas property in Nigeria have been expensed as they relate to work performed in advance of the Company securing a license to explore any specific project.

During the year-ended December 31, 2013, the Company incurred $608,693 (December 31, 2012 - $2,568,077) in pre-licensing costs related to pursing certain oil and gas assets in Nigeria and $28,524 (December 31, 2012 - $150,463) in pre-licensing costs related to a mineral property in Nigeria. Details are as follows:

Description	2013	2012
Acquisition costs	$ -	$ 247,941
Management fees [(i)]	263,205	944,373
Consulting fees	20,200	540,106
Travel, meals and accommodation	135,589	363,011
Professional fees	31,860	245,417
Legal fees	17,573	134,780
Transfer agent and listing fees	-	8,731
Amortization	13,279	4,594
General and administrative expense [(ii)]	155,511	229,587
Balance at December 31	$ 637,217	$ 2,718,540

(i) Included in management fees is a credit balance of $6,375 (December 31, 2012 – a debit balance of $172,356) for non-cash share-based payments to an officer of the Company.

(ii) Included in general and administrative expense was $40,943 (December 31, 2012 - $37,420) in consulting and salaries, $58,010 (December 31, 2012 - $99,120) in rent, $25,219 (December 31, 2012 - $30,617) in telephone and internet, $5,151 (December 31, 2012 - $nil) in insurance expense and $26,188 (December 31, 2012 - $62,430) in other office expense.

RESULTS OF OPERATIONS

Revenue

The Company is in the exploration and evaluation stage and therefore, did not have revenues from operations. Interest expense for the year ended December 31, 2013 was $12,215 (December 31, 2012 – Interest income $41,931).

Fourth quarter interest expense was $14,923 compared to interest income of $4,915 from the same period in 2012. The Company incurred 6% interest on shareholders' loan.

Expenses

The Company recorded total expenses of $2,049,312 for the year ended December 31, 2013 (December 31, 2012 - $3,782,064). The decrease of $1,732,752 in expenses is mainly due to the following changes:

- The Company incurred $637,217 evaluation costs for the year ended December 31, 2013 as compared to $2,718,540 in the same period of 2012. On May 17, 2013, the Company was granted licensing on the OML

90 Project in Nigeria. An aggregate of $959,817 post licensing acquisition and evaluation costs are capitalized on the statement of financial position.

- The Company incurred $166,464 in due diligence expenditures in 2013 as compared to $217,724 in the same period of 2012.

- The Company incurred $351,422 in office and general expenses in 2013 as compared to $252,237 in the same period of 2012. Included in office and general, among other things are travel, meals and accommodation, insurance and premise lease. In July 2011, the Company opened an office in Lagos, Nigeria. The Company entered into a two year term lease in October 2012 at an approximate rate of US$11,600 per month.

- The Company incurred $198,489 in exploration costs in the James Bay Lowland to complete a GPS survey to maintain the claims in good standing.

Fourth quarter expenses were $313,991, reflecting a decrease of $733,343 from the same period in 2012. This was mainly due to the decrease in evaluation costs in OML 90 Project as the Company started to capitalize the costs associated to the project as evaluation and exploration assets post licensing.

Net loss and comprehensive loss

For the year ended December 31, 2013, the Company recorded net loss and comprehensive loss of $1,886,868 (December 31, 2012 - $6,201,439) with basic and diluted loss per share of $0.06 (December 31, 2012 - $0.22). The decrease is mainly attributable to a decrease of $2,081,323 in expenditures incurred in relation to decrease of evaluation expenses incurred in Nigeria in 2013, as well as the write-off of the James Bay property in Ontario, Canada of $2,433,662 in 2012.

Fourth quarter net loss and comprehensive loss was $169,070, reflecting an decrease of $859,353 from the same period in 2012.

CASH FLOWS

Operating Activities

The Company had a net cash outflow of $2,293,199 (December 31, 2012 - $3,274,290) from operating activities for the year ended December 31, 2013. The decrease in cash outflow of $981,091 is mainly attributable to the decrease in evaluation costs.

Fourth quarter cash used in operating activities was $973,948, reflecting an increase of $5,582 from the same period in 2012.

Investing Activities

The Company had a net cash outflow of $607,300 (December 31, 2012 - $240,626) from investing activities for the year ended December 31, 2013. The Company commenced capitalizing costs associated to the OML 90 Project in evaluation and exploration assets post licensing. Included in exploration and evaluation costs are acquisition costs ($207,080), management and consultant fees ($410,544), professional fees ($8,790), travel, meals and accommodation ($17,205), and general and administrative expense ($265,519).

Fourth quarter cash used in investing activities was $26,082, reflecting a decrease of $209,713 from the same period in 2012. This is attributable to the decrease in acquisition of equipment of $117,434 and decrease in long-term prepaid of $103,898.

Financing Activities
The Company had a net cash inflow of $1,676,218 (December 31, 2012 - $nil) from financing activities for the year ended December 31, 2013. The Company received loans of $754,000 from two shareholders and directors of the Company and repaid $124,000 of those loans in fiscal 2013. The loans were unsecured; bearing interest at 6% per annum and due on February 1, 2014. In addition, the Company received advance proceeds for a private placement of $1,170,004, which closed in January 2014.

Fourth quarter cash generated in financing activities was $1,116,218 (December 31, 2012 - $nil).

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

SELECTED ANNUAL INFORMATION

Selected data from James Bay's financial statement for the year ending December 31, 2013 and for the two preceding financial years are as follows:

	2013 $	**2012 $**	**2011 $**
Interest (expense) revenue	(12,215)	41,931	64,526
Expenses (i)	2,049,312	3,782,064	1,872,318
Net loss and comprehensive loss attributable to:			
• Non-controlling interest	113,405	-	-
• Common shareholders (ii)	1,773,463	6,201,439	1,857,306
Basic and diluted loss per share attributable to the common shareholders of James Bay	0.06	0.22	0.07
Exploration and evaluation assets	959,817	-	2,433,662
Total assets (iii)	2,702,931	2,201,014	8,158,695
Total liabilities	2,673,447	176,167	104,765
Shareholders' equity	107,561	2,024,847	8,053,930
Non-controlling interest	(78,077)	-	-

(i) In fiscal 2012, a significant portion of the total expenses are related to due diligence, exploration and evaluation costs spent on projects. The above mentioned expenses, totalled to $1,002,170 in 2013 (2012 - $2,936,264; 2011 - $1,233,304). The Company commenced capitalizing OML 90 Project costs subsequent to May 17, 2013.

(ii) The high net loss and comprehensive loss in 2012, as compared to 2013 and 2011, is due to the write-down of the James Bay Property, Ontario, Canada. The Company changed its focus to pursuing oil and gas assets in Nigeria in 2012.

(iii) The total assets decreased by over $5 million from fiscal 2011 to 2012 and 2013. In addition to the mineral property write-down (mentioned above), the Company had a net cash outflow of approximately $3.5 million in 2012 to finance operating and project related costs in Nigeria.

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	December 31, 2013 $	September 30, 2013 $	June 30, 2013 $	March 31, 2013 $
Working capital (deficiency)	(1,177,030)	(360,817)	309,497	1,033,582
Exploration and evaluation assets	959,817	597,318	320,492	-
Operating expenses	313,989	478,525	461,014	795,784
Interest income	-	-	262	711
Net loss (income) and comprehensive loss (income) attributable to:				
• Non-controlling interest	113,405	-	-	-
• Common Shareholders	55,663	445,706	479,467	792,627
Net loss (income) and comprehensive loss (income) per share attributable to the common shareholders of James Bay	0.01	0.02	0.02	0.03

	Quarter-ended			
	December 31, 2012 $	September 30, 2012 $	June 30, 2012 $	March 31, 2012 $
Working capital	1,789,835	3,015,599	4,063,866	4,876,068
Exploration and evaluation assets	-	-	-	2,433,662
Operating expenses	677,335	1,065,637	946,321	1,092,771
Interest income	4,915	9,296	13,495	14,225
Net loss and comprehensive loss	658,423	1,081,796	3,365,682	1,095,538
Net loss and comprehensive loss per share	0.02	0.04	0.12	0.04

Notes: Net loss per share on a diluted basis is the same as basic net loss per share, as all outstanding stock options and warrants are anti-dilutive. All net loss and comprehensive loss in 2012 is attributable to common shareholders of James Bay.

LIQUIDITY AND OUTLOOK

The Company had opening cash and cash equivalents balance of $1,261,307 and restricted cash of $497,450 at January 1, 2013. The Company used $2,293,199 in operating activities, $607,300 in investing activities and generated cash inflow of $1,676, 218. At December 31, 2013, the Company had cash and cash equivalents of $36,571 and restricted cash of $1,076,728. Included in restricted cash is $957,194 of private placement proceeds relating to the financing which closed on January 31, 2014.

As at December 31, 2013, the Company had no source of operating cash inflows and reported a net loss and comprehensive loss for the year-end of $1,886,868 and a deficit of $9,442,176. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain equity capital and financing for its working capital and for the exploration, development and operation of its properties.

The Company's near-term goal is to seek financing to fund working capital (approximately $1.85 million, with $600,000 to be used to repay existing debt), and to enable the Company to further the foundation of its proposed oil and gas business in Nigeria including well planning (approximately $500,000) and jack up rig deposits (approximately $2.5 million), pending raising up to an additional $20 million which it is anticipated will be raised through debt financing to fully fund the re-entry costs for the Ogedeh Project. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The Company is also seeking additional opportunities which may include acquisitions or joint ventures.

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

CAPITAL RESOURCES

Common shares

At December 31, 2013, the Company had issued and outstanding 28,040,350 common shares. The Company completed the first tranche of a non-brokered private placement of 1,930,424 Units at a price of $1.00 per Unit on January 31, 2014. Each Unit is comprised of one common share and one common share purchase warrant. As a result, the Company has 29,970,774 issued and outstanding common shares as at April 30, 2014.

Warrants

There were no warrants outstanding as of December 31, 2013. On January 31, 2014, the first tranche of non-brokered private placement was closed and the Company issued 1,990,821 warrants, which includes 60,397 of finder's warrants. As of April 30, 2014, the Company has 1,990,821 issued an outstanding warrants.

Stock options

At December 31, 2013 and April 30, 2014, a total of 800,000 stock options are issued and outstanding with expiry dates ranging from June 11, 2015 to June 1, 2017. The weighted average exercise price for all stock options is $0.58. All stock options entitle the holder to purchase common shares of the Company.

FINANCIAL INSTRUMENTS

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

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2013, the Company had cash and restricted cash of $1,113,299 (December 31, 2012 - $1,758,757) to settle current liabilities of $2,673,447 (December 31, 2012 - $176,167). The Company has a working capital deficiency of $1,177,030 at December 31, 2013 (December 31, 2012 - $1,789,835). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. Included in accounts payable and accrued liabilities is an amount of approximately $108,000 which bears an interest rate of 15%.

Currency Risk

The reporting currency of the Company is in Canadian dollars. The Company enters into transactions denominated in United State dollars, Nigerian naira for which the related expenses accounts payable balances are subject to exchange rate fluctuations. The functional currency of each of the Company’s operating subsidiaries is the United State dollar. The Company does not specifically hedge its exposure to foreign currency.

Market risk

(a) Interest rate risk

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

(b) Price risk

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

(c) Foreign currency risk

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

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period. The Company’s cash equivalents as at December 31, 2013 was $nil (December 31, 2012 cash equivalents were held at a fixed interest rate of 1.3%) and are therefore not subject to fluctuations in interest rates.

Fair Value

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

Fair value hierarchy and liquidity risk disclosure

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at December 31, 2013 and 2012, the Company's had no financial instruments carried at fair value.

RECENT ACCOUNTING PRONOUCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any changes to the Company's disclosure of its financial instruments.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The adoption of this standard did not result in any changes in the consolidation status of the Company’s subsidiaries.

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company’s investments in joint ventures.

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company’s disclosure requirements for interests in other entities.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The adoption of this standard did not result in any significant changes to the Company’s disclosures of its financial instruments.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The adoption of this standard has not resulted in any disclosure requirements as the Company’s net loss is equal to the Company’s comprehensive loss.

RELATED PARTY DISCLOSURES

The consolidated audited financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the years ended December 31, 2013 and 2012 the Company entered into the following transactions involving related parties:

The Company rented office space from a corporation controlled by a director of the Company which ended in November 2012. During the year ended December 31, 2013, approximately $Nil (December 31, 2012 - $36,326) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss.

The Company rents office space from a corporation with common directors and officers. During the year ended December 31, 2013, approximately $49,030 (December 31, 2012 - $2,540) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss. As of December 31, 2013, included in accounts payable and accrued liabilities is $44,147 (December 31, 2012 - $Nil) owing to this corporation.

The Company incurred legal fees of approximately $236,689 (December 31, 2012 - $211,600) with a law firm of which a partner is a director of the Company. This amount is included in professional fees on the statement of loss and comprehensive loss. As of December 31, 2013, included in accounts payable and accrued liabilities is $191,620 (December 31, 2012 - $24,165) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
	$	$
Management salaries and benefits (i)	777,257	735,846
Share-based payments (ii)	17,094	172,356

(i) Included in management salaries and benefits are $180,000 (2012 - $180,000) paid to the President, CEO and Director of James Bay, US$150,000 (2012 - US$285,000) paid to the President, CEO and Director of subsidiary companies in Nigeria and US$360,000 (2012 - US$210,000) paid to the Country Manager and COO. The Country Manager and COO was retained by the Company in June 2012.

(ii) On June 1, 2012, the Company granted 600,000 stock options to an officer of the Company. An amount of $17,094 (2012 - $172,356) was recorded relating to these stock options for the year ended December 31, 2013.

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

NON-CONTROLLING INTEREST

For the year ended December 31, 2013, the Company has an effective 45% interest in its Nigerian subsidiary, Crestar Integrated Natural Resources Limited and the remaining 55% portion represents a non-controlling interest. As at December 31, 2013, losses attributable to the non-controlling interest of $113,405 have been recognized in the consolidated audited financial statements.

The Company has fully consolidated Crestar even though it owns less than 50% of the shares. The Company has entered into a Financial and Technical Service Agreement with Crestar whereby the Company is appointed the Financial and Technical Partner with respect to acquiring oil and gas projects in Nigeria. The Company provides the funding to Crestar and shall meet all required financial obligations. The Company is responsible for providing technical assistance, appointing personnel and carrying out the evaluation, development and production from the projects. The Company's Country Manager and COO is the President and CEO of Crestar.

Summarized financial information for Crestar is as follows:

	2013
	$
Current and total assets	59,639
Current and total liabilities	202,362
Net loss and comprehensive loss	206,190

The above financial information are from the period from September 2, 2013 (the date of incorporation) to December 31, 2013.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $864,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $664,000, of which $412,000 is due within one year and the remainder is due within two years.

The Company is subject to a lease commitment for premises in Nigeria expiring in September 2017. Additional minimum lease payments required under this lease total approximately $501,000, of which $134,000 will be incurred within one year. The first two years relating to this lease were paid in advance and $111,072 is included in current prepaid expenses as at December 31, 2013 relating to this lease.

During 2012, the Company entered into a lease agreement for office space in Canada expiring on November 30, 2014. Minimum lease payments under this lease total approximately $47,000 will be incurred within one year.

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

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

SUBSEQUENT EVENTS

Private placement

On January 31, 2014, the Company completed the first tranche of a non-brokered private placement of 1,930,424 Units at a price of $1.00 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable for a common share at a price of $1.25 for 36 months from the date of issuance.

In connection with the private placement, the Company issued an aggregate of 60,397 finder's warrants and paid an aggregate amount of $60,397 in cash finder's fees. Each finder's warrant entitles the holder to acquire one common share at a price of $1.00 for 36 months from the date of issuance.

Included in deferred financing fees is an approximately $194,000 share issue cost in connection with the private placement.

As at December 31, 2013, the Company had received proceeds towards this financing of $1,170,004. These funds were recorded as subscription payable in the statement of financial position as the financing had not closed as at December 31, 2013.

Due to shareholders

The amounts due to shareholders were paid in full subsequent to December 31, 2013. See Note 9 of the consolidated financial statements for the year ended December 31, 2013.

Subsequent to December 31, 2013, certain shareholders advanced an additional $522,900 and an additional US$45,000 ($48,000) to the Company.

Financing fee

The Company undertakes to pay non-refundable financing fees of US$600,000 to arrangers and an underwriter who has been engaged to assist the Company in securing financing in an acquisition of an oil and gas asset in Nigeria, US$400,000 of which has been paid as of April 28, 2014.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RISKS AND UNCERTAINTIES

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

Additional Capital

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

No History of Profitability

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

Government Regulations

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. For the Company to carry out mining activities, exploitation licenses must be obtained and kept current. There is no guarantee that the Company's exploitation licenses would be extended or that new exploitation licenses would be granted. In addition, such exploitation licenses could be changed and there can be no assurances that any application to renew any existing licenses will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and licenses which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

Market Fluctuation and Commercial Quantities

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

Mining Risks and Insurance

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

Competition

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

Environmental Protection

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

Aboriginal Claims

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

Conflicts of Interest

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

Additional Information

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

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of James Bay Resources Limited:

We have audited the accompanying consolidated financial statements of James Bay Resources Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of James Bay Resources Limited and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2013 and a cumulative deficit and working capital deficiency as at December 31, 2013. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 28, 2014

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Financial Position
Expressed in Canadian dollars
As at December 31,

	2013 $	2012 $
ASSETS		
Current assets		
Cash and cash equivalents	36,571	1,261,307
Restricted cash (Note 8 and 19)	1,076,728	497,450
Prepaid expenses (Note 17)	131,120	165,406
Amounts receivable	57,182	41,839
Deferred financing fees (Note 19)	194,816	-
Total current assets	1,496,417	1,966,002
Long-term prepaid (Note 8)	104,050	103,898
Exploration and evaluation assets (Note 8)	959,817	-
Equipment (Note 7)	142,647	131,114
Total assets	2,702,931	2,201,014
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	859,253	176,167
Subscription payable (Note 19)	1,170,004	-
Due to shareholders (Note 9 and 19)	644,190	-
Total Liabilities	2,673,447	176,167
EQUITY		
Common shares (Note 10)	9,261,904	9,261,904
Share-based payments reserve (Note 11)	287,833	1,422,550
Warrant reserve (Notes 12)	-	1,217,372
Deficit	(9,442,176)	(9,876,979)
Total common shareholders' equity	107,561	2,024,847
Non-controlling interest (Note 13)	(78,077)	-
Total equity	29,484	2,024,847
Total equity and liabilities	2,702,931	2,201,014

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 8 and 17)
SUBSEQUENT EVENTS (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" , Director

Signed "MARK BRENNAN" , Director

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
For the years ended December 31,

	2013	2012
	$	$
Expenses		
Management salaries and benefits	217,397	196,815
Professional fees (Note 16)	396,361	294,299
Office and general (Note 16)	351,422	252,237
Consulting fees	-	20,167
Due diligence (Note 8)	166,464	217,724
Exploration costs – James Bay Lowlands (Note 8)	198,489	-
Evaluation costs (Note 8)	637,217	2,718,540
Transfer agent and listing fees	23,281	41,573
Business development	52,512	40,190
Amortization	6,169	519
Loss before the undernoted	(2,049,312)	(3,782,064)
Foreign exchange gain (loss)	13,359	(27,644)
Write-off of exploration and evaluation assets (Note 8)	-	(2,433,662)
Interest (expense) income	(12,215)	41,931
Loss before income taxes	(2,048,168)	(6,201,439)
Deferred income tax recovery (Note 18)	161,300	-
Net loss and comprehensive loss for the year	(1,886,868)	(6,201,439)
Loss for the year attributable to:		
Non-controlling interest (Note 13)	(113,405)	-
Common shareholders	(1,773,463)	(6,201,439)
Net loss and comprehensive loss for the year	(1,886,868)	(6,201,439)
Loss per share attributable common shareholders		
Basic and diluted	(0.06)	(0.22)
Weighted average number of shares outstanding – basic and diluted	28,040,350	28,040,350

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED

Consolidated Statements of Cash Flows

Expressed in Canadian dollars
For the years ended December 31,

	2013	2012
	$	$
Cash used in operating activities:		
Net loss for the year	(1,886,868)	(6,201,439)
Add (deduct) items not affecting cash:		
Amortization	19,724	5,953
Share-based payments	(6,375)	172,356
Write-off of exploration and evaluation assets	-	2,433,662
Foreign exchange loss	-	15,020
Accrued interest	14,190	-
Deferred income tax recovery	(161,300)	-
Net change in non-cash working capital	(272,570)	300,158
Net cash (used in) operating activities	(2,293,199)	(3,274,290)
Cash (used in) provided by investing activities:		
Interest in exploration and evaluation assets	(554,455)	-
Acquisition of equipment	(52,845)	(136,728)
Increase in long-term prepaid	-	(103,898)
Net cash (used in) investing activities	(607,300)	(240,626)
Cash (used in) provided by financing activities:		
Advances from shareholders	754,000	-
Repayments to shareholders	(124,000)	-
Receipts on share subscription	1,170,004	-
Deferred financing fees	(123,786)	-
Net cash provided by (used in) financing activities	1,676,218	-
Net cash flow during the year	(1,224,281)	(3,514,916)
Effect of change in foreign exchange	(455)	(15,020)
Cash and cash equivalents, beginning of year	1,261,307	4,791,243
Cash and cash equivalents, end of year	36,571	1,261,307

Cash and cash equivalents are as follows:		
Cash	36,571	250,911
Cash equivalents	-	1,010,396
Cash and cash equivalents	36,571	1,261,307

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	Common shares $	Share-based payments reserve $	Warrant reserve $	Deficit $	Non-controlling interest $	Total equity $
Balance, December 31, 2012	9,261,904	1,422,550	1,217,372	(9,876,979)	-	2,024,847
Share-based payments	-	17,477	-	-	-	17,477
Expiry of stock options	-	(1,152,194)	-	1,152,194	-	-
Expiry of warrants	-	-	(1,217,372)	1,217,372	-	-
Deferred income tax recovery	-	-	-	(161,300)	-	(161,300)
Non-controlling interest	-	-	-	-	35,328	35,328
Loss for the year	-	-	-	(1,773,463)	(113,405)	(1,886,868)
Balance, December 31, 2013	9,261,904	287,833	-	(9,442,176)	(78,077)	29,484

	Common shares $	Share-based payments reserve $	Warrant reserve $	Deficit $	Non-controlling interest $	Total equity $
Balance, December 31, 2011	9,261,904	1,294,394	1,217,372	(3,719,740)	-	8,053,930
Share-based payments	-	172,356	-	-	-	172,356
Expiry of stock options	-	(44,200)	-	44,200	-	-
Loss for the year	-	-	-	(6,201,439)	-	(6,201,439)
Balance, December 31, 2012	9,261,904	1,422,550	1,217,372	(9,876,979)	-	2,024,847

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company is currently involved in the exploration and evaluation of oil and gas interests in Nigeria and has interests in resource properties in the Porcupine mining district of Ontario, Canada (the "Claims"). In connection with a change of business to become and oil and gas company, on October 11, 2012, the Company announced that it had filed a National Instrument 51-101 report to pursue conditional approval its change of business under the policies of the TSX Venture Exchange ("TSXV"). The Company has not yet received approval for its proposed change of business. The Company has not determined whether its properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any revenues.

The business of exploring for minerals and oil and gas involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to secure an interest in new properties or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

As at December 31, 2013, the Company had working capital deficiency of $1,177,030 (2012 – working capital of $1,789,835), had incurred losses since inception, and had an accumulated deficit of $9,442,176 (2012 - $9,876,979) which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

The Company's shares are listed on the TSXV. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8. These consolidated financial statements of the Company for the year ended December 31, 2013 were approved and authorized for issue by the board of directors on April 28, 2014.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, under the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

3. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any changes to the Company's disclosure of its financial instruments.

Expressed in Canadian dollars

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 10 – Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The adoption of this standard did not result in any changes in the consolidation status of the Company's subsidiaries.

IFRS 11 – Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company's investments in joint ventures.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company's disclosure requirements for interests in other entities.

IFRS 13 – Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The adoption of this standard did not result in any significant changes to the Company's disclosures of its financial instruments.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The adoption of this standard has not resulted in any disclosure requirements as the Company's net loss is equal to the Company's comprehensive loss.

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4. PRINCIPLES OF CONSOLIDATION

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

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

4. PRINCIPLES OF CONSOLIDATION (continued)

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. Intercompany transactions are eliminated on consolidation.

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. The loss and each component of other comprehensive loss are attributed to non-controlling interests where applicable. See Note 13.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

(a) Capitalization of exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 8 for details of exploration and evaluation assets.

(b) Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to estimates of the discounted future cash flows expected to be derived from the Company’s properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in an impairment of the carrying amounts of the Company’s exploration and evaluation assets.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Income taxes and recoverability of potential deferred tax assets
The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(d) Share-based payments and warrants
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

(e) Consolidation of subsidiaries
The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10. Consolidated financial statements and has determined it controls each of its subsidiaries. Judgement was applied when considering whether the Company controls Crestar Integrated Natural Resources Limited as the Company's ownership percentage is less than 50%. See Note 13 for details about this investment.

(f) Contingencies
Refer to Notes 8 and 17.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Presentation and functional currencies

The presentation currency of the Company and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on translation are charged to profit or loss.

(b) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payments note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Income tax

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

(e) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration and evaluation assets. Deferred exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

The Company's property interests are in the exploration and evaluation stage and accordingly, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of properties and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, acquisition, geological, geophysical studies, exploratory drilling and sampling.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of "Exploration and evaluation assets" into "Development Assets", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Development Assets". After production starts, all assets included in "Development Assets" are transferred to "Producing Properties".

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed. To the extent that exploration and evaluation assets are not expected to be recovered, they are charged to profit or loss.

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office equipment	-	20%,	declining balance basis
Furniture and fixtures	-	20%	declining balance basis
Computer hardware	-	55%	declining balance basis
Vehicles	-	30%	declining balance basis

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. For exploration and evaluation assets, indicators of impairment would include: exploration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the period of reversal.

(h) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash and amounts receivable.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

The Company has designated its cash equivalents at fair value through profit or loss. The Company evaluates its financial assets at fair value through profit or loss to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
The Company has designated its cash, restricted cash, and amounts receivable as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of loss. The losses arising from impairment are recognised in profit or loss.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company’s financial liabilities include accounts payable and accrued liabilities, due to shareholders and subscription payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities
The Company has designated its accounts payable and accrued liabilities, due to shareholders and subscription payable as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company’s case, diluted loss per share is the same as basic loss per share as at December 31, 2013 and 2012 as the effects of including all outstanding options and warrants would be anti-dilutive.

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Decommissioning Liabilities

A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company had no material decommissioning liabilities as at December 31, 2013 and 2012.

7. EQUIPMENT

Cost	**Office equipment** $	**Furniture and fixtures** $	**Computer equipment** $	**Vehicles** $	**Total** $
Balance December 31, 2011	-	909	-	-	909
Additions	9,928	120,900	3,900	2,000	136,728
Balance December 31, 2012	9,928	121,809	3,900	2,000	137,637
Additions	3,100	8,165	37,718	3,862	52,845
Balance December 31, 2013	13,028	129,974	41,618	5,862	190,482

Accumulated amortization	**Office equipment**	**Furniture and fixtures**	**Computer equipment**	**Vehicles**	**Total**
Balance December 31, 2011	-	570	-	-	570
Amortization	1,276	3,072	1,555	50	5,953
Balance December 31, 2012	1,276	3,642	1,555	50	6,523
Amortization	1,406	25,130	13,322	1,454	41,312
Balance December 31, 2013	2,682	28,772	14,877	1,504	47,835

Carrying value	**Office equipment**	**Furniture and fixtures**	**Computer equipment**	**Vehicles**	**Total**
Balance December 31, 2012	8,652	118,167	2,345	1,950	131,114
Balance December 31, 2013	10,346	101,202	26,741	4,358	142,647

8. EXPLORATION AND EVALUATION ASSETS

Petroleum Property Interests

OML 90 PROJECT

In June 2012, the Company entered into a Joint Operating Agreement ("JOA") with an oil and gas field owner in Nigeria (the "Vendor"). Under the terms of the agreement, the Company will acquire a 47% interest in the Ogedeh Marginal Field Award on the Farmed-Out Area within the Oil Mining Licence 90 ("OML 90 Project") in Nigeria.

The Company shall pay US$50,000 (paid) for transfer of due diligence data and administrative fees and US$50,000 (paid) for exclusivity period.

As consideration for the transfer of the interest, the Company is required to pay an aggregate of US$2,500,000 as follows:

- US$100,000 due 90 days from the date of execution of JOA or within 24 hours of the execution of the JOA and Deed of Assignment ("DOA"), whichever is earlier (paid in 2012).

- US$200,000 due upon approval from Department of Petroleum Resources ("DPR") of the assignment of direct interest in OML 90 project to the Company (paid in 2013).

- US$300,000 to be released upon the grant of government permit for drilling activity at the OML 90 project. The government permit was received in March 2014. Of this amount, US$100,000 was paid prior to December 31, 2013. The remaining US$200,000 has not yet been paid.

- US$1,000,000 upon completion of a final independent report of P1 reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve levels are not attained, the Company shall pay US$0.10 per barrel of oil produced, to a maximum of US$1,000,000.

- US$900,000 upon the completion of 60 days of commercial production.

Included in long-term prepaid as at December 31, 2013 is US$100,000 (2012 - $nil) payment made in advance of the receipt of the grant of government permit for drilling activity and arrival of a drill rig at the OML 90 project.

Included in restricted cash as at December 31, 2013 is US$200,000, with US$100,000 of that amount held in an escrow account and the remaining US$100,000 held in a trust account with our legal representatives. Included in restricted cash as at December 31, 2012, is the US$500,000 ($498,000) capital contribution which is held in an escrow account.

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

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

Expressed in Canadian dollars

8. EXPLORATION AND EVALUATION ASSETS (continued)

Petroleum Property Interests (continued)

OML 90 PROJECT (continued)

Evaluation Costs

During the year-ended December 31, 2013, the Company incurred $608,693 (December 31, 2012 - $2,568,077) in pre-licensing costs related to pursing certain oil and gas assets in Nigeria and $28,524 (December 31, 2012 - $150,463) in pre-licensing costs related to a mineral property in Nigeria. Details are as follows:

Description		2013		2012
Acquisition costs	$	-	$	247,941
Management fees		263,205		944,373
Consulting fees		20,200		540,106
Travel, meals and accommodation		135,589		363,011
Professional fees		31,860		245,417
Legal fees		17,573		134,780
Transfer agent and listing fees		-		8,731
Amortization		13,279		4,594
General and administrative expense		155,511		229,587
Balance at December 31	$	637,217	$	2,718,540

Included in management fees is a credit balance of $6,375 (December 31, 2012 – a debit balance of $172,356) non-cash share-based payments made to an officer of the Company.

Exploration and Evaluation Asset

On May 17, 2013, the Honourable Minister of Petroleum Resources ("HMPR") granted approval for the assignment of the 47% participating interest in the OML 90 Project to the Company's subsidiary, D&H Energy Nigeria Limited. As at December 31, 2013, the Company capitalized a total of $959,817 in exploration and evaluation assets post licensing.

Description		Amount
Acquisition costs	$	207,080
Management and consultant fees		410,544
Share-based payments		23,852
Professional fees		8,790
Legal fees		5,067
Travel, meals and accommodation		17,205
Amortization		21,760
General and administrative expense		265,519
Balance at December 31, 2013	$	959,817

8. EXPLORATION AND EVALUATION ASSETS (continued)

Petroleum Property Interests (continued)

D&H Solutions AS ("D&H")

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

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

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

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The obligations created and transactions contemplated by the agreement with D&H are subject to receipt of all requisite corporate, regulatory, shareholder and court approvals (if required) and consents, including the approval of the TSXV and, where required, the shareholders of the Company.

The Company received the mining licences in 2013 in respect of an interest in an oil and gas project in Nigeria under a definitive agreement. However, no amounts have been accrued relating to the above units and options as TSXV approval has not been obtained for the change of business. The Company has not been able to secure the required financing for this oil & gas project which is a condition for the TSXV approval for the change of business.

MAK MERA

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

- Cash payment of US$165,000 upon signing a definitive agreement (paid).

- 3,500,000 common shares upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria;

- 3,000,000 common shares if the project achieves:
  (i) Average production of at least 1,500 BOE per day over a period of 60 days, or
  (ii) A minimum recoverable estimate of 50 million BOE.

Expressed in Canadian dollars

8. EXPLORATION AND EVALUATION ASSETS (continued)

Petroleum Property Interests (continued)

MAK MERA (continued)

The obligations created and transactions contemplated by the agreement with Mak Mera are subject to receipt of all requisite corporate, regulatory, shareholder and court approvals (if required) and consents, including the approval of the TSXV and where required, the shareholders of the Company.

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

Mineral Property Interests

James Bay Property, Ontario, Canada

The Company acquired, by staking, certain claims in Ontario, Canada. The Company capitalized a total of $2,433,662 in exploration and evaluation assets. As a result of the Company's change in focus to pursuing oil and gas assets in Nigeria, the James Bay Property was written off in 2012.

Balance, December 31, 2011	$ 2,433,662
Write-off	(2,433,662)
Balance, December 31, 2012 and 2013	$ -

In February 2013, the Company engaged MacDonald Mines Exploration Ltd. ("MacDonald") to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey will form the basis for a report of work, which will be submitted for assessment credits once all data has been reviewed from MacDonald. As at December 31, 2013, the Company incurred $198,489 (2012 - $nil) to complete the GPS survey. These costs were expensed in the statement of loss.

As part of the MacDonald agreement, the Company will issue 50,000 warrants to MacDonald exercisable for five years with an exercise price equal to the issue price of the financing required to be completed in relation to the change of business. This warrant issuance is subject to TSXV approval of the change of business and as such approval has not yet been received, no amounts have been recorded in these consolidated financial statements relating to these warrants.

9. DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, bear interest at 6% per annum, and are due on November 30, 2013. The principal is comprised of an advance of $100,000 from a shareholder and director and an advance of $530,000 from the President of the Company, who is also a shareholder and director. Subsequently, these loans were extended to February 1, 2014, and repaid in full.

Expressed in Canadian dollars

10. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares

(b) **Issued** - 28,040,350 common shares

	#	$
Balance at December 31, 2011, 2012 and 2013	28,040,350	9,261,904

11. SHARE-BASED PAYMENTS

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 20% (2012 - $10%) of the Company's issued and outstanding capital at the time of granting of options for a maximum term of five years. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. In no case (calculated at the time of grant) shall the Plan result in:

- the number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- the aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- the number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- the aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

The following reconciles the share options outstanding:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of year	2,645,000	0.75	2,765,000	0.75
Granted	600,000	0.63	-	-
Expired	(2,445,000)	0.75	(120,000)	(0.75)
Balance, end of year	800,000	0.66	2,645,000	0.75

The Company has the following share options outstanding at December 31, 2013:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
98,000	200,000	200,000	0.75	June 11, 2015
204,000	600,000	400,000	0.63	June 1, 2017
302,000	800,000	600,000		

The weighted average exercise price of options exercisable at December 31, 2013 is $0.66 (December 31, 2012 - $0.75).

Expressed in Canadian dollars

11. SHARE-BASED PAYMENTS (continued)

On June 1, 2012, the Company granted 600,000 stock options to an officer of the Company. The issuance of the options was contingent on the Company passing an amendment to the Plan, allowing for additional options to be granted. The amendment to the Plan was passed on February 4, 2013. These options are to vest as follows: 1/3 immediately, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date. The fair value of the options recalculated on February 4, 2013 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95%; risk free interest rate of 1.32% and expected life of 4.3 years. An amount of $17,477 (2012 - $172,356) was recorded relating to these stock options for the year ended December 31, 2013.

12. WARRANT RESERVE

As of December 31, 2013, the following warrants were outstanding:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Number of warrants #	Exercise price $	Number of warrants #	Exercise price $
Balance, beginning of year	3,723,925	1.25	3,723,925	1.25
Expired	(3,723,925)	(1.25)	-	-
Balance, end of year	-	-	3,723,925	1.25

On March 20, 2012, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the IPO financing that closed on July 24, 2008. The expiry date for all these warrants was extended until July 24, 2013 at a reduced price of $1.25. These warrants expired on July 24, 2013.

13. NON-CONTROLLING INTEREST

For the year ended December 31, 2013, the Company has an effective 45% interest in its Nigerian subsidiary, Crestar Integrated Natural Resources Limited ("Crestar") and the remaining 55% portion represents a non-controlling interest. As at December 31, 2013, losses attributable to the non-controlling interest of $113,405 have been recognized in the consolidated financial statements.

The Company has fully consolidated Crestar even though it owns less than 50% of the shares. The Company has entered into a Financial and Technical Service Agreement with Crestar whereby the Company is appointed the Financial and Technical Partner with respect to acquiring oil and gas projects in Nigeria. The Company shall provide the funding to Crestar and shall meet all required financial obligations. The Company is responsible for providing technical assistance, appointing personnel and carrying out the evaluation, development and production from the projects. The Company's Country Manager and Chief Operating Officer is the president and CEO of Crestar.

Summarized financial information for Crestar is as follows:

		2013
Current and total assets	$	59,639
Current and total liabilities	$	202,362
Net loss and comprehensive loss	$	206,190

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its properties. The capital structure of the Company consists of equity attributable to common shareholders comprised of common shares, warrant reserve, share-based payments reserve, deficit and amounts due to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest, or is pursuing an interest in, are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended December 31, 2013 and 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

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

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

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2013, the Company had cash and cash equivalents of $36,571 (December 31, 2012 - $1,261,307) to settle current liabilities of $2,673,447 (December 31, 2012 - $176,167). The Company has working capital deficiency of $1,177,030 (December 31, 2012 – working capital of $1,789,835). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. Included in accounts payable and accrued liabilities is an amount of approximately $108,000 which bears interest at 15%.

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

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

15. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(c) Foreign currency risk

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

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

As at December 31, 2013, the Company has net monetary liabilities denominated in US dollars of approximately $351,500 (2012 – net monetary asset of US $605,800). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net loss of approximately $35,150 based on the balance of these amounts held in US dollars at December 31, 2013.

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

Fair value hierarchy and liquidity risk disclosure
Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at December 30, 2012, the Company's financial instruments carried at fair value consisted of cash equivalents which were classified as Level 2 in the fair value hierarchy. As at December 31, 2013, the Company had no financial instruments to classify in the fair value hierarchy.

16. RELATED PARTY DISCLOSURES

These consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the years ended December 31, 2013 and 2012 the Company entered into the following transactions involving related parties:

The Company rented office space from a corporation controlled by a director of the Company which ended in November 2012. During the year ended December 31, 2013, approximately $Nil (December 31, 2012 - $36,326) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss.

The Company rents office space from a corporation with common directors and officers. During the year ended December 31, 2013, approximately $49,030 (December 31, 2012 - $2,540) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss. As of December 31, 2013, included in accounts payable and accrued liabilities is $44,147 (December 31, 2012 - $Nil) owing to this corporation.

Expressed in Canadian dollars

16. RELATED PARTY DISCLOSURES (continued)

The Company incurred legal fees of approximately $236,689 (December 31, 2012 - $211,600) with a law firm of which a partner is a director of the Company. This amount is included in professional fees on the statement of loss and comprehensive loss. As of December 31, 2013, included in accounts payable and accrued liabilities is $191,620 (December 31, 2012 - $24,165) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 were as follows:

	2013 $	2012 $
Management salaries and benefits	777,257	735,846
Share-based payments	17,477	172,356

Included in accounts payable and accrued liabilities as at December 31, 2013 is approximately $191,620 (2012 - $25,499) management travel expenses reimbursement.

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

See also Note 9.

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $864,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $664,000, of which $412,000 is due within one year and the remainder is due within two years.

The Company is subject to a lease commitment for premises in Nigeria expiring in September 2017. Additional minimum lease payments required under this lease total approximately $501,000, of which $134,000 will be incurred within one year. The first two years relating to this lease were paid in advance and $111,072 is included in current prepaid expenses as at December 31, 2013 relating to this lease.

During 2012, the Company entered into a lease agreement for office space in Canada expiring on November 30, 2014. Minimum lease payments under this lease total approximately $47,000 will be incurred within one year.

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

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

Expressed in Canadian dollars

18. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2012 - 26.75%) were as follows:

	2013 $	2012 $
Loss before income taxes	(2,048,168)	(6,201,439)
Expected income tax recovery based on statutory rate	(543,000)	(1,659,000)
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	1,000	3,000
Other	12,700	50,000
Change in foreign exchange rates	(6,000)	(24,000)
Change in statutory tax rates	-	(1,538,000)
Benefit of tax assets not recognized	374,000	3,168,000
Deferred income tax (recovery)	(161,300)	-
Deferred income tax recognized in equity	161,300	-
Total taxation	-	-

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2013 $	2012 $
Non-capital loss carry-forwards - Canada	2,819,000	2,733,000
Non-capital loss carry-forwards - Nigeria	5,453,000	4,185,000
Exploration and evaluation assets - Canada	3,403,000	3,205,000
Exploration and evaluation assets - Nigeria	6,000	-
Equipment	12,000	7,000
Total	11,693,000	10,130,000

c) Tax Loss Carry-Forwards

As at December 31, 2013, the Company had approximately $3,403,000 (2012 – 3,205,000) of Canadian exploration and development expenditures and $5,459,000 (2012 – $4,185,000) of Nigerian exploration and operating expenditures. These losses may be utilized to reduce taxable income of futures years under certain circumstances.

Expressed in Canadian dollars

18. INCOME TAXES (continued)

c) Tax Loss Carry-Forwards (continued)

As at December 31, 2013, the Company had approximately $2,819,000 (2012 - $2,733,000) of non-capital losses in Canada, which can be used to reduce taxable income in future years. The losses expire as follows:

Year of expiry	Amount
2027	7,000
2028	107,000
2029	102,000
2030	812,000
2031	751,000
2032	900,000
2033	140,000
	2,819,000

19. SUBSEQUENT EVENTS

Private placement

On January 31, 2014, the Company completed the first tranche of a non-brokered private placement of 1,930,424 Units at a price of $1.00 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable for a common share at a price of $1.25 for 36 months from the date of issuance.

In connection with the private placement, the Company issued an aggregate of 60,397 finder's warrants and paid an aggregate amount of $60,397 in cash finder's fees. Each finder's warrant entitles the holder to acquire one common share at a price of $1.00 for 36 months from the date of issuance.

Included in deferred financing fees is an approximately $194,000 share issue cost in connection with the private placement.

As at December 31, 2013, the Company had received proceeds towards this financing of $1,170,004. These funds were recorded as subscription payable in the statement of financial position as the financing had not closed as at December 31, 2013.

Due to shareholders

The amounts due to shareholders were paid in full subsequent to December 31, 2013. See Note 9.

Subsequent to December 31, 2013, certain shareholders advanced an additional $522,900 and an additional US$45,000 ($48,000) to the Company.

Financing fee

The Company undertakes to pay non-refundable financing fees of US$600,000 to arrangers and an underwriter who has been engaged to assist the Company in securing financing in an acquisition of an oil and gas asset in Nigeria, US$400,000 of which has been paid as of April 2014.

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation of the current year. The previously reported evaluation costs for 2012 included management salaries and benefits, office and general and professional fees representing a total of $150,463. These 2012 costs have been adjusted accordingly with no impact on net income (loss). Management believes that these presentation changes better reflect the Company's operating results.

CORPORATE INFORMATION

Directors

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President, CEO, Secretary
Toronto, On., Canada

Mark Brennan**
Toronto, On., Canada

Wayne Egan**
Toronto, On., Canada

Jon Pereira*
Toronto, On, Canada

Mike Sylvestre*
Port Hope, On., Canada

Knut Søvold
Norway

Officers

Stephen Shefsky
President, CEO, Secretary

Eric Szustak CPA. CA
Chief Financial Officer

***Member Audit Committee**
****Member Compensation Committee**

Information provided as of
Record date July 28th, 2014

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Shares Traded

TSX Venture Exchange
Symbol JBR

Annual Meeting

August 28th, 2014 at 10:00 A.M.
Weir Foulds LLP
Suite 4100, 66 Wellington St W.
Toronto, Ontario. M5K 1B7