James Bay Resources Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015 AND 2014

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 year ended December 31, 2015 and 2014. 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 13, 2016.

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, 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 ("TSX-V").

The OML 90 Project has been placed on hold given the economics in current market conditions. The Company's goal is to re-enter the well with the goal of commercial production 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.

The Department of Petroleum Resources (DPR) is currently reviewing all marginal field licenses to determine if the current owners have done enough work to keep their license. The nature and extent of work required is not clearly defined by the DPR**.**

The Company, through its wholly owned subsidiary James Bay Energy Nigeria Limited ("JBENL") has a 45% ownership interest in Crestar Integrated Natural Resources Limited ("CINRL" or "Crestar") with the remaining 55% portion held by an indigenous Nigerian corporation Crestar Hydrocarbon Exploration and Production Company Limited ("CHEPCL").

In June 2014, CINRL was selected as the winning bidder for a 45% participating interest in active Oil Mining Lease No. 25 ("OML 25") in the Niger Delta region, offered by joint venture partners The Shell Petroleum Development Company of Nigeria Limited, Total E&P Nigeria Limited, and Nigerian AGIP Oil Limited Company (collectively the "Shell JV").

The Nigerian National Petroleum Corporation ("NNPC") attempted to block the sale and acquire the interest for itself under a 30-day contractual right of first refusal that had expired months earlier, Crestar commenced injunction proceedings in January 2015 in the Nigerian Federal High Court to bar the Shell JV from effecting a transfer to NNPC or anyone else, which injunctions were granted on a preliminary basis. The Shell JV subsequently sought to discharge the injunctions, but the Federal High Court dismissed the Shell JV's application on March 6, 2015.

On March 9, 2015, The Federal High Court of Nigeria ruled in favor of Crestar and granted an injunction in favour of Crestar which froze plans by the NNPC to acquire the 45% participating interest in OML 25 being divested by joint venture partners The Shell Petroleum Development Company of Nigeria Limited, Total E&P Nigeria Limited, and Nigerian AGIP Oil Company Limited. As of the date hereof this injunction continues to remain in place.

CORPORATE STRUCTURE

In February 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 D&H Energy Nigeria Limited ("DHENL") and Ondobit Limited ("OL") were transferred to JBENL on March 9, 2012.

In April 2012, 2255431 Ontario Inc. (a wholly owned subsidiary of the Company) assigned 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 company JBENL. In November 2013, the Company entered into a financial and technical services Agreement with CINRL whereby the Company is appointed the financial and technical partner with respect to acquiring oil and gas projects in Nigeria.

Effective June 17, 2014, the financial and technical services agreement was amended to reflect a change of party from CINRL to CHEPCL. All terms in the November 6, 2013 agreement between JBENL and CINRL remain in effect with CHEPCL. JBENL's 45% ownership interest in CINRL remains unchanged.

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%*

* During the year ended December 31, 2014, an agreement came into force with a prospective future investor of Crestar Integrated Natural Resources Limited ("CINRL") to provide CINRL with a loan for the full acquisition cost of the asset. The Company ceased consolidation of CINRL accounts subsequent to this change.

COMPANY HIGHLIGHTS

Oil Mining Lease ("OML 90")

In March, 2015, the Nigerian Department of Petroleum Resources ("DPR") stated that they were reviewing all marginal field licenses to determine whether the current owners have done sufficient work to maintain their licenses. The nature and extent of work required are not clearly defined and there has been no further update from the DPR. During fiscal 2015, the Company decided to write off the petroleum property interest assets in OML-90 in the amount of $4,486,965.

Financing

During the fiscal 2015, the Company issued unsecured convertible debentures in the aggregate principal amount of $2,999,895. The convertible debentures bear interest of 15% per annum, payable semi-annually and mature three years following the date of issuance.

Stock Options

On May 4, 2015, the Company granted 5,285,000 stock options to directors, officers, consultants and employees of the Company. On September 15, 2015, the Company granted an additional 250,000 stock options to a consultant.

Crestar Integrated Natural Resources Limited ("CINRL")

In July 2015, the Company received a repayment from its investment in CINRL in the amount of US$3,500,000 (CAD$4,459,000).

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 License 90 ("OML 90 Project") in Nigeria.

The Company paid US$50,000 for transfer of due diligence data and administrative fees and US$50,000 for an 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 and arrival of a drill rig at the OML 90 project. A preliminary government permit was received in March 2014. As of December 31, 2015, a drill rig has not yet been installed at OML 90. Of the original US$300,000, US$100,000 ($104,050) was paid as an advance. The remaining $253,320 (US$200,000) has not yet been paid or accrued. The amount advanced in 2013 was written-off along with the exploration and evaluation asset balance at December 31, 2015.

- 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. As this condition has not been met, this amount has not accrued.

- US$900,000 upon the completion of 60 days of commercial production. As this condition has not been met, this amount has not accrued.

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. As this condition has not been met, this amount has not been accrued.

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 interests. 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.

In March 2015, the DPR began a review of all marginal field licenses to determine whether the current owners have done sufficient work to maintain their licenses. The nature and extent of work required are not clearly defined and there has been no further update from the DPR regarding the status of the title to the OML 90 Project. During the year ended December 31, 2015, the Company decided to write off the exploration and evaluation asset in the amount of $4,486,965 as a result of this uncertainty.

Balance at January 1, 2013	$ -
Acquisition cost	207,080
Capitalized cost	752,737
Balance at December 31, 2013	$ 959,817
Capitalized cost	3,127,107
Balance at December 31, 2014	$ 4,086,924
Capitalized cost	400,041
Write-down	(4,486,965)
Balance at December 31, 2015	$ -

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 ("MNDM"). 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 part of the MacDonald agreement, the Company was obligated to 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. The Company issued 50,000 warrants to MacDonald on October 30, 2014, which coincides with the effective listing of the Company's shares in CSE as oil and gas issuer. The warrants entitle the holder to purchase one common shares of the Company at a price of $1.25 expiring on October 30, 2019.

On December 19, 2014, the Company settled an aggregate total debt of $55,338 owing to MacDonald through the issuance of an aggregate of 55,338 units. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable for a common share at a price of $1.25 for 5 years from the date of issuance.

During 2015 and 2016, certain of the claims comprising the James Bay Property expired. The remaining claims are up for renewal in 2016 and 2017.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE

EVALUATION COST

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. Specifically, all expenditures incurred pre-licensing are not eligible exploration and evaluation asset expenditures and have thus been expensed as evaluation costs.

Effective July 3, 2014, the Company lost control of CINRL and began accounting its investment in CINRL as an equity investment. Prior to loss of control, CINRL accounts were consolidated with the Company's. Consequently, the pre-licensing (evaluation) costs related to pursuing OML 25 are no longer reflected on the Company's statements of loss and comprehensive loss from July 3, 2014 onwards.

During the year-ended December 31, 2014, the Company incurred $5,041,927 in pre-licensing costs related to pursuing OML-25. The Company incurred an accumulated balance of $5,208,391 in evaluation costs relating to OML 25 at December 31, 2014. As at December 31, 2014, the Company funded an aggregate amount of $7,469,271 on OML-25. The loan receivable is classified as impairment on equity investment in the consolidated statements of loss and comprehensive loss.

During the year-ended December 31, 2015, the Company funded an additional $4,346,585 on OML-25 and received US$3,500,000 ($4,459,000) of repayment from CINRL. As at December 31, 2015, the Company funded a net aggregate amount of $7,356,856 on OML-25.

Included in 2014 evaluation costs balance are OML-25 pre-licensing costs ($5,041,927) and Ondobit Limited pre-licensing costs ($60,936). The break-down is as follows:

Description	2014	2013
	$	$
Management fees[(i)]	268,270	263,205
Consulting fees[(ii)]	2,832,212	20,200
Travel, meals and accommodation	218,585	135,589
Professional fees[(iii)]	343,755	49,433
Technical reports	170,336	-
Environmental	62,186	-
Due diligence	11,049	-
License and permit	3,359	-
Commitment fees [(iv)]	908,638	-
Amortization	13,644	13,279
General and administrative expense	270,830	155,511
Balance	5,102,864	637,217

Note

(i) **Management fees**
Included in management fees is a balance of $11,405 (2013 – a credit balance of $6,375) non-cash share-based payments made to an officer of the Company.

(ii) **Consulting fees**
Non-cash, share based payment to M2 Advisors ("consultant")
On February 4, 2015, the Company issued to a consultant 3,500,000 common shares in the capital of the Company. The shares were issued in accordance with the terms of a service agreement between the Company and CINRL completed during the year ended December 31, 2014. The shares were subject to a statutory hold period of four months from the date of issuance. At December 31, 2014, the Company recorded a value of $2,341,500 as shares to be issued on the statement of financial position. Included in consulting fees is a balance of $Nil (December 31, 2014 - $2,341,500) in non-cash share based payments.

Anbas Energy System ("Anbas")
In June 2014, CINRL was selected as the winning bidder for a 45% participating interest in OML 25. Crestar engaged a local professional consulting firm to provide services during the pre-bid and post bid advisory which includes data room document review, review of crude handling agreement, review of crude sales off-take agreement, technical supports, legal and advisory supports among other services. Included in consulting fees is approximately $456,750 (US$413,400) pertaining to these professional services.

(iii) **Professional fees**
The Company retained Nigerian legal counsel along with our Canadian legal counsel to advise in project related and general corporate matters.

(iv) **Commitment fees**
The Company undertook to pay non-refundable financing fees of $908,638 (US$600,000) to arrangers and an underwriter who has been engaged to assist the Company in securing financing in the bidding for OML 25.

PETROLEUM PROPERTY INTERESTS

In May 2013, the Company received licensing approval to explore the area on the Ogedeh Project. Since then, all expenditures directly associated with finding specific mineral resources subsequent to May 17, 2013 were capitalized to petroleum property interest.

During the year-ended December 31, 2015, the Company decided to focus its efforts on OML-25 and wrote off its interest in OML 90. Below are details of expenditures spent on OML 90:

Description	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013	Total
	$	$	$	$
Acquisition costs	-	-	207,080	207,080
Management and consulting fees	168,319	163,082	410,544	741,945
Environmental	-	92,161	-	92,161
Travel, meals and accommodation	-	4,210	17,205	21,415
Professional fees	20,158	16,467	8,790	45,415
Legal fees	12,122	28,216	5,067	45,405
Share-based payments(i)	-	2,704,089	23,852	2,727,941
Amortization	12,297	7,507	21,760	41,564
General and administrative expense	187,145	111,375	265,519	564,039
Balance	400,041	3,127,107	959,817	4,486,965

Note

(i) Share-based payments

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 called for the transfer of all Nigerian agreements and the corporations that held these agreements into a wholly owned Nigerian subsidiary of the Company. This subsidiary JBENL was incorporated on February 27, 2012. In addition, the Company agreed to retain certain senior management of D&H as senior management of JBENL. In consideration, the Company 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 were 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.

On July 31, 2014, the agreement dated January 5, 2012, was terminated. In exchange for this termination, the Company has agreed to issue 3,000,000 units of the Company to D&H. The Company issued these units on October 30, 2014, the first day the Company's shares were listed on CSE as an oil and gas issuer. Each unit is comprised of one common share and one-half of one common purchase warrant. Each warrant comprising part of the units is exercisable for a common share at a price of $1.25 for 2 years from the date of issuance.

The estimated fair value of the common shares was $2,220,000 using the stock price on October 30, 2014. The estimated fair value of the warrants was $442,987 using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.01% and an expected life of 2 years.

Included in share-based payments is an aggregate $2,662,987 non-cash payment to D&H Solution AS. The remaining balance of $64,954 represents the accretion of share-based compensation for stock options issued in 2012 to the President and CEO of the James Bay subsidiary companies.

RESULTS OF OPERATIONS

Revenue

The Company is in the exploration and evaluation stage and therefore, did not have revenues from operations. In 2015, the Company recognized $1,392,004 in income from equity investment in CINRL. During the year ended December 31, 2015, CINRL recorded US$11,000,000 in income from its Nigerian partner.

Expenses

The Company recorded total expenses of $1,746,404 for the year ended December 31, 2015 (December 31, 2014 - $6,276,400). The significant decrease in expenses is mainly attributable to the deconsolidation of CINRL effective July 3, 2014. Prior to the loss of control in CINRL (January 1 – July 3, 2014), the Company recorded $5,102,863 in evaluation costs.

For the year ended December 31, 2015, the Company closed $2,999,895 convertible debentures which bear 15% interest per annum. As a result, the Company has an increase of $329,925 in interest expense compared to the same period in 2014. In addition, the Company incurred $606,494 of management fees, reflecting an increase of $230,449 from the same period in 2014. The increase in management fees is mainly due to the reduction in management fees charged to CINRL. On May 4, 2015, the Company granted 5,285,000 stock options to directors, officers, consultants and employees of the Company and recorded $166,313 in share based payments, an increase of $164,887 compared to 2014. Lastly, the Company incurred $168,563 in professional fees, reflecting a decrease of $187,089 compared to the same period in 2014. During the year, the Company received approximately $136,000 reimbursement of legal fees from an insurance company.

Fourth quarter total expense was $131,746, reflecting a decrease of $1,858,713 from the same period in 2014.

Net loss and comprehensive loss

For the year ended December 31, 2015, the Company recorded net loss and comprehensive loss of $5,942,680 (December 31, 2014 - $7,657,406), reflecting a decrease of $1,714,726 from the same period in 2014. The decrease from total expenses, as noted above, is offset by write off of OML 90 of $4,486,965. In addition, the Company recognized $1,392,004 (2014 - $Nil) of income and $1,279,589 (2014 - $2,260,880) of impairment on equity investment in CINRL. The Company recognized $88,000 of deferred income tax recovery due to the tax impact on convertible debentures.

Fourth quarter net loss and comprehensive loss was $5,729,836, reflecting an increase of $2,233,656 compared to the same period in 2014. The write off of OML 90 was recorded in the fourth quarter in 2015.

CASH FLOWS

Operating Activities

The Company had a net cash outflow of $1,214,768 (December 31, 2014 - $4,305,445) from operating activities for the year ended December 31, 2015. The decrease in cash outflow of $3,090,677 is mainly attributable to the reduction of evaluation costs incurred in CINRL. Fourth quarter cash provided by operating activities was $127,284, reflecting an increase of $1,115,109 from the same period in 2014.

Investing Activities

The Company had a net cash outflows of $264,784 (December 31, 2014 – cash outflow of $396,385) from investing activities for the year ended December 31, 2015. The Company received $4,459,000 (US$3,500,000) from CINRL and advanced $4,323,743 to CINRL. Fourth quarter cash used in investing activities was $1,119,236, reflecting an increase of $1,980,513 from the same period in 2014.

Financing Activities

The Company had a net cash inflow of $2,667,776 (December 31, 2014 - $4,798,174) from financing activities for the year ended December 31, 2015. During the year, the Company closed three tranches of private placements for a total proceeds of $1,649,970 (2014 - $5,561,090). In addition, the Company received $1,017,806 (2014 - $1,553,893 of advances and repaid $Nil (2014 -$ 1,881,978) from shareholders. Fourth quarter cash provided from financing activities was $19,608, an increase of $487,134 from the same period in 2014.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Selected data from James Bay's financial statement for the year ending December 31, 2015 and for the two preceding financial years are as follows:

	2015 $	2014 $	2013 $
Interest expense	(354,003)	(24,078)	(12,215)
Expenses	1,746,404	6,276,400	2,061,527
Net loss and comprehensive loss attributable to:			
• Non-controlling interest	-	2,208,438	113,405
• Common shareholders	5,942,680	5,448,968 (i)	1,773,463
Basic and diluted loss per share attributable to the common shareholders of James Bay	0.14	0.24	0.06
Petroleum property interest	-	4,086,924 (ii)	959,817
Total assets	1,588,053	4,568,423	2,702,931
Total liabilities	3,270,283	883,125	2,673,447
Shareholders' equity (deficit)	(1,682,230)	3,685,298	107,561
Non-controlling interest	-	-	(78,077)

Notes

(i) Net loss and comprehensive loss

In 2014, the Company incurred in excess of $5.1 million in evaluation costs as compared to approximately $637,000 in 2013. The evaluation costs mainly relate to expenditures incurred in the successful bidding of the OML 25 Project. The material expenses consisted of consulting fees that account for approximately $1,342,000, professional fees of approximately $343,700 and commitment fees of approximately $2,398,700. Included in commitment fee is a balance of $2,341,500 (December 31, 2013 - $nil) in non-cash share based payments.

Prior to June 2014, the Company accounted for CINRL using the consolidation method. Effective July 3, 2014, the Company lost control of CINRL. The change in accounting policy from consolidation to the equity method resulted in $29,132,581 of gain on deconsolidation of Crestar. This is offset by $27,991,600 of break fees incurred in CINRL and $2,569,913 impairment on equity investment in James Bay. The net impacts are the increase in the consolidated net loss and comprehensive loss is approximately $1,428,932.

(ii) Petroleum property interest

The Company incurred approximately $3,127,000 in petroleum property interest costs in fiscal 2014 as compared to approximately $959,800 in fiscal 2013, of which approximately $2,704,000 relates to non-cash, share-based payment.

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	December 31, 2015 $	September 30, 2015 $	June 30, 2015 $	March 31, 2015 $
Working capital (deficiency)	942,395	2,332,520	(235,850)	(1,872,895)
Petroleum property interest	-	4,323,304	4,268,021	4,182,685
Operating expenses	309,693	189,398	781,989	465,324
Interest expense	169,178	111,446	61,031	12,348
Net (income) loss and comprehensive (income) loss	5,729,836	(2,527,528)	1,665,007	1,075,365
Net loss (income) and comprehensive loss (income) per share attributable to the common shareholders of James Bay	0.14	(0.04)	0.04	0.03

	Quarter-ended			
	December 31, 2014 $	September 30, 2014 $	June 30, 2014 $	March 31, 2014 $
Working capital (deficiency)	(610,170)	91,457	(1,336,282)	(909,376)
Petroleum property interest	4,086,924	1,202,286	1,182,752	1,013,615
Operating expenses	2,168,406	2,073,547	705,925	1,328,522
Interest expense	4,457	4,831	9,791	4,999
Net loss and comprehensive loss attributable to:				
• Non-controlling interest	695,275	588,203	290,772	634,188
• Common Shareholders	2,800,905	1,523,041	414,399	710,623
Net loss and comprehensive loss per share attributable to the common shareholders of James Bay	0.02	0.05	0.01	0.02

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

LIQUIDITY AND OUTLOOK

As at December 31, 2015, the Company had no source of operating cash inflows and reported a net loss and comprehensive loss of $5,942,680 for the year and a deficit of $22,944,262. Because of continuing operating losses, 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 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, 2015 and April 20, 2016, the Company had 41,474,070 common shares issued and outstanding.

Stock options
At December 31, 2015 and April 20, 2016, a total of 6,135,000 stock options were issued and outstanding with expiry dates ranging from June 1, 2017 to September 15, 2020. The weighted average exercise price for all stock options is $0.29. All stock options entitle the holder to purchase common shares of the Company.

Warrants
At December 31, 2015 and April 20, 2016, the Company had 8,730,844 issued and outstanding warrants with expiry dates ranging from October 30, 2016 to December 19, 2019. The weighted average exercise price for all warrants is $1.24. All warrants 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 amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and amounts receivable is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have liquidity to meet liabilities when due. At December 31, 2015, the Company had cash of $1,321,139 (December 31, 2014 - $132,915) to settle current liabilities of $566,493 (December 31, 2014 - $883,125). The Company has working capital of $942,395 (December 31, 2014 – working capital deficiency of $610,170). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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

Market risk
(a) Interest rate risk
The Company has cash balances and interest-bearing debt due to convertible debenture holders as described in Note 11. 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 Nigerian 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.

As at December 31, 2015, the Company has net monetary liabilities denominated in US dollars of approximately US$579,000 (December 31, 2014 - US$326,887). 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 USD$57,900 (December 31, 2014 - $32,689) based on the balance of these amounts held in US dollars at December 31, 2015.

Fair Value

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities and due to shareholder approximate their fair value due to the relatively short periods to maturity of the financial instruments. The carrying value of the convertible debentures approximates its fair value as a result of recording the convertible debentures at its estimated fair value when it was received during 2015.

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, 2015 and 2014, the Company had no financial instruments carried at fair value.

RECENT ACCOUNTING PRONOUCEMENTS 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, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its 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 though management does not anticipate early adoption of the standard.

IFRS 11 – Joint Arrangements ("IFRS 11") was amended in May 2014 adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This amendment becomes effective for annual periods beginning on or after January 1, 2016.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IAS 24 - Related Party Disclosures ("IAS 24") was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014.

RELATED PARTY DISCLOSURES

The 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, 2015 and 2014 the Company entered into the following transactions involving related parties:

The Company rents office spaces from corporations with a common officer and a common director. During the year ended December 31, 2015, approximately $38,527 (December 31, 2013 - $40,535) was charged by these corporations. The amount is included in office and general expense on the statement of loss and comprehensive loss. As of December 31, 2015, included in accounts payable and accrued liabilities is $Nil (December 31, 2014 - $707) owing to these corporations.

The Company incurred legal fees of approximately $128,354 (December 31, 2014 - $269,059) 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, 2015, included in accounts payable and accrued liabilities is $94,379 (December 31, 2014 - $93,190) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel for the year ended December 31, 2015 and year ended December 31, 2014 were as follows:

	December 31, 2015	December 31, 2014
	$	$
Management salaries and benefits and director fees	568,067	893,051
Share-based payments	70,895	14,167

During the year ended December 31, 2015, the Company paid $817,920 (2014 - $637,263) to two executive officers, of which, $401,853 (USD $329,500) (2014 - $441,053 (USD $406,884)) has been charged as management fees to CINRL.

Included in accounts payable and accrued liabilities as at December 31, 2015 is approximately $2,326 (December 31, 2014 - $2,496) of management travel expenses reimbursement and $20,000 (December 31, 2014 - $40,000) of director fees owing.

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

See also Notes 10, 11, 12, and 19 of the consolidated financial statements.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts, which contain clauses requiring additional payments of up to $1,780,000 be made upon the occurrence of certain events such as a change of control and additional payments of up to $874,000 be made upon termination of contracts. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. As of December 31, 2015, under these management contracts, management has committed to $745,000 of salaries and benefits due within one year.

	Nigeria[(i)] **$**	**Canada** **$**	**Total** **$**
2016	168,000	79,000	247,000
2017	126,000	138,000	264,000
2018	-	192,000	192,000
2019	-	17,000	17,000
Total	294,000	426,000	720,000

[(i)]Lease renewal at the Company`s option

The lease cost for the period January 2016 to September 2016 was paid in advance and $124,560 (US$90,000) is included in current prepaid expenses as at December 31, 2015.

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. The agreement has expired and as a triggering event has not taken place, no contingent payments have 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.

The Company is party to legal proceedings in the ordinary course of its operations related to legally binding agreements with a third party. As at December 31, 2015, one such proceeding was ongoing. The Company believes this claim to be without merit. Management does not expect the outcome of this proceeding to have a materially adverse effect on the results of the Company's financial position or results of operations and therefore this amount has not been reflected in these financial statements. Should any losses result from the resolution of this dispute, that amount will be charged to operations in the year that it is determined.

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 resource 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 government or the courts in favor of the aboriginal people resolve such a claim, 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 director and officer 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Stephen Shefsky	Founder and Director, President & CEO
Wayne Egan	Non-Executive Chairman
Mark Brennan	Founder and Director
Jon Pereira	Director
Jean J. Gauthier	Director
Adeniyi Olaniyan	Director

OFFICE LOCATION

Corporate Head Office
79 Wellington Street West,
TD Tower South, Suite 2100
Toronto, ON
M5K 1H1

Nigeria Office
2 Obudu Close, Osborne Foreshore Estate
Ikoyi Lagos, Lagos, Nigeria

SUBSIDIARY COMPANIES

James Bay Energy, LLC
James Bay Energy Nigeria Limited
D&H Energy Nigeria Limited
Ondobit Limited

LEGAL COUNSEL

WeirFoulds LLP
Toronto, Ontario, Canada

Sefton Fross
Lagos, Nigeria

Amsterdam & Partners LLP
London, England

AUDITOR

McGovern, Hurley, Cunningham, LLP
Toronto, Ontario, Canada

KPMG Nigeria
Lagos, Nigeria

REGISTRAR & TRANSFER AGENT

TMX Equity Transfer Services Inc.
Toronto, Ontario, Canada

BANKER

CIBC
Toronto, Ontario, Canada

Eco Bank, Zenith and First Bank
Lagos, Nigeria

STOCK EXCHANGE

Canadian Stock Exchange - CNSX
Ticker symbol **"JBR"**