JAMES BAY RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

As at

	September 30, 2016 $	December 31, 2015 $
ASSETS		
Current assets		
Cash and cash equivalents	6,316,490	1,321,139
Prepaid expenses	44,930	136,307
Amounts receivable	40,265	51,442
Total current assets	6,401,685	1,508,888
Equipment (Note 6)	82,012	79,165
Total assets	6,483,697	1,588,053
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 17)	617,276	566,493
Long-term liabilities		
Convertible debentures (Note 10)	2,077,917	1,834,014
Derivative liabilities – convertible debentures (Note 10)	1,952,445	1,432,056
Total Liabilities	4,647,638	3,832,563
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 11)	17,142,711	17,142,711
Share-based payments reserve (Note 12)	532,700	532,700
Warrant reserve (Note 13)	2,214,569	2,214,569
Warrants to be issued (Notes 11 and 13)	1,125,600	1,125,600
Deficit	(19,179,521)	(23,260,090)
Total shareholders' equity (deficit)	1,836,059	(2,244,510)
Total shareholders' equity (deficit) and liabilities	6,483,697	1,588,053

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 7, 10 and 18)

APPROVED ON BEHALF OF THE BOARD:
Signed "STEPHEN SHEFSKY", Director
Signed "MARK BRENNAN", Director

See accompanying notes to the condensed interim consolidated financial statements.

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Expressed in Canadian dollars

As at

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Expenses				
Management salaries and benefits (Note 17)	(68,110)	165,760	46,616	368,624
Professional fees (Note 17)	(47,292)	(224,816)	79,678	134,153
Office and general (Note 17)	(51,408)	33,260	58,811	202,271
Exploration costs (Note 8)	-	-	-	5,867
Share based payments	-	-	-	323,000
Transfer agent and listing fees	2,336	5,684	15,193	18,897
Due diligence	-	96,803	-	151,799
Business development	23,056	-	71,381	26,751
Interest expense (income) (Note 10)	(3,491)	169,540	(2,518)	270,182
Amortization	801	1,261	2,704	3,689
Income (loss) before the undernoted	144,108	(247,492)	(271,865)	(1,505,233)
Foreign exchange gain	133,590	309,433	116,403	362,772
Gain (loss) on change in fair value of derivative liabilities	1,769,864	(570,693)	(520,389)	(915,776)
Reversal of impairment (impairment) on equity investment (Note 14)	-	(2,418,035)	3,540,469	(3,964,433)
Income (loss) from equity investment (Note 14)	(248,132)	4,825,528	(1,588,361)	4,825,528
Expense recovery (recovery reduction) from equity investment (Note 14)	(3,374,523)	-	2,804,312	-
Net income (loss) and comprehensive income (loss) for the period	(1,575,093)	1,898,741	4,080,569	(1,197,142)
Income (loss) per share				
Basic and diluted	(0.04)	0.05	0.10	(0.03)
Weighted average number of shares outstanding				
Basic and diluted	41,474,070	41,474,070	41,474,070	41,036,570

See accompanying notes to the condensed interim consolidated financial statements.

JAMES BAY RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
Expressed in Canadian dollars

	For the nine months ended September 30, 2016	2015
	$	$
Cash used in operating activities:		
Net income (loss) for the period	4,080,569	(1,197,142)
Add (deduct) items not affecting cash:		
Amortization	2,704	9,048
Share-based payments	-	323,000
Accrued interest	(2,518)	270,182
Loss on change in fair value of derivative liabilities (Note 10)	520,389	915,776
Expense recovery from equity investment (Note 14)	(2,804,312)	-
Income (loss) from equity investment (Note 14)	1,588,361	(4,825,528)
Reversal of impairment (impairment) on equity investment (Note 14)	(3,540,469)	3,964,433
Foreign exchange loss	-	(72,790)
Net change in non-cash working capital	394,209	(729,031)
Net cash used in operating activities	238,933	(1,342,052)
Cash provided by (used in) investing activities:		
Repayment from equity investment (Note 14)	9,687,750	4,459,000
Advances to equity investment (Note 14)	(4,931,332)	(3,368,168)
Interest in exploration and evaluation assets	-	(236,380)
Net cash provided by (used in) investing activities	4,756,418	854,452
Cash provided by financing activities:		
Proceeds from convertible debentures (Note 10)	-	2,999,895
Advances from shareholders (Note 9)	40,000	998,198
Repayments to shareholders (Note 9)	(40,000)	(1,349,925)
Net cash provided by financing activities	-	2,648,168
Net cash flow during the period	4,995,351	2,160,568
Cash and cash equivalents beginning of period	1,321,139	132,915
Cash and cash equivalents end of period	6,316,490	2,293,483

See accompanying notes to the condensed interim consolidated financial statements.

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

	Share capital $	Share-based payments reserve $	Warrants reserve $	Warrants to be issued $	Deficit $	Total shareholders' equity (deficit) $
Balance, December 31, 2015	17,142,711	532,700	2,214,569	1,125,600	(23,260,090)	(2,244,510)
Loss for the period	-	-	-	-	4,080,569	4,080,569
Balance, September 30, 2016	17,142,711	532,700	2,214,569	1,125,600	(19,179,521)	1,836,059

	Share capital $	Share-based payments reserve $	Warrants reserve $	Common shares and warrants to be Issued $	Deficit $	Total shareholders' equity $
Balance, December 31, 2014	14,801,211	302,000	2,214,569	3,467,100	(17,099,582)	3,685,298
Shares issued to M2 Advisors	2,341,500	-	-	(2,341,500)	-	-
Stock options expired	-	(98,000)	-	-	-	(98,000)
Stock options grant	-	328,700	-	-	-	328,700
Loss for the period	-	-	-	-	(1,197,142)	(1,197,142)
Balance, September 30, 2015	17,142,711	532,700	2,214,569	1,125,600	(18,296,724)	2,718,856

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"). 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 Company is listed on the CSE as an oil and gas issuer.

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 its 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 September 30, 2016, the Company had a working capital of $5,784,409 (December 31, 2015 - $942,395), and had an accumulated deficit of $19,179,521 (December 31, 2015 - $23,260,090) which has been funded primarily by the issuance of debt and 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material. The material uncertainties noted above together cast significant doubt upon the Company's ability to continue as a going concern.

The head office, principal address and records office of the Company is located at 79 Wellington Street West, TD Tower South, Suite 2100, P.O. Box 139, Toronto Dominion Centre, Toronto, Ontario, Canada, M5K 1H1. These condensed interim consolidated financial statements of the Company for nine months ended September 30, 2016 were approved and authorized for issue by the Board of Directors on November 23, 2016.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim financial reporting. These condensed interim consolidated financial statements do not include all of the information required for the full annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2015. In addition, these condensed interim 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, 2017 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 though management does not anticipate early adoption of the standard.

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 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

Expressed in Canadian dollars

3. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES (continued)

Changes in Accounting Policies
The Company has adopted the following new standard, along with any consequential amendments, effective January 1, 2016. This change was made in accordance with the applicable transitional provisions.

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. There was no material impact on the condensed interim consolidated financial statements.

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. There was no material impact on the condensed interim consolidated financial statements.

4. PRINCIPLES OF CONSOLIDATION

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

James Bay Energy Nigeria LLC, USA	100%
James Bay Energy Nigeria Limited, Nigeria	100%
D&H Energy Nigeria Limited, Nigeria	100%
Ondobit Limited, Nigeria	100%

Subsidiaries
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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 14.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(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.

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

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

(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. See Note 14 for details about this investment.

(f) Valuation of investment in associate
The valuation of investment in associate is assessed when events occur that indicate impairment. These indicators include a significant technical difficulty regarding the investee operations, significant adverse changes in the market, economic, or legal environment in which the investee operates, changes in the investee's financial condition, significant financial difficulty of the investee and the investee's liquidity.

(g) Derivative financial liabilities
The estimates, assumptions and judgements made in relation to the fair value of derivative liabilities and the associated impact on the initial carrying value of convertible debentures and subsequent accretion is subject to measurement uncertainty. The convertible feature of the convertible debentures is required to be fair-valued at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

(h) Contingencies
Refer to Note 18

Expressed in Canadian dollars

6. EQUIPMENT

Cost	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance, December 31, 2014 and December 31, 2015	13,028	129,974	43,459	5,862	192,323
Addition	-	-	-	17,084	17,084
Balance September 30, 2016	13,028	129,974	43,459	22,946	209,407

Accumulated amortization	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance, December 31, 2014	4,328	49,012	31,678	2,811	87,829
Amortization	1,740	16,194	6,480	915	25,329
Balance, December 31, 2015	6,068	65,206	38,158	3,726	113,158
Amortization	1,044	9,714	2,187	1,292	14,237
Balance, September 30, 2016	7,112	74,920	40,345	5,018	127,395

Carrying value	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance, December 31, 2015	6,960	64,768	5,301	2,136	79,165
Balance, September 30, 2016	5,916	55,054	3,114	17,928	82,012

As at September 30, 2016, the net book value of the Company's equipment by geographic location is as follows: Canada - $4,595 (December 31, 2015 - $5,589) and Nigeria $77,417 (December 31, 2015 - $73,576).

7. PETROLEUM PROPERTY INTERESTS

OML 25 PROJECT

In June 2014, CINRL was selected as the winning bidder for a 45% participating interest in active Oil Mining Lease 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 Company Limited (collectively the "Shell JV"). CINRL obtained terms for a loan from a prospective future investor, for the full purchase price of OML 25.

The Nigerian National Petroleum Corporation ("NNPC") attempted to block the sale and acquire the interest for itself. 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.

The Federal High Court of Nigeria also 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.

On July 3, 2014, an agreement came into force with an investor of CINRL to provide CINRL with a loan for the full acquisition cost of the asset. As consideration, the prospective investor was expected to assume a 55.56% effective interest in the 45% interest acquired from Shell JV in OML 25. Given this agreement in place, the accounting treatment of CINRL changed accordingly from consolidation to the equity method. See Note 14.

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 September 30, 2016, 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 $259,740 (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.

Expressed in Canadian dollars

7. PETROLEUM PROPERTY INTERESTS (continued)

OML 90 PROJECT (continued)

- 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 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 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	$ -

8. MINERAL PROPERTY INTERESTS

James Bay Property, Ontario, Canada

The Company acquired, by staking, certain claims in Ontario, Canada. 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 formed the basis for a report of work, which was submitted for assessment credits 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.

Expressed in Canadian dollars

8. MINERAL PROPERTY INTERESTS (continued)

James Bay Property, Ontario, Canada (continued)

The Company issued 50,000 warrants to MacDonald on October 30, 2014 which coincided with the effective listing of the Company's shares on the CSE as an oil and gas issuer. The warrants entitle the holder to purchase one common share of the Company at a price of $1.25 expiring on October 30, 2019. The value of $23,126 was expensed in the statement of loss and comprehensive loss.

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.

9. DUE TO SHAREHOLDER

The amount due to shareholder was unsecured, non-interest bearing, and due on demand. The amount was due to the President and Chief Executive Officer ("CEO") of the Company, who is also a shareholder and director of the Company.

10. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES

During the year ended December 31, 2015, the Company issued $2,999,895 in aggregate principal amount of convertible debentures. The convertible debentures bear interest of 15% per annum, payable semi-annually and mature three years following the date of issuance. The convertible debentures are convertible at a conversion price of $0.17 per common share.

Date of issuance	**$**
April 30, 2015	1,599,925
May 29, 2015	1,324,970
June 12, 2015	75,000
Total	2,999,895

The Company concurrently sold and assigned, pursuant to separate agreements with each subscriber, a pro rata entitlement (based on all the subscribers) for up to an aggregate of 30% of the net proceeds of litigation related to the OML 25 project (Note 7), if any (whether as a result of final judgment by a court of competent jurisdiction or settlement for which no appeal or further proceeding may be taken (the "Final Award")), after deduction of all related costs and taxes incurred by the Company in the litigation discussed in Note 8 (the "Net Final Amount"), payable to the Holders within 60 days from the receipt of the Final Award. In the event the Company prepays the Debentures in full prior to that date which is one year from the date of issue and prior to the date of the Final Award, then the amount payable to the Holders under the agreement will be adjusted to reflect an aggregate entitlement of 15%. Should the Company's litigation be settled or be the subject of a final decision and if the Company is in receipt of settlement funds, the convertible debentures holders will have rights to accelerate the maturity date to 15 days following the date the convertible debentures holders provide written notice to the Company.

The President and CEO of the Company purchased an aggregate of $1,349,925 of convertible debentures by way of the conversion into convertible debentures of an aggregate of $1,349,925 of advances. A director of the Company purchased an aggregate of $175,000 of convertible debentures.

Expressed in Canadian dollars

10. CONVERTIBLE DEBENTURES (continued)

In accordance with IFRS, the conversion feature of the convertible debentures meets the definition of a derivative liability because the Company, at its option, may trigger certain events that will result in adjustment to the conversion price.

Consequently, on issuance, the convertible debentures were split between the financial liability and the equity conversion feature (which is classified as a derivative financial liability under IFRS). The financial liability portion was determined by subtracting issuance costs and the fair value of the conversion feature from the principal of the debentures. The fair value of the equity conversion feature is calculated using the Black-Scholes pricing model and re-measured each reporting period with changes between periods recognized in the consolidated statements of loss and comprehensive loss. Expected volatility used is based on the comparable companies share price volatility over the relevant period to expiry.

The following table summarizes the accounting for debentures:

	Proceeds $	Liabilities $	Derivative financial liabilities $
Convertible debenture upon issuance	2,999,895	1,695,899	1,303,996
Transaction costs	(16,835)	(9,517)	(7,318)
Net balance upon issuance	2,983,060	1,686,382	1,296,678

Balance of liability component of the convertible debenture as at September 30, 2016:

	Liabilities $	Derivative financial liabilities $
Balance, January 1, 2015	-	-
Issuance of convertible debentures	1,686,382	1,296,678
Accretion on convertible debentures	433,853	-
Cash interest	(286,221)	-
Derivative loss	-	135,379
Balance, December 31, 2015	1,834,014	1,432,057
Accretion on convertible debentures	580,625	-
Cash interest	(336,722)	-
Derivative loss	-	520,388
Balance, September 30, 2016	2,077,917	1,952,445

Expressed in Canadian dollars

10. CONVERTIBLE DEBENTURES (continued)

The following inputs were used in the Black-Scholes pricing model:

Dates of debentures issuance	April 30, 2015		May 29, 2015		June 12, 2015	
As at	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Expected dividend	0%	0%	0%	0%	0%	0%
Expected volatility	111%	103%	111%	103%	111%	103%
Risk-free interest rate	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%
Expected average life (years)	1.58	2.33	1.58	2.33	1.58	2.33
Fair value	$1,041,291	$763,754	$862,340	$632,499	$48,814	$35,803

The liability portion is measured at amortized cost and accreted such that carrying amount of the convertible debentures will equal the face value of the convertible debenture at maturity. The accretion on the convertible debentures is included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss.

Included in accounts payable and accrued liabilities is $297,692 (December 31, 2015 - $75,038) interest payable on convertible debentures. The entire balance was paid subsequent to September 30, 2016.

11. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value
(b) **Issued** – 41,474,070 common shares

	#	$
Balance, December 31, 2014	37,974,070	14,801,211
Shares issued to M2 Advisors[(i)]	3,500,000	2,341,500
Balance, December 31, 2015 and September 30, 2016	41,474,070	17,142,711

[(i)] On February 4, 2015, the Company issued to a consultant, M2 Advisors, 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 the consultant completed during the year ended December 31, 2014 and were reflected as common shares to be issued as at December 31, 2014. The shares were subject to a statutory hold period of four months from the date of issuance. The fair value of the shares issued was estimated at $2,341,500 based on the value of the shares issued in the October 30, 2014 private placement.

In addition, the Company is obligated to issue an additional 3,400,000 warrants under the terms of the service agreement (Note 13(i)).

Expressed in Canadian dollars

12. SHARE-BASED PAYMENTS RESERVE

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% 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:

	Nine months ended September 30, 2016		Year-ended December 31, 2015	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of period/year	6,135,000	0.29	800,000	0.66
Expired	-	-	(200,000)	0.75
Granted	-	-	5,535,000	0.25
Balance, end of period/year	6,135,000	0.29	6,135,000	0.29

The Company has the following share options outstanding at September 30, 2016:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
204,000	600,000	600,000	0.63	June 1, 2017
323,000	5,285,000	5,285,000	0.25	May 4, 2020
5,700	250,000	250,000	0.30	September 15, 2020
532,700	6,135,000	6,135,000		

On May 4, 2015, the Company granted 5,285,000 stock options to directors, officers, consultants and employees of the Company. The fair value of the options was estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.08%; expected life of 5 years. An amount of $323,000 was recorded relating to these stock options for the year ended December 31, 2015 and of this amount, $133,845 was charged to CINRL.

Expressed in Canadian dollars

12. SHARE-BASED PAYMENTS RESERVE (continued)

On September 15, 2015, the Company granted 250,000 stock options to a CINRL consultant. The fair value of the options was estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 0.84%; expected life of 5 years. An amount of $5,700 was recorded relating to these stock options for the year ended December 31, 2015. The balance was charged to CINRL.

13. WARRANT RESERVE

	#	$
Balance December 31, 2014, December 31, 2015 and September 30, 2016	8,730,844	2,214,569

[i]In connection with the terms of service agreement with M2 Advisors (Note 11 (b)(i)), the Company is obligated to issue an additional 3,400,000 finders' warrants which entitle the holder to purchase one common share of the Company at a price of $1.25 expiring on July 28, 2017. The estimated fair value of the finder warrants of $1,125,600 was estimated 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 1.14% and an expected life of 3 years. As of September 30, 2016, 3,400,000 finders' warrants have yet to be issued and the balance has been reflected as warrants to be issued as at September 30, 2016 and December 31, 2015.

The Company has the following warrants outstanding as at September 30, 2016:

Estimated Fair Value (net of issue costs) $	Outstanding Warrants #	Warrants Exercisable #	Exercise Price $	Expiry Date
442,987	1,500,000[a]	1,500,000	1.25	October 30, 2016
538,468	1,930,424	1,930,424	1.25	January 31, 2017
21,839	60,397 [ab]	60,397	1.00	January 31, 2017
140,083	470,000	470,000	1.25	June 10, 2017
10,197	28,200 [bc]	28,200	1.00	June 10, 2017
771,262	3,810,670	3,810,670	1.25	July 28, 2017
82,653	228,640 [dc]	228,640	1.00	July 28, 2017
155,728	520,000	520,000	1.25	October 30, 2017
11,281	31,200 [de]	31,200	1.00	October 30, 2017
23,126	50,000	50,000	1.25	October 30, 2019
16,945	101,313	101,313	1.25	December 19, 2019
2,214,569	8,730,844	8,730,844		

(a) These finder's warrants expired unexercised subsequent to period end.
(b) These are finder's warrants issued in connection with the January 31, 2014, private placement.
(c) These are finder's warrants issued in connection with the June 10, 2014, private placement.
(d) These are finder's warrants issued in connection with the July 28, 2014 private placement.
(e) These are finder's warrants issued in connection with the October 30, 2014 private placement.

14. INVESTMENT IN CRESTAR INTERGRATED NATURAL RESOURCE ("CINRL")

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

From the acquisition of the Company's interest in CINRL in September 2013 to June 2014, the Company had consolidated the accounts of CINRL even though it owned less than 50% of the shares. During this period, it was determined that the Company had control over CINRL due the following factors: The Company had entered into a Financial and Technical Services Agreement with CINRL whereby the Company was appointed the Financial and Technical Partner with respect to acquiring oil and gas projects in Nigeria. This agreement provided that the Company shall arrange to provide the funding to CINRL and shall meet all required financial obligations. The Company was responsible for providing technical assistance, appointing personnel and carrying out the evaluation, development and production from the projects. JBENL's President and Chief Executive Officer is also the President and Chief Executive Officer of CINRL, and member of the Board of Directors of James Bay and a shareholder of CHEPCL.

In consideration of the Company's obligations to provide the funding to CINRL, the revenue proceeds from the contract area or any asset of CINRL shall be allocated in the following manner:

a. The parties shall first deduct any amounts owing to third parties in accordance with their participatory interest under the project document;
b. 80% of the remaining revenue proceeds (after deductions under (a) above) shall be allocated to the Company;
c. The remaining 20% of revenue proceeds (after deductions under (a) and (b) above) shall be shared between CINRL and the Company in accordance with their respective ownership interest.

The above agreement between CINRL and JBENL was amended on June 17, 2014 to reflect a change of party from CINRL to CHEPCL.

Concurrent with the signing of the Agreement for Assignment of OML 25 on July 3, 2014, an agreement came into force with a prospective future investor of CINRL to provide CINRL with a loan for the full acquisition cost of the asset. The agreement further provided that the future investor would provide all technical services required under the operation of OML 25, such agreement was subject only to the formal closing of the acquisition. As consideration, the prospective investor was expected to assume 55.56% effective interest in OML 25 and net revenue proceeds from the asset were expected to be adjusted accordingly. Given the agreement in place, it was determined that the Company lost control of CINRL on July 3, 2014. Related to this loss of control, the Company recorded a gain on deconsolidation of $28,823,548 in 2014.

In 2015, certain recent events have led to the renewal of negotiations among CINRL and the Shell JV who along with the NNPC currently control OML 25. CINRL and its partners will work together moving forward to continue these negotiations in order to secure the 45% interest in OML 25. Pursuant to an agreement reached between CINRL and its partner (not the Shell JV), the sum of US$408 million which was previously advanced by CINRL's partner and held in an escrow account in respect of the purchase price payable for OML 25. Given the material delays with the acquisition and the NNPC's blockage of the closing of the initial purchase agreement for OML 25, it was determined that the funds should be released from escrow. Notwithstanding this release from escrow, the initial US$45,320,000 deposit remains with the Shell JV while the Company and its partner work to complete the acquisition of OML 25.

In addition, in connection with this renewed process, CINRL's partner has agreed to fund a portion of consortium costs previously incurred by CINRL in an amount equal to US$11 million. The sum of US$29 million was place into a new escrow account by CINRL's partner pending agreement of final terms of the acquisition transaction.

14. INVESTMENT IN CRESTAR INTERGRATED NATURAL RESOURCE ("CINRL") (continued)

CINRL received a repayment from its partner in the amount of $4,459,000 (US$3,500,000) in July 2015 and a further, $9,687,750 (US$7,500,000) in June 2016. These amounts were paid by CINRL to the Company as repayment of amounts previously advanced to CINRL.

During the nine months ended September 30, 2016, the Company recorded loss on equity investment in CINRL of $1,588,361 (September 30, 2015 – Income from equity investment $4,825,528). Due to the repayment, the Company reversed all the impairment recognized in prior years of $3,540,469 and recognized expense recovery of $2,969,009 for the nine months ended September 30, 2016.

15. 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 share capital, share-based payments reserve, warrants reserve, warrants to be issued and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest, 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 nine months ended September 30, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the CSE which requires adequate working capital of $50,000. As of September 30, 2016, the Company is in compliance with the policies of the CSE.

16. 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. Management believes that the credit risk concentration with respect to cash and cash equivalents 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 September 30, 2016, the Company had cash and cash equivalents of $6,316,490 (December 31, 2015 - $1,321,139) to settle current liabilities of $617,276 (December 31, 2015 - $566,493). The Company has working capital of $5,784,409 (December 31, 2015 - $942,395). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The convertible debentures are due in 2018 (Note 10).

16. FINANCIAL INSTRUMENTS (continued)

Market risk

(a) Interest rate risk

The Company has cash balances and interest-bearing debt due to convertible debenture holders as described in Note 10. 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 September 30, 2016, the Company has net monetary assets denominated in US dollars of approximately US$4,574,000 (December 31, 2015 - US$579,000). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net income of approximately US$457,400 (December 31, 2015 - $57,900) based on the balance of these amounts held in US dollars at September 30, 2016.

Fair value

The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and due to shareholders approximates their fair value due to the relatively short periods to maturity of the financial instruments. The derivative liabilities are carried in the condensed interim consolidated statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss for the period.

Fair value hierarchy and liquidity risk disclosure

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at September 30, 2016 and December 31, 2015, the Company’s derivative liabilities have been classified as level 2 based on the fair value hierarchy described above.

Expressed in Canadian dollars

17. RELATED PARTY DISCLOSURES

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the nine months ended September 30, 2016 and year ended December 31, 2015, the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation with a common officer and a common director. During the nine months ended September 30, 2016, approximately $38,844 (September 30, 2015 - $27,246) was charged by this corporation, of which $34,960 has been charged as rent expense to CINRL. The amount is included in the statement of income (loss) and comprehensive income (loss).

For the nine months ended September 30, 2016, the Company incurred legal fees of approximately $233,684 (September 30, 2015 - $148,041) with a law firm of which a partner, is a director of the Company, of which $224,632 has been charged as legal fees to CINRL. This amount is included in the statement of income (loss) and comprehensive income (loss). As of September 30, 2016, the Company owed $119,278 (December 31, 2015 - $94,379) 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 nine months ended September 30, 2016 and 2015 were as follows:

	September 30, 2016	September 30, 2015
	$	$
Management salaries and benefits	1,419,664	738,994
Director's fees	60,000	60,000
Share-based payments	-	275,024
	1,479,664	1,074,018

During the nine months ended September 30, 2016, the Company paid management bonus, salaries and benefits and director fees in the amount of $1,479,664 (September 30, 2015 - $798,994), of which $1,433,048 (September 30, 2015 - $316,945) has been charged to CINRL. During the period, a common officer and director of CINRL and James Bay was paid $656,950 bonus (US$ 500,000).

Included in accounts payable and accrued liabilities as at September 30, 2016 is approximately $1,148 (December 31, 2015 - $2,326) of management travel expenses reimbursement and $20,000 (December 31, 2015 - $20,000) of director fees.

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

See also Notes 9, 10, and 18.

Expressed in Canadian dollars

18. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts, which contain clauses requiring additional payments of up to $1,800,000 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 condensed interim consolidated financial statements. As of September 30, 2016, under these management contracts, management has committed to $632,000 of salaries and benefits due within one year.

The Company is subject to a lease commitment for premise Canada expiring in January 2019.

	Canada **$**
2016	13,000
2017	62,000
2018	68,000
2019	6,000
Total	149,000

(i)Lease renewal at the Company`s option

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 September 30, 2016, 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.

19. RESTATEMENT

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2015, it was determined that the conversion feature of the convertible debentures issued in 2015 for a total proceeds of $2,999,895 should have been accounted for as an embedded derivative. This is due to the fact that the Company, at its option, may trigger certain events that will result in adjustment to the conversion price of the convertible debentures.

The effects of the restatement on the consolidated statement of financial position as at December 31, 2015, the condensed interim consolidated statement of income (loss) and comprehensive income (loss) for the three months ended September 30, 2015, the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2015, and the condensed interim consolidated statement of income (loss) and comprehensive income (loss) for the six months ended June 30, 2016 are summarized below. The adjustments between amounts previously reported and amounts restated had no material effect on the consolidated statement of cash flow.

Expressed in Canadian dollars

19. RESTATEMENT (continued)

	Previously reported $	Adjustments $	Restated $
Consolidated Statement of Financial Position as at December 31, 2015			
Current Assets	1,508,888	-	1,508,888
Non-current assets	79,165	-	79,165
Total assets	1,588,053	-	1,588,053
Current liabilities	566,493	-	566,493
Non-current liabilities			
Convertible debentures	2,703,790	(869,776)	1,834,014
Derivative liabilities - convertible debentures	-	1,432,056	1,432,056
	2,703,790	562,280	3,266,070
Total liabilities	3,270,283	562,280	3,832,563
Equity			
Share Capital	17,142,711	-	17,142,711
Share-based payments reserve	532,700	-	532,700
Warrants	2,214,569	-	2,214,569
Warrants to be issued	1,125,600	-	1,125,600
Convertible debentures	246,452	(246,452)	-
Deficit	(22,944,262)	(315,828)	(23,260,090)
Total common shareholders' deficit	(1,682,230)	(562,280)	(2,244,510)
Total liabilities and equity (deficiency)	1,588,053	-	1,588,053

	Previously reported $	Adjustments $	Restated $
Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the three months ended September 30, 2015.			
Expenses			
Other expenses	77,952	-	77,952
Interest expense	111,446	58,094	169,540
Loss before the undernoted	(189,398)	(58,094)	(247,492)
Foreign exchange gain	309,433	-	309,433
Loss on change in fair value of derivative liabilities	-	(570,693)	(570,693)
Impairment on equity investment	(2,418,035)	-	(2,418,035)
Income from equity investment	4,825,528	-	4,825,528
Net income (loss) and comprehensive income (loss)	2,527,528	(628,787)	1,898,741
Basic and diluted net income (loss) per share	0.06	(0.01)	0.05

Expressed in Canadian dollars

19. RESTATEMENT (continued)

	Previously reported $	Adjustments $	Restated $
Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the nine months ended September 30, 2015.			
Expenses			
Other expenses	1,251,886	(16,835)	1,235,051
Interest expense	184,825	85,357	270,182
Loss before the undernoted	(1,436,711)	(68,522)	(1,505,233)
Foreign exchange gain	362,772	-	362,772
Loss on change in fair value of derivative liabilities	-	(915,776)	(915,776)
Impairment on equity investment	(3,964,433)	-	(3,964,433)
Income from equity investment	4,825,528	-	4,825,528
Net loss and comprehensive loss	(212,844)	(984,298)	(1,197,142)
Basic and diluted net loss per share	(0.01)	(0.02)	(0.03)
Condensed Interim Consolidated Statement of Income and Comprehensive Income for the six months ended June 30, 2016.			
Expenses			
Other expenses	415,000	-	415,000
Interest expense	973	-	973
Loss before the undernoted	(415,973)	-	(415,973)
Foreign exchange loss	(17,187)	-	(17,187)
Loss on change in fair value of derivative liabilities	-	(2,290,253)	(2,290,253)
Reversal of impairment on equity investment	3,540,469	-	3,540,469
Loss from equity investment	(1,340,229)	-	(1,340,229)
Expense recovery from equity investment	6,280,712	(101,877)	6,178,835
Net income (loss) and comprehensive income (loss)	8,047,792	(2,392,130)	5,655,662
Basic and diluted net income (loss) per share	0.19	(0.06)	0.13