JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

INDEX	**PAGE**
Consolidated Statements of Financial Position	1
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Changes in Equity	4
Notes to the Consolidated Financial Statements	5 - 28

Independent Auditor's Report

To the Shareholders of James Bay Resources Limited:

Opinion

We have audited the consolidated financial statements of James Bay Resources Limited and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had continuing operating losses and an accumulated deficit of $10,505,225 as at December 31, 2018, which has been funded primarily by the issuance of equity. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion in not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor, who expressed an unmodified opinion on those statements on April 24, 2018.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

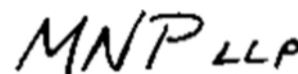
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.



Mississauga, Ontario | Chartered Professional Accountants

April 29, 2019 | Licensed Public Accountants

JAMES BAY RESOURCES LIMITED

Consolidated Statements of Financial Position

Expressed in Canadian dollars

	2018 $	2017 $
ASSETS		
Current assets		
Cash and cash equivalents	1,152,380	68,300
Prepaid expenses	41,667	62,933
Amounts receivable	103,723	38,069
Total current assets	1,297,770	169,302
Equipment (Note 7)	55,101	67,305
Investment in Cerrado Gold Inc. (Note 8)	1,993,867	-
Loan Receivable from CB Holding Group Corp. (Note 9)	4,921,313	-
Total assets	8,268,051	236,607
LIABILITIES		
Accounts payable and accrued liabilities (Note 18)	399,868	1,757,057
Convertible debenture (Note 11)	-	1,211,378
Derivative liabilities (Note 11)	-	190,960
Total liabilities	399,868	3,159,395
Share capital (Note 12)	18,028,167	17,142,711
Share-based payments reserve (Note 13)	305,170	305,170
Warrant reserve (Note 14)	40,071	40,071
Deficit	(10,505,225)	(20,410,740)
Total common shareholders' equity (deficit)	7,868,183	(2,922,788)
Total liabilities and shareholders' equity (deficit)	8,268,051	236,607

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 10 and 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" , Director
Signed "MARK BRENNAN" , Director

See accompanying notes to the consolidated financial statements.

JAMES BAY RESOURCES LIMITED

Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)

Expressed in Canadian dollars

	2018	2017
	$	$
Expenses		
Management salaries and benefits (Note 18)	65,019	61,307
Professional fees (Note 18)	47,094	42,258
Office and general (Note 18)	70,396	86,744
Transfer agent and listing fees	1,975	5,460
Interest (income)	(71,913)	5,228
Amortization	1,823	5,440
(Loss) before the undernoted	(114,394)	(206,437)
Foreign exchange gain (loss)	162,807	(184,670)
(Loss) gain on conversion (Note 11)	(41,389)	395,715
Reversal of impairment (impairment) on equity investment in CINRL (Note 15)	10,816,953	(3,640,045)
Loss from equity investment in CINRL (Note 15)	(962,746)	(604,536)
Loss from equity investment in Cerrado Gold Inc. (Note 8)	(52,433)	-
Unrealized gain on revaluation of loan receivable from CB Holding Group Corp. (Note 9)	96,717	-
Net income (loss) and comprehensive income (loss) for the year	9,905,515	(4,239,973)
Income (loss) per share		
Basic	0.22	(0.10)
Diluted	0.22	(0.10)
Weighted average number of shares outstanding		
Basic	45,080,318	41,474,070
Diluted	45,080,318	41,474,070

See accompanying notes to the consolidated financial statements.

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

	2018	2017
	$	$
Cash used in operating activities:		
Net income (loss) for the year	9,905,515	(4,239,973)
Add (deduct) items not affecting cash:		
Amortization	1,823	5,440
(Gain) on change in fair value of loan receivable (Note 9)	(96,717)	(395,715)
Loss from equity investment in CINRL (Note 15)	962,746	604,536
Loss from equity investment in Cerrado Gold Inc. (Note 8)	52,433	-
(Reversal of impairment) impairment on equity investment (Note 15)	(10,816,953)	3,640,045
Net change in non-cash working capital	(1,346,288)	1,402,677
Net cash (used in) provided by operating activities	(1,337,441)	1,017,010
Cash provided by (used in) investing activities:		
Net settlement received on litigation (Note 15)	11,435,284	-
Advances to equity investment (Note 15)	(1,581,076)	(4,232,732)
Acquisition of equipment	(3,519)	(8,338)
Investment in Cerrado Gold Inc. (Note 8)	(2,046,300)	-
Loan receivable from CB Holding Group Corp. (Note 9)	(4,824,596)	-
Net cash provided by (used in) investing activities	2,979,793	(4,241,070)
Cash provided by financing activities:		
Re-lending of convertible debentures (Note 11)	231,666	425,000
Repayments of convertible debenture (Note 11)	(789,938)	-
Net cash (used in) provided by financing activities	(558,272)	425,000
Increase (decrease) in net cash flow during the year	1,084,080	(2,779,060)
Cash and cash equivalents, beginning of year	68,300	2,867,360
Cash and cash equivalents, end of year	1,152,380	68,300

See accompanying notes to the consolidated financial statements.

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

	Common Shares $	Share-based payments reserve $	Warrants reserve $	Deficit $	Total Shareholders' equity $
Balance, December 31, 2017	17,142,711	305,170	40,071	(20,410,740)	(2,922,788)
Conversion of Convertible Debenture	885,456	-	-	-	885,456
Income for the year	-	-	-	9,905,515	9,905,515
Balance, December 31, 2018	18,028,167	305,170	40,071	(10,505,225)	7,868,183

	Common Shares $	Share-based payments reserve $	Warrants reserve $	Warrants to be issued $	Deficit $	Total shareholders' equity $
Balance, December 31, 2016	17,142,711	532,700	1,771,582	1,125,600	(19,255,408)	(1,317,185)
Warrants expired	-	-	(1,731,511)	(1,125,600)	2,857,111	-
Stock options expired	-	(227,530)	-	-	227,530	-
(Loss) for the year	-	-	-	-	(4,239,973)	(4,239,973)
Balance, December 31, 2017	17,142,711	305,170	40,071	-	(20,410,740)	(2,922,788)

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company's shares are listed on the Canadian Securities Exchange ('CSE') under the symbol "JBR". The Company is currently involved in the exploration and evaluation of oil and gas interests in Nigeria. The Company has not yet discovered any deposits, nor has it earned any revenues.

The business of exploring for 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, social licensing requirements, currency exchange fluctuations and restrictions, and political uncertainty.

As at December 31, 2018, the Company had working capital of $897,902 (December 31, 2017 – working capital deficiency of $2,990,093) and had an accumulated deficit of $10,505,225 (December 31, 2017 - $20,410,740) which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. 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 110 Yonge St, Suite 501, Toronto, Ontario, Canada, M5C 1T4. These consolidated financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on April 29, 2019.

2. BASIS OF PREPARATION

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

3. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Recent accounting pronouncements
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 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 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. The Company will adopt IFRS 16 on January 1, 2019 as related to the operating leases disclosed in Note 19.

IFRIC 23 - Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in June 2017 by the IASB. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company does not expect the impact of adoption of the Interpretation to be material on its consolidated financial statements.

Changes in Accounting Policies
The Company has adopted the following amendments, effective January 1, 2018. The changes were made in accordance with the applicable transitional provisions.

4. PRINCIPLES OF CONSOLIDATION

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

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

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 consolidated 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Capitalization of exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 10 for details of exploration and evaluation assets.

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

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

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

(c) Income, value-added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. 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, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. 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 related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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

(e) 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.

(f) Contingencies
Refer to Note 19.

(g) Fair value of conversion feature of convertible debenture
The Company measures the convertible debenture embedded derivative by reference to the fair value of the financial instrument using the Black-Scholes pricing model, taking into consideration management's best estimate of the expected volatility, expected life of the derivative and exercise price on the date of issue and at each reporting date.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Presentation and functional currencies

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Share-based payments

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

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares. Unexercised stock options and warrants are transferred to deficit.

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

(c) Income Tax

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

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

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(d) Exploration and evaluation assets

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

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

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

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

(e) Equipment

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets

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

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

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

(g) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes lAS 39, Financial Instruments: recognition and measurement (lAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Financial assets:

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. The loan receivable from CB Holdings Inc. is classified as a financial assets at FVTPL.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's cash and cash equivalents and accounts receivable are classified as financial assets measured at amortized cost.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities are classified as measured at amortized cost.

Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above.

Expected Credit Loss Impairment Model:

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on 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); and Level 3 – valuation techniques using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Below is a summary showing the classification and measurement bases of the financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to lAS 39).

	IAS 39	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Loan receivable from CB Holdings Inc.	-	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted income (loss) per share is calculated by assuming that the proceeds to be received on the exercise of dilutive convertible debentures, share options and warrants are used to repurchase common shares at the average market price during the period.

During the year ended December 31, 2018, diluted loss per share is the same as basic loss per share as the effects of options, warrants and the conversion features would be anti-dilutive.

(i) Decommissioning Liabilities

A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company had no material decommissioning liabilities as at December 31, 2018 and 2017.

(j) Investment in associate

Investment in associate is accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made, and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

(k) Compound financial instruments

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The embedded derivative liability is calculated first using the Black-Scholes option pricing model, and the residual value is assigned to the debt component. Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in operations.

Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted, or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

7. EQUIPMENT

Cost	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance December 31, 2016	13,028	129,974	43,459	22,946	209,407
Additions	8,338	-	-	-	8,338
Balance December 31, 2017	21,366	129,974	43,459	22,946	217,745
Additions	-	725	2,794	-	3,519
Balance December 31, 2018	21,366	130,699	46,253	22,946	221,264

Accumulated amortization	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance December 31, 2016	7,460	78,160	41,073	6,459	133,152
Amortization	1,549	10,363	1,596	3,780	17,288
Balance December 31, 2017	9,009	88,523	42,669	10,239	150,440
Amortization	2,518	9,113	1,110	2,982	15,723
Balance December 31, 2018	11,527	97,636	43,779	13,221	166,163

Carrying value	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance December 31, 2017	12,357	41,451	790	12,707	67,305
Balance December 31, 2018	9,839	33,061	2,474	9,725	55,101

As at December 31, 2018, the net book value of the Company's equipment by geographic location is as follows: Canada $5,325 (December 31, 2017 - $3,738) and Nigeria $49,776 (December 31, 2017 - $63,565).

8. INVESTMENT IN CERRADO GOLD INC.

On November 8, 2018, the Company announced that the Board of Directors approved an investment (the "Investment") of US$1.5 million to acquire 3,333,334 common shares from the treasury of Cerrado Gold Inc. ("Cerrado Gold"), a privately-owned Ontario company that had executed an agreement to acquire a gold exploration project in Brazil (the "Acquisition"). The Investment represented approximately 14% of the issued and outstanding common shares of Cerrado Gold on November 8, 2018.

Following closing of the Acquisition, James Bay holds approximately 8.89% of the issued and outstanding common shares of Cerrado Gold. The dilution of James Bay's ownership percentage resulted from Cerrado Gold's issuance of shares from treasury to the third-party sellers as part of the agreed terms of the Acquisition.

Mr. Stephen Shefsky, President, Chief Executive Officer and a director of James Bay, is also a director and a shareholder of Cerrado Gold, holding 2,000,000 common shares and 1,000,000 warrants in the capital of Cerrado Gold, representing approximately 8%. Mr. Mark Brennan, a director of James Bay, is also a director and a shareholder of Cerrado Gold, beneficially holding 2,972,222 common shares and 1,000,000 warrants in the capital of Cerrado Gold, representing approximately 12%. Due to the common directors and the Company's shareholding in Cerrado Gold, it was determined that the Company exercises significant influence over Cerrado Gold and the Investment has been accounted for on an equity basis.

8. INVESTMENT IN CERRADO GOLD INC. (continued)

The following is a summary of the consolidated financial information for Cerrado Gold on a 100% basis as at and for the year ended December 31, 2018.

	USD December 31, 2018 $
Total current assets	235,133
Total non-curent assets	11,981,302
Total curent liabilities	1,222,966
Total non-curent liabilities	-
Total comprehensive loss	1,543,563

9. LOAN RECEIVABLE FROM CB HOLDING GROUP CORP.

On December 21, 2018, the Company entered into a secured loan agreement with CB Holding Group Corp., a California-based company (the "Borrower") involved in arranging both CBD and THC vape pens for sale to licensed distributors. Under the terms of the agreement, the Company has agreed to advance up to US$3.5 million (CAD$4,824,596) to the Borrower, at an interest rate of 15% per annum, with the loan plus all accrued and unpaid interest repayable on the six-month anniversary of advancing the funds (the "Maturity Date"), and fully secured by all of the assets, undertaking and business of the Borrower. The loan is part of approximately US$7.5 million of secured loans which have been received by the Borrower as part of financing its business. The Company also received 45,500,000 warrants under the terms of the agreement, each exercisable for one common share of the Borrower at a price of CDN$0.10 per share (the "Warrants"). In the event that the Company determines to convert the outstanding loan principal amount into the exercise price for the Warrants prior to the Maturity Date, the Borrower has agreed that it will increase the number of common shares issuable upon exercise of the Warrants by 30% to approximately 59,150,000 common shares of the Borrower.

As at December 31, 2018, the Company accrued $49,896 in interest income. The Company calculates the fair value of the equity conversion feature and the warrants embedded in the loan using the Black-Scholes pricing model and re-measured each reporting period with changes between periods recognized in the consolidated statements of income (loss) and comprehensive income (loss).

As of December 31, 2018, the fair value of the conversion value was estimated at $21,486 and the warrants fair value was estimated at $71,619 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 2.48% and an expected life of 4 years.

10. PETROLEUM PROPERTY INTERESTS

OML 25 PROJECT

In June 2014, Crestar Integrated Natural Resources Limited (“CINRL”) (see Note 15) 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 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.

10. PETROLEUM PROPERTY INTERESTS (continued)

The Nigerian National Petroleum Corporation ("NNPC") attempted to block the sale and acquire the interest for itself. CINRL 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. Further court proceedings were instituted by the Shell JV, but ultimately those have been unsuccessful. The Federal High Court of Nigeria also has ruled in favor of CINRL and granted an injunction in favor of CINRL, which effectively has frozen any potential plans by the NNPC to acquire the 45% participating interest in OML 25 being divested by the Shell JV. As of the date hereof this injunction in favor of CINRL continues to remain in place.

CINRL had also commenced legal proceedings in the High Court of Justice in England, against the Nigerian subsidiary of Seplat Petroleum Development Company PLC ("Seplat") on January 27, 2017. CINRL's claim alleged bad faith conduct by Seplat's subsidiary, Newton Energy Limited ("Newton"), relating to the proposed acquisition of OML 25. The dispute in the English High Court was on US$20.5 million held in escrow following a protracted dispute over the acquisition of OML 25 from the Shell JV, which CINRL alleged should have been released to CINRL had Newton not sent its bad faith election that it intended to finance the OML 25 purchase on August 16, 2016. See Note 19 – Commitment and Contingencies.

In June 2017, the Company lent CINRL £200,000 GBP as a form of security for legal costs. In August 2017, the Company's President and CEO provided a letter of guarantee in the amount of USD $575,000 also as a form of security for legal costs. Both security forms are protected by the litigation until such time when the court orders are released. As a result of the settlement agreement in this action, these amounts have been released to the Company and the Company's President and CEO, respectively.

Settlement

On March 21, 2018, the settlement offer in the litigation between CINRL and Newton was accepted. The litigation relates to proceedings brought in January 2017 by CINRL in the English High Court over the deposit of US$20.5 million currently held in an escrow account, following a protracted dispute over the acquisition of OML 25 from the Shell JV.

On April 16, 2018, under the terms of the settlement, the Company received US$10.5 million plus interest of US$227,820 in connection with the litigation between CINRL and Newton. The interest was for the period from January 3, 2018 to the date of acceptance of the settlement offer on March 21, 2018. The Company also received US $1.2 million from Seplat as an agreed payment for costs of the action.

Litigation Payout

In connection with the convertible debentures issued in 2015, the Company 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. The net proceeds of the Litigation (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 (the "Net Final Amount"). The payout amount of US$2,811,255 was calculated after deduction of all related costs and taxes incurred by the Company in the litigation, payable to the debenture holders within 60 days from the receipt of the Final award.
On April 24, 2018, the Company paid an estimated amount of US$2.7 million to convertible debenture holders ("Holder"). Each holder received an amount based on a pro rata share of their participating interest in the original convertible debenture issued in 2015. The remaining amount of US$111,255 was paid before December 31, 2018.

11. CONVERTIBLE DEBENTURES

In 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
Balance, December 31, 2015		**2,999,895**
Repayment, November 2016		(2,000,000)
Balance December 31, 2016		**999,895**
Re-lent:		
November 14, 2017	100,000	
November 24, 2017	208,350	
December 4, 2017	16,650	
December 19, 2017	100,000	425,000
Balance December 31, 2017		**1,424,895**
Re-lent:		
January 25, 2018	166,666	
February 28, 2018	25,000	
March 29, 2018	40,000	231,666
Balance, March 31, 2018		**1,656,561**
Repayment and conversion		**(1,656,561)**
Balance, December 31, 2018		**-**

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 10), 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 10 (the "Net Final Amount"), payable to the debenture holders within 60 days from the receipt of the Final Award. In the event the Company pays 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 debenture 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 debenture holders will have rights to accelerate the maturity date to 15 days following the date the convertible debenture holders provide written notice to the Company.

The President and CEO of the Company purchased an aggregate of $1,414,925 of convertible debentures by way of the conversion into convertible debentures of an aggregate of $1,414,925 of advances. A director of the Company purchased an aggregate of $175,000 of convertible debentures.

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.

11. CONVERTIBLE DEBENTURES (continued)

Consequently, on issuance, the convertible debentures were split between the financial liability and the 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 was calculated using the Black-Scholes pricing model and re-measured each reporting period with changes between periods recognized in the consolidated statements of income (loss) and comprehensive income (loss). Expected volatility used was based on the Company's share price volatility over the relevant period to expiry.

The liability portion was 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 interest and accretion on the convertible debentures for the year ended December 31, 2018 of $305,294 (December 31, 2017 - $352,224) was charged to CINRL.

On November 30, 2016, the Company repaid a total principal amount of $2,000,000 out of the $2,999,895 convertible debentures. In accordance with IFRS, at the date of the repayment, the consideration paid, and the transaction costs are allocated between the financial liability and conversion feature (which is classified as derivative financial liability) consistent with the method used in original allocation to separate the proceeds between the two components. The resulting gain or loss is recognized in the statements of loss (income) and comprehensive loss (income). Of the total amount repaid $1,257,672 was repaid to the President and CEO and a director of the Company.

During the year ended December 31, 2017, the convertible debenture holders re-lent $425,000 to the Company to finance working capital. Of the $425,000 re-lent amount, $200,000 was from the CEO of the Company. The re-lent amount carried the same terms as the original convertible debentures. Subsequent to December 31, 2017, the convertible debenture holders re-lent an additional $231,666. Of the $231,666 re-lent amount, $65,000 was from the President and CEO of the Company. All the re-lent amounts were fully paid as of December 31, 2018.

Convertible Debenture Conversion

The convertible debenture had a term of three years. The convertible debenture Holder has the right to request that the Corporation, at any time prior to 5:00 p.m. on May 29, 2018 (time of expiry), to convert the outstanding principal amount (in whole or in part) into common shares at the rate of one (1) Common Share for each $0.17 of principal amount. During the year, six debenture holders converted an aggregate $885,456 principal and interest into common shares. The Company issued 5,223,335 common shares in connection with this conversion.

During the year-end December 31, 2018, the Company paid a total interest of $84,867.

11. CONVERTIBLE DEBENTURES (continued)

Balance of liability component and derivative liabilities of the convertible debentures as at December 31, 2018:

	Liabilities $	Derivative liabilities $
Balance, December 31, 2016	725,991	450,136
Re-lent	288,460	-
Accretion on convertible debentures	352,224	-
Cash interest	(155,297)	-
Conversion	-	(395,715)
Balance, December 31, 2017	1,211,378	190,960
Re-lent	231,666	-
Accretion on convertible debentures	317,217	-
Cash interest	(84,867)	-
Convertible debentures payout	(789,938)	-
Conversion to share capital	(885,456)	-
Conversion	-	(190,960)
Balance, December 31, 2018	-	-

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

Issuance dates of convertible debentures	April 30, 2015		May 29, 2015		June 12, 2015	
As at	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Expected dividend	0%	0%	0%	0%	0%	0%
Expected volatility	167%	72%	182%	72%	182%	72%
Risk-free interest rate	1.57%	0.74%	1.66%	0.74%	1.66%	0.74%
Expected average life (years)	0.58	1.33	0.33	1.33	0.33	1.33
Fair value	$70,101	$240,070	$58,053	$198,812	$3,286	$11,254

Issuance dates of convertible debentures	November 24, 2017		January 25, 2018
As at	December 31, 2017	November 24, 2017	January 25, 2018
Expected dividend	0%	0%	0%
Expected volatility	171%	185%	212%
Risk-free interest rate	1.66%	1.42%	1.76%
Expected average life (years)	0.33	0.50	0.34
Fair value	$59,520	$136,539	$128,118

12. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value
(b) **Issued** – 46,697,405 common shares

	#	$
Balance, December 31, 2016 and 2017	41,474,070	17,142,711
Conversion of convertible debenture[(i)]	5,223,335	885,456
Balance, December 31, 2018	46,697,405	18,028,167

(i) On May 27, 2018, six debenture holders converted an aggregate $885,456 principal and interest into common shares. The Company issued 5,223,335 common shares in connection with this conversion.

13. 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:

	December 31, 2018		December 31, 2017	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, December 31, 2017	5,150,000	0.29	6,135,000	0.29
Expired	-	-	(985,000)	0.48
Balance, December 31, 2018	5,150,000	0.29	5,150,000	0.29

13. SHARE-BASED PAYMENTS RESERVE (continued)

The Company has the following share options outstanding at December 31, 2018:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
299,470	4,900,000	4,900,000	0.25	May 4, 2020
5,700	250,000	250,000	0.30	September 15, 2020
305,170	5,150,000	5,150,000		

The weighted average remaining contractual life of the stock options exercisable at December 31, 2018 was 1.36 years (December 31, 2017 – 2.36 years).

14. WARRANT RESERVE

	#	$
Balance, December 31, 2016	7,230,844	1,771,582
Warrants expired	(7,079,531)	(1,731,511)
Balance, December 31, 2017 and December 31, 2018	151,313	40,071

The Company has the following warrants outstanding as at December 31, 2018:

Estimated Grant Date Fair Value (net of issue costs) $	Outstanding Warrants #	Warrants Exercisable #	Exercise Price $	Expiry Date
23,126	50,000	50,000	1.25	October 30, 2019
16,945	101,313	101,313	1.25	December 19, 2019
40,071	151,313	151,313		

15. 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”).

In November 2013, the Company entered into a Financial and Technical Services Agreement (“FTSA”) 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 Company shall first recover any amounts paid or payable by the Company to third parties including financing interest associated with the purchase of any oil and gas project (including OML 25);
b. 80% of the remaining revenue proceeds (after deductions under (a) above) shall be allocated to the Company;

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

c. The remaining 20% of revenue proceeds (after deductions under (a) and (b) above) shall be shared between CHEPCL 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.

The company consolidate its investment in CINRL up to July 3, 2014. The Company has fully consolidated Crestar even though it owns less than 50% of the shares. The premise of consolidation stems from the terms of the FTSA and common management oversight. Under the terms of the FTSA with CINRL, the Company was to provide funding to Crestar and to meet all required financial obligations. The Company was also responsible for providing technical assistance, appointing personnel and carrying out the evaluation, development and production from the projects. The Company's Country Manager and Chief Operating Officer is the president and CEO of Crestar.

The Company changed its accounting treatment as at December 31, 2014, after the change of party in the FTSA. 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, and 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. The Company assess the accounting treatment of CINRL in each reporting period in light of change in circumstance or new information which would warrant a change in accounting treatment. As of December 31, 2018, the Company has determined that the investment is considered an associate and is accounted for using the equity method.

Certain events during 2015 led to the renewal of negotiations among CINRL and Shell JV who along with the NNPC currently control OML 25. Pursuant to an agreement reached between CINRL and Seplat Petroleum Development Company PLC ("Seplat"), the sum of US$408 million which was previously advanced by Newton Energy Limited ("Newton") was placed 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 Seplat worked to complete the acquisition of OML 25.

In connection with this renewed process, Seplat 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 placed into a new escrow account by Seplat pending agreement of final terms of the acquisition transaction.

CINRL received a repayment from Seplat 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, which amounts were in each case transferred to the Company as repayment of amounts previously advanced to CINRL.

During the year ended December 31, 2018, the Company recorded a loss on equity investment in CINRL of $962,746 (December 31, 2017 – $604,536). The Company received the settlement from Seplat in April 2018. Accordingly, the Company's recorded reversal of impairment of equity investment in connection with CINRL as at December 31, 2018 totaled $10,816,953 (December 31, 2017 impairment - $3,640,045). Further, during the year ended December 31, 2018, the Company advanced $1,581,076 (2017 - $4,232,732) to CINRL.

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

The following is a summary of the financial information for CINRL for the years ended December 31, 2018 and December 31, 2017.

	USD December 31, 2018 $	USD December 31, 2017 $
Total current assets	73,820	896,175
Total non-curent assets	-	-
Total curent liabilities	97,880	652,013
Total non-curent liabilities	1,094,511	12,496,802
Total comprehensive loss	1,943,980	2,979,956

16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its properties. The capital structure of the Company consists of equity attributable to common shareholders comprised of common shares, warrant reserve, share-based payments reserve, 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 years ended December 31, 2018 and 2017. 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 December 31, 2018, the Company is in compliance with the policies of the CSE. As of December 31, 2018, the Company's working capital was in excess of $50,000 upon receiving the settlement offer.

17. 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.

17. FINANCIAL INSTRUMENTS (continued)

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, 2018, the Company had cash and cash equivalents of $1,152,380 (December 31, 2017 - $68,300) to settle current liabilities of $399,868 (December 31, 2017 - $3,159,395). The Company has a working capital of $897,902 (December 31, 2017 – working capital deficiency $2,990,093). The Company's current financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
(a) Interest rate risk
The Company has cash balances and 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. The Company's convertible debentures bear interest at a fixed interest rate.

(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, 2018, the Company has net monetary assets denominated in US dollars of approximately USD $787,882 (December 31, 2017 – net monetary liability USD $87,882). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net income approximately USD $78,788 (December 31, 2017 – USD $8,788) based on the balance of these amounts held in US dollars as at December 31, 2018.

17. FINANCIAL INSTRUMENTS (continued)

Fair value
The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and convertible debentures approximate their fair value due to the relatively short periods to maturity of the financial instruments. Management believes the carrying value of the convertible debentures approximates its fair value. The derivative liabilities are recorded at their estimated fair values.

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, 2018 and December 31, 2017, the Company designated its derivative liabilities from convertible debentures as fair value through profit and loss which is measured at fair value and classified as Level 2.

18. RELATED PARTY DISCLOSURES

These consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the years ended December 31, 2018 and 2017, the Company entered into the following transactions involving related parties:

The Company incurred legal fees of approximately $278,822 (December 31, 2017 - $237,530) with a law firm of which a partner, is a director of the Company, of which, approximately $215,708 (December 31, 2017 - $224,992) has been charged to CINRL. This amount is included in professional fees on the consolidation statement of (loss) income and comprehensive (loss) income. As of December 31, 2018, included in accounts payable and accrued liabilities is $142,046 (December 31, 2017 - $128,268) owing to this law firm.

The Company started renting office space to a corporation with two common directors, beginning November 2017. During the year-end December 31, 2018, approximately $33,500 (December 31, 2017 - $5,323) was charged to this corporation. The amounts are included in office and general expense on the consolidated statements of income (loss) income and other comprehensive income and (loss) income.

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

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Management salaries	$872,994	$901,233
Director's fees	80,000	80,000
	$952,994	$981,233

18. RELATED PARTY DISCLOSURES (continued)

During the year ended December 31, 2018, the Company paid $800,994 (December 31, 2017 - $829,233) to two executive officers, of which, $764,994 (December 31, 2017 - $793,233) has been charged as management fees to CINRL.

Included in accounts payable and accrued liabilities as at December 31, 2018 are $20,000 (December 31, 2017 - $60,000) of Director's fees.

In connection with the convertible debentures, 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 8) are subject to payout to debenture holders. The Company paid US$2,811,255 to the convertible debenture holders during the year. The Company's President and CEO and a Director received cash payout in the amounts of US$1,265,039 and US$163,996 respectively.

During the year ended December 31, 2018, the Company paid to the President and CEO $43,786 in interest and repayment of $714,944 principal on the convertible debentures. The Company also made $4,075 in interest and $58,330 in principal repayment to a director.

See also Notes 11, 15 and 19

19. 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 $872,000 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, 2018, under these management contracts, management has committed to $990,000 of salaries and benefits due within one year.

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

The Company was subject to a lease commitment for a premise in Canada which expired in January 2019.

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, 2018, 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 consolidated 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.

The Company was served with a Notice of Action and related Statement of Claim commenced in the Superior Court of Justice by Alkebulan Ltd. and Andre van der Spuy, as plaintiffs. The claim, which also includes Seplat Petroleum Development Company PLC as a defendant, alleges damages in the amount of $850,000 for a purported breach of contract, and $50,000 for punitive damages. The Company has reviewed the claim with counsel and is of the view the claim is wholly without merit, and intends to defend the claim vigorously, including requiring the plaintiffs to post security for cost as foreign plaintiffs in this action.

20. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 - 26.5%) were as follows:

	2018 $	2017 $
Income (loss) before income taxes	9,905,515	(4,239,973)
Expected income tax (recovery) based on statutory rate	2,624,950	(1,124,000)
Adjustment to expected income tax benefit:		
Differences in foreign tax rates	(332,780)	-
Expenses not deductible for tax purposes	(49,010)	(39,000)
Prior year true up	(82,980)	-
Change in foreign exchange rates	-	(473,000)
Benefit of tax assets not recognized	(2,160,180)	1,636,000
Income tax (recovery)	-	-

b) Deferred Income Tax

Recognized deferred tax assets (liabilities) were as follows:

	2018 $	2017 $
Convertible debentures	-	(73,000)
Non-capital loss carry-forwards - Canada	1,438,000	73,000
Total	-	-

20. INCOME TAXES (continued)

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

	2018	2017
	$	$
Non-capital loss carry-forwards - Canada	1,438,000	6,037,000
Non-capital loss carry-forwards - Nigeria	6,680,000	6,073,000
Resource property costs - Canada	3,452,000	3,452,000
Investment in CINRL - Canada	-	5,395,000
Capital losses carried forward	46,000	-
Investment Tax Credits	10,000	-
Share issue costs	3,000	-
Equipment - Nigeria	5,000	17,000
Total	11,634,000	20,974,000

c) Tax Loss Carry-Forwards

As at December 31, 2018, the Company had approximately $3,452,000 (2017 – $3,452,000) of Canadian exploration and development expenditures and $6,680,000 (2017 – $6,073,000) of Nigerian exploration and operating expenditures. These losses may be utilized to reduce taxable income of futures years under certain circumstances.

As at December 31, 2018, the Company had approximately $1,437,600 (2017 - $6,251,000) of non-capital losses in Canada, which can be used to reduce taxable income in future years. The losses expire as follows:

Year of expiry	Amount
2035	619,270
2036	352,270
2037	466,070
	1,437,610