



JAMES BAY RESOURCES LIMITED

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

JAMES BAY RESOURCES LIMITED
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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**NOTICE OF NO AUDITOR REVIEW OF UNAUDITED 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 unaudited 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

Unaudited Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

As at

	March 31, 2020	December 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	9,630	15,988
Prepaid expenses	6,228	7,500
Amounts receivable (Note 9)	69,619	126,651
Total current assets	85,477	150,139
Property and equipment (Note 7)	134,770	151,800
Investment in Cerrado Gold Inc. (Note 8)	1,383,169	1,517,232
Total non-current assets	1,517,939	1,669,032
Total assets	1,603,417	1,819,171
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 19)	895,279	725,666
Shareholder loan (Note 12)	144,099	120,374
Current portion of lease payable (Note 11)	48,589	64,583
Total current liabilities	1,087,967	910,623
Non-current		
Lease payable (Note 11)	72,420	72,420
Total non-current liabilities	72,420	72,420
Total liabilities	1,160,387	983,043
SHAREHOLDER'S EQUITY		
Share capital (Note 13)	18,028,167	18,028,167
Share-based payments reserve (Note 14)	305,170	305,170
Warrant reserve (Note 15)	-	-
Deficit	(17,890,308)	(17,497,209)
Total common shareholders' equity (deficit)	443,029	836,128
Total liabilities and shareholders' equity (deficit)	1,603,417	1,819,171

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Notes 10 and 20)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director

Signed "MARK BRENNAN", Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

JAMES BAY RESOURCES LIMITED

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

Expressed in Canadian dollars

	March 31, 2020	March 31, 2019
	\$	\$
Expenses		
Management salaries and benefits (Note 19)	15,136	15,579
Professional fees (Note 19)	24,379	5,919
Office and general	10,168	25,889
Transfer agent and listing fees	303	284
Depreciation	1,703	341
	<hr/>	<hr/>
(Loss) before the undernoted	(51,690)	(48,013)
Foreign exchange gain (loss)	71,498	(53,077)
Interest income (expense) (Note 9)	(466)	173,234
Impairment on equity investment in CINRL (Note 16)	(88,808)	(288,768)
Loss from equity investment in CINRL (Note 16)	(121,222)	(107,739)
Loss from equity investment in Cerrado Gold Inc. (Note 8)	(202,411)	(33,269)
Unrealized gain on revaluation of loan receivable from CB Holding Group Corp. (Note 9)	-	122,749
	<hr/>	<hr/>
Net income (loss) and comprehensive income (loss) for the period	(393,099)	(234,882)
	<hr/>	<hr/>
Income (loss) per share		
Basic	(.001)	(0.01)
Diluted	(.001)	(0.03)
	<hr/>	<hr/>
Weighted average number of shares outstanding		
Basic	46,697,405	46,697,405
Diluted	46,697,405	46,697,405
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See accompanying notes to the unaudited condensed interim consolidated financial statements.

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

	March 31, 2020	March 31, 2019
	\$	\$
Cash used in operating activities:		
Net income (loss) for the period	(229,608)	(234,882)
Add (deduct) items not affecting cash:		
Depreciation	1,703	341
Accrued interest	431	-
(Gain) on change in fair value of loan receivable (Note 9)	-	(221,357)
Loss from equity investment in CINRL (Note 16)	121,222	107,739
Loss from equity investment in Cerrado Gold Inc. (Note 9)	202,411	33,269
Impairment on equity investment (Note 16)	88,808	288,768
Net change in non-cash working capital	(125,394)	(114,095)
Net cash (used in) provided by operating activities	<u>59,573</u>	<u>(140,215)</u>
Cash provided by (used in) investing activities:		
Advances to equity investment in CINRL (Note 16)	(210,030)	(396,507)
Net cash provided by (used in) investing activities	<u>(210,030)</u>	<u>(396,507)</u>
Cash provided by financing activities:		
Shareholder loan (Note 12)	144,099	-
Net cash (used in) provided by financing activities	<u>144,099</u>	<u>-</u>
Increase (decrease) in net cash flow during the period	(6,358)	(536,723)
Cash and cash equivalents, beginning of the period	15,988	1,152,380
Cash and cash equivalents, end of the period	<u>9,630</u>	<u>615,661</u>

See accompanying notes to the unaudited condensed interim consolidated financial statements.

JAMES BAY RESOURCES LIMITED**Unaudited Condensed Interim 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, 2019	18,028,167	305,170	-	(17,497,209)	836,128
(Loss) for the period	-	-	-	(393,099)	(393,099)
Balance, March 31, 2020	18,028,167	305,170	-	(17,890,308)	443,029

	Common Shares \$	Share-based payments reserve \$	Warrants reserve \$	Deficit \$	Total shareholders ' equity \$
Balance, December 31, 2018	18,028,167	305,170	40,071	(10,505,225)	7,868,183
(Loss) for the period	-	-	-	(234,882)	(234,882)
Balance, March 31, 2019	17,142,711	305,170	40,071	(10,740,107)	7,633,301

See accompanying notes to the unaudited condensed interim consolidated financial statements

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

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 March 31, 2020, the Company had a working capital deficiency of \$1,002,489 (December 31, 2019 - \$760,484) and had an accumulated deficit of \$17,890,308 (December 31, 2019 - \$17,497,209) 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 unaudited 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 unaudited condensed interim consolidated financial statements. Such adjustments could be material. The material uncertainties noted above together may 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 unaudited condensed interim consolidated financial statements of the Company for the period ended March 31, 2020 were approved and authorized for issue by the Board of Directors on May 26, 2020.

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

2. BASIS OF PREPARATION

These unaudited 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 unaudited condensed interim consolidated financial statements do not include all of the information required for the full annual condensed interim 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 December 31, 2019. In addition, these unaudited 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, 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.

In October 2018, the International Accounting Standards Board (“IASB”) issued Definition of a Business Amendments to IFRS 3. The amendments clarify the definition of a business and provide application guidance to distinguish between a business combination and an asset acquisition. These amendments to IFRS are likely to result in more acquisitions being accounted for as asset acquisitions. The IFRS 3 amendments are effective for annual periods beginning on or after January 1, 2020 and to be applied prospectively. Earlier application is permitted. The Company will adopt the standard on January 1, 2020. There was no impact in the adoption of the standard.

4. PRINCIPLES OF CONSOLIDATION

The unaudited 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%

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 unaudited condensed interim 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 unaudited 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 unaudited condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited 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

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

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

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.

(c) Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the 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.

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

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

(f) Contingencies

Refer to Note 20.

(g) Estimated useful life property and equipment, depreciation

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting 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 Unaudited condensed interim 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.

(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

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(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) Property and 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

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

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

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 asset 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.

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.

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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")

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 unaudited condensed interim consolidated financial statements.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the Unaudited Condensed Interim 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).

(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 period ended March 31, 2020 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 March 31, 2020 and December 31, 2019.

(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

JAMES BAY RESOURCES LIMITED

Notes to the Unaudited Condensed interim consolidated financial statements

For the periods ended March 31, 2020 and 2019

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(l) Leases recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then an asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
- In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - o The Company has the right to operate the asset; or
 - o The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using the discount rate implicit in the lease, or if that is not available, a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a right-of-use asset (“ROU”) that will generally be equal to the lease obligation at adoption.

The ROU is subsequently amortized over the life of the contract. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is measured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

7. PROPERTY AND EQUIPMENT

Cost	Office equipment \$	Furniture and fixtures \$	Computer equipment \$	Vehicles \$	ROU \$	Total \$
Balance December 31, 2018	21,366	130,696	46,253	22,946	-	221,261
Addition	-	-	-	-	197,103	
Disposal	-	(4,315)	-	-	-	(4,315)
Balance December 31, 2019 and March 31, 2020	21,366	126,381	46,253	22,946	197,103	414,049
Accumulated amortization	Office equipment \$	Furniture and fixtures \$	Computer equipment \$	Vehicles \$	ROU \$	Total \$
Balance December 31, 2018	11,527	97,636	43,779	13,221	-	166,163
Depreciation	2,538	27,901	1,382	5,667	58,598	96,086
Balance December 31, 2019	14,065	125,537	45,161	18,888	58,598	262,249
Depreciation	359	86	150	454	15,981	17,030
Balance, March 31, 2020	14,424	125,623	45,310	19,342	74,579	279,279
Carrying value	Office equipment \$	Furniture and fixtures \$	Computer equipment \$	Vehicles \$	ROU \$	Total \$
Balance December 31, 2019	7301	844	1,092	4,058	138,505	151,800
March 31, 2020	6,942	758	942	3,604	122,524	134,770

As at March 31, 2020, the net book value of the Company's property and equipment by geographic location is as follows: Canada \$125,667 (December 31, 2019 - \$141,913) and Nigeria \$9,103 (December 31, 2019 - \$9,887). The office in Nigeria was moved in May 2019 which resulted in office equipment being adjusted. Some properties and equipment totaling approximately \$4,315 were disposed of during the move.

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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%. As at March 31, 2020, the Company's, Mr. Shefsky's and Mr. Brennan's shareholdings have been reduced to 8%, 5% and 7%, respectively, due to shares being issued from Cerrado Gold's treasury to third party investors. As at March 31, 2020 the aggregated shareholdings between the Company and its common directors was approximately 20%. 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 is accounted for on an equity basis.

The following is a summary of the consolidated financial information for Cerrado Gold on a 100% basis as at and for the periods ended March 31, 2020 and 2019.

	USD March 31, 2020	USD March 31, 2019
	\$	\$
Total current assets	5,016,466	237,784
Total non-current assets	48,561,295	12,903,090
Total current liabilities	47,779,975	1,122,373
Total non-current liabilities	5,825,131	-
Total comprehensive loss	8,136,813	278,204

9. LOAN RECEIVABLE FROM CB HOLDING GROUP CORP.

On December 21, 2018, the Company entered into a secured loan agreement (the "Secured Loan Agreement") with CB Holding Group Corp., a Nevada-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 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 Company loaned US\$1.5M on November 20, 2018 and US\$2M on December 20, 2018. The loan was 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

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9. LOAN RECEIVABLE FROM CB HOLDING GROUP CORP. (continued)

issuable upon exercise of the Warrants by 30% to approximately 59,150,000 common shares of the Borrower. The US\$1.5M and US\$2M loans matured on May 20, 2019 and June 20, 2019 respectively. The interest rate increased from 15% to 30% after the maturity date of the loans. The change in interest rate as has been agreed upon by CB Holdings Group Corp. 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 (loss) income and comprehensive (loss) income by the Borrower. Up to and since the Maturity Date of the secured loan, the Company had been working with the Borrower in attempts to sell various inventory and receive payment of its secured loan, but those efforts have proven fruitless.

On October 30, 2019, the Company commenced legal proceedings in the State of California to recover overdue amounts owed pursuant to the “Secured Loan Agreement” against the Borrower. The legal proceedings were also commenced against companies related to the Borrower (collectively, the “Borrowers”). The legal action involved filing a complaint with the Superior Court of the State of California, County of Los Angeles, for breach of contract, unjust enrichment, fraud, recovery of possession of personal property, and appointment of a receiver. With interest and expenses, the total amount receivable currently outstanding under the secured loan agreement is approximately US\$4.3 million, all of which is being claimed by the Company in the legal proceedings.

The loan receivable and associated warrants due from the Borrowers in the amount of \$5,599,104 including \$844,066 interest receivable was written off on October 30, 2019. In addition, the related amount receivable of \$147,728 was written off as at December 31, 2019.

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.

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.

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10. PETROLEUM PROPERTY INTERESTS (continued)

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 in fiscal 2018.

11. LEASES

	March 31, 2020	December 31, 2019
	\$	\$
Total lease payable (payments)	114,601	150,545
Effect of discounting	(6,408)	(13,542)
Present value of lease payable	121,009	137,003
Less: current portion	(48,589)	(64,583)
Long-term lease payable	72,420	72,420

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12. SHAREHOLDER LOAN

As at the end of the period, the President and CEO of the Company had extended approximately \$144,099 to finance the working capital of the Company. The loan bears interest rate of 4.75% and is due on demand. As of March 31, 2020, the Company accrued \$1,736 interest for this loan.

13. SHARE CAPITAL

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

	#	\$
Balance, December 31, 2019 and 2018	41,474,070	17,142,711
Conversion of convertible debenture ⁽ⁱ⁾	5,223,335	885,456
Balance, March 31, 2020	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.

14. 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 fixed at 20%, and the most recently approved maximum is 8,294,814 options. 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.

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14. SHARE-BASED PAYMENTS RESERVE (continued)

The following reconciles the share options outstanding:

	March 31, 2020		December 31, 2019	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance, beginning of period	5,150,000	0.29	5,150,000	0.29
Balance, end of period	5,150,000		5,150,000	

The Company has the following share options outstanding at March 31, 2020:

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 ⁽ⁱ⁾
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 March 31, 2020 was 0.04 years (December 31, 2019 – 0.36 years).

⁽ⁱ⁾ The stock options expired unexercised subsequent to period-end.

15. WARRANT RESERVE

	#	\$
Balance, December 31, 2017 and 2018	151,313	40,171
Warrants expired, October 30, 2019	(50,000)	(23,226)
Warrants expired, December 19, 2019	(101,313)	(16,945)
Balance, December 31, 2019 and March 31, 2020	-	-

16. INVESTMENT IN CRESTAR INTEGRATED 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

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16. INVESTMENT IN CRESTAR INTEGRATED NATURAL RESOURCE (“CINRL”)

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;
- 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 consolidated its investment in CINRL up to July 3, 2014, even though it owned 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.

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16. INVESTMENT IN CRESTAR INTEGRATED NATURAL RESOURCE (“CINRL”) (continued)

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 three months ended March 31, 2020, the Company recorded a loss on equity investment in CINRL of \$88,808 (March 31, 2019 - \$107,739). As at March 31, 2020, the Company recorded impairment of equity investment of \$121,222 (March 31, 2019 - \$288,768).

The following is a summary of the financial information for CINRL for the three-month period ended March 31, 2020 and 2019.

	USD March 31, 2020	USD March 31, 2019
	\$	\$
Total current assets	73,820	73,820
Total current liabilities	97,880	97,880
Total non-current liabilities	2,000,447	1,343,170
Total comprehensive loss	149,087	290,154

17. 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 periods ended March 31, 2020 and 2019. 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 March 31, 2020, the Company is in compliance with the policies of the CSE.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. As at March 31, 2020, the Company had cash and cash equivalents of \$9,630 (December 31, 2019 - \$15,988) to settle current liabilities of \$1,087,967 (December 31, 2019 - \$910,623). The Company has a working capital deficiency of \$1,002,489 (December 31, 2019 - \$760,484). 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. 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.

Fair value

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

Fair value hierarchy and liquidity risk disclosure

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

As at the end of this period, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business time, or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions,

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

As the global pandemic related to the Coronavirus disease 2019 ("COVID-19") continues, the Company has implemented a plan to protect the health and safety of its employees and all stakeholders. The Company has implemented alternative working arrangements for all employees to work from home and closed its offices. The Company's operational activities are not particularly affected due to the ability of staff to perform tasks from home.

19. RELATED PARTY DISCLOSURES

These unaudited condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the period ended March 31, 2020 and 2019, the Company entered into the following transactions involving related parties:

For the three months ended March 31, 2020, the Company incurred legal fees of approximately \$45,467 (March 31, 2019 - \$37,940) with a law firm of which a partner, is a director of the Company, of which, approximately \$1,343 (March 31, 2019 - \$34,146) has been charged to CINRL. This amount is included in professional fees on the consolidation statement of income and comprehensive income. As of March 31, 2020, included in accounts payable and accrued liabilities is an accumulated balance of \$262,635 (March 31, 2019 - \$64,455) owing to this law firm.

The Company started renting office space from a corporation with common directors, beginning March 1, 2019. During the period ended March 31, 2020, approximately \$21,613 (March 31, 2019 - \$18,599) was charged by this corporation.

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 three months ended March 31, 2020 and 2019 were as follows:

	March 31, 2020	March 31, 2019
Management salaries	\$108,000	\$227,961
Director's fees	20,000	20,000
	<u>\$128,000</u>	<u>\$247,961</u>

During the period ended March 31, 2020, the Company accrued \$90,000 to the President and CEO and paid \$18,000 to the CFO of the Company (March 31, 2019 three executive officers - \$227,961) of which, \$97,200 has been charged as management fees to CINRL.

Included in accounts payable and accrued liabilities as at March 31, 2020 are \$20,000 (March 31, 2019 - \$20,000) of Director's fees. Also included in accounts payable and accrued liabilities as at March 31, 2020 is \$190,000 (March 31, 2019 - \$Nil) of unpaid salary owing to the President and CEO of the Company.

The Company is party to certain management contracts, which contain clauses requiring additional payments of up to \$864,000 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, 2019, under these management contracts, management has committed to \$522,000 of salaries and benefits due within one year.

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Expressed in Canadian dollars

20. COMMITMENTS AND CONTINGENCIES (continued)

James Bay had retained Mr. Olaniyan to serve as its subsidiary company James Bay Energy Nigeria Limited's ("JBENL") Chief Operating Officer and the Company's Country Manager in Nigeria pursuant to an employment agreement dated June 1, 2012. Mr. Olaniyan was subsequently appointed as the President and Chief Executive Officer of JBENL on December 4, 2014. The employment agreement had an initial term which ran until June 1, 2014 and had been automatically extended for additional consecutive one (1) year periods with the last extended period until June 1, 2019. James Bay provided notice to Mr. Olaniyan on April 30, 2019 that the Company would not be extending the employment agreement for a further one-year term and terminated the agreement on June 1, 2019. James Bay has entered into an at-will consulting agreement with Mr. Olaniyan for any consulting services to be provided by Mr. Olaniyan to James Bay as may be required by James Bay in the future.

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 third parties. As at March 31, 2020, 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.

On February 15, 2019, 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. Plaintiffs' counsel has advised that they intend to serve an amended claim and will not require a statement of defence be served until that time. The Company has received nothing further to date.

21. COVID-19 (coronavirus)

During the quarter, there was a global outbreak of COVID-19, which had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business time, or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.