JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

JAMES BAY RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 a working capital deficiency and an accumulated deficit as at December 31, 2020, which has been funded primarily by the issuance of equity and debt. As stated in Note 1, these events or 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 is not modified in respect of this matter.

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 will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2021 — Licensed Public Accountants

MNP

JAMES BAY RESOURCES LIMITED

Consolidated Statements of Financial Position

Expressed in Canadian dollars

As at

	December 31, 2020 $	December 31, 2019 $
ASSETS		
Current assets		
Cash	55,663	15,988
Prepaid expenses	6,684	7,500
Amounts receivable (Note 9)	15,093	126,651
Total current assets	77,440	150,139
Property and equipment (Note 7)	82,901	151,800
Investment in Cerrado Gold Inc. (Note 8)	25,020	1,517,232
Total non-current assets	107,921	1,669,032
Total assets	185,361	1,819,171
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9, 20)	897,194	725,666
Shareholder loan (Note 12)	238,538	120,374
Current portion of lease payable (Note 11)	77,551	64,583
Total current liabilities	1,213,283	910,623
Non-current		
Lease payable (Note 11)	-	72,420
Canada emergency business account loan (Note 13)	49,116	-
Total non-current liabilities	49,116	72,420
Total liabilities	1,262,399	983,043
SHAREHOLDER’S EQUITY		
Share capital (Note 14)	18,209,835	18,028,167
Share-based payments reserve (Note 15)	-	305,170
Warrants reserve (Note 16)	54,027	-
Accumulated other comprehensive loss (Note 8)	(237,807)	-
Deficit	(19,103,093)	(17,497,209)
Total common shareholders’ (deficit) equity	(1,077,038)	836,128
Total liabilities and shareholders’ equity	185,361	1,819,171

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 10 and 21)
APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director

Signed "MARK BRENNAN", Director

See accompanying notes to the consolidated financial statements

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

	2020	2019
	$	$
Expenses		
Management salaries and benefits (Note 20)	22,009	61,184
Professional fees (Note 9, 20)	194,263	96,192
Office and general	26,847	131,614
Transfer agent and listing fees	1,310	2,023
Depreciation	9,616	6,803
Loss before the undernoted	(254,045)	(297,816)
Foreign exchange gain (loss)	6,720	(237,139)
Interest income (Note 9, 13)	7,325	844,066
Impairment of CB Holdings Group Corp loan receivable and warrants (Note 9)	-	(5,599,104)
Impairment on equity investment in CINRL (Note 17)	(226,595)	(659,137)
Loss from equity investment in CINRL (Note 17)	(185,395)	(539,291)
Loss from equity investment in Cerrado Gold (Note 8)	(1,254,404)	(391,591)
Expected credit loss of CB Holdings Group Corp. (Note 9)	-	(147,728)
Loss on disposal of equipment (Note 7)	(4,660)	(4,315)
Net loss	(1,911,054)	(7,032,055)
Other comprehensive loss from investment in Cerrado Gold (Note 8)	(237,807)	-
Total comprehensive loss for the year	(2,148,861)	(7,032,055)
Loss per share		
Basic and diluted	(0.04)	(0.15)
Weighted average number of shares outstanding		
Basic and diluted	48,506,853	46,697,401

See accompanying notes to the consolidated financial statements

JAMES BAY RESOURCES LIMITED
Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the years ended December 31,

	2020	2019
	$	$
Cash used in operating activities:		
Net loss for the year	(1,911,054)	(7,032,055)
Add (deduct) items not affecting cash:		
Depreciation	9,616	62,778
Loss on disposal of equipment	4,660	
Loss from equity investment in CINRL (Note 17)	185,395	539,291
Impairment of CB Holdings Group Corp. accounts receivable (Note 9)	-	147,728
Loss from equity investment in Cerrado Gold Inc. (Note 8)	1,254,404	476,635
Interest accretion	(7,325)	1,320
Impairment of CB Holdings loan receivable and warrants (Note 9)	-	5,599,104
Interest income	-	(844,066)
Impairment (reversal of impairment) on equity investment (Note 17)	226,595	659,137
Net change in non-cash working capital:		
Prepaid expenses	816	34,167
Accounts receivable	111,558	(22,928)
Accounts payable and accruals	170,265	326,015
Net cash provided by (used in) operating activities	44,930	(52,874)
Cash provided by (used in) investing activities:		
Advances to equity investment in CINRL (Note 17)	(411,990)	(1,198,432)
Net cash used in investing activities	(411,990)	(1,198,432)
Cash provided by (used in) financing activities:		
Lease payments	(7,124)	(5,460)
Private placement (Note 14)	259,000	-
Share issued costs (Note 14)	(23,305)	-
Shareholder loan (Note 12)	118,164	120,374
CEBA loan	60,000	-
Net cash provided by financing activities	406,735	114,914
Increase (decrease) in net cash flow during the year	39,675	(1,136,392)
Cash, beginning of the year	15,988	1,152,380
Cash, end of the year	55,663	15,988

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 $	Accumulated other comprehensive loss $	Deficit $	Total Shareholders' equity $
Balance, December 31, 2019	18,028,167	305,170	-	-	(17,497,209)	836,128
Private placement (Note 14)	259,000	-	-	-	-	259,000
Warrants issued (Note 16)	(59,369)	-	59,369	-	-	-
Share issue costs (Note 14)	(17,963)	-	(5,342)	-	-	(23,305)
Share-based payment reserve – expired	-	(305,170)		-	305,170	-
Other comprehensive loss from investment in Cerrado Gold Inc. (Note 8)	-	-	-	(237,807)	-	(237,807)
Net loss for the year	-	-	-	-	(1,911,054)	(1,911,054)
Balance, December 31, 2020	18,209,835	-	54,027	(237,807)	(19,103,093)	(1,077,038)

	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
Warrants expired	-	-	(40,071)	40,071	-
Loss for the year	-	-	-	(7,032,055)	(7,032,055)
Balance, December 31, 2019	18,028,167	305,170	-	(17,497,209)	836,128

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company’s shares are listed on the Canadian Securities Exchange (‘CSE’) under the symbol “JBR”.

James Bay is a junior resource company originally focused on the acquisition and exploration of base and precious metal mineral properties, with activities centered in Canada. In 2011, the Company entered into a preliminary agreement to conduct due diligence to identify potential oil and gas acquisition targets in Nigeria. The Company, through its wholly owned subsidiary, James Bay Energy Nigeria Limited (“JBENL”) has a 45% ownership interest in Crestar Integrated Natural Resources Limited (“CINRL” or “Crestar”) with the remaining 55% portion held by an indigenous Nigerian corporation, Crestar Hydrocarbon Exploration and Production Company Limited (“CHEPCL”).

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, 2020, the Company had a working capital deficiency of $1,135,843 (December 31, 2019 - $760,484) and had an accumulated deficit of $19,103,093 (December 31, 2019 - $17,497,209) which has been funded primarily by the issuance of equity and debt. 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 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 consolidated financial statements of the Company for the year ended December 31, 2020 were approved and authorized for issue by the Board of Directors on April 29, 2021.

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, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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 has adopted the standard on January 1, 2020. There was no impact in the adoption of the standard.

IAS 1, Presentation of Financial Statements, was amended in January 2020. The IASB clarified the classification of liabilities as current or non-current by removing the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not early adopted these amendments.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, was amended in May 2020 with the issuance of Onerous Contracts - Cost of Fulfilling a Contract by IASB. The IASB specified the costs of fulfilling a contract to include incremental costs incurred and allocation of other direct costs when determining whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted these amendments.

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 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.

(f) Contingencies
Refer to Note 21.

(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 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 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Right of use asset	-	lesser of expected useful life or the lease term	
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

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.

<u>Financial assets recorded at fair value through profit or loss (FVTPL)</u>
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.

<u>Amortized cost</u>

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 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.

<u>Amortized cost</u>

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, and shareholder loan are classified as measured at amortized cost.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For amounts receivable, the Company uses a combined approach of specific account identification and a provision matrix to estimate lifetime expected impairment. For all other financial assets, the Company uses specific account identification to determine the amount of expected impairment. Losses are recognized in the consolidated statements of (loss) and comprehensive (loss) and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statements of (loss) and comprehensive (loss).

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).

(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 years ended December 31, 2020 and 2019 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, 2020 and 2019.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the consolidated statements of loss and comprehensive loss.

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:
    - The Company has the right to operate the asset; or
    - 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.

Expressed in Canadian dollars

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 it 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 measure 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 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. 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	197,103
Disposal	-	(4,315)	-	-	-	(4,315)
Balance, December 31, 2019	21,366	126,381	46,253	22,946	197,103	414,049
Disposal	(3,976)	(684)	-	-	-	(4,660)
Addition	-	-	-	-	3,396	3,396
Balance December 31, 2020	17,390	125,697	46,253	22,946	200,499	412,785

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	1,472	160	601	1,478	63,925	67,636
Balance, December 31, 2020	15,537	125,697	45,762	20,366	122,523	329,884

Carrying value	**Office equipment $**	**Furniture and fixtures $**	**Computer equipment $**	**Vehicles $**	**ROU $**	**Total $**
Balance December 31, 2019	7,301	844	1,092	4,058	138,505	151,800
Balance December 31, 2020	1,853	-	491	2,580	77,975	82,901

As at December 31, 2020, the net book value of the Company's property and equipment by geographic location is as follows: Canada $80,322 (December 31, 2019 - $141,913) and Nigeria $2,579 (December 31, 2019 - $9,887).

Expressed in Canadian dollars

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.

At December 31, 2020, James Bay's ownership interest was reduced to approximately 7.09% (December 31, 2019 – 8.43%) 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 2,475,000 common shares and 1,000,000 warrants in the capital of Cerrado Gold, representing approximately 5.27%. Mr. Mark Brennan, a director of James Bay, is also a director and a shareholder of Cerrado Gold, beneficially holding 3,122,222 common shares and 1,000,000 warrants in the capital of Cerrado Gold, representing approximately 6.65%. As at December 31, 2020, the Company's, Mr. Shefsky's and Mr. Brennan's shareholdings were 7.09%, 5.27% and 6.65% respectively. As at December 31, 2020, the aggregated shareholdings between the Company and its common directors was approximately 19.01%. Due to the common directors and the Company's shareholding in Cerrado Gold, it was determined that the Company continues to exercise significant influence over Cerrado Gold and the investment is accounted for on an equity basis.

During the year ended December 31, 2020, the Company recorded a loss on equity investment in Cerrado Gold of $1,254,404 (December 31, 2019 - $391,591) and other comprehensive loss of $237,807 (December 31, 2019 - $Nil).

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

	USD December 31, 2020 $	**USD December 31,2019 $**
Total current assets	21,425,564	89,576
Total non-curent assets	46,184,655	13,677,996
Total current liabilities	23,408,219	4,467,156
Total non-current liabilities	40,040,559	195,766
Net loss	(12,568,225)	(2,894,822)
Accumulated other comprehensive loss	(2,382,658)	(464.025)
Total comprehensive loss	(14,950,883)	(3,358,847)

On February 17, 2021, Cerrado Gold completed a private placement of 11,111,200 subscription receipts ("Subscription Receipts") at a price of Cdn$1.35 per subscription receipt for aggregate gross proceeds of Cdn$15,000,000 (the "Offering"). The closing of the Offering was a key step towards completion of the previously announced reverse take-over ("RTO") transaction of BB1 Acquisition Corp. ("BB1"). The net proceeds of the Offering will be used to advance Cerrado Gold Monte de Carmo project in Brazil, for advancing Cerrado Gold Minera Don Nicolas mine in Argentina, and for general corporate purposes.

8. INVESTMENT IN CERRADO GOLD INC. (continued)

On February 22, 2021, Cerrado Gold and BB1 jointly announced that they had completed the previously announced RTO transaction. The RTO was structured as a three-cornered amalgamation, as a result of which Cerrado Gold has became a wholly-owned subsidiary of BB1, changed its name to “Cerrado Gold Corp.”, and then completed a vertical short-form amalgamation to amalgamate itself with Cerrado Gold and carry on under the corporate name “Cerrado Gold Inc.” prior to the resumption of trading on the TSXV. Pursuant to the RTO, all securities of Cerrado Gold were exchanged for securities of BB1 at an exchange ratio of one (1) security of BB1 for each equivalent security of Cerrado Gold. Following the completion of the RTO, there are 70,545,054 Common Shares, 2,000,000 Warrants, 4,000,000 Options and 6,780,003 RSUs and 1,295,412 Broker Warrants issued and outstanding of Cerrado Gold Inc. James Bay’s ownership interest was reduced from 7.09% to approximately 4.73%.

On April 22, 2021, the Company sold 100,000 shares of Cerrado Gold for net proceeds of $126,660 to finance working capital.

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 October 2019, the Company commenced legal proceedings in the State of California to recover overdue amounts owed pursuant to a secured loan agreement with CBH. The legal proceeding is also commenced against companies related to the Borrower (collectively, the "Borrowers"), along with David Bunevacz, a consultant of the Borrower, Mary Hayca Bunevacz, an executive and major shareholder of the Borrower, and two individuals who personally guaranteed the obligations of 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.

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

Under the terms of the Secured Loan Agreement, James Bay advanced in aggregate US$3.5 million to the Borrower (the "Secured Loan"), with the Secured Loan plus all accrued and unpaid interest repayable on the six-month anniversary of advancing the funds (the "Maturity Date"). The Secured Loan is fully secured by all of the assets, undertaking and business of the Borrowers, and personally guaranteed by Mary Hayca Bunevacz along with 2 other individuals associated with the Borrowers. Up to and since the Maturity Date, James Bay had been working with the Borrower and its management in attempts to sell various inventories and receive payment of its Secured Loan, but those efforts have proven fruitless. With interest and expenses, the total amount outstanding under the Secured Loan Agreement is approximately US$4.3 million, all of which was claimed by James Bay in the legal proceedings.

The legal proceedings initiated by the Company in the State of California to recover all amounts owed pursuant to the secured loan agreement with the Borrowers have been terminated as of November 18, 2020 by the Company's counsel in California, without prejudice.

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.

Included in amounts receivable is legal fees reimbursements in the amount of $2,058 (December 31, 2019 - $66,078) associated with the lawsuit. The Company accrued approximately $127,641 (December 31, 2019 - $79,097) in legal fees. The amounts are included in accounts payable and accrued liabilities.

10. PETROLEUM PROPERTY INTERESTS

OML 25 PROJECT

In June 2014, Crestar Integrated Natural Resources Limited ("CINRL") (see Note 17) 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 21 – Commitment and Contingencies.

Expressed in Canadian dollars

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 before December 31, 2018.

11. LEASES

	December 31, 2020 $	December 31, 2019 $
Total lease payable	81,140	150,545
Effect of discounting	(3,589)	(13,542)
Present value of lease payable	77,551	137,003
Less: current portion	(77,551)	(64,583)
Long-term lease payable	-	72,420

Expressed in Canadian dollars

12. SHAREHOLDER LOAN

The President and CEO of the Company had extended a loan to finance the working capital of the Company. The loan bears an interest rate of 4.75% and is due on demand. As at December 31, 2020, the Company owed $238,538 which includes accrued interest in the amount of $11,794.

13. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA)

On April 15, 2020 and December 18, 2020, the Company received a loan of $40,000 and $20,000 respectively pursuant to the Canada Emergency Business Account ("CEBA"). The CEBA provides zero-interest, partially forgivable loans of up to $60,000 to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes, and employment costs. If the balance of the loan is repaid on or before December 31, 2022, 25% of the loan will be forgiven. The loan bears no interest until December 31, 2022, at which point if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum.

Proceeds	$60,000
Benefit from favourable interest rate	13,184
Initial carrying amount	46,816
Interest Expense	$2,300
Balance	$49,116

The loan was initially measured at its fair value of $46,816 and is subsequently measured at amortized cost, using an effective interest rate of 10%. During the year ended December 31, 2020, $2,300 of interest expense related to the CEBA loan was recognized and included in accretion expense in the consolidated statements of loss and comprehensive loss. The Company received a benefit of $13,184 due to the below-market interest rate on the CEBA loan. This benefit was initially recognized as a deferred gain and was recognized as income as the Company used the proceeds from the loan to fund its operational expenditures.

Expressed in Canadian dollars

14. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value
(b) **Issued –** 51,014,068 common shares

	#	$
Balance, December 31, 2018 and 2019	46,697,401	18,028,167
Private placement [(i)]	4,316,667	259,000
Warrants attached to units	-	(59,369)
Share issue costs	-	(17,963)
Balance, December 31, 2020	51,014,068	18,209,835

(i) On July 31, 2020, the Company raised proceeds of $259,000 by way of a non-brokered private placement of 4,316,667 units at a price of $0.06 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for 2 years at an exercise price of $0.12 per common share. The Company paid a total of $23,305 for legal and filing fees and other cash-related share issue costs.

Expressed in Canadian dollars

15. 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, 2020		December 31, 2019	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of year	5,150,000	0.29	5,150,000	0.29
Expired May 4, 2020	(4,900,000)	0.25	-	-
Expired September 15, 2020	(250,000)	0.30	-	-
Balance, end of year	-	-	5,150,000	0.29

16. WARRANT RESERVE

	#	*$*
Balance, December 31, 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	-	-
Warrants(i)	4,316,667	59,369
Warrant issue costs	-	(5,342)
Balance, December 31, 2020	4,316,667	54,027

(i) In connection with August 5, 2020 private placement (Note 14), the Company issued 4,136,667 warrants which entitle the holder to purchase one common share of the Company at a price of $0.12 for a period of 2 years.

The estimated fair value of the warrants of $59,369 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.27% and an expected life of 2 years.

Expressed in Canadian dollars

17. 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").

During the year ended December 31, 2020, the Company recorded a loss on equity investment in CINRL of $185,395 (December 31, 2019 - $539,291). As at December 31, 2020, the Company recorded impairment of equity investment of $226,595 (December 31, 2019 - $659,137). The majority of expenses incurred in CINRL pertains to management fees and legal fees in connection with OML-25.

The following is a summary of the financial information for CINRL for the year ended December 31, 2020 and 2019:

	USD December 31, 2020 $	USD December 31, 2019 $
Total current assets	73,820	73,820
Total current liabilities	89,270	89,270
Total non-current asset	1,943,810	2,156,968
Total comprehensive loss	347,428	903,182

18. 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, 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 December 31, 2020, the Company is not compliance with the policies of the CSE.

19. FINANCIAL INSTRUMENTS

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

Credit risk
The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents and amounts receivable is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have liquidity to meet liabilities when due. At December 31, 2020, the Company had cash of $55,663 (December 31, 2019 - $15,988) to settle current liabilities of $1,213,283 (December 31, 2019 - $910,623). The Company has a working capital deficiency of $1,135,843 (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. 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.

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).

Expressed in Canadian dollars

20. 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, 2020 and 2019, the Company entered into the following transactions involving related parties:

For the year ended December 31, 2020, the Company incurred professional fees of $194,263 (December 31, 2019 - $96,192), of which approximately $188,321 (December 31, 2019 - $49,391) was charged by a law firm of which a partner is a director of the Company. This law firm has forgiven $125,000 in legal fees accumulated from prior periods. As of December 31, 2020, included in accounts payable and accrued liabilities is an accumulated balance of $188,321 (December 31, 2019 - $216,005) owing to this law firm.

The Company rents office space from a corporation with common directors. During the year ended December 31, 2020, approximately $86,452 (December 31, 2019 - $62,196) was charged by this corporation. As at December 31, 2020 included in accounts payable and accrued liabilities is a balance of $93,161 pertaining to the premise rent.

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, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Management salaries	$252,000	$632,358
Director’s fees	-	80,000
	$252,000	$712,358

During the year ended December 31, 2020, the Company paid $64,800 and accrued $187,200 (December 31, 2019 three executive officers - $632,358) to two executive officers, of which $291,600 (December 31, 2019 - $589,158) has been charged as management fees to CINRL. The Company owed $40,000 in director’s fees for the year ended December 31, 2020 and $80,000 for fiscal 2019. The full balance of $120,000 was forgiven by the directors in July 2020.

At December 31, 2020, the Company accrued $370,000 in management salary to the President and CEO, of which, $100,000 related to 2019 and $270,000 related to 2020 accruals. The President and CEO has forgiven $140,000 of this accrued amount. Included in accounts payable and accrued liabilities is $230,000 salary owing to the President and CEO. A total reduction in the amount of $385,000 to the amounts payable to directors, management and a law firm was approved by the Board in July 2020, in an effort to conserve cash.

21. COMMITMENTS AND CONTINGENCIES

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, 2020, under these management contracts, management has committed to $522,000 of salaries and benefits due within one year.

James Bay had retained Mr. Olaniyan to serve as its subsidiary company James Bay Energy Nigeria Limited's ("JBENL") Chief Operating Officer and the Corporation'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 and was most recently extended for a further one (1) year term, until June 1, 2019. James Bay provided notice to Mr. Olaniyan on April 30, 2019 that it is not extending the employment agreement for a further one-year term, and it terminated and expired 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 a third party. As at December 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.

22. COVID-19 (coronavirus)

The global outbreak of COVID-19 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. The Company has put in place strict health protocols to safeguard the health and wellbeing of its staff. The Company's management and staffs work from home. While the extent of the impact is unknown, the President and CEO of the Company has continued to seek equity financing and extend loans to finance the working capital of the Company.

Expressed in Canadian dollars

23. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income taxes of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	2020 **$**	**2019** **$**
(Loss) before income taxes	(1,911,054)	(7,032,055)
Expected income tax (recovery) based on statutory rate	(506,430)	(1,863,495)
Adjustment to expected income tax benefit:		
Differences in foreign tax rates	(1,100)	(25,754)
Expenses not deductible for tax purposes	273,570	369,014
Share issuance cost booked directly to equity	(6,180)	
Other comprehensive loss from investment in Cerrado Gold	(31,510)	-
Change in foreign exchange rates	-	639,668
Benefit of tax assets not recognized	271,650	880,567
Income tax (recovery)	-	-

Expressed in Canadian dollars

23. INCOME TAXES (continued)

The following table summarizes the components of deferred tax:

	2020 **$**	**2019** **$**
Deferred Tax Assets		
Lease liability	19,430	34,940
Operating tax losses carried forward	2,880	-
Subtotal of Assets	22,310	34,940
Deferred Tax Liabilities		
Property, plant and equipment	(19,430)	(34,940)
Canada emergency business account loan	(2,880)	-
Subtotal of Liabilities	(22,310)	(34,940)
Net deferred tax liability	-	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2020 **$**	**2019** **$**
Operating tax losses carried forward Canada	6,794,040	6,219,420
Resource pools – Mineral Properties	3,451,850	4,201,120
Operating losses carried forward USA	68,920	73,610
Capital losses carried forward	4,935,930	4,935,930
Share issue costs	18,640	-
Property, plant and equipment	-	24,320
Investment in Cerrado Gold	1,938,180	446,770
Lease liability	4,240	5,150
Total	17,211,800	15,906,320

The Canadian operating tax losses carry forwards expire as noted in the table below. The US operating tax losses expire between 2029 and 2038. The capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

Expressed in Canadian dollars

23. INCOME TAXES (continued)

The Company's Canadian non-capital income tax losses expire as follows:

Year of expiry	Canada
2031	$ 407,540
2032	751,290
2033	900,460
2034	139,530
2035	1,087,350
2036	1,525,950
2037	352,270
2038	466,070
2039	896,040
2040	267,540
	$ 6,794,040