JAMES BAY RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six month period ended June 30, 2013

(Prepared by Management on August 8, 2013)

The Management's Discussion and Analysis ("MD&A") of James Bay Resources Limited (the "Company" or "James Bay") should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six month period ended June 30, 2013. Those financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The following Management's Discussion and Analysis ("MD&A") has been prepared as at August 8, 2013.

COMPANY OVERVIEW

James Bay is a junior resource company originally focused on the acquisition and exploration of base and precious metal mineral properties, with activities centered in Canada. The Company has exclusive rights in the mining claims known as the James Bay Lowlands property (the "Property"), located approximately 60 km southeast of the First Nations community of Webequie, and approximately 600 km northwest of Timmins, Ontario, Canada. The Property consists of 104 unpatented claims covering a total of approximately 1,319 claim units or approximately 21,620 ha of mineral exploration rights.

On March 21, 2011 the Company entered into a preliminary agreement to conduct due diligence to identify potential oil and gas acquisition targets in Nigeria.

On June 29, 2012, the Company signed an agreement to acquire a 47% interest in a Nigerian oil and gas project. As a result of the Company's change in focus to pursuing oil and gas assets in Nigeria, the James Bay Property was written off. On October 11, 2012, the Company filed a National Instrument 51-101 report to pursue conditional approval of its change of business under the policies of the TSX Venture Exchange.

History and corporate structure

The Company was incorporated on November 5, 2007 as "2153325 Ontario Inc." pursuant to the provisions of the Business Corporations Act (Ontario). By articles of amendment on November 22, 2007, the Company changed its name to its current name "James Bay Resources Limited". By articles of amendment effective June 16, 2008, the Company removed the restrictions on the issue, transfer or ownership of shares of the Company.

On February 27, 2012, the Company incorporated a wholly owned Nigerian subsidiary, James Bay Energy Nigeria Limited ("JBENL"). In pursuant to an agreement signed with D&H Solution AS, 100% share ownership interest of D&H Energy Nigeria Limited ("DHENL") and Ondobit Limited ("OL") were transferred to JBENL on March 9, 2012.

In April 2012, 2255431 Ontario Inc. (a wholly owned subsidiary of the Company) assigned 100% ownership interest of James Bay Coal LLC to James Bay. James Bay Coal LLC is a US entity and a wholly owned subsidiary of James Bay. James Bay Coal LLC was later converted from a Delaware corporation to a Delaware limited liability company called James Bay Energy Nigeria LLC.

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective ownership listed in the following table:

2255431 Ontario Inc., Canada	100%
James Bay Energy Nigeria LLC ("JBEN LLC"), USA	100%
James Bay Energy Nigeria Limited ("JBENL"), Nigeria	100%
D&H Energy Nigeria Limited ("DHENL"), Nigeria	100%
Ondobit Limited ("OL"), Nigeria	100%

JAMES BAY DIRECT INTEREST IN OIL AND GAS FIELD

In June 2012, James Bay entered into its first Joint Operating Agreement (JOA) with an oil and gas field owner in Nigeria. The JOA and Deed of Assignment (DOA) have been filed with the Department of Petroleum Resources (DPR).

The Company's near term goal is to re-enter the well later this year with the goal of commercial production in the beginning of 2014. After re-entry of the discovery well and an expected Long Term Test (LTT), a new well will be drilled as an appraisal well to define the in-place volumes.

The field was discovered in the early 90´s by Chevron and auctioned by the Nigerian government in the 2003 marginal field auction. The structural framework of the field has been well delineated by the interpretation of the available 3D seismic dataset and the well control logs which James Bay and its technical consultants have reviewed. Some shallow and intermediate depth reservoirs exhibit good amplitude reflections that act as direct hydrocarbon indicators (DHIs) on the seismic reports. The petro physical data evaluation by James Bay confirmed four main hydrocarbon bearing intervals, consisting of both oil and gas with one bottom hole oil sample. James Bay has prepared reserve estimates and production forecasts which are based upon wire-line logs evaluation, well drilling reports and analogue experience from comparable data from nearby producing and development fields within 5 - 10 km's of the field.

Under the terms of the JOA, James Bay will acquire a 47% direct interest in the Project, to be held through its wholly-owned Nigerian subsidiary, D&H Energy Nigeria Limited (see James Bay press release dated June 29, 2012). In order to earn its interest in the Project, James Bay is required to pay an aggregate amount of US$2,500,000 as follows:

- The sum of US$100,000 paid upon completion of James Bay's due diligence on the Project (paid in five instalments of US$20,000 per month). The US$100,000 was disbursed commencing in March, 2012, and has been paid in full.
- The sum of US$500,000 was set aside in an escrow account upon execution of the definitive agreements (being the JOA and the DOA), after May, 2012. That US$500,000 is to be released as to US$200,000 upon approval from the DPR of the assignment of the direct interest in the Project to James Bay, and the final US$300,000 to be released upon the grant of approval licenses by the relevant government authorities and the arrival of the drill rig to re-enter an existing well on the Project.
- James Bay is obligated to pay a further US$1,000,000 upon completion of a final independent report of P1 reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve levels are not attained, then James Bay shall pay US$0.10 per barrel of oil produced, to a maximum of US$1,000,000. The final sum of US$900,000 is payable upon the completion of 60 days of commercial production.

James Bay has also agreed that it shall provide the joint operation funds (future capital expenditures and operating expenses) required to finance the Project to first oil. James Bay has also agreed to pay the owner a monthly management retainer fee of US$30,000, which will commence upon the date of the drill rig arriving at the Project, and ending on the commencement of commercial production. James Bay is entitled to a preferential return of 80% of the available cash flow from oil production until all costs of the joint operation (future capital expenditures and operating expenses) incurred by James Bay to get to first oil have been fully reimbursed. The remaining 20% of available cash flow during this stage of production is shared between James Bay and the owner in proportion to their relative percentage interests. After all joint operation costs have been fully recovered by James Bay, the remaining revenues shall be shared between James Bay and the owner in proportion to their relative percent interests.

Included in restricted cash is the US$300,000 (CAD$314,000) capital contribution to the project as required to finance the joint operation until the commencement of commercial production held in an Escrow account.

Relationships in Nigeria

D&H Solutions AS ("D&H")

On March 21, 2011, the Company signed a memorandum of understanding (the "MoU") to conduct due diligence, and if a suitable target is identified, to form a special purpose vehicle (the "SPV") with D&H Solution AS ("D&H") (a 50/50 partnership between Hemla of Norway and Korea's DSME (Daewoo Shipbuilding and Marine Engineering)) to further evaluate the identified oil & gas opportunities in Nigeria, and if suitable, negotiate an agreement to acquire and develop such assets.

On January 5, 2012, a new agreement was signed with D&H. The new agreement calls for the transfer of all Nigerian agreements and the corporations that currently hold these agreements into a wholly owned Nigerian subsidiary of the Company. This subsidiary JBENL was incorporated on February 27, 2012. In addition, the Company will retain certain senior management of D&H as senior management of JBENL. In consideration the Company has agreed to issue to D&H share based compensation in the form of units consisting of one common share and one half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to acquire one common share at a price of $1.25 for a period of two years from issuance. The units are to be issued as follows:

- 3,000,000 units upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Miners in Nigeria; and

- 3,000,000 units upon the Company reaching 1,500 barrels oil equivalent ("BOE") per day or a minimum recoverable estimate of 50 million BOE.

Simultaneously with each issuance of the units above, D&H will receive a further 300,000 stock options exercisable for a period of five years following the date of issue, with the exercise price set in the context of the market on the date of issue.

The Company also assumed D&H's agreement to acquire a 47% interest in certain oil and gas interests in Nigeria through the formation of a joint operation with the seller.

MAK MERA

On March 9, 2011, James Bay entered into a letter of intent with a Nigerian oil and gas service provider, MAK MERA. On February 6, 2012, a new agreement with MAK MERA was signed. The new consulting services agreement calls for the issuance of common shares of the Company to MAK MERA as follows:

- 3,500,000 common shares upon the closing of a definitive agreement being entered into with regards to an acquisition of an interest in an oil and gas project in Nigeria and upon attaining mining licenses from the Ministry of Mines in Nigeria;

- 3,000,000 common shares upon the Company reaching 1,500 boe per day or a minimum recoverable estimate of 50 million BOE.

- Cash payment of US$165,000 upon signing a definitive agreement (paid).

If the target is identified through this process, completion of an acquisition represents a Change of Business under the TSX Venture Exchange policies. As a result, any such transaction will be subject to a number of conditions and shareholder approval.

In February 2013, the Company received shareholder approval for the Change of Business. In May 2013, the Honourable Minister of Petroleum Resources (HMPR) have granted approval to the assignment of the 47% participating interest in the Ogedeh marginal field located in OML 90 to D&H Energy Nigeria Limited.

The Company incurred $626,214 in evaluation costs in 2013, details are as follows:

Description	Amount	
Management fees	$	318,986
Professional fees		30,028
Administrative expense		17,645
Technical work		7,102
Consulting fees		20,470
Travel, meals and accommodation		122,944
Office and general		109,039
Balance at June 30, 2013	$	626,214

In accordance with IFRS 6 "Exploration for and evaluation of mineral resources", only expenditures that can be directly associated with finding specific mineral resources can be capitalized to exploration and evaluation assets. 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 due diligence costs related to its search for a suitable oil and gas property in Nigeria have been expensed as they relate to work performed in advance of the Company securing a license to explore any specific project. On May 17, 2013, the Honourable Minister of Petroleum Resources (HMPR) granted approval to the assignment of 47% participating interest in Ogedeh marginal field located in OML 90 to D&H Energy Nigeria Limited. Therefore, all expenditures incurred prior to and including May 17, 2013 are not eligible exploration and evaluation asset expenditures and have thus been expensed as evaluation costs. Since the license to explore the area has been secured, all expenditures directly associated with finding specific mineral resources subsequent to May 17, 2013 have thus been capitalized to exploration and evaluation asset.

JAMES BAY MINERAL PROPERTY

James Bay Lowlands property (the "Property")

Introduction

The McFauld's Lake area has been the focus of many junior exploration companies, beginning with the discovery of significant VMS-style mineralization by Spider Resources in 2003 and more recently with the discovery of high-grade Ni-Cu mineralization in two separate areas by Noront Resources in 2007 and 2008, in addition to Chromite discoveries by Noront and Freewest Resources in 2008 and 2009. The area was previously explored by DeBeers for diamonds in which VMS mineralization was intersected during a drill program for kimberlites. Prior to these exploration activities, the McFauld's Lake area was not extensively explored.

The exploration targets sought in the McFauld's Lake area are nickel (Ni), copper (Cu) and platinum group elements (PGE) – known as Ni-Cu-PGE deposits –Chrome (Cr) found in chromite or chromitite deposits – copper, lead (Pb) and zinc (Zn) or Cu-Pb-Zn deposits – known as volcanogenic massive sulphide (VMS) deposits – gold (Au) associated with high sulphide iron formation, gold associated with low sulphide concentrations, and possible diamond deposits associated with kimberlite pipes.

The Company drilled the property during the fall of 2008. A total of 373 samples were collected from 11 holes totalling just over 2100 metres. The drilling program was designed to test airborne geophysical EM conductors discovered through 5 separate surveys.

The Company capitalized a total of $2,433,662 in exploration and evaluation assets. On June 29, 2012, the Company announced that it had signed an agreement to acquire a 47% interest in a Nigerian oil and gas project (see below). As a result of the Company's change in focus to pursuing oil and gas assets in Nigeria, the James Bay Property was written off.

In February 2013, the Company engaged MacDonald Mines to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey will form the basis for a report of work, which will be submitted for assessment credits once all data has been reviewed from MacDonald Mines. The Company incurred approximately $177,115 to complete the GPS survey in the six months period ended June 30, 2013. As of August 8, 2013, all claims are in good standing.

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue

The Company is in the exploration and evaluation stage and therefore did not have revenues from operations. Interest income for the three month period ended June 30, 2013 was $262 (June 30, 2012 - $13,495).

Year to date interest revenue was $2,708, reflecting a decrease of $25,012 from the same period in 2012.

Expenses

The Company recorded total expense of $461,014 for the three month period ended June 30, 2013 (June 30, 2012 - $946,321). The decrease of $485,307 expenses is mainly due to the following changes:

- The Company incurred $170,644 in evaluation costs as compared to $801,665 in the same period of 2012. At June 30, 2013, there were no acquisition costs incurred as compared to approximately $70,000 acquisition costs in 2012. The management and administrative salaries has been reduced substantially since January 2013.
- The Company incurred $117,313 in professional fees as compared to $10,643 in the same period of 2012. This is mainly attributable to legal fees incurred in the change of business process.
- The Company incurred $49,986 in office and general expenses as compared to $44,017 in the same period of 2012.
- The Company incurred $36,424 in business development expenditures as compared to $5,047 in the same period of 2012. The Company hired a new consultant in March 2013.

Year to date expenses was $1,256,797, reflecting a decrease of $412,295 from the same period in 2012. The largest component of this decrease in expenses is evaluation costs of $596,185 as compared to $1,115,423 in the comparative period in 2012. The second largest decrease is in due diligence on oil and gas property of $nil as compared to $217,724 in the same period in 2012.

Net loss and comprehensive loss

For the three month period ended June 30, 2013, the Company recorded net loss of $479,467 with basic and diluted loss per share of $0.02 (June 30, 2012 - $3,365,682). The decrease of $2,886,215 loss and comprehensive loss is mainly attributable to the $2,433,662 write-down of the James Bay Lowlands. Furthermore, evaluation costs incurred in Nigeria decrease by $661,050; this is offset by an increase in professional fees in the amount of $136,699 as compared to the comparative quarter

Year to date net loss and comprehensive loss was $1,272,093, reflecting a decrease of $2,819,127 from the same period of 2012.

CASH FLOWS

Operating Activities
The Company had a net cash outflow of $1,117,612 from operating activities for the six month period ended June 30, 2013 (June 30, 2012 – $1,078,931). The increase in cash outflow of $38,681 is mainly attributable to the decrease in non-cash working capital.

Investing Activities
The Company had a net cash outflow of $294,749 from investing activities for the six month period ended June 30, 2013 (June 30, 2012 –$3,745).

Financing Activities
The Company had a net cash inflow of $200,000 from financing activities for the six month period ended June 30, 2013 (June 30, 2012 –$nil). The increase is due to the receipt of an unsecured loan from a shareholder bearing interest at 6% per annum and due on November 30, 2013.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Working Capital	$309,497	$1,000,418	$1,789,835	$3,015,599
Operating expenses	461,014	795,784	1,047,334	1,065,637
Interest income	262	711	4,915	9,296
Loss and comprehensive loss	479,467	792,627	1,028,423	1,081,796
Loss and comprehensive loss per share	0.02	0.03	0.04	0.02

	Quarter-ended			
	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Working capital	$4,063,866	$4,876,068	$5,619,929	$6,164,370
Exploration and evaluation Assets	-	2,433,662	2,433,662	2,433,662
Operating expenses	946,321	1,092,771	518,279	563,774
Interest income	13,495	14,225	13,990	13,587
Loss and comprehensive loss	3,365,682	1,095,538	544,486	452,827
Loss and comprehensive loss per share	0.12	0.04	0.02	0.02

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

LIQUIDITY

The Company had opening cash and cash equivalents balance of $1,261,307 and restricted cash of $497,450. The Company used $1,117,612 in operating activities, $294,749 in investing activities and brought in $200,000 in financing activities during the six month period. At June 30, 2013, the Company had cash and cash equivalents of $231,429 and restricted cash of $314,967.

Common shares
At June 30, 2013, the Company had issued and outstanding 28,040,350 common shares. There were no additional common shares issued from July 1, 2013 to August 8, 2013.

Warrants
At June 30, 2013, a total of 3,723,925 warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry date of July 24, 2013 at a price of $1.25. These warrants expired on July 24, 2013. There were no warrants outstanding as of August 8, 2013.

Stock options
At June 30, 2013, a total of 1,295,000 stock options are issued and outstanding with expiry dates ranging from September 17, 2013 through to June 11, 2015. The weighted average exercise price for all stock options is $0.75. All stock options entitle the holder to purchase common shares of the Company.

OUTLOOK
The Company’s near-term goal is to preserve cash and cash equivalents to the greatest extent possible. The Company is seeking additional opportunities which may include acquisitions or joint ventures.

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. Cash equivalents consist of guaranteed investment certificates that have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to cash equivalents and amounts receivable is remote..

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2013, the Company had cash and cash equivalents of $231,429 (December 31, 2012 - $1,261,307) to settle current liabilities of $545,358 (December 31, 2012 - $176,167). The Company has working capital of $309,497 at June 30, 2013 (December 31, 2012 - $1,789,835). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
(a) Interest rate risk
The Company has cash balances and no interest-bearing debt. 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 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. The Company's cash equivalents as at June 30, 2013 are held at a fixed interest rate of 1.3% and are therefore not subject to fluctuations in interest rates.

Fair Value
The carrying value of cash, restricted cash, amounts receivable and 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 June 30, 2013 and December 31, 2012, the Company's financial instruments carried at fair value consisted of cash equivalents which were classified as Level 2 in the fair value hierarchy.

RECENT ACCOUNTING PRONOUCEMENTS

Certain new accounting standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013. Updates not applicable or not consequential to the Company have been excluded thereof.

IFRS 7 Financial Instruments: Disclosures ("IFRS 7")
IFRS 7 was amended by the IASB in December 2011 to provide additional information about offsetting of financial assets and financial liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the full impact of IFRS 7.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")
IFRS 9 was issued in November 2009. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard is not applicable until January 1, 2015 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after October 1, 2013. Earlier application is permitted. In October 2012, the IASB amended IFRS 10 to require investment entities to measure subsidiaries at fair value through profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Company has yet to assess the full impact of IFRS 10.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently assessing the full impact of IFRS 11.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint agreements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company is currently assessing the full impact of IFRS 12.

IFRS 13 – Fair Value Measurement
IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently assessing the full impact of IFRS 13.

IAS 12 – Income Taxes ("IAS 12")
IAS 12 was amended by the IASB in December 2010 in certain areas applicable to the measurement of deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The amendment states that an entity may presume, for purposes of calculating deferred income taxes associated with temporary differences relating to investment properties, that the carrying amount of an investment property is recovered entirely through its sale, as opposed to presuming that the properties are held with the objective to consume substantially all of the economic benefits of the investment property over time. This amendment replaces SIC-21 and is effective for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The Company is currently assessing the full impact of IAS 12.

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20")
IFRIC 20 was issued by the IFRIC in October 2011. IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. Specifically, IFRIC 20 permits capitalization of stripping costs if all of the following three criteria are met:
• probability of future economic benefit (improved access to the ore body) flowing to the entity;
• identifiability of the component of the ore body for which access has been improved; and
• measurability of the costs associated to the stripping activity.
Furthermore, where the costs of the stripping activity asset and of the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset.
IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. The Company is currently assessing the full impact of IFRIC 20.

RELATED PARTY DISCLOSURES

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the period ended June 30, 2013 and December 31, 2012 the Company entered into the following transactions involving related parties:

During the six month period, the Company incurred $97,500 in legal fees with a law firm of which a partner is a director of the Company. As of June 30, 2013, approximately $134,300 is included in accounts payable and accrued liabilities.

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 period ended June 30, 2013 and December 31, 2012 were as follows:

	June 30, 2013	December 31, 2012
	$	$
Management salaries and benefits	176,325	735,846

As at June 30, 2013, included in accounts payable and accrued liabilities is approximately $26,000 (December 31, 2012 - $25,499) relating to management fees and travel expense reimbursement.

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

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $864,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $1,022,000, of which $620,000 is due within one year and the remainder is due within two years.

The Company is subject to a lease commitment for premises in Nigeria expiring in September 2017. Additional minimum lease payments required under this lease total approximately $603,000, of which $127,000 will be incurred within one year. The first two years of this lease have been paid in advance and are included in current and long term prepaid expenses.

The Company entered into a lease agreement for office space in Canada expiring on November 30, 2014. Minimum lease payments under this lease total approximately $85,000, of which $38,000 will be incurred within one year.

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

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RISKS AND UNCERTAINTIES

Additional Capital

The Company began conducting due diligence to identify potential acquisition targets of onshore/offshore Nigerian oil and gas project. If the results are favourable, Company will require additional capital which may come from future financings or the exercise of outstanding convertible securities of the Company. There can be no assurance that the Company will be able to raise such additional capital if and when required on terms it considers acceptable.

No History of Profitability

The Company is an exploration company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

Government Regulations

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. For the Company to carry out mining activities, exploitation licenses must be obtained and kept current. There is no guarantee that the Company's exploitation licenses would be extended or that new exploitation licenses would be granted. In addition, such exploitation licenses could be changed and there can be no assurances that any application to renew any existing licenses will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and licenses which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for resources, the rate of inflation, the inventory of resources producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with resources, and increased production due to improved extractor and production methods. The resources industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of resources are discovered, a market will exist for profitable sale. Commercial viability of precious and base metals and oil and gas deposits may be affected by other factors that are beyond the Company’s control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

Mining Risks and Insurance

The Company is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator of its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and could have a material adverse effect on the financial position of the Company.

Competition

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the search for and the acquisition of attractive properties. As a result of this competition, the majority of which is with companies with

greater financial resources than the Company, the Company may not be able to acquire attractive properties in the future on terms it considers acceptable. Finally, the Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investments and other capital. The ability of the Company to acquire attractive properties in the future depends not only on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. See "Risk Factors".

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety which may adversely affect the Company or require it to expend significant funds.

Aboriginal Claims

Aboriginal rights in Ontario may be claimed on Crown or other types of tenure with respect to which mining rights have been granted. The Company is not aware of any aboriginal claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the mineral claims in which the Company has an interest. Should aboriginal claims be made against the Property and should such a claim be resolved by government or the courts in favour of the aboriginal people, it could materially adversely affect the business of James Bay only for the James Bay lowlands property. The Company is fully aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is fully supportive of measures established to achieve such cooperation.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company’s exploration property. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

Additional Information

Additional information relating to the Company can also be found on SEDAR.