JAMES BAY RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars
As at

	September 30, 2014	December 31, 2013
	$	$
ASSETS		
Current assets		
Cash	775,749	36,571
Restricted cash (Notes 7 and 8)	200,000	1,076,728
Prepaid expenses (Note 17)	152,080	131,120
Amounts receivable	91,625	57,182
Deferred financing fees (Note 10)	-	194,816
Total current assets	1,219,454	1,496,417
Long-term prepaid (Note 7)	104,050	104,050
Exploration and evaluation assets (Note 7)	1,202,286	959,817
Equipment (Note 6)	114,514	142,647
Total assets	2,640,304	2,702,931
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	768,659	859,253
Subscription payable (Note 10)	-	1,170,004
Due to shareholders (Note 9)	359,338	644,190
Total Liabilities	1,127,997	2,673,447
EQUITY		
Share Capital (Note 10)	12,951,345	9,261,904
Warrant reserve (Note 11)	1,940,441	-
Share-based payments reserve (Note 12)	302,000	287,833
Deficit	(12,090,239)	(9,442,176)
Total common shareholders' equity	3,103,547	107,561
Non-controlling interest (Note 13)	(1,591,240)	(78,077)
Total equity	1,512,307	29,484
Total equity and liabilities	2,640,304	2,702,931

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 7 and 17)
SUBSEQUENT EVENT (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director

Signed "MARK BRENNAN", Director

See accompanying notes to the condensed interim consolidated financial statements

JAMES BAY RESOURCES LIMITED

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	$	$	$	$
Expenses				
Management salaries and benefits (Note 16)	195,048	36,000	293,852	136,675
Professional fees (Note 16)	55,716	197,416	105,709	330,020
Office and general (Note 16)	92,846	206,771	210,138	320,471
Exploration costs – James Bay Lowlands (Note 7)	4,444	8,157	15,454	185,272
Evaluation costs (Note 7)	1,083,378	-	2,801,562	626,214
Transfer agent and listing fees	7,498	2,375	21,607	15,378
Due diligence	624,391	-	624,391	-
Business development	3,669	17,563	10,552	91,828
Amortization	1,726	10,243	5,108	29,463
	2,068,716	478,525	4,088,373	1,735,321
Loss before the undernoted	(2,068,716)	(478,525)	(4,088,373)	(1,735,321)
Foreign exchange (loss) gain	(37,697)	32,819	(53,232)	14,815
Interest (expense) income	(4,831)	-	(19,621)	2,708
Net loss and comprehensive loss for the period	(2,111,244)	(445,706)	(4,161,226)	(1,717,798)
Loss for the period attributable to:				
Non-controlling interest (Note 13)	(588,203)	-	(1,513,163)	-
Common shareholders	(1,523,041)	(445,706)	(2,648,063)	(1,717,798)
Net loss and comprehensive loss for the period	(2,111,244)	(445,706)	(4,161,226)	(1,717,798)
Loss per share attributable common shareholders				
Basic and diluted	(0.05)	(0.02)	(0.09)	(0.06)
Weighted average number of shares outstanding				
Basic and diluted	33,091,675	28,040,350	30,848,017	28,040,350

See accompanying notes to the condensed interim consolidated financial statements

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

	Nine months ended September 30,	
	2014	2013
	$	$
Cash used in operating activities:		
Net loss for the period	(4,161,226)	(1,717,798)
Add items not affecting cash:		
Amortization	26,100	29,463
Share-based payments	12,750	71,137
Accrued interest	3,567	454
Net change in non-cash working capital	801,189	475,418
Net cash used in operating activities	(3,317,620)	(1,141,326)
Cash used in investing activities:		
Increase in restricted cash	(33,165,000)	-
Decrease in restricted cash	32,022,000	-
Increase in exploration and evaluation assets	(112,821)	(542,836)
Acquisition of equipment	(1,841)	(38,382)
Net cash used in investing activities	(1,257,662)	(581,218)
Cash provided by financing activities:		
Proceeds from letter of credit (Note 8)	33,165,000	-
Repayments on letter of credit (Note 8)	(32,022,000)	-
Proceeds from private placements	4,992,330	-
Share issue costs on private placements	(581,211)	-
Repayments to shareholders	(1,500,654)	-
Advances from shareholders	1,212,235	560,000
Net cash provided by financing activities	5,265,700	560,000
Change in cash	690,418	(1,162,544)
Effect of change in foreign exchange	48,760	
Cash, beginning of period	36,571	1,261,307
Cash, end of period	775,749	98,763
Supplemental Information		
Amortization capitalized to exploration and evaluation assets	3,874	-
Share-based payments capitalized to exploration and evaluation assets	1,417	-
Finders' warrants issued	114,689	-
Change in accounts payable relating to exploration and evaluation assets	25,912	54,482

See accompanying notes to the condensed interim consolidated financial statements

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

	Share Capital	Warrants reserve	Share-based payments reserve	Deficit	Non-controlling interest	Total equity
	$	$	$	$	$	$
Balance, December 31, 2013	9,261,904	-	287,833	(9,442,176)	(78,077)	29,484
Share-based payments	-	-	14,167	-	-	14,167
Private placements	6,211,094	-	-	-	-	6,211,094
Share issue costs	(465,552)	(230,349)	-	-	-	(695,901)
Issuance of warrants	(2,056,101)	2,056,101	-	-	-	-
Issuance of finder warrants	-	114,689	-	-	-	114,689
Loss for the period	-	-	-	(2,648,063)	(1,513,163)	(4,161,226)
Balance, September 30, 2014	12,951,345	1,940,441	302,000	(12,090,239)	(1,591,240)	1,512,307

	Share Capital	Warrants reserve	Share-based payments reserve	Deficit	Non-controlling interest	Total equity
	$	$	$	$	$	$
Balance, December 31, 2012	9,261,904	1,217,372	1,422,550	(9,876,979)	-	2,024,847
Share-based payments	-	-	71,137	-	-	71,137
Expiry of stock options	-	-	(1,152,194)	1,152,194	-	-
Expiry of warrants	-	(1,217,372)	-	1,217,372	-	-
Loss for the period	-	-	-	(1,717,798)	-	(1,717,798)
Balance, September 30, 2013	9,261,904	-	341,493	(9,225,211)	-	378,186

See accompanying notes to the condensed interim 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 is currently involved in the exploration and evaluation of oil and gas interests in Nigeria and has interests in resource properties in the Porcupine mining district of Ontario, Canada (the "Claims"). The Company has not yet discovered any deposits, nor has it earned any revenues.

The business of exploring for minerals and oil and gas involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to secure an interest in new properties or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

As at September 30, 2014, the Company had a working capital of $91,457 (December 31, 2013 – working capital deficiency $1,177,030), had incurred losses since inception, and had an accumulated deficit of $12,090,239 (December 31, 2013 - $9,442,176) which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

The Company's shares are listed on the TSXV. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8. These condensed interim consolidated financial statements for the nine months ended September 30, 2014 were approved and authorized for issue by the board of directors on November 21, 2014.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim financial reporting. These condensed interim consolidated financial statements do not include all of the information required for the full annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2013. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this standard did not result in any changes to the Company's disclosure of its financial instruments.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of this standard did not result in any changes to the Company's disclosure of its assets.

4. PRINCIPLES OF CONSOLIDATION

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

James Bay Energy Nigeria LLC, USA	100%
James Bay Energy Nigeria Limited, Nigeria	100%
D&H Energy Nigeria Limited, Nigeria	100%
Ondobit Limited, Nigeria	100%
Crestar Integrated Natural Resources Limited, Nigeria	45%

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. Intercompany transactions are eliminated on consolidation.

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. The loss and each component of other comprehensive loss are attributed to non-controlling interests where applicable. See Note 13.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Capitalization of exploration and evaluation assets
Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the petrophysics, resource volume and production forecasts, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 7 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.

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

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

(c) Income taxes and recoverability of potential deferred tax assets
The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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

(e) Consolidation of subsidiaries
The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10 - Consolidated financial statements and has determined it controls each of its subsidiaries. Judgement was applied when considering whether the Company controls Crestar Integrated Natural Resources Limited as the Company's ownership percentage is less than 50%. See Note 13 for details about this investment.

(f) Functional currency
Determination of functional currency involves significant judgment and other companies may make different judgments based on similar facts. The Company reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the statement of loss. It also impacts exchange gains and losses included in the statement of loss.

(g) Contingencies
Refer to Notes 7 and 17.

6. EQUIPMENT

Cost	Office equipment $	Furniture and fixtures $	Computer equipment $	Vehicles $	Total $
Balance December 31, 2012	9,928	121,809	3,900	2,000	137,637
Additions	3,100	8,165	37,718	3,862	52,845
Balance December 31, 2013	13,028	129,974	41,618	5,862	190,482
Additions	-	-	1,841	-	1,841
Balance September 30, 2014	13,028	129,974	43,459	5,862	192,323

	Office equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Balance December 31, 2012	1,276	3,642	1,555	50	6,523
Amortization	1,406	25,130	13,322	1,454	41,312
Balance December 31, 2013	2,682	28,772	14,877	1,504	47,835
Amortization	1,234	15,180	12,580	980	29,974
Balance September 30, 2014	3,916	43,952	27,457	2,484	77,809

Carrying value	Office equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Balance December 31, 2013	10,346	101,202	26,741	4,358	142,647
Balance September 30, 2014	9,112	86,022	16,002	3,378	114,514

7. EXPLORATION AND EVALUATION ASSETS

Petroleum Property Interests

OML 90 PROJECT

In June 2012, the Company entered into a Joint Operating Agreement ("JOA") with an oil and gas field owner in Nigeria (the "Vendor"). Under the terms of the agreement, the Company will acquire a 47% interest in the Ogedeh Marginal Field Award on the Farmed-Out Area within the Oil Mining Licence 90 ("OML 90 Project") in Nigeria.

The Company has paid US$50,000 for transfer of due diligence data and administrative fees and US$50,000 for an exclusivity period.

As consideration for the transfer of the interest, the Company is required to pay an aggregate of US$2,500,000 as follows:

- US$100,000 due 90 days from the date of execution of the JOA or within 24 hours of the execution of the JOA and Deed of Assignment ("DOA"), whichever is earlier (paid in 2012).

- US$200,000 due upon approval from the Department of Petroleum Resources ("DPR") of the assignment of a direct interest in the OML 90 Project to the Company (paid in 2013).

- US$300,000 to be released upon the grant of a government permit for drilling activity at the OML 90 Project. Of this amount, US$100,000 ($104,050) was paid in 2013, which is included in long-term prepaid. The remaining US$200,000 has not yet been paid as the permit has not yet been granted.

- US$1,000,000 upon completion of a final independent report of P1 reserves of at least 7,000,000 proven recoverable barrels of oil, or if such reserve levels are not attained, the Company shall pay US$0.10 per barrel of oil produced, to a maximum of US$1,000,000.

- US$900,000 upon the completion of 60 days of commercial production.

Included in long-term prepaid as at September 30, 2014 and December 31, 2013 is US$100,000 ($104,050) payment made in advance of the receipt of the grant of government permit for drilling activity and arrival of a drill rig at the OML 90 Project.

Included in restricted cash as at December 31, 2013 was US$200,000 ($212,720), with US$100,000 ($106,360) of that amount held in an escrow account and the remaining US$100,000 ($106,360) held in a trust account with the Company's legal representatives.

Furthermore, the Company will pay a monthly management retainer of US$30,000 which will commence upon the date of the drill rig arriving at the OML 90 Project and ending on the commencement of commercial production. The Company will provide funds required to finance the OML 90 Project to its initial production of hydrocarbons (oil) on a commercially viable scale. Any sunk costs incurred exclusively by the Vendor will be reimbursed up to a maximum of US$500,000.

The Company is entitled to a preferential return of 80% of the available cash flow from oil production at OML 90 until all costs of the joint operation (future capital and operating expenditures) incurred by the Company to get the first oil have been fully reimbursed. The remaining 20% of available cash flow during this stage of production is shared between the Company and the Vendor in proportion to their relative percentage interest. After all joint operation costs have been fully recovered by the Company, the remaining revenue shall be shared between the Company and Vendor in proportion to their relative ownership interests.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Evaluation Costs
During the nine months ended September 30, 2014, the Company incurred $2,801,562 (September 30, 2013 - $626,214) in pre-licensing costs related to pursing certain oil and gas assets and pre-licensing costs related to a mineral property in Nigeria. Details are as follows:

Description	September 30, 2014	September 30, 2013
	$	$
Management fees	441,575	318,986
Consulting fees	51,448	20,470
Travel, meals and accommodation	293,667	122,944
Professional fees	340,749	30,028
Technical reports	168,727	7,102
Environmental	61,599	-
Due diligence	10,944	-
License and permit	3,327	-
Commitment fee	1,080,423	-
Amortization	21,010	-
General and administrative expense	328,093	126,684
Balance	2,801,562	626,214

Included in management fees is $11,338 (September 30, 2013 –$23,576) non-cash share-based payments made to an officer of the Company.

Exploration and Evaluation Asset
On May 17, 2013, the Honourable Minister of Petroleum Resources (“HMPR”) granted approval for the assignment of the 47% participating interest in the OML 90 Project to the Company’s subsidiary, D&H Energy Nigeria Limited. As at September 30, 2014, the Company capitalized a total of $1,202,286 in exploration and evaluation assets post licensing.

Description	Nine months ended September 30, 2014	Twelve months ended December 31, 2013	Total
	$	$	$
Acquisition costs	-	207,080	207,080
Management and consulting fees	67,122	410,544	477,666
Environmental	92,161	-	92,161
Technical report	261	-	261
Travel, meals and accommodation	1,351	17,205	18,556
Professional fees	9,621	8,790	18,411
Legal fees	11,291	5,067	16,358
Share-based payments	1,417	24,574	25,991
Amortization	3,874	21,760	25,635
General and administrative expense	55,371	264,797	320,167
Balance	242,469	959,817	1,202,286

7. EXPLORATION AND EVALUATION ASSETS (continued)

Mineral Property Interests

James Bay Property, Ontario, Canada

The Company acquired, by staking, certain claims in Ontario, Canada. The Company capitalized a total of $2,433,662 in exploration and evaluation assets. 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 2012.

In February 2013, the Company engaged MacDonald Mines Exploration Ltd. ("MacDonald") to complete a GPS survey of all corner claim posts following the proper protocol as defined by the Ministry of Northern Development and Mines. This survey formed the basis for a report of work, which was submitted for assessment credits in March 2014. During the nine months ended September 30, 2014, the Company incurred $3,010 of interest on consulting fees payable (September 30, 2013 - $172,921 of consulting fees) to MacDonald to complete the GPS survey. These costs were expensed in the statement of loss.

As part of the MacDonald agreement, the Company will issue 50,000 warrants to MacDonald exercisable for five years with an exercise price equal to the issue price of the financing required to be completed in relation to the change of business. This warrant issuance is subject to TSXV approval of the change of business and as such approval has not yet been received, no amounts have been recorded in these condensed interim consolidated financial statements relating to these warrants.

8. LETTER OF CREDIT

The Company is pursuing certain oil and gas assets in Nigeria. During the nine months ended September 30, 2014, the Company received a US$30,000,000 letter of credit from a lender through its subsidiary, Crestar Integrated Natural Resources Limited, in relation to an oil and gas project. The letter of credit was unsecured, non-interest bearing and due on demand. In July 2014, the Company returned the letter of credit of US$30,000,000 to a lender.

9. DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, bear interest at 6% per annum, and are due on demand. The principal is comprised of an advance of $Nil (December 31, 2013 - $100,000) from a shareholder and director and an advance of $355,770 (December 31, 2013 - $530,000) from the President and CEO of the Company, who is also a shareholder and director of the Company. During the nine months ended September 30, 2014, the Company received $1,212,235 of additional advances from the shareholders and $1,519,197 was repaid, which includes $32,733 of interest and $1,486,465 of principal balance.

10. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value

(b) **Issued** – 34,251,444 common shares

	#	$
Balance, December 31, 2012 and 2013	28,040,350	9,261,904
Private placement (i)	1,930,424	1,930,424
Share issue costs (i)	-	(203,463)
Warrants valuation(i)	-	(639,135)
Private placement (ii)	470,000	470,000
Share issue costs(ii)	-	(31,402)
Warrants valuation(ii)	-	(155,628)
Private placement (iii)	3,810,670	3,810,670
Share issue costs(iii)	-	(230,686)
Warrants valuation(iii)	-	(1,261,338)
Balance, September 30, 2014	34,251,444	12,951,346

(i) On January 31, 2014, the Company raised proceeds of $1,930,424 by way of a non-brokered private placement of 1,930,424 units ("Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share and one warrant. Each warrant comprising part of the Units is exercisable for a common share at a price of $1.25 for 3 years from the date of issuance.

The finder received cash commission of 6% of the gross proceeds raised through the finder and 60,397 finder's warrants. Each finder's warrant entitles the holder to acquire one common share at a price of $1.00 for thirty-six months from the date of issuance. The Company paid a total amount of $282,291 for commission, filing fees, legal and other share issue costs.

Included in deferred financing fees and subscription payable as at December 31, 2013 are $194,816 share issue cost and $1,170,004 subscription received in advance in connection with the private placement.

The President and Director, who is also the CEO and a director, participated in the private placement for gross proceeds of $500,000 and $100,000, respectively.

(ii) On June 10, 2014, the Company raised proceeds of $470,000 by way of a non-brokered private placement of 470,000 units ("Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share and one warrant. Each warrant comprising part of the Units is exercisable for a common share at a price of $1.25 for 3 years from the date of issuance.

The finder received cash commission of 6% of the gross proceeds raised through the finder and 28,200 finder's warrants. Each finder's warrant entitles the holder to acquire one common share at a price of $1.00 for thirty-six months from the date of issuance. The Company paid a total amount of $36,749 for commission, filing fees, legal and other share issue costs.

10. SHARE CAPITAL (continued)

(iii) On July 28, 2014, the Company raised proceeds of $3,810,670 by way of a non-brokered private placement of 3,810,670 units ("Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. Each Warrant comprising part of the Units is exercisable for a Common share at a price of $1.25 for 3 years from the date of issuance.

The finder received cash commission of 6% of the gross proceeds raised through the finder and 228,640 finder's warrants. Each finder's warrant entitles the holder to acquire one common share at a price of $1.00 for thirty-six months from the date of issuance. The Company paid a total amount of $262,172 for commission, filing fees, legal and other share issue costs.

11. WARRANT RESERVE

	#	$
Balance, December 31, 2012	3,723,925	1,217,372
Warrants expired (i)	(3,723,925)	(1,217,372)
Balance, December 31, 2013	-	-
Warrants issued (ii)	1,930,424	639,135
Finder's warrants issued (ii)	60,397	21,839
Warrant issue costs	-	(100,667)
Warrants issued (iii)	470,000	155,628
Finder's warrants issued (iii)	28,200	10,197
Warrant issue costs	-	(15,544)
Warrants issued (iv)	3,810,670	1,261,338
Finder's warrants issued (iv)	228,640	82,653
Warrant issue costs	-	(114,138)
Balance, September 30, 2014	6,528,331	1,940,441

(i) On March 20, 2012, the Company extended the expiry date of common share purchase warrants issued by the Company in connection with the Initial Public Offering ("IPO") financing that closed on July 24, 2008. The expiry date for all these warrants was extended until July 24, 2013 at a reduced price of $1.25. These warrants expired on July 24, 2013.

(ii) In connection with January 31, 2014 private placement (Note 10(b)(i)), the Company issued 1,930,424 warrants which entitle the holder to purchase one common share of the Company at a price of $1.25 expiring on January 31, 2017. The estimated fair value of the warrants of $639,135 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.14% and an expected life of 3 years.

The finder received 60,397 finder's warrants which entitle the holder to purchase one common share of the Company at a price of $1.00 expiring on January 31, 2017. The estimated fair value of the finder's warrants of $21,839 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.14% and an expected life of 3 years.

11. WARRANT RESERVE (continued)

(iii) In connection with June 10, 2014 private placement (Note 10(b)(ii)), the Company issued 470,000 warrants which entitle the holder to purchase one common share of the Company at a price of $1.25 expiring on June 10, 2017. The estimated fair value of the warrants of $155,628 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.17% and an expected life of 3 years.

The finder received 28,200 finder's warrants which entitle the holder to purchase one common share of the Company at a price of $1.00 expiring on June 10, 2017. The estimated fair value of the finder's warrants of $10,197 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.17% and an expected life of 3 years.

(iv) In connection with July 28, 2014 private placement (Note 10(b)(iii)), the Company issued 3,810,670 warrants which entitle the holder to purchase one common share of the Company at a price of $1.25 expiring on July 28, 2017. The estimated fair value of the warrants of $1,261,338 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.12% and an expected life of 3 years.

The finder received 228,640 finder's warrants which entitle the holder to purchase one common share of the Company at a price of $1.00 expiring on July 28, 2017. The estimated fair value of the finder's warrants of $82,653 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 1.12% and an expected life of 3 years.

The Company estimated the expected volatility using historical volatilities from traded shares in the Company's peer group when estimating the fair value of warrants issued on January 31, 2014, June 10, 2014 and July 28, 2014, as it believes that this methodology better reflects the expected future volatility of the Company's shares.

The following reconciles the warrants outstanding:

	Nine months ended September 30, 2014		Year-ended December 31, 2013	
	Number of warrants #	Exercise price $	Number of warrants #	Exercise price $
Balance, beginning of period	-	-	3,723,925	1.25
Warrants expired	-	-	(3,723,925)	(1.25)
Warrants issued	6,211,094	1.25	-	-
Finder's warrants issued	317,237	1.00	-	-
Balance, end of period	6,528,331	1.24	-	-

11. WARRANT RESERVE (continued)

The Company has the following warrants outstanding as at September 30, 2014:

Estimated Fair Value (net of issue costs) $	Outstanding Warrants #	Warrants Exercisable #	Exercise Price $	Expiry Date
538,468	1,930,424	1,930,424	1.25	January 31, 2017
21,839	60,397 [(a)]	60,397	1.00	January 31, 2017
140,084	470,000	470,000	1.25	June 10, 2017
10,197	28,200 [(b)]	28,200	1.00	June 10, 2017
1,147,200	3,810,670	3,810,670	1.25	July 28, 2017
82,653	228,640 [(c)]	228,640	1.00	July 28, 2017
1,940,441	6,528,331	6,528,331		

(a) These are finder's warrants issued in connection with January 31, 2014, private placement.

(b) These are finder's warrants issued in connection with June 10, 2014, private placement.

(c) These are finder's warrants issued in connection with July 28, 2014, private placement.

12. SHARE-BASED PAYMENTS

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.

12. SHARE-BASED PAYMENTS (continued)

The following reconciles the share options outstanding:

	Nine months ended September 30, 2014		Year-ended December 31, 2013	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of period	800,000	0.66	2,645,000	0.75
Granted	-	-	600,000	0.63
Expired	-	-	(2,445,000)	0.75
Balance, end of period	800,000	0.66	800,000	0.66

The Company has the following share options outstanding at September 30, 2014:

Estimated Grant Date Fair Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
98,000	200,000	200,000	0.75	June 11, 2015
204,000	600,000	600,000	0.63	June 1, 2017
302,000	800,000	800,000		

On June 1, 2012, the Company granted 600,000 stock options to an officer of the Company. The issuance of the options was contingent on the Company passing an amendment to the Plan, allowing for additional options to be granted. The amendment to the Plan was passed on February 4, 2013. These options are to vest as follows: 1/3 immediately, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date. The fair value of the options recalculated on February 4, 2013, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95%; risk free interest rate of 1.32%; expected forfeiture rate of 0% and expected life of 4.3 years. An amount of $14,167 (September 30, 2013 - $71,137) was recorded relating to these stock options for the nine months ended September 30, 2014.

13. NON-CONTROLLING INTEREST

The Company, through its wholly-owned subsidiary JBENL has 45% ownership interest in Crestar Integrated Natural Resources Limited ("CINRL") and the remaining 55% portion represents a non-controlling interest. For the nine months ended September 30, 2014, losses attributable to the non-controlling interest of $1,513,163 (September 30, 2013 - $Nil) have been recognized in the condensed interim consolidated financial statements.

The Company has fully consolidated with CINRL even though it owns less than 50% of the shares for the following reasons: The Company has entered into a Financial and Technical Services Agreement with CINRL whereby the Company is appointed the Financial and Technical Partner with respect to acquiring oil and gas projects in Nigeria. The Company shall arrange to provide the funding to CINRL and shall meet all required financial obligations. The Company is responsible for providing technical assistance, appointing personnel and carrying out the evaluation, development and production from the projects. JBENL's President and Chief Executive Officer is also the President and Chief Executive Officer of CINRL.

13. NON-CONTROLLING INTEREST (continued)

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

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

Summarized financial information for CINRL is as follows:

	September 30, 2014	December 31, 2013
	$	$
Current and total assets	44,778	59,639
Current and total liabilities	2,735,961	202,362
Net loss and comprehensive loss	2,751,205	206,190

Effective June 17, 2014, the Financial and Technical Services Agreement was amended to reflect a change of party from CINRL to Crestar Hydrocarbon Exploration and Production Company Limited (**"**CHEPCL**"**). All terms in the November 6, 2013 agreement signed by JBENL and CINRL remain in effect.

14. 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, deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest, or is pursuing an interest in, are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2014. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

15. 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 amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to 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 September 30, 2014, the Company had cash and restricted cash of $975,749 (December 31, 2013 - $1,113,299) to settle current liabilities of $1,127,997 (December 31, 2013 - $2,673,447). The Company has working capital of $91,457 (December 31, 2013 working capital deficiency of $1,177,030). 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 other than due to shareholders as described in Note 9. The Company's current policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Price risk
The ability of the Company to pursue its resource interests and the future profitability of the Company is directly related to the market price of oil and gas.

(c) Foreign currency risk
The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in US dollars and Nigerian Naira. The Company is therefore subject to gains and losses due to fluctuations in the US dollar and the Nigerian Naira relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period.

As at September 30, 2014, the Company has net monetary liabilities denominated in US dollars of approximately US$351,416 (December 31, 2013 – net monetary liabilities of US$351,500). A 10% change in the value of the Canadian dollar relative to the US dollar would result in a corresponding change in net loss of approximately US$35,142 (December 31, 2013 – US$35,150) based on the balance of these amounts held in US dollars at September 30, 2014.

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

15. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy and liquidity risk disclosure
Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at September 30, 2014 and December 31, 2013, the Company had no financial instruments to classify in the fair value hierarchy.

16. RELATED PARTY

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the nine months ended September 30, 2014 and 2013, the Company entered into the following transactions involving related parties:

The Company rents office space from a corporation with common directors and officers. During the nine months ended September 30, 2014, approximately $40,535 (September 30, 2013 - $38,144) was charged by this corporation. The amount is included in office and general expense on the statement of loss and comprehensive loss. As of September 30, 2014, included in accounts payable and accrued liabilities is $589 (December 31, 2013 - $44,147) owing to this corporation.

During the nine months ended September 30, 2014, the Company incurred legal fees of approximately $75,791 (September 30, 2013 - $227,187) with a law firm of which a partner is a director of the Company. As of September 30, 2014, included in accounts payable and accrued liabilities is $56,500 (December 31, 2013 - $191,620) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2014 and 2013 were as follows:

	September 30, 2014 $	September 30, 2013 $
Management salaries and benefits	513,041	591,717
Share-based payments	14,167	71,137

Included in accounts payable and accrued liabilities as at September 30, 2014 is approximately $148,126 (December 31, 2013 - $185,240) for management travel expenses reimbursement and salaries.

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

See also Notes 9 and 10.

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $1,584,000 be made upon the occurrence of certain events such as a change of control and termination. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Under these management contracts, $840,000 is due within one year.

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 $420,000, of which $140,000 will be incurred within one year. Lease for the period October 2014 to September 2015 were paid in advance and $137,650 is included in current prepaid expenses as at September 30, 2014.

During 2012, 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 $8,000 will be incurred within one year.

During 2013, the Company entered into an agreement with a corporation which will work with the Company to facilitate the acquisition of oil and gas projects. Pursuant to the agreement, the Company will pay a fee of 2% of the transaction cost on the closing of an acquisition. The Company may also be required to pay an additional fee of 2% of the transaction cost in equal quarterly payments over 10 years. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

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.

18. SUBSEQUENT EVENT

Canadian Securities Exchange ("CSE") listing

The Company's shares were voluntarily delisted from the TSXV on October 29, 2014. Upon the de-listing of its common shares from the TSXV, the Company will not be completing its previously announced Change of Business (as that term is defined in TSXV policies) as that process is a specific procedure under TSXV policies and rules. Effective October 30, 2014, the Company's shares are listed on the CSE listing under the symbol "JBR". The Company is listed as an oil and gas issuer.

Private placement

On October 31, 2014, the Company announced that it has closed a non-brokered private placement (the "Offering") of 520,000 units ("Units") at a price of $1.00 per Unit, for an aggregate gross proceeds of $520,000. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant comprising part of the Units is exercisable for a common share at a price of $1.25 for thirty-six months from the date of issuance.

In connection with the Offering, the Company has paid eligible persons (the "Finders") a cash finder's fee of an aggregate of $31,200 and has issued 31,200 finder's warrants (Finder's warrants) equal to 6% of the aggregate number of Units placed by the Finders in the Offering. Each Finder's warrant is exercisable to acquire one common share at a price of $1.00 per common share for thirty-six months from the date of issuance.

The common shares and warrants issued as Units pursuant to the Offering, and the Finder's warrants and common shares underlying the Finder's warrants, will be subject to a four month regulatory hold period commencing from the date of closing.