



MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021 AND 2020

INTRODUCTION

The Management's Discussion and Analysis ("MD&A") of James Bay Resources Limited (the "Company" or "James Bay") for the period ended September 30, 2021 should be read in conjunction with the Company's consolidated audited financial statements for the years ended December 31, 2020 and 2019. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts shown in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise noted. This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on November 15, 2021.

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.

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.

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

In 2012, the Company signed an agreement to acquire a 47% interest in the Ogedeh Marginal Field Award on the Farmed-Out Area within the Oil Mining Licence 90 ("OML 90 Project" or the "Ogedeh Project"). The OML 90 Project has been placed on hold given the economics in current market conditions.

The Company, through its wholly owned subsidiary, James Bay Energy Nigeria Limited ("JBENL") has a 45% ownership interest in Crestar Integrated Natural Resources Limited ("CINRL" or "Crestar") with the remaining 55% portion held by an indigenous Nigerian corporation, Crestar Hydrocarbon Exploration and Production Company Limited ("CHEPCL").

CORPORATE STRUCTURE

In February 2012, the Company incorporated a wholly owned Nigerian subsidiary, James Bay Energy Nigeria Limited (“JBENL”). 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 its 100% ownership interest of James Bay Coal LLC (“JBC LLC”) to James Bay. JBC LLC is a US entity and a wholly owned subsidiary of James Bay. JBC LLC was later converted from a Delaware corporation to a Delaware limited liability company called James Bay Energy Nigeria LLC (“JBEN LLC”). Subsequently, 2255431 Ontario Inc. was wound up in June 2013.

The Company, through its wholly owned subsidiary JBENL has a 45% ownership interest in CINRL with the remaining 55% portion held by an indigenous Nigerian corporation, Crestar Hydrocarbon Exploration and Production Company Limited (“CHEPCL”).

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

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

PETROLEUM PROPERTY INTERESTS

OML 25 PROJECT

In June 2014, Crestar Integrated Natural Resources Limited (“CINRL” or “Crestar”) was selected as the winning bidder for a 45% participating interest in active Oil Mining Lease No. 25 (“OML 25”) in the Niger Delta region, offered by joint venture partners: The Shell Petroleum Development Company of Nigeria Limited, Total E&P Nigeria Limited, and Nigerian AGIP Oil Company Limited (collectively the “Shell JV”). CINRL obtained terms for a loan from a prospective future investor, for the full purchase price of OML 25.

The Company, through Crestar, is engaged in arbitration before the International Chamber of Commerce (International Court of Arbitration) against The Shell Petroleum Development Company of Nigeria Limited, Total E&P Nigeria Limited and Nigerian Agip Oil Company Limited, in relation to claims involving its interest in OML 25, and has filed a Respondent /Counterclaimant Statement of Defence and Counterclaim in the arbitration.

Pursuant to the agreement with the Company’s litigation counsel, James Bay is to pay 30% of the legal fees, to a cap of US\$1.25 M. The terms of the 70% accrued fees (“Accrued Fees”) are contingent as follows:

1. If the Arbitration is resolved prior to the date on which the hearing is scheduled to commence, James Bay shall pay litigation counsel an amount equal to three times the Accrued Fees.
2. If the Arbitration is not resolved prior to the commencement date of the Hearing, James Bay shall pay litigation counsel an amount equal to five times the Accrued Fees.

In addition to the Accrued Fees, James Bay has agreed to pay litigation counsel a success fee equal to 2% of any sums recovered by Crestar at resolution of the Arbitration, whether through settlement, award or otherwise.

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

RESULTS OF OPERATIONS

Revenue

The Company is in the exploration and evaluation stage and therefore, did not have revenues from operations.

Expenses

For the three months ended September 30, 2021, the Company recorded total expenses of \$25,829 (September 30, 2020 – \$51,689). The change is mainly due to the decrease in professional fees of \$13,531 (September 30, 2020 - \$24,379) and office and general of \$1,942 (September 30, 2020 - \$10,168) during the period.

Year-to-date expenses at September 30, 2021 was \$87,981 (September 30, 2020 - \$158,973) from operations, reflecting a decrease of \$70,992 from the same period in 2020. This is mainly from the reduction of professional fees from \$122,077 in the prior period as compared to \$47,993 as at September 30, 2021.

Net loss and comprehensive loss

For the three months ended September 30, 2021, the Company recorded net income of \$321,662 (September 30, 2020 – \$397,758 net loss), reflecting an increase of \$719,420 from the same period in 2020. This is mainly from the sale of Cerrado Gold Inc. shares to finance working capital.

Year-to-date net income was \$3,162,634 (September 30, 2020 - \$1,423,216 net loss). The income is attributable to the \$4,288,774 gain on investment in Cerrado Gold Inc. upon the change of accounting method from equity to cost.

CASH FLOWS

Operating Activities

For the nine months ended September 30, 2021, the Company had net cash inflow of \$351,750 (September 30, 2020- \$45,984) from operating activities. The increase in cash is mainly from the sale of shares in Cerrado Gold Inc.

Investing Activities

For the nine months ended September 30, 2021, the Company had a net cash inflow of \$598,831 (September 30, 2020 - \$265,898) from investing activities. The Company increased spending in arbitration fees in connection with OML 25.

Financing Activities

For the nine months ended September 30, 2021, the Company had a net cash inflow of \$295,938 (September 30, 2020 – \$299,000) from financing activities. The Company closed a \$300,000 private placement on July 8, 2021.

SELECTED QUARTERLY FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS

	Quarter-ended			
	September 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$	December 31, 2020 \$
Working capital (deficiency)	(1,534,173)	(1,625,631)	(1,268,307)	(1,135,843)
Operating expenses	25,829	41,762	20,391	52,164
Interest expense (income)	-	821	1,658	(8,863)
Net (income) loss and comprehensive (income) loss	(321,662)	(3,492,367)	651,396	1,060,153
Net (income) loss and comprehensive (income) loss per share attributable to the common shareholders of the Company (basic and diluted)	0.01	(0.07)	0.01	0.02

	Quarter-ended			
	September 30, 2020 \$	June 30, 2020 \$	March 31, 2020 \$	December 31, 2019 \$
Working capital	(917,858)	(924,426)	(1,002,489)	(760,484)
Operating expenses (income)	51,689	98,502	51,690	148,034
Interest expense (income)	466	606	466	(108,744)
Net loss and comprehensive loss	397,758	297,850	393,099	6,372,029
Net loss (income) and comprehensive loss (income) per share attributable to the common shareholders of the Company – restated (basic and diluted)	0.01	0.01	0.001	0.15

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 in fiscal 2021.

LIQUIDITY AND OUTLOOK

As at September 30, 2021, the Company reported a net income and comprehensive income of \$3,162,634 for the nine-month period and a deficit of \$15,940,459. The Company's continuance as a going concern is dependent upon its ability to obtain equity capital and financing for its working capital and for the exploration, development and operation of its properties.

The Company's opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of its exploration work) and equity markets, investor perceptions and expectations of past and future performance, the global financial climate.

CAPITAL RESOURCES

Common shares

At September 30, 2021 and November 15, 2021, the Company had 54,014,068 common shares issued and outstanding.

Stock options

At September 30, 2021 and November 15, 2021, the Company had no stock options issued and outstanding.

Warrants

At September 30, 2021 and November 15, 2021, the Company had 7,316,667 issued and outstanding warrants.

FINANCIAL INSTRUMENTS

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

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have liquidity to meet liabilities when due. At September 30, 2021, the Company had cash of \$104,520 (December 31, 2020 - \$55,663) to settle current liabilities of \$1,656,837 (December 31, 2020 - \$1,213,283). The Company has a working capital deficiency of \$1,534,173 (December 31, 2020 - \$1,135,843). The Company's current financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

FINANCIAL INSTRUMENTS (continued)

Market risk

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Price risk

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

(c) Foreign currency risk

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

Sensitivity analysis

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

Fair value

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

Fair value hierarchy and liquidity risk disclosure

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at September 30, 2021 and 2020, the Company designated its derivative liabilities from convertible debentures as fair value through profit and loss which is measured at fair value and classified as Level 2.

RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Standards and amendments issued but not yet effective or adopted

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The Company assessed the implication of the amendment and concluded no material impact on the financial statements.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

RELATED PARTY DISCLOSURES

For the period ended September 30, 2021, the Company incurred professional fees of \$37,766 (December 31, 2020 - \$194,263), of which approximately \$9,693 (December 31, 2020 - \$188,321) was charged by a law firm of which a partner is a director of the Company. As of September 30, 2021, included in accounts payable and accrued liabilities is an accumulated balance of approximately \$217,200 (December 31, 2020 - \$188,321) 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 key management personnel for the nine months ended September 30, 2021 and 2020 were as follows:

	September 30, 2021	September 30, 2020
Management salaries	\$189,000	\$139,000
Director fees	30,000	-
	<u>\$219,000</u>	<u>\$139,000</u>

During the period ended September 30, 2021, the Company paid \$43,200 and accrued \$145,800 (December 31, 2020 - paid \$64,800 and accrued \$187,200) to two executive officers, of which \$170,100 (December 31, 2020 - \$291,600) has been charged as management fees to CINRL.

At September 30, 2021, the Company has accrued a total of \$365,000 (December 31, 2020 - \$230,000) in management salary to the President and CEO. The amounts are included in accounts payable and accrued liabilities.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts, which contain clauses requiring additional payments of up to \$864,000 be made upon the occurrence of certain events such as a change of control and additional payments of up to \$872,000 be made upon termination of contracts. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. As of December 31, 2019, under these management contracts, management has committed to \$522,000 of salaries and benefits due within one year.

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

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

The Company is party to legal proceedings in the ordinary course of its operations related to legally binding agreements with third parties. As at September 30, 2021, one such proceeding was ongoing. The Company believes this claim to be without merit. Management does not expect the outcome of this proceeding to have a materially adverse effect on the results of the Company's financial position or results of operations and therefore this amount has not been reflected in these consolidated financial statements. Should any losses result from the resolution of this dispute, that amount will be charged to operations in the year that it is determined.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company, through its subsidiary, holds an interest in a petroleum property in Nigeria. As such, it is exposed to the laws governing the Nigerian petroleum industry with respect to matters such as taxation, environmental compliance, and other regulatory and political factors as well as shifts in politics and labor unrest, any of which could adversely affect the Company and its future exploration and production activities.

Additional Capital

The Company conducted due diligence to identify potential acquisition targets of onshore/offshore Nigerian oil and gas projects. If the results are favourable, Company will require additional capital which may come from future financings. 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 resource 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.

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 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 government or the courts in favor of the aboriginal people resolve such a claim, 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 director and officer 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.

Additional Information

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

COVID-19 (coronavirus)

The global outbreak of COVID-19 had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business time, or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition. The Company has put in place strict health protocols to safeguard the health and wellbeing of its staff. The Company's management and staffs work from home. While the extent of the impact is unknown, the President and CEO of the Company has continued to seek equity financing and extend loans to finance the working capital of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Stephen Shefsky	Founder and Director, President & CEO
Wayne Egan	Non-Executive Chairman
Jon Pereira	Director
Jean J. Gauthier	Director
Adeniyi Olaniyan	Director

OFFICE LOCATION

Corporate Head Office

110 Yonge St,
Suite 501
Toronto, Ontario
M5C 1T4

Nigeria Office

19a Agodogba Street Parkview Estate
Ikoyi Lagos, Lagos, Nigeria

SUBSIDIARY COMPANIES

James Bay Energy Nigeria, LLC
James Bay Energy Nigeria Limited
D&H Energy Nigeria Limited

LEGAL COUNSEL

WeirFoulds LLP

Toronto, Ontario, Canada

Sefton Fross

Lagos, Nigeria

Amsterdam & Partners LLP

London, England

AUDITOR

MNP, LLP

Mississauga, Ontario, Canada

KPMG Nigeria

Lagos, Nigeria

REGISTRAR & TRANSFER AGENT

TSX Trust

Toronto, Ontario, Canada

BANKER

CIBC

Toronto, Ontario, Canada

First Bank

Lagos, Nigeria

STOCK EXCHANGE

Canadian Stock Exchange

Ticker symbol "JBR"