

**JAZZ RESOURCES INC.  
YEAR ENDED JUNE 30, 2018**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Note to Readers**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Jazz Resources Inc. (the "Company") for the year ended June 30, 2018 and the related notes. Those consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**1.1 Date**

This MD&A is prepared as of October 29, 2018. All dollar figures stated herein are expressed in Canadian dollars. The Canadian dollar is the functional currency of both the parent company and its wholly owned subsidiary.

**1.2 Overview**

The Company is a junior mining resource company focused on acquiring, exploring and developing mineral properties. The primary focus of the Company is the development of the Teddy Glacier and Spider properties located in the Revelstoke mining district of British Columbia, Canada.

The Company has plans to investigate the Spider property and has obtained a permit to continue exploring, excavate, and trench a new vein near the Spider Mine.

Keystone Environmental was engaged to complete several environmental studies at the former Spider Mine mill site at Camborne, BC (Camborne Mill). The study has been completed and the Company has obtained a conditional permit for a pilot mill and tailings pond from the BC Ministry of Energy and Mines. The Company has entered the new format "Mine Development Review Committee" process which will result in a new permit. The mill will be used to process bulk samples from the Teddy Glacier property and mineralization from the Spider Mine. The Company also retained Associated Engineering and c Geoscience and was successful in increasing the load capacity of the Fish River Canyon Bridge.

The Company has signed a contract with Neolife Holdings Inc. to supply a 2-stage flotation mill to the Company's Camborne site. Neolife will process the existing Jazz stockpile for a fixed cost per tonne. The components of the mill have arrived on site and have been assembled. Considerable work was completed on the Teddy Glacier road and a program of geochemistry was completed on the Teddy Glacier Property.

In February 2017 year, the Company completed a \$123,000 private placement consisting of 1,537,500 units at a price of \$0.08 per unit. The proceeds were used to prepare the Camborne mill for production and develop a new tailings facility at the Camborne site. The funds were also be used for working capital and to maintain the Teddy Glacier road in anticipation of hauling ore down to the Camborne mill site during 2019.

### 1.3 Selected Annual Information

	Year ended June 30, 2018	Year ended June 30, 2017	Year ended June 30, 2016
	\$	\$	\$
Total revenues	Nil	Nil	Nil
General and administrative expenses	152,252	129,236	154,158
(Loss) income for the period	(178,376)	(129,236)	(154,158)
(Loss) income per share – basic and diluted	(0.01)	(0.01)	(0.01)
Total assets	1,363,435	1,450,939	1,380,000
Total financial liabilities	1,566,699	1,475,827	1,393,154
Cash dividends declared – per share	Nil	Nil	Nil

The Company had net loss of \$178,376 for the year ended June 30, 2018 compared to a net loss of \$129,236 for the year ended June 30, 2017. The decrease in total assets from the previous year was largely due a decrease in cash and amounts receivable. The increase in liabilities was due to an increase in accounts payable.

### 1.4 Results of Operations for the year ended June 30, 2018

This review of the results of operations should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2018.

#### Overview

For the year ended June 30, 2018, the Company had net loss of \$178,376 compared to a net loss of \$129,236 for the year ended June 30, 2017. The increase was largely due to additional consulting fees related to corporate development incurred during the year ended June 30, 2018.

#### Expenses

General and administrative expenses totaled \$152,252 for the year. The three largest expense items were, interest of \$40,000, consulting fees of \$53,343, and professional fees of \$30,435. These three items accounted for approximately 81% of the Company's total general and administrative expenses.

#### Total assets

Total assets of the Company as at June 30, 2018 were \$1,363,435, a decrease of \$87,504 from \$1,450,939 as at June 30, 2017, largely as a result of cash spent on operating costs.

## 1.5 Summary of Quarterly Results

	Three Months Ended			
	June 30 2018	March 31 2018	December 31 2017	September 30 2017
	\$	\$	\$	\$
Total Revenues	Nil	Nil	Nil	Nil
Net Loss	(88,854)	(34,149)	(28,989)	(26,384)
Net Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

	June 30 2017	March 31 2017	December 31 2016	September 30 2016
	\$	\$	\$	\$
Total Revenues	Nil	Nil	Nil	Nil
Net Loss	(24,090)	(59,629)	(22,564)	(22,953)
Net Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

The net loss for the three-month period ended June 30, 2018 compared to the net loss for the three-month period ended June 30, 2017 increased by \$54,705. The difference is primarily attributable to increased professional fees and office and miscellaneous costs and a write-off of amounts receivable for the three-month period ended June 30, 2018 compared to the three-month period ended June 30, 2017.

## 1.6 Liquidity

### Working Capital

As at June 30, 2018 the Company had \$6,081 (2017 - \$105,759) cash on hand and a working capital deficiency of \$1,513,067 as compared to a working capital deficiency of \$1,259,021 at June 30, 2017.

The increase in working capital deficiency was caused by an increase in current liabilities as well as decreases in cash and amounts receivable. As at June 30, 2018 the Company had trade accounts payable of \$1,217,699 (2017 - \$388,565) and due to related parties of \$349,000 (2017 - \$1,087,262).

### Outlook

At present, the Company has limited operations. The future operations of the Company are dependent on its ability to raise sufficient funds to carry out its exploration activities.

## **1.7 Capital Resources**

The Company is dependent on the sale of share capital and the receipt of related party loans in order to finance its activities.

During the year ended June 30, 2017, the Company completed a non-brokered private placement consisting of the issue of 1,537,500 units at a price of \$0.08 per unit for a total proceeds of \$123,000.

No financing activities occurred during the year ended June 30, 2018.

## **1.8 Off-Balance Sheet Arrangements**

The Company did not have any off-balance sheet arrangements.

## **1.9 Transactions with Related Parties**

As at June 30, 2018, a total of \$349,000 (2017 - \$295,000) was owing to Rob Klenk, the President of the Company. Of this amount, \$100,000 is owing pursuant to a loan agreement, bears interest at the rate of 25% per annum and is repayable on or before April 2, 2018, \$75,000 is owing pursuant to an additional loan agreement, bears interest at the rate of 20% per annum and is repayable on or before August 5, 2018, and \$100,000 is owing pursuant to an additional loan agreement, does not bear interest and is due on demand. \$20,000 in interest has been accrued on the balances owing as at June 30, 2018 (2017 - \$20,000), and all of the loans received are unsecured. During the year ended June 30, 2018, the company paid \$40,000 (2017 - \$40,000) in interest on these loans and \$72,000 (2017 - \$75,000) was paid or accrued for site exploration costs and was included in deferred exploration costs.

As at June 30, 2018, \$798,262 (2017 - \$792,262) was owing to former related parties of the Company and has been reclassified to accounts payable and accrued liabilities.

All other amounts are non-interest bearing and have no fixed terms of repayment.

As at June 30, 2018 \$406,558 (2017 - \$406,558) was owed to Jo Shearer, the former President of the Company and \$300,684 (2017 - \$300,684) was owed to a company owned by the former President of the Company. During the year ended June 30, 2018 the Company received notice of a claim filed by the former President of the Company seeking to collect the outstanding balances as well as additional interest and other charges in the amount of \$340,373. While the outcome of this matter is uncertain, no additional provision has been accrued in respect of the claim as the Company believes the claim to be without merit and intends to vigorously defend itself should legal action be required.

## **1.10 Fourth Quarter Adjustments**

None.

## **1.11 Proposed Transactions**

None.

## **1.12 Future Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2018 reporting period. These standards are not expected to have a significant impact on the Company's financial statements:

### **IFRS 9, Financial Instruments**

The IASB intends to replace IAS 39 – “Financial Instruments: Recognition and Measurement” in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018. The Company has not early adopted this standard and does not anticipate that the application of IFRS 9 in the future will have material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements.

### **IFRS 15, Revenue from Contracts with Customers:**

IFRS 15 is a new standard to establish principles for reporting the nature amount timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

The Company does not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements.

### **IFRS 16, Leases**

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The Company does not anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements.

## **1.13 Financial Instruments and Risk Management**

The Company's financial instruments consist of cash, amounts receivable, security deposits, accounts payable and accrued liabilities and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

#### **Credit risk**

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash balance of \$6,081 (2017 - \$105,759) to settle current liabilities of \$1,566,699 (2017 - \$1,475,827). There is a risk that the Company may not be able to fulfill its obligation when a liability is due. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms with the exception of amounts due to related parties and loans provided by an officer of the Company discussed above in Transactions with Related Parties.

### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has \$33,500 of security deposits earning interest at an average rate of 0.57% per annum. Pursuant to agreements with an officer of the Company, the Company has related party loans of \$100,000 and \$75,000 bearing interest at 25% and 20%, respectively, as at June 30, 2018.

(b) Foreign currency risk

The Company does not have assets or liabilities denominated in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 1.14 Critical Accounting Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

i) Mineral properties and deferred exploration costs

The measurement, depletion and impairment of mineral properties and deferred exploration costs are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

ii) Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii) Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred tax assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv) Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the share-based compensation expense reported.

## **1.15 Other MD&A Requirements**

### **Additional Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Share Capital**

As of the date of this MD&A the Company had 19,151,605 common shares outstanding, 1,900,000 stock options outstanding and exercisable, and Nil share purchase warrants outstanding and exercisable.

### General and Administrative Expenses

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
Amortization	\$ 282	\$ 496	\$ 677
Consulting fees	53,345	15,049	-
Filing fees	5,200	5,200	6,066
Interest	40,000	40,000	38,750
Office and miscellaneous	20,994	14,783	26,945
Professional fees	30,435	44,985	32,656
Share-based compensation	-	-	38,395
Transfer agent fees	1,996	8,723	10,669
	\$ <u>152,252</u>	\$ <u>129,236</u>	\$ <u>154,158</u>

### Mineral Property and Deferred Exploration Costs

The following information pertains to the Company's 100% interest in mining claims located in the Revelstoke Mining Division of B.C.

	June 30, 2018	June 30, 2017	June 30, 2016
Mineral properties and deferred exploration costs, beginning of year	\$ 1,199,279	\$ 1,012,963	\$ 795,966
Additions during the year			
Acquisition costs	-	-	1,750
Property and mining taxes	400	1,435	1,843
Contractors	-	-	4,061
Site exploration	137,405	269,313	525,617
Sale of ore by-product	-	-	(162,211)
Government assistance & other income	<u>(61,852)</u>	<u>(84,432)</u>	<u>(154,063)</u>
Mineral properties and deferred exploration costs, end of year	<u>\$ 1,275,231</u>	<u>\$ 1,199,279</u>	<u>\$ 1,012,963</u>

### Events After the Reporting Period

None.

### Outlook

The Company's objective is to continue exploration of its mineral property interests.

### Forward Looking Statements

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.