

**JAZZ RESOURCES INC.**  
**FIRST QUARTER ENDED SEPTEMBER 30, 2019**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Note to Readers**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Jazz Resources Inc. (the "Company") for the three months ended September 30, 2019 as well as the audited consolidated financial statements for the year ended June 30, 2019 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 November 27, 2019. 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 Teddy Glacier and Spider mineral claims and properties.

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 entered the new format "Mine Development Review Committee" process which will result in a new draft 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 OnSite Engineering 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.

During the year ended June 30, 2019, the Company completed a non-brokered private placement of 1,000,000 non flow-through units at a price of \$0.05 per unit and 333,334 flow-through common shares at a price of \$0.06 per flow-through common share. Each unit is comprised of one common share and one common share purchase warrant, with each warrant being exercisable into an additional common share at a price of \$0.07 for a period of 1.5 years. No residual value was allocated to the warrant component of the unit. In connection to the issuance of the flow-through common shares, a premium liability of \$3,334 was recorded and recognized in other income as at June 30, 2019.

In addition, \$25,000 in share subscriptions that were receivable as at June 30, 2019 were received in the three month quarter ended September 30, 2019..

### 1.3 Selected Quarterly Information

	<b>Three months ended September 30, 2019</b>	<b>Three months ended September 30, 2018</b>
	\$	\$
Total revenues	Nil	Nil
General and administrative expenses	29,671	3,785
Loss for the period	(29,671)	(3,785)
Loss per share – basic and diluted	(0.00)	(0.00)

	<b>As at September 30, 2019</b>	<b>As at June 30, 2019</b>
	\$	\$
Total assets	1,531,527	1,484,672
Total financial liabilities	1,814,319	1,762,793
Cash dividends declared – per share	Nil	Nil

The Company had net loss of \$29,671 for the three months ended September 30, 2019 compared to a net loss of \$3,785 for the three months ended September 30, 2018.

The increase in total assets from the previous year was largely due to the increased carrying value of mineral properties and deferred exploration costs. The increase in liabilities was due to an increase in accounts payable, due to related parties and a loan payable.

### 1.4 Results of Operations for the three months ended September 30, 2019

This review of the results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended September 30, 2019.

#### Overview

For the three months ended September 30, 2019, the Company had net loss of \$29,671 for the three months ended September 30, 2019 compared to a net loss of \$3,785 for the three months ended September 30, 2018. The increased loss was largely due to additional interest and office expenses incurred during the current quarter.

#### Expenses

General expenses totaled \$29,671 for the three months ended September 30, 2019 (2018 - \$3,785). The three largest expense items were, interest and finance fees of \$12,293 (2018 - \$12), office expenses of \$12,683 (2018 - \$nil) and professional fees of \$4,500 (2018 - \$1,169).

#### Total assets

Total assets of the Company as at September 30, 2019 were \$1,531,527, an increase of \$46,855 from \$1,484,672 as at June 30, 2019, largely as a result of additions to mineral properties and deferred exploration costs.

## 1.5 Summary of Quarterly Results

	Three Months Ended							
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
	2019	2019	2019	2018	2018	2018	2018	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Loss</b>	(29,671)	(65,611)	(20,308)	(32,099)	(3,785)	(88,854)	(34,149)	(28,989)
<b>Net Loss per share</b>	-	-	-	-	-	-	-	-

The net loss for the three-month period ended September 30, 2019 compared to the net loss for the three-month period ended September 30, 2018 increased by \$25,886. The difference is primarily attributable to due to accruals for interest and office expenses for the quarter.

## 1.6 Liquidity

### Working Capital

As at September 30, 2019 the Company had \$11,441 (June 30, 2019 - \$22,748) cash on hand and a working capital deficiency of \$1,750,588 as compared to a working capital deficiency of \$1,689,860 at June 30, 2019.

The increase in working capital deficiency was caused by an increase in current liabilities. As at September 30, 2019 the Company had trade accounts payable of \$1,300,759 (June 30, 2019 - \$1,261,513) and due to related parties of \$471,000 (June 30, 2019 - \$461,000).

### 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, 2019, the Company completed a non-brokered private placement of 1,000,000 non flow-through units at a price of \$0.05 per unit and 333,334 flow-through common shares at a price of \$0.06 per flow-through common share. Each unit is comprised of one common share and one common share purchase warrant, with each warrant being exercisable into an additional common share at a price of \$0.07 for a period of 1.5 years. No residual value was allocated to the warrant component of the unit. In connection to the issuance of the flow-through common shares, a premium liability of \$3,334 was recorded and recognized in other income as at June 30, 2019.

In addition, \$25,000 in share subscriptions that were receivable as at June 30, 2019, were received by September 30, 2019.

## 1.8 Off-Balance Sheet Arrangements

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

## **1.9 Transactions with Related Parties**

As at September 30, 2019, a total of \$471,000 (June 30, 2019 - \$461,000) was owing to 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, 2019, \$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, 2019, and \$100,000 is owing pursuant to an additional loan agreement, does not bear interest and is due on demand.

All loan amounts remain payable and a total of \$70,000 in interest has been accrued on the balances owing as at September 30, 2019 (June 30, 2019 - \$60,000), and all of the loans received are unsecured. All other amounts are non-interest bearing and have no fixed terms of repayment.

During the three month period ended September 30, 2019, the Company accrued \$10,000 (2018 - \$10,000) in interest on these loans and \$18,000 (2018 - \$18,000) was accrued for site exploration costs and was included in deferred exploration costs.

As at September 30, 2019, \$406,558 (June 30, 2019 - \$406,558) was owing to former President of the Company and \$300,684 (June 30, 2019- \$300,684) was owed to a company owned by the former President of the Company. The outstanding balances remain in accounts payable as at September 30, 2019.

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

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 Proposed Transactions**

None.

## **1.11 Future Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2019 reporting period. These standards are not expected to have a significant impact on the Company's 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.

## 1.12 Financial Instruments and Risk Management

The Company's financial instruments consist of cash, amounts receivable, security deposits, accounts payable and accrued liabilities, due to related parties and loan payable. 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, 2019, the Company had a cash balance of \$22,748 (2018 - \$6,081) to settle current liabilities of \$1,762,793 (2018 - \$1,566,699). 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 September 30, 2019. In addition, the Company has an outstanding loan of \$38,000 bearing interest at 2% per month.

#### (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.

### 1.13 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.

## 1.14 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 20,616,939 common shares outstanding, 1,900,000 stock options outstanding and exercisable, and 1,000,000 share purchase warrants outstanding and exercisable.

### 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.:

	Teddy Glacier	Spider	Total
<b>Balance, June 30, 2017</b>	<b>\$ 667,621</b>	<b>\$ 607,610</b>	<b>\$ 1,275,231</b>
Property taxes	209	(135)	74
Site exploration	11,980	-	11,980
Government subsidies	50,174	92,878	143,052
Other recoveries	-	(52,098)	(52,098)
<b>Balance, June 30, 2018</b>	<b>729,984</b>	<b>648,255</b>	<b>1,378,239</b>
Acquisition costs	1,110	-	1,110
Site exploration	27,474	27,473	54,947
<b>Balance, September 30, 2019</b>	<b>\$ 758,568</b>	<b>\$ 675,728</b>	<b>\$ 1,434,296</b>

### 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.