

JAZZ RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars)

(UNAUDITED – PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements 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 standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

JAZZ RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

	Note	Three Month Period Ended September 30, 2020	Three Month Period Ended September 30, 2019
EXPENSES			
Filing fees		\$ 750	\$ -
Interest and charges	6, 7	8,826	12,293
Office and miscellaneous		9,072	12,683
Professional fees		19,208	4,500
Consulting fees		10,000	-
Transfer agent fees		-	195
Total general and administrative expenses		(47,856)	(29,671)
Loss and comprehensive loss for the period		\$ (47,856)	\$ (29,671)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		2,576,885	2,576,885

The accompanying condensed notes are an integral part of these condensed interim consolidated financial statements.

JAZZ RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

	Note	Number of Shares	Share Capital	Subscriptions Receivable	Contributed Surplus	Deficit	Total
Balance, June 30, 2019		2,576,885	\$ 4,193,934	\$ (25,000)	\$ 842,508	\$ (5,289,563)	\$ (278,121)
Subscriptions received		-	-	25,000	-	-	25,000
Net loss for the period		-	-	-	-	(29,671)	(29,671)
Balance, September 30, 2019		2,576,885	\$ 4,193,934	\$ -	\$ 842,508	\$ (5,319,234)	\$ (282,792)
Net loss for the period		-	-	-	-	(130,394)	(130,394)
Balance, June 30, 2020		2,576,885	\$ 4,193,934	\$ -	\$ 842,508	\$ (5,449,628)	\$ (413,186)
Subscriptions received	8	-	-	349,000	-	-	349,000
Net loss for the period		-	-	-	-	(47,856)	(47,856)
Balance, September 30, 2020		2,576,885	\$ 4,193,934	\$ 349,000	\$ 842,508	\$ (5,497,484)	\$ (112,042)

The accompanying condensed notes are an integral part of these condensed interim consolidated financial statements.

JAZZ RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2020	Three Month Period Ended September 30, 2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (47,856)	\$ (29,671)
Items not affecting cash:		
Accrued interest	10,366	12,280
Changes in non-cash working capital items:		
Decrease in amounts receivable	41,306	(2,105)
Decrease in accounts payable and accrued liabilities	(14,373)	39,246
Net cash provided by (used in) operating activities	(10,557)	19,750
INVESTING ACTIVITIES		
Mineral property and deferred exploration costs, net of recoveries	8,597	(56,057)
Net cash provided by (used in) investing activities	8,597	(56,057)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	279,000	25,000
Repayment to related parties	(294,604)	-
Net cash provided by (used in) financing activities	(15,604)	25,000
Change in cash during the period	(17,564)	(11,307)
Cash, beginning of period	22,263	22,748
Cash, end of period	\$ 4,699	\$ 11,441

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying condensed notes are an integral part of these condensed interim consolidated financial statements.

JAZZ RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Jazz Resources Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia and is in the business of the exploration and development of mineral properties. The Company’s head office and records office is located at Suite 2 – 1493 Phoenix Street, White Rock, British Columbia, Canada, V4B 3L1. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The Company’s common shares are listed on the TSX Venture Exchange with the symbol “JZR.V”.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary, unless otherwise noted.

On February 26, 2020, the Company consolidated its issued and outstanding shares, on an 8:1 basis, from 20,616,939 pre-consolidation common shares to 2,576,885 post-consolidation common shares. The exercise price and number of shares issuable by way of options and warrants of the Company will be proportionately adjusted to account for the share consolidation. All shares and per share amounts have been restated to reflect the share consolidation retrospectively.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s industry and in the global markets, including possible disruptions in the Company’s operations, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) to date have not had a material impact on the Company’s operations and ability to access capital. The full extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated at the date these financial statements were approved.

Going concern of operations

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

Management is actively targeting sources of additional financing from investors, shareholders and through alliances with financial entities, and is considering issuances of debt or equity or other business and financial transactions which would assure continuation of the Company’s operations. To the extent financing is not available, working capital commitments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. Management is closely monitoring economic trends, global financial conditions, and the equity markets to determine the appropriate course of action to be taken by the Company.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position.

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN (cont'd...)*Going concern of operations* (cont'd...)

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Adverse financial market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company has incurred a loss of \$47,856 for the three months ended September 30, 2020 and is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

	September 30, 2020	June 30, 2020
Working capital deficiency	\$ (1,642,893)	\$ (1,952,634)
Deficit	\$ (5,497,484)	\$ (5,449,628)

2. BASIS OF PREPARATION**Statement of compliance**

These condensed interim consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements are prepared using IFRSs in effect as at June 30, 2020. Significant accounting policies and the applicable basis of measurement used in the preparation of these condensed interim consolidated financial statements are described in Note 3.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements were authorized by the Board of Directors on November 30, 2020.

JAZZ RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended June 30, 2020, and do not include all the information required for full annual financial statements in accordance with IFRS, as issued by the IFRIC. It is suggested that the condensed interim consolidated financial statements be read in conjunction with the prior year’s annual audited financial statements.

Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

The condensed interim consolidated financial statements include the accounts of the Company and the following subsidiary. All significant intercompany balances and transactions were eliminated on consolidation.

<u>Name</u>	<u>Place of incorporation</u>	<u>Ownership</u>	<u>Principal activity</u>
Jazz mining 05 Inc.	British Columbia	100%	Exploration company

Mineral properties

The Company’s accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate, known as cash generating units (“CGUs”).

Acquisition costs

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant CGU. These costs are not depleted until the CGU reaches production.

Exploration and evaluation costs

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been established are capitalized to the relevant CGU in the period incurred. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights, and;
- the Company has sufficient financing available to develop and operate a mine or to market the mineral rights.

JAZZ RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties (cont'd...)

Development costs

When technical and economic feasibility exists for a certain CGU, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the CGU. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each CGU.

Pre-commissioning revenues

Any pre-commissioning revenues earned from the sale of ore extracted from the Company's exploration and evaluation assets are applied against the carrying value of those assets. Costs incurred associated with third party crushing, processing and shipping of the ore are first netted against the pre-commissioning revenues, prior to being applied against the asset's carrying value.

Post-development costs

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

Judgments, estimates and measurement uncertainty

The preparation of these condensed interim 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.

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited – Prepared by Management)

4. AMOUNTS RECEIVABLE

	September 30, 2020	September 30, 2019
Mining tax credits	\$ -	\$ 41,102
Input tax credits and other receivables	4,058	4,327
	\$ 4,058	\$ 45,429

As at September 30, 2020, the Company has accrued a total of \$4,058 (June 30, 2020 - \$4,327) as a refundable GST input tax credit receivable. During the period ended September 30, 2020, the Company received \$41,102 in Mining Tax Credit for exploration work previously incurred. These government subsidies are recorded as a reduction of deferred exploration costs in the period they are accrued.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

The Company owns two mineral properties, the Teddy Glacier Property, and the Spider Property, both located in the Province of British Columbia (“B.C.”). The Teddy Glacier Property is located in the Revelstoke Mining Division in B.C., comprising of claims that are 100% owned by the Company through staking. The Spider Property is comprised of certain Crown granted mineral claims and several land lots in fee simple within the township of Camborne, B.C.

During the three months ended September 30, 2020, the Company disposed of six lots in connection with the Spider Property in Camborne for cash consideration of \$33,103 which was recorded as a recovery against the property.

The following table summarizes mineral property costs, by property:

	Teddy Glacier	Spider	Total
Balance, June 30, 2019	\$ 729,984	\$ 648,255	\$ 1,378,239
Acquisition costs	1,110	-	1,110
Property taxes	-	4,942	4,942
Government subsidies (Note 4)	-	(37,364)	(37,364)
Site exploration	94,672	64,349	159,021
Balance, June 30, 2020	825,766	680,182	1,505,948
Site exploration	12,505	12,000	24,505
Sale of lots	-	(33,103)	(33,103)
Balance, Sep 30, 2020	\$ 838,271	\$ 659,079	\$ 1,497,351

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Government subsidies

As at September 30, 2020, the Company has received all B.C. mining tax credits receivable for exploration work completed.

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited – Prepared by Management)

6. RELATED PARTY TRANSACTIONS

As at September 30, 2020, a total of \$330,848 (June 30, 2020 - \$625,452) was owing to the President of the Company. Of this amount, \$100,000 is owing pursuant to a loan agreement, which bears interest at the rate of 25% per annum and was 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 was repayable on or before August 5, 2019, and \$49,848,000 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 \$106,000 in interest has been accrued on the balances owing as at September 30, 2020 (June 30, 2020 - \$96,000), 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, 2020, the Company;

- accrued \$10,000 (2019 - \$10,000) in interest on these loans;
- repaid \$345,000 of loans, and;
- received an additional \$40,396 of advances from the President.

In addition, during the period ended September 30, 2020, \$10,000 was accrued as professional fees and is owing to a company controlled by the Chief Financial Officer as at September 30, 2020 for a total owing of \$30,000 (June 30, 2020 - \$20,000).

As at September 30, 2020, \$406,558 (June 30, 2020 - \$406,558) was owing to former President of the Company and \$300,684 (June 30, 2020- \$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, 2020.

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 \$1,047,615. 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.

7. LOAN PAYABLE

During the year ended June 30, 2019, the Company entered into a loan agreement for \$38,000 of which \$35,000 was received in cash with the difference of \$3,000 recorded as a financing fee. The loan bears interest at 2% per month, is unsecured and due on demand. During the year ended June 30, 2020, the Company repaid \$40,000 of principal and accrued interest was paid with \$6,120 remaining. During the period ended September 30, 2020, \$366 of interest was accrued for a balance owing of \$6,486.

During the year ended June 30, 2020, the Company received loans in the amount of \$70,000 from third parties. These loans bear no interest, are unsecured and payable on demand. During the period ended September 30, 2020, the loan was converted into the private placement that completed subsequent to September 30, 2020 (Note 13).

As at September 30, 2020, the total loan payable balance is \$6,486 (June 30, 2020 - \$76,120).

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

8. SHARE CAPITAL

Authorized unlimited common voting shares, no par value.

Issued

As at September 30, 2020, the Company received \$204,000 of proceeds in relation to a private placement that was closed subsequent to September 30, 2020. These funds were recorded as subscriptions receivable.

On February 26, 2020, the Company announced an 8:1 share consolidation of its common shares, warrants and outstanding options. All of the schedules within these consolidated financial statements have been adjusted to show the adjustment retrospectively.

Share purchase warrants

As at September 30, 2020 the following warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiry Date
125,000	\$ 0.56	December 20, 2020

Stock options

As at September 30, 2020, the Company has a stock option plan in place (the “Stock Option Plan”) under which it can grant a maximum number of stock options equal to 20% of the total issued and outstanding common shares. The purpose of the Stock Option Plan is to encourage ownership of the Company’s common shares by persons who are directors, senior officers and employees, as well as consultants, and employees of management companies providing services to the Company. The term of any option granted under the Stock Option Plan may not exceed 10 years. The vesting periods for all options granted pursuant to the Stock Option Plan will be determined at the discretion of the Board of Directors at the time of the grant. The vesting schedule shall provide for a vesting period of at least 12 months and that the options will vest equally on a quarterly basis over the vesting period in respect to options granted to consultants performing investor relations activities. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12-month period.

	As at September 30, 2020		As at June 30, 2019	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of year	31,250	\$ 0.80	237,500	\$ 0.80
Expired/Cancelled	-	\$ -	(206,250)	\$ 0.80
Outstanding, end of period	31,250	\$ 0.80	31,250	\$ 0.80

As at September 30, 2020, the following stock options are outstanding and exercisable:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining life (yrs)	Expiry
31,250	31,250	\$ 0.80	0.34	February 1, 2021

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

9. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and development of mineral properties in Canada.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the period ended September 30, 2020 was the recognition of accrued interest on loans of \$10,366.

11. FINANCIAL INSTRUMENTS AND RISKS

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.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2020 as follows:

	Fair Value Measurements Using			Balance, September 30, 2020
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	4,699	–	–	4,699

As at September 30, 2020, the Company's cash is measured at level 1 inputs of the fair value hierarchy, consisting of quoted prices in active markets for identical assets. The fair value of all other financial instruments approximates their carrying values due to the relatively short-term maturity of these instruments.

JAZZ RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

11. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

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 September 30, 2020, the Company had a cash balance of \$4,699 to settle current liabilities of \$1,796,650.

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 are due on demand and are subject to normal trade terms.

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 a loan agreement with an officer of the Company, the Company has related party loans of \$100,000 bearing interest at 25% per annum and \$75,000 bearing interest at 20% as at September 30, 2020.

(b) Foreign currency risk

The Company does not have assets or liabilities 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.

JAZZ RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2020 and 2019

(Unaudited – Prepared by Management)

12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. share capital, contributed surplus and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged from the year ended June 30, 2020.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company:

- Completed a private placement by issuing 8,705,000 Units at a price of \$0.20 per unit for gross proceeds of \$1,741,000. Each unit is comprised of one common share and one share purchase warrant. Each Warrant entitles the holder to purchase one common share at a price of \$0.39 until six months from the date of issuance. 5,555,000 of the shares have been issued with the remaining 3,150,000 shares to be issued upon final approval of the transaction, and;
- Disposed of additional lots in connection with the Spider Property for the proceeds of \$75,000.

14. COMMITMENTS

On July 31, 2020, the Company entered into an agreement to acquire certain mineral assets in Brazil from Coltan Gold Mining Inc. ("CGM"), a private company located in Vancouver, B.C. The transaction has been conditionally approved by the TSX Venture Exchange. Company has committed to provide the following as total consideration to CGM:

- 2,000,000 common shares;
- A 2 year unsecured convertible debenture with a principal amount of \$1,250,000 bearing a 4% annual interest rate convertible at \$0.40 per share, and;
- A 2 year \$500,000 USD loan bearing a 6% annual interest rate.