

JAZZ RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Jazz Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Jazz Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$160,065 during the year ended June 30, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by \$1,952,634 and has an accumulated deficit of \$5,449,628. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 28, 2020

JAZZ RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
ASSETS			
Current			
Cash		\$ 22,263	\$ 22,748
Amounts receivable	4	45,364	45,429
Prepaid expenses		-	4,756
Total current assets		67,627	72,933
Security deposits	12	33,500	33,500
Mineral properties and deferred exploration costs	5	1,505,948	1,378,239
Total assets		\$ 1,607,075	\$ 1,484,672
LIABILITIES & SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities		\$ 1,298,689	\$ 1,261,513
Due to related parties	6	645,452	461,000
Loan payable	7	76,120	40,280
Total liabilities		2,020,261	1,762,793
Shareholders' deficit			
Share capital	8	4,193,934	4,193,934
Contributed surplus		842,508	842,508
Subscriptions receivable		-	(25,000)
Deficit		(5,449,628)	(5,289,563)
		(413,186)	(278,121)
Total liabilities and shareholders' deficit		\$ 1,607,075	\$ 1,484,672

Nature and continuance of operations and going concern (Note 1)

Subsequent events (Note 14)

Approved and authorized on behalf of the Board on October 28, 2020:

"Rob Klenk" Director _____ *"Kirk Fisher"* Director

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

JAZZ RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEAR ENDED JUNE 30, 2020

	Note	2020	2019
EXPENSES			
Amortization	\$	-	\$ 1,072
Filing fees		19,168	18,297
Interest and charges	6, 7	45,915	45,280
Office and miscellaneous		11,627	16,964
Professional fees		47,631	28,124
Consulting fees		20,000	15,400
Transfer agent fees		15,724	-
Total general and administrative expenses		(160,065)	(125,137)
Income on settlement of flow-through premium	8	-	3,334
Loss and comprehensive loss for the year	\$	(160,065)	\$ (121,803)
Basic and diluted loss per common share	\$	(0.06)	\$ (0.05)
Weighted average number of common shares outstanding – basic and diluted		2,576,885	2,409,547

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

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

	Note	Number of Shares	Share Capital	Subscriptions Receivable	Contributed Surplus	Deficit	Total
Balance, June 30, 2018		2,393,718	\$ 4,121,988	\$ -	\$ 842,508	\$ (5,167,760)	\$ (203,264)
Shares issued in private placement		166,667	70,000	(25,000)	-	-	45,000
Flow-through share premium liability		-	(3,334)	-	-	-	(3,334)
Shares issued for exploration and evaluation assets		16,500	5,280	-	-	-	5,280
Net loss for the year		-	-	-	-	(121,803)	(121,803)
Balance, June 30, 2019		2,576,885	4,193,934	(25,000)	842,508	(5,289,563)	(278,121)
Subscriptions received	8	-	-	25,000	-	-	25,000
Net loss for the year		-	-	-	-	(160,065)	(160,065)
Balance, June 30, 2020		2,576,885	\$ 4,193,934	\$ -	\$ 842,508	\$ (5,449,628)	\$ (413,186)

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

JAZZ RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Net loss for the year	\$ (160,065)	\$ (121,803)
Items not affecting cash:		
Amortization	-	1,072
Accrued interest	45,840	5,280
Other income on settlement of flow-through premium	-	(3,334)
Changes in non-cash working capital items:		
Increase in amounts receivable	65	(2,634)
Decrease in prepaid expenses	4,756	-
Increase in due to related parties	72,452	40,000
Increase in accounts payable and accrued liabilities	28,344	4,747
Net cash used in operating activities	(8,608)	(76,672)
INVESTING ACTIVITIES		
Mineral property and deferred exploration costs, net of recoveries	(46,877)	13,339
Net cash provided by (used in) investing activities	(46,877)	13,339
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	25,000	25,000
Advances from related parties	-	20,000
Repayment of loan	(40,000)	-
Loans received	70,000	35,000
Net cash provided by financing activities	55,000	80,000
Change in cash during the year	(485)	16,667
Cash, beginning of year	22,748	6,081
Cash, end of year	\$ 22,263	\$ 22,748

Supplemental disclosure with respect to cash flows (Note 11)

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

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 St., 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 consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

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 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. 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.

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN (cont'd...)

Going concern of operations (cont'd...)

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 \$160,065 for the year ended June 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.

	June 30,		June 30,
	2020		2019
Working capital deficiency	\$ (1,952,634)	\$	(1,689,860)
Deficit	\$ (5,449,628)	\$	(5,289,563)

2. BASIS OF PREPARATION

Statement of compliance

These 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 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 consolidated financial statements are described in Note 3.

These 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were authorized by the Board of Directors on October 28, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are those policies which the Company has adopted for its consolidated financial statements for the year ended June 30, 2020. These policies have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

Basis of consolidation

These 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 consolidated financial statements from the date that control commences until the date that control ceases.

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

Basis of consolidation (cont'd...)

The 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.

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.

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

Mineral properties (cont'd...)

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.

Reclamation provision

The Company recognizes a provision for environmental reclamation of its mineral properties in the period in which the Company becomes legally or constructively liable for future reclamation expenditures. The reclamation provision is initially measured at the present value of future expected reclamation cash flows, discounted using the risk-free interest rate prevailing at the time the liability is incurred, and a corresponding amount is recorded in the carrying value of the related mineral property.

Subsequent to initial measurement, the provision is re-measured using the risk-free interest rate prevailing on each reporting date. Changes to the carrying value of the provision for changes to the discount rate, or for changes to the timing and amount of expected future reclamation cash flows are recorded as an adjustment to the carrying value of the related mineral property. Changes to the carrying value of the provision from the accretion of its discounted value are recorded as a financing expense.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Flow-through shares

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through share owners, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

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

Impairment of mineral properties and equipment

The carrying amounts of equipment and mineral properties and deferred exploration costs, regardless of the stage of development, are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense when identified. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the CGU to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mineral properties, fair value less cost to sell is often estimated using a discounted cash flow approach as fair values from active markets or binding sale agreements are not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Impairments on equipment and mineral properties may be subsequently reversed in subsequent periods. When a reversal of impairment is recorded, the carrying value of the asset is increased to its recoverable amount which cannot exceed the carrying amount of the asset that would have existed had no impairment been recognized in prior periods. Any reversal of impairment is recognized as a component of net (loss) income when identified.

Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- i) Amortized cost - a financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

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

Financial instruments (cont'd...)

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash, receivables, and security deposits. Cash is measured at fair value and receivables and security deposits are measured at amortized cost.

Financial liabilities

The Company's liabilities include accounts payable and accrued liabilities, due to related parties and loans payable which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Government subsidies

Government assistance is recorded as a reduction of the cost of the applicable assets as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

(Loss) earnings per share

Basic (loss) earnings per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income for the current year at the statutory tax rates enacted or substantively enacted on the statement of financial position date.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities, in a particular jurisdiction, will be available against which the assets can be utilized.

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

Share-based compensation

The Company recognizes a share-based compensation charge in operations for stock options granted to employees, officers and directors of the Company. The share-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in contributed surplus.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Judgments, estimates and measurement uncertainty

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.

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

Judgments, estimates and measurement uncertainty (cont'd...)

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.

Accounting standards, amendments and interpretations

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

On adoption of the new standard, the Company recognizes any future lease liabilities at the present value of the remaining lease payments, discounted by the Company's incremental borrowing rate as at that time. The corresponding right of use asset will initially be measured at the amount equal to the lease liability. As at June 30, 2020, the Company did not have any lease contracts, thus there is no impact on these consolidated financial statements.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

4. AMOUNTS RECEIVABLE

	June 30, 2020	June 30, 2019
Mining tax credits	\$ 41,102	\$ 41,102
Input tax credits and other receivables	4,262	4,327
	<u>\$ 45,364</u>	<u>\$ 45,429</u>

As at June 30, 2020, the Company has accrued a total of \$41,102 (2019 - \$41,102) as a BC Mining Tax Credit receivable for exploration work previously incurred. These government subsidies are recorded as a reduction of deferred exploration costs and are included in amounts receivable. During the year ended June 30, 2020, the Company received \$37,364 (2019 - \$nil) of government subsidies for the exploration work performed during the year ended June 30, 2019. Subsequent to June 30, 2020, the Company received the remaining outstanding balance of \$41,102.

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 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 year ended June 30, 2019, the Company;

- acquired an additional mineral claim contiguous to the Teddy Glacier Property by issuing a total of 16,500 common shares of the Company with a total value of \$5,280 and making a cash payment of \$6,700, and;
- sold various lots in connection to the Spider property for cash consideration of \$52,098 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, 2018	\$ 667,621	\$ 607,610	\$ 1,275,231
Property taxes	209	(135)	74
Mineral claims	11,980	-	11,980
Site exploration	50,174	92,878	143,052
Sale of lots	-	(52,098)	(52,098)
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, March 31, 2020	\$ 825,766	\$ 680,182	\$ 1,505,948

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.

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. RELATED PARTY TRANSACTIONS

As at June 30, 2020, a total of \$625,452 (2019 - \$461,000) 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 \$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 \$96,000 in interest has been accrued on the balances owing as at June 30, 2020 (2019 - \$60,000), and all of the loans are unsecured. All other amounts are non-interest bearing and have no fixed terms of repayment. During the year ended June 30, 2020, the Company accrued \$40,000 (2019 - \$40,000) in interest on these loans. In addition, an amount totalling \$254,452 (2019 - \$126,000) is owing for consulting services performed by the President of the Company.

In addition, during the year ended June 30, 2020;

- \$72,000 (2019 - \$72,000) was paid or accrued to the President of the Company for site exploration costs and was included in deferred exploration costs and is included in the \$254,452 owing above, and;
- \$20,000 (2019 - \$nil) was accrued as professional fees and is owing to a company controlled by the Chief Financial Officer as at June 30, 2020.

As at June 30, 2020, \$406,558 (2019 - \$406,558) was owed to the former President of the Company and \$300,684 (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 June 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 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.

As at June 30, 2020, the total loan payable balance is \$76,120 (2019 - \$40,280)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. SHARE CAPITAL

Authorized

Unlimited common voting shares with no par value.

Issued

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.

During the year ended June 30, 2019, the Company completed a non-brokered private placement of 125,000 non flow-through units at a price of \$0.40 per unit and 41,667 flow-through common shares at a price of \$0.48 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 \$0.56 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 remained receivable as at June 30, 2019, which was fully collected during the year ended June 30, 2020.

Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at June 30, 2018	192,188	\$ 0.96
Issued	125,000	\$ 0.56
Expired	(192,188)	\$ 0.96
Balance at June 30, 2019 and 2020	125,000	\$ 0.56

As at June 30, 2020 the following warrants were outstanding and exercisable.

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

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. SHARE CAPITAL (cont'd...)

Stock options

As at June 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.

Stock option transactions are summarized as follows:

	As at June 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	237,500	\$ 0.80	237,500	\$ 0.80
Expired/Cancelled	(206,250)	\$ 0.80	-	\$ -
Outstanding, end of year	<u>31,250</u>	<u>\$ 0.80</u>	<u>237,500</u>	<u>\$ 0.80</u>

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

<i>Number of options outstanding</i>	<i>Number of options exercisable</i>	<i>Exercise price</i>	<i>Remaining life (yrs)</i>	<i>Expiry</i>
31,250	31,250	\$ 0.80	0.59	February 1, 2021

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
Loss for the year	\$ (160,065)	\$ (121,803)
Expected income tax (recovery)	\$ (43,000)	\$ (33,000)
Change in statutory tax rates, foreign exchange rates and other	(4,000)	(12,000)
Impact of flow-through shares	-	5,000
Change in unrecognized deductible temporary differences	<u>47,000</u>	<u>72,000</u>
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019
Deferred tax assets		
Mineral properties and deferred exploration costs	\$ 48,000	\$ 74,000
Equipment	13,000	13,000
Share issue costs	-	2,000
Non-capital losses available for future period	<u>627,000</u>	<u>591,000</u>
Total unrecognized deferred tax assets	\$ 686,000	\$ 680,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	June 30 2020	Expiry Date Range	June 30 2019	Expiry Date Range
Temporary differences:				
Mineral properties and deferred exploration costs	\$ 101,000	No expiry date	\$ 131,000	No expiry date
Investment tax credit	28,000	2028 to 2034	53,000	2028 to 2034
Equipment	47,000	No expiry date	47,000	No expiry date
Share issue costs	1,000	2038 to 2041	7,000	2038 to 2041
Non-capital losses available for future periods	<u>\$ 2,322,000</u>	<u>2028 to 2039</u>	<u>\$ 2,190,000</u>	<u>2028 to 2039</u>

Tax attributes are subject to review, and potential adjustment, by tax authorities.

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

10. SEGMENTED INFORMATION

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the year ended June 30, 2020 were as follows:

- a) As at June 30, 2020, a total of \$374,173 in deferred exploration costs were included in accounts payable and accrued liabilities.
- b) As at June 30, 2020, a total of \$198,000 in deferred exploration costs were included in due to related parties. Of this amount, \$72,000 was accrued during the current year.
- c) The Company had share subscriptions receivable of \$25,000 which was received during the year.

The significant non-cash transactions during the year ended June 30, 2019 were as follows:

- a) As at June 30, 2019, a total of \$365,341 in deferred exploration costs were included in accounts payable and accrued liabilities.
- b) As at June 30, 2019, a total of \$126,000 in deferred exploration costs were included in due to related parties. Of this amount, \$72,000 was accrued during the current year.
- c) As at June 30, 2019, the Company had share subscriptions receivable of \$25,000 which was received subsequent to year end.
- d) During the year ended June 30, 2019, the Company issued 16,500 common shares with a total value of \$5,280 for exploration and evaluation assets.
- e) As at June 30, 2019, an additional fee of \$3,000 was recorded as a loan payable in connection to the proceeds of \$35,000 received, resulting in a total loan payable of \$38,000 plus interest.

12. 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. |

JAZZ RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

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

	Fair Value Measurements Using			Balance, June 30, 2020
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash	22,263	–	–	22,263

As at June 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.

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, 2020, the Company had a cash balance of \$22,263 to settle current liabilities of \$2,020,261. 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 current 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% per annum as at June 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.

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

(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.

13. 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, 2019.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company:

- Completed tranche one of a private placement by issuing 3,345,000 Units at a price of \$0.20 per Unit for gross proceeds of \$669,000. Each Unit is comprised of one common share and one share purchase warrant (each a "Warrant"). One Warrant will entitle the holder to purchase one common share ("Warrant Share") at a price of \$0.39 per Warrant Share until April 10, 2021, being 6 months from the date of issuance. The Company paid a finder's fee of 6% cash and 6% in Warrants, and;
- 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. The Company will 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.