

JAZZ RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 and 2020
(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, 2021 and 2020

(Unaudited – Prepared by Management)

	Note	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
EXPENSES			
Filing fees	\$	1,511	\$ 750
Interest and charges	7, 8, 9	43,900	8,826
Office and miscellaneous		4,765	9,072
Accretion expense	9	71,583	-
Professional fees		39,865	19,208
Consulting fees		45,999	10,000
Transfer agent fees		3,980	-
Share based compensation	10	39,333	-
Total general and administrative expenses		(250,936)	(47,856)
Loss and comprehensive loss for the period	\$	(250,936)	\$ (47,856)
Basic and diluted loss per common share	\$	(0.01)	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		20,981,236	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, 2021 and 2020

(Unaudited – Prepared by Management)

	Note	Number of Shares	Share Capital	Subscriptions Receivable	Contributed Surplus	Equity Portion of Convertible Debentures	Deficit	Total
Balance, June 30, 2020		2,576,886	4,193,934	-	842,508	-	(5,449,628)	(413,186)
Subscriptions received	10	-	-	204,000	-	-	-	204,000
Net loss for the period		-	-	-	-	-	(47,856)	(47,856)
Balance, September 30, 2020		2,576,886	4,193,934	204,000	842,508	-	(5,497,484)	(257,042)
Shares issued in private placement	10	12,092,000	2,605,250	(218,300)	-	-	-	2,386,950
Shares issued to settle loan payable	8, 10	350,000	70,000	-	-	-	-	70,000
Share issuance costs	10	-	(61,853)	-	-	-	-	(61,853)
Shares issued in acquisition of net profit interests	10, 8	5,125,000	1,981,000	-	-	-	-	1,981,000
Broker warrants in connection with private placement	10	-	(20,215)	-	20,215	-	-	-
Share based compensation	10	-	-	-	93,314	-	-	93,314
Equity portion of convertible debenture	9	-	-	-	-	378,542	-	378,542
Exercise of warrants	10	61,350	12,270	-	-	-	-	12,270
Net loss for the period		-	-	-	-	-	(420,619)	(420,619)
Balance, June 30, 2021		20,205,236	8,780,386	(14,300)	956,037	378,542	(5,918,103)	4,182,562
Equity portion of convertible debenture	9	-	-	-	-	39,144	-	39,144
Expiry of broker warrants	10	-	4,266	-	(4,266)	-	-	-
Share based compensation	10	-	-	-	39,333	-	-	39,333
Exercise of warrants	10	776,000	293,600	(5,000)	-	-	-	288,600
Net loss for the period		-	-	-	-	-	(250,936)	(250,936)
Balance, September 30, 2021		20,981,236	9,078,252	(19,300)	991,104	417,686	(6,169,039)	4,298,703

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, 2021 and 2020

(Unaudited – Prepared by Management)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (250,936)	\$ (47,856)
Items not affecting cash:		
Accretion of discount on convertible debentures	71,583	-
Accrued interest	116,837	10,366
Share based compensation	39,333	-
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(4,669)	41,306
Increase in prepaid expenses	(7,550)	-
Decrease in accounts payable and accrued liabilities	(37,021)	(14,373)
Net cash used in operating activities	(72,423)	(10,557)
INVESTING ACTIVITIES		
Mineral property, rights, and deferred exploration costs, net of recoveries	(27,273)	8,597
Payment made for deferred acquisition of net profit interests	(1,012,056)	-
Net cash used in investing activities	(1,039,329)	8,597
FINANCING ACTIVITIES		
Funds received on issuance of common shares	-	204,000
Funds received on exercise of warrants	288,600	-
Funds received on convertible debentures	186,000	-
Repayment to related parties	(85,523)	(174,604)
Repayment of loan	-	(45,000)
Net cash provided by financing activities	389,077	15,604
Change in cash during the period	(722,675)	(17,564)
Cash, beginning of period	1,082,495	22,263
Cash, end of period	\$ 359,820	\$ 4,699

Supplemental disclosure with respect to cash flows (Note 12)

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, 2021 and 2020

(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 rights 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 28, 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. As at the current reporting period, the Company does not have sufficient cash resources to meet its obligations for the next twelve months of operations.

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.

The Company has incurred a loss of \$250,936 for the period ended September 30, 2021, with an accumulated deficit of \$6,169,039. Although it has been successful to date, there can be no assurance that the Company will be able to raise the funds necessary to continue future operations and commitments. 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, 2021 and 2020

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

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

	September 30, 2021	June 30, 2021
Working capital (deficiency)	\$ (3,182,096)	\$ (2,258,908)
Deficit	\$ (6,169,039)	\$ (5,918,103)

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, 2021. 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 26, 2021.

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 period ended September 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 annual audited financial statements.

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

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

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

Foreign currency translation

Foreign currency transactions are translated into the Corporation's functional currency (the Canadian dollar) at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

Mineral properties, rights, and deferred exploration costs

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, 2021 and 2020

(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Mineral properties, rights, and deferred exploration costs (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.

Impairment (and reversals of impairment) of non-current assets

The Company reviews and tests the carrying amounts of Property plant and equipment ("PP&E") and intangible assets with finite lives when an indicator of impairment is considered to exist. Impairment assessments on PP&E and intangible assets are conducted at the level of the cash generating unit ("CGU"), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and includes most liabilities specific to the CGU. For operating mines and projects, the individual mine/project represents a CGU for impairment testing.

The recoverable amount of a CGU is the higher of Value in Use ("VIU") and Fair Value Less Costs of Disposal ("FVLCD"). We have determined that the FVLCD is greater than the VIU amounts and is therefore used as the recoverable amount for impairment testing purposes. An impairment loss is recognized for any excess of the carrying amount of a CGU over its recoverable amount where both the recoverable amount and carrying value include the associated other assets and liabilities, including taxes where applicable, of the CGU. Where it is not appropriate to allocate the loss to a separate asset, an impairment loss related to a CGU is allocated to the carrying amount of the assets of the CGU on a pro rata basis based on the carrying amount of its non-monetary assets.

Impairment reversal

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statements of loss and comprehensive loss and is limited to the carrying value that would have been determined, net of any depreciation where applicable, had no impairment charge been recognized in prior years. When an impairment reversal is undertaken, the recoverable amount is assessed by reference to the higher of VIU and FVLCD. We have determined that the FVLCD is greater than the VIU amounts and is therefore used as the recoverable amount for impairment testing purposes.

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

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

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

4. AMOUNTS RECEIVABLE

Amounts receivable is comprised of Canadian goods and services input tax credits.

5. MINERAL PROPERTIES, RIGHTS, AND DEFERRED EXPLORATION COSTS

The Company owns three mineral properties: the Teddy Glacier Property and the Spider Property which are 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 year ended June 30, 2021, the Company disposed of multiple lots in connection with the Spider Property in Camborne for cash consideration of \$113,989 which was recorded as a recovery against the property. During the three months ended September 30, 2021, there were no disposals of lots.

The following table summarizes mineral rights and property costs, by property:

	Teddy Glacier	Spider	Total
Balance, June 30, 2020	825,766	680,182	1,505,948
Property taxes	30,835	-	30,835
Government subsidies	-	38,712	38,712
Site exploration	72,505	-	72,505
Sale of lots	-	(113,989)	(113,989)
Balance, June 30, 2021	929,106	604,905	1,534,011
Site exploration	27,273	-	27,273
Balance, September 30, 2021	\$ 956,379	\$ 604,905	\$ 1,561,284

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

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

5. MINERAL PROPERTIES, RIGHTS, AND DEFERRED EXPLORATION COSTS (cont'd...)

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.

6. DEFERRED NET PROFIT INTEREST COSTS

On January 20, 2021, the Company acquired from a third party, its interest in a JV Royalty Agreement dated July 6, 2020 (“JVRA”) with Eco Mining Oil & Gaz Drilling and Exploration EIRELI (“Eco”) respecting the Vila Nova gold exploration and development project located in Amapa, Brazil.

Pursuant to a purchase and sale agreement, the Company acquired a 100% interest in the JVRA, wherein the Company shall have the option and right to acquire a 50% net profits interest in the Vila Nova property. Pursuant to the terms of the JVRA, in order to exercise the option and acquire the rights thereunder, the Company must make the following payments to Eco, subject to satisfactory project assessment prior to each stage of funding:

- an initial payment of USD\$500,000 to fund the 2,000 m drilling program and related costs needed to complete the business plan to construct a 1,280 t/d bulk exploitation program on the Vila Nova property (payment made by third party prior to acquisition of the JVRA);
- a second payment of USD\$500,000 (paid); and
- a final payment of up to USD\$5,000,000 or as mutually agreed between the parties.

As of September 30, 2021, \$3,905,015 (\$3,099,930 USD) (June 30, 2021 \$2,892,959) had been paid to Eco in relation to the payments for the option and acquisition of the profits interest. Additional payments totaling \$185,514 (\$150,000 USD) were made subsequent to September 30, 2021 (see Note 15).

If exercised and all payments are made, the Company shall receive a 50% net profits interest from all products and minerals produced from the Vila Nova property and exclusive rights to explore and develop the property, including initiating and carrying out commercial production. Eco will remain the sole operator of all mining-related activity on the property, including environmental remediation.

In the event the JVRA is terminated, the cash amounts advanced will convert into a 2-year term loan with interest bearing 6% per annum.

The Company has acquired the right to acquire the JVRA for the Vila Nova property from a third party through issuance of 5,125,000 common shares valued at \$1,981,000.

The following table summarizes the net carrying value of the deferred acquisition of net profit interests:

		Vila Nova
Balance, June 30, 2020	\$	-
Option and acquisition payments made		2,892,959
Shares issued to acquire JVRA		1,981,000
Balance, June 30, 2021	\$	4,873,959
Option and acquisition payments made		1,012,056
Balance, September 30, 2021	\$	5,907,751

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

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

7. RELATED PARTY TRANSACTIONS

As at September 30, 2021, a total of \$22,786 (June 30, 2021 - \$16,674) was owing to the President of the Company.

During the three-month period ended September 30, 2021, the Company:

- received services from a company owned by the President of the Company with a value of \$37,800
- repaid loans of \$31,689.

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

In addition, during the three-month period ended September 30, 2021, \$5,000 was charged for professional fees to a company controlled by the Chief Financial Officer. As at September 30, 2021, a total owing of \$41,250 was due to this company (June 30, 2021 - \$10,000).

As at September 30, 2021, \$406,558 (June 30, 2021 - \$406,558) was owing to former President of the Company and \$300,684 (June 30, 2021 - \$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, 2021.

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.

8. 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 three-month period ended September 30, 2021, \$1,157 of interest was accrued for a balance owing of \$8,169.

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 year ended June 30, 2021, the Company converted \$70,000 of loans from third parties to common shares.

As at September 30, 2021, the total loan payable balance is \$8,169 (June 30, 2021 - \$7,708).

9. CONVERTIBLE DEBENTURES

During the year ended June 30, 2021, the Company closed an offering of unsecured convertible debentures for a total of \$2.464.000. During the three months ended September 30, 2021, the Company issued an additional \$186,000 for a total of \$2.650.000 (the “Debentures”). The Debentures will mature two (2) years from the date of issuance and shall bear interest at a rate of 8% per annum, payable and compounded annual. The principal sum or any portion thereof, may be converted into units of the Company at a conversion price of \$0.30 per unit, commencing on the date that is six (6) months from the date that the Debentures are issued. Each unit shall be comprised of one common share (a “Conversion Share”) and one share purchase warrant (a “Warrant”). Each Warrant shall entitle the holder to acquire one additional common share (a “Warrant Share”) of the Company at a price of \$0.30 per share for a period of eighteen (18) months from the date that the Warrants are issued.

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

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

9. CONVERTIBLE DEBENTURES (cont'd...)

For accounting purposes, the convertible debenture has been separated into its liability and equity component using the effective interest rate method. The fair value of the liability component of the convertible debenture at the time of issue was calculated as being equivalent to the discounted cash flows for the debenture assuming an effective interest rate of 21.21% per annum. The effective interest rates were based on the estimated rate for a debenture without a conversion feature. The equity component has been recorded under equity, which was calculated as the difference between the face value of the convertible debenture and the fair value of the liability component.

As at September 30, 2021, the Company accrued \$43,900 (September 30, 2020 - \$nil) of interest expenses and \$71,583 (September 30, 2020 – \$nil) of accretion expenses, respectively in connection with these Debentures.

Opening balance, July 1, 2019	\$	-
Issuance of convertible notes		2,464,000
Less: Allocation to equity		(518,542)
Interest expense		24,785
Accretion expense		42,045
Ending balance, June 30, 2021	\$	2,013,288
Issuance of convertible notes		187,000
Less: Allocation to equity		(40,144)
Interest expense		43,900
Accretion expense		71,583
Ending balance, September 30, 2021	\$	2,275,627

10. SHARE CAPITAL

Authorized unlimited common voting shares, no par value.

Issued

During the three month period ended September 30, 2021, the Company issued the following common shares by way of warrant exercise:

- 550,000 of common shares were issued at a price of \$0.39 per share for total proceeds of \$214,500; and
- 226,000 of common shares were issued at a price of \$0.35 per share for total proceeds of \$79,100.

During the year ended June 30, 2021, the Company issued the following common shares

- As consideration for the purchase of its interest in the JVRA:
 - 2,150,000 common shares with a fair value of \$752,500 on January 19, 2021;
 - 1,000,000 common shares with a fair value of \$320,000 on February 25, 2021; and
 - 1,975,000 common shares with a fair value of \$908,500 on June 15, 2021.
- By way of a non-brokered private placement:
 - 3,737,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$934,250. 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 \$0.35 per warrant share for a period of eighteen months from the date of issuance. The Company paid a finder's fee of \$17,340 and 50,100 warrants in relation to this issue; and

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

For the three months ended September 30, 2021 and 2020

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10. SHARE CAPITAL (cont'd...)

- 8,355,000 units at a price of \$0.20 per unit for gross proceeds of \$1,671,000. 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. The Company paid a finder's fee of \$14,520 and 34,500 in agent's warrants.
- By way of a warrant exercise where 61,350 of common shares were issued at a price of \$0.20 per share for total proceeds of \$12,270.
- By way of a settlement of loans payable where 350,000 common shares were issued at \$0.20 per share for a value of \$70,000.

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.

As at September 30, 2021, \$14,300 of the private placement and \$5,000 of the warrant exercise were receivable.

Stock options

As at September 30, 2021, 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.

During the three month period ended September 30, 2021, the Company granted an aggregate of 500,000 incentive stock options with a term of ten years. Each option entitles the holder to acquire one common share at a price of \$0.45 per share. Vesting terms for the 500,000 options granted September 3, 2021 are one third vesting one, two and three years from the grant date.

During the year ended June 30, 2021, the Company granted an aggregate of 1,000,000 incentive stock options with a term of five years. Each option entitles the holder to acquire one common share at a price of \$0.35 per share. As well during the year, 31,250 options expired.

Vesting terms for the 1,000,000 options granted February 22, 2021 are one third vesting one, two and three years from the grant date.

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(Unaudited – Prepared by Management)

10. SHARE CAPITAL (cont'd...)**Stock options (cont'd...)**

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value, at the grant date, of the options issued. In all the calculations the annual dividend yield was assumed to be \$nil, and expected volatility was based on historical volatility. All other assumptions are summarized below:

	As at September 30, 2021		As at June 30, 2021	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of year	1,000,000	\$ 0.35	31,250	\$ 0.80
Granted	500,000	\$ 0.45	1,000,000	\$ 0.35
Expired/Cancelled	-	\$ -	(31,250)	\$ (0.80)
Outstanding, end of year	<u>1,500,000</u>	<u>\$ 0.35</u>	<u>1,000,000</u>	<u>\$ 0.35</u>

As at June 30, 2021, 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>
1,000,000	333,333	\$	0.35	4.40	February 22, 2026
500,000	166,667	\$	0.45	9.93	September 3, 2031

During the period, the Company recorded share-based compensation of \$39,333 (September 30, 2020 - \$nil) relating to stock options. Share based compensation is measured at the fair value of options at the date of grant and is expensed over the vesting period. The amount was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2021	2022
Expected volatility	112%	110%
Expected life	5 years	10 years
Risk-free interest rate	1.01%	1.11%
Dividend yield	0.00%	0.00%

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10. SHARE CAPITAL (cont'd...)**Share purchase warrants**

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at June 30, 2020	125,000	\$ 0.56
Issued	12,526,600	\$ 0.38
Excercised	(61,350)	\$ 0.27
Expired	(5,680,000)	\$ 0.56
Balance at June 30, 2021	6,910,250	\$ 0.37
Excercised	(776,000)	\$ 0.38
Expired	(2,600,000)	\$ 0.39
Balance at September 30, 2021	3,534,250	\$ 0.35

As at September 30, 2021 the following warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiry Date
3,534,250	\$ 0.35	August 19, 2022

The fair value of broker warrants granted of \$6,451 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>February 19, 2021</u>
Expected volatility	112%
Expected life	1.5 years
Risk-free interest rate	0.22%
Dividend yield	0%

11. SEGMENTED INFORMATION

The Company operates in two reportable operating segments, being the acquisition and development of mineral rights and properties in Canada and Brazil. Other than the funds advanced (Note 6), the remaining operations pertained to the properties in Canada

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the period ended September 30, 2021:

- Accrued interest on loans of \$461;
- Expiry of 22,500 warrants at a fair value of \$4,266.

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

- Accrued interest on loans of \$10,366.

13. 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, 2021 as follows:

	Fair Value Measurements Using			Balance, September 30, 2021 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	359,820	–	–	359,820

As September 30, 2021, 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.

JAZZ RESOURCES INC.

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

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, 2021, the Company had a cash balance of \$57,243 to settle current liabilities of \$1,318,782.

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.

(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.

14. 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, 2021.

JAZZ RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2021 and 2020

(Unaudited – Prepared by Management)

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company:

- Made additional payments of \$185,514 in relation to the purchase of the JVRA;
- Exercised 478,000 share purchase warrants for total proceeds of \$167,300; and
- Announced that it intends to complete a non-brokered private placement of units of the Company at a price of \$0.75 per unit, for aggregate gross proceeds to the Company of \$800,000.