

**JAZZ RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SIX MONTH PERIOD ENDED DECEMBER 31, 2014**

(Expressed in Canadian dollars)

(UNAUDITED – PREPARED BY MANAGEMENT)

## Management's Comments on Unaudited Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Jazz Resources Inc. (the "Company") as at and for the six months ended December 31, 2014 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

**JAZZ RESOURCES INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)

|                                                                   | December 31,<br>2014 | June 30,<br>2014   |
|-------------------------------------------------------------------|----------------------|--------------------|
| <b>ASSETS</b>                                                     |                      |                    |
| <b>Current</b>                                                    |                      |                    |
| Cash                                                              | \$ 53                | \$ 3,028           |
| Amounts receivable                                                | <u>3,895</u>         | <u>5,232</u>       |
| <b>Total current assets</b>                                       | 3,948                | 8,260              |
| <b>Security deposits</b>                                          | 33,500               | 33,500             |
| <b>Mineral properties and deferred exploration costs (Note 4)</b> | 688,110              | 687,024            |
| <b>Equipment (Note 5)</b>                                         | <u>2,953</u>         | <u>3,452</u>       |
| <b>Total assets</b>                                               | <u>\$ 728,511</u>    | <u>\$ 732,236</u>  |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIT)</b>           |                      |                    |
| <b>Current</b>                                                    |                      |                    |
| Accounts payable and accrued liabilities                          | \$ 22,239            | \$ 39,374          |
| Due to related parties (Note 6)                                   | <u>1,237,876</u>     | <u>1,198,132</u>   |
| <b>Total current liabilities</b>                                  | 1,260,115            | 1,237,506          |
| <b>Shareholders' equity (deficit)</b>                             |                      |                    |
| Share capital (Note 7)                                            | 3,672,921            | 3,672,921          |
| Contributed surplus                                               | 706,616              | 706,616            |
| Deficit                                                           | <u>(4,911,142)</u>   | <u>(4,884,807)</u> |
|                                                                   | <u>(531,604)</u>     | <u>(505,270)</u>   |
| <b>Total liabilities and shareholders' equity (deficit)</b>       | <u>\$ 728,511</u>    | <u>\$ 732,236</u>  |

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

**Approved and authorized on behalf of the Board:**

\_\_\_\_\_  
*"Mike Koss"* Director \_\_\_\_\_  
*"Steve May"* Director

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

**JAZZ RESOURCES INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)

|                                                                                 | <b>Three Month<br/>Period Ended<br/>December 31,<br/>2014</b> | <b>Three Month<br/>Period Ended<br/>December 31,<br/>2013</b> | <b>Six Month<br/>Period Ended<br/>December 31,<br/>2014</b> | <b>Six Month<br/>Period Ended<br/>December 31,<br/>2013</b> |
|---------------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                                      |                                                               |                                                               |                                                             |                                                             |
| Amortization                                                                    | 239                                                           | 327                                                           | 498                                                         | 681                                                         |
| Consulting fees                                                                 | -                                                             | -                                                             | -                                                           | -                                                           |
| Filing fees                                                                     | -                                                             | 2,214                                                         | -                                                           | 2,266                                                       |
| Interest and penalties (Note 6)                                                 | 7,953                                                         | 7,953                                                         | 15,906                                                      | 15,906                                                      |
| Management fees (Note 6)                                                        | -                                                             | 19,500                                                        | -                                                           | 39,000                                                      |
| Office and miscellaneous                                                        | 2,838                                                         | 709                                                           | 3,028                                                       | 4,710                                                       |
| Professional fees (Note 6)                                                      | 2,410                                                         | 6,987                                                         | 2,410                                                       | 8,007                                                       |
| Salaries and benefits                                                           | -                                                             | 2,156                                                         | -                                                           | 5,725                                                       |
| Share-based compensation (Note 7)                                               | -                                                             | -                                                             | -                                                           | 2,709                                                       |
| Transfer agent fees                                                             | 2,723                                                         | 1,770                                                         | 4,493                                                       | 3,587                                                       |
| Travel and entertainment                                                        | ----                                                          | 543                                                           | ---                                                         | 2,313                                                       |
| <b>Loss and comprehensive loss for the period</b>                               | <b>(16,163)</b>                                               | <b>(42,160)</b>                                               | <b>(26,335)</b>                                             | <b>(84,904)</b>                                             |
| <b>Basic and diluted loss per common share</b>                                  | <b>\$ (0.00)</b>                                              | <b>\$ (0.00)</b>                                              | <b>\$ (0.00)</b>                                            | <b>\$ (0.00)</b>                                            |
| <b>Weighted average number of common shares outstanding – basic and diluted</b> | <b>14,281,105</b>                                             | <b>14,281,105</b>                                             | <b>14,281,105</b>                                           | <b>14,281,105</b>                                           |

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

**JAZZ RESOURCES INC.****CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

(Unaudited – Prepared by Management)

|                                   | Number of<br>Shares | Share Capital       | Contributed<br>Surplus | Deficit               | Total               |
|-----------------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|
| <b>Balance, June 30, 2013</b>     | <b>14,281,105</b>   | <b>\$ 3,672,921</b> | <b>\$ 703,908</b>      | <b>\$ (4,719,137)</b> | <b>\$ (342,308)</b> |
| Share-based compensation          | -                   | -                   | 2,708                  | -                     | 2,708               |
| Loss for the period               | -                   | -                   | -                      | (84,902)              | (84,902)            |
| <b>Balance, December 31, 2013</b> | <b>14,281,105</b>   | <b>\$ 3,672,921</b> | <b>\$ 706,616</b>      | <b>\$ (4,804,039)</b> | <b>\$ (424,502)</b> |
| Share-based compensation          | -                   | -                   | -                      | -                     | -                   |
| Loss for the period               | -                   | -                   | -                      | (80,768)              | (80,768)            |
| <b>Balance, June 30, 2014</b>     | <b>14,281,105</b>   | <b>\$ 3,672,921</b> | <b>\$ 706,616</b>      | <b>\$ (4,884,807)</b> | <b>\$ (505,270)</b> |
| Share-based compensation          | -                   | -                   | -                      | -                     | -                   |
| Loss for the period               | -                   | -                   | -                      | (26,335)              | (26,335)            |
| <b>Balance, December 31, 2014</b> | <b>14,281,105</b>   | <b>\$ 3,672,921</b> | <b>\$ 706,616</b>      | <b>\$ (4,911,142)</b> | <b>\$ (531,604)</b> |

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

**JAZZ RESOURCES INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)

|                                                       | <b>Six Month<br/>Period Ended<br/>December 31,<br/>2014</b> | <b>Six Month<br/>Period Ended<br/>December 31,<br/>2013</b> |
|-------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b> |                                                             |                                                             |
| Loss for the period                                   | \$ (26,335)                                                 | \$ (84,904)                                                 |
| Items not affecting cash:                             |                                                             |                                                             |
| Amortization                                          | 498                                                         | 681                                                         |
| Share-based compensation                              | -                                                           | 2,708                                                       |
| Accrued interest                                      | 15,906                                                      | 15,906                                                      |
| Changes in non-cash working capital items:            |                                                             |                                                             |
| Decrease in amounts receivable                        | 1,337                                                       | 5,479                                                       |
| Increase in accounts payable and accrued liabilities  | <u>(17,135)</u>                                             | <u>(37,307)</u>                                             |
| Net cash used in operating activities                 | <u>(25,729)</u>                                             | <u>(97,436)</u>                                             |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b> |                                                             |                                                             |
| Mineral property and deferred exploration costs       | <u>(1,085)</u>                                              | <u>(5,645)</u>                                              |
| Net cash used in investing activities                 | <u>(1,085)</u>                                              | <u>(5,645)</u>                                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |                                                             |                                                             |
| Advances from related parties, net                    | <u>23,838</u>                                               | <u>105,571</u>                                              |
| Net cash provided by financing activities             | <u>23,838</u>                                               | <u>105,571</u>                                              |
| <b>Change in cash during the period</b>               | (2,975)                                                     | 2,491                                                       |
| <b>Cash, beginning of period</b>                      | <u>3,028</u>                                                | <u>211</u>                                                  |
| <b>Cash, end of period</b>                            | \$ 53                                                       | \$ 2,702                                                    |

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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**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 Unit 5 – 2330 Tyner Street, Port Coquitlam, British Columbia, Canada, V3C 2Z1. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

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

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

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

*Going concern of operations*

These consolidated interim 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.

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 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.

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

(Unaudited – Prepared by Management)

SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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

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

|                              | December 31,<br>2014 | June 30,<br>2014 |
|------------------------------|----------------------|------------------|
| Working capital (deficiency) | \$ (1,256,167)       | \$ (1,229,246)   |
| Deficit                      | \$ (4,911,142)       | \$ (4,884,807)   |

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

These consolidated interim 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 interim financial statements are prepared using IFRSs in effect as at December 31, 2014. Significant accounting policies and the applicable basis of measurement used in the preparation of these consolidated interim financial statements are described in Note 3.

These consolidated interim 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.

**3. SIGNIFICANT ACCOUNTING POLICIES***Basis of presentation*

These consolidated interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended June 30, 2014, 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 consolidated interim financial statements be read in conjunction with the annual audited financial statements.

*Basis of consolidation*

These consolidated interim 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 INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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**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.

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

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**Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is being provided for using the following rates and methods:

|          |                       |
|----------|-----------------------|
| Vehicles | 30% declining balance |
|----------|-----------------------|

**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.

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

**Mineral properties (cont'd...)**

*Development costs*

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

*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.

**Financial instruments**

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss,” “loans and receivables,” “available-for-sale,” “held-to-maturity,” or “financial liabilities measured at amortized cost” as follows:

i) Financial assets

Financial assets comprise cash, amounts receivable, and security deposits. Cash comprises liquid balances held at a large Canadian bank and is measured at fair value through profit and loss. Amounts receivable is classified as loans and receivables and is recorded at amortized cost less any impairment. Security deposits are designated for various operational or environmental reclamation purposes and are classified as held-to-maturity.

ii) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the fair value or estimated future cash flows of an asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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

**Financial instruments (cont'd...)**

ii) Impairment of financial assets (cont'd...)

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

iii) Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities and due to related parties. These are classified as financial liabilities measured at amortized cost using the effective interest method. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

Assets and liabilities measured at fair value are further categorized in a fair value hierarchy based on the inputs used to determine their fair value. 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.

See Note 10 for fair value hierarchy classifications.

**(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, which reflects the dilutive effect of options, warrants and other convertible instruments, is calculated using the treasury stock method. 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.

**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.

**Judgments, estimates and measurement uncertainty**

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

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

i) Mineral properties and deferred exploration costs

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

ii) Reclamation provision

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

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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**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.

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

(Unaudited – Prepared by Management)

SIX MONTH PERIOD ENDED DECEMBER 31, 2014

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

The Company owns two mineral properties, the Teddy Glacier Property and the Spider Property, both located in the Province of British Columbia ("B.C."). The Teddy Glacier Property is located in the Revelstoke Mining Division in B.C., comprising of claims that are 100% owned by the Company through staking. The Spider Property is comprised of certain Crown granted mineral claims and several land lots in fee simple within the township of Camborne, B.C. During the year ended June 30, 2010, the Company entered into an agreement to earn a 100% interest in eight mining claims contiguous to the Teddy Glacier Property. Consideration for the claims was as follows:

- Payment of \$12,500, due on signing (paid); and
- Issuance of 25,000 common shares due on signing (issued – valued at \$13,000 or \$0.52 per share).

All acquisition and deferred exploration costs have been grouped with the Teddy Glacier Property costs for presentation purposes.

The following table summarizes mineral property costs, by property.

|                                   | Teddy Glacier     | Spider            | Total             |
|-----------------------------------|-------------------|-------------------|-------------------|
| <b>Balance, June 30, 2013</b>     | <b>\$ 492,051</b> | <b>\$ 181,769</b> | <b>\$ 673,820</b> |
| Acquisition costs                 | 643               | -                 | 643               |
| Property taxes                    | -                 | 2,603             | 2,603             |
| Site exploration                  | 9,998             | 2,651             | 12,649            |
| Government subsidies              | (1,764)           | (927)             | (2,691)           |
| <b>Balance, June 30, 2014</b>     | <b>\$ 500,928</b> | <b>\$ 186,096</b> | <b>\$ 687,024</b> |
| Site exploration                  | -                 | 1,086             | 1,086             |
| <b>Balance, December 31, 2014</b> | <b>\$ 500,928</b> | <b>\$ 187,182</b> | <b>\$ 688,110</b> |

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

**Government subsidies**

As at December 31, 2014, the Company has accrued a total of \$3,795 as B.C. mining tax credits receivable for exploration work completed.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

**5. EQUIPMENT**

|          | December 31, 2014 |                             |                   | June 30, 2014 |                             |                   |
|----------|-------------------|-----------------------------|-------------------|---------------|-----------------------------|-------------------|
|          | Cost              | Accumulated<br>Amortization | Net Book<br>Value | Cost          | Accumulated<br>Amortization | Net Book<br>Value |
| Vehicles | \$ 47,553         | \$ 44,600                   | \$ 2,953          | \$ 47,553     | \$ 44,101                   | \$ 3,452          |

**6. RELATED PARTY TRANSACTIONS**

As at December 31, 2014 a total of \$1,237,876 (June 30, 2014 \$1,198,132) is owing to related parties. Of this amount \$55,000 (June 30, 2014 \$55,000) is owed to a shareholder of the Company, \$60,000 (June 30, 2014 \$60,000) is owed to a former director of the Company, \$365,634 (June 30, 2014 \$357,518) is owed to the estate of a former director of the Company, \$10,434 (June 30, 2014 \$10,434) is owed to an officer of the Company, and \$746,808 (June 30, 2014 \$715,180) is owed to a company owned by the estate of a former President of the Company. Pursuant to two agreements dated June 30, 2012, the amount owing to a company owned by the estate of a former President of the Company as well as the amount owed to the estate of a former director of the Company was reclassified from current to long-term. The amounts are now repayable on or before June 30, 2015 and will bear interest at 5% per annum. All other amounts owing are non-interest bearing and have no fixed terms of repayment. As at December 31, 2014 a total of \$79,530 (June 30, 2014 \$63,624) has been accrued as interest.

During the year ended June 30, 2013, a total of 400,000 stock options were granted to a director of the Company with a total fair value of \$43,345. The amount was recognized as share-based compensation.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

**7. SHARE CAPITAL**

**Authorized**

Unlimited common voting shares, no par value.

**Issued**

There were no common shares issued during the years ended June 30, 2014 or 2013.

**Share purchase warrants**

Share purchase warrant transactions are summarized as follows:

|                                                 | Number<br>of Warrants | Weighted<br>Average<br>Exercise Price |
|-------------------------------------------------|-----------------------|---------------------------------------|
| <b>Balance, June 30, 2013 and June 30, 2014</b> | <b>252,500</b>        | <b>\$ 0.50</b>                        |
| <b>Exercisable at December 31, 2014</b>         | <b>0</b>              | <b>\$ 0.0</b>                         |

As at December 31, 2014 the following share purchase warrants were outstanding:

| Number<br>of Warrants | Exercise<br>Price | Expiry Date      |
|-----------------------|-------------------|------------------|
| 0                     | \$ 0.0            | December 3, 2014 |

During the year ended June 30, 2013, the Company extended the expiry date of all of the outstanding warrants from December 4, 2012 to December 3, 2014.

**Stock options**

As at September 30, 2014, 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.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

**7. SHARE CAPITAL (cont'd...)**

**Stock options (cont'd...)**

Stock option transactions are summarized as follows:

|                                                                     | Number<br>of Options | Weighted<br>Average<br>Exercise Price |
|---------------------------------------------------------------------|----------------------|---------------------------------------|
| <b>Balance, June 30, 2013, June 30, 2014 and September 30, 2014</b> | <b>1,925,000</b>     | <b>\$ 0.16</b>                        |
| <b>Outstanding and exercisable at December 31, 2014</b>             | <b>1,925,000</b>     | <b>\$ 0.16</b>                        |
| Weighted average fair value of options granted during the year      | (2014 - \$nil)       | (2013 - \$nil)                        |

As at December 31, 2014 the following stock options were outstanding:

| Number<br>of Options | Exercise<br>Price | Expiry Date    |
|----------------------|-------------------|----------------|
| 1,525,000            | \$ 0.17           | April 28, 2015 |
| 400,000              | \$ 0.15           | July 17, 2017  |

**Share-based compensation**

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted using a graded vesting approach. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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**7. SHARE CAPITAL (cont'd...)**

**Share-based compensation (cont'd...)**

The total share-based compensation recognized during the year ended June 30, 2013 as calculated for fiscal 2013 option grants under the fair value method was \$40,637. An additional \$66,996 (2012 - \$nil) was recorded as share-based compensation associated with the Company reducing the exercise price of a total of 1,525,000 stock options from \$0.45 to \$0.17. All of these options expired unexercised during the year then ended. The following weighted average assumptions were used for the Black-Scholes valuation of share-based compensation charges for the period:

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|                          | <b>Year Ended<br/>June 30,<br/>2013</b> |
|--------------------------|-----------------------------------------|
| Risk-free interest rate  | <b>1.06%</b>                            |
| Expected life of options | <b>1.62 years</b>                       |
| Annualized volatility    | <b>114%</b>                             |
| Dividend rate            | <b>\$0.00</b>                           |

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**8. SEGMENTED INFORMATION**

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

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transactions during the period ended December 31, 2014 were as follows:

- a) Recognition of accrued interest on loans of \$7,953.

The significant non-cash transactions during the period ended September 30, 2014 were as follows:

- a) Recognition of accrued interest on loans of \$7,953.

The significant non-cash transactions during the year ended June 30, 2014 were as follows:

- a) Recognition of share-based compensation of \$2,708 on options vested during fiscal 2014.

## **10. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash, amounts receivable, security deposits, accounts payable and accrued liabilities and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company's cash is measured at level 1 of the fair value hierarchy. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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

### *Credit risk*

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

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2014, the Company had a cash balance of \$22,342 to settle current liabilities of \$1,266,537. There is a risk that the Company may not be able to fulfill its obligation when a liability is due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

### *Market risk*

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

#### (a) Interest rate risk

The Company has \$33,500 of security deposits earning interest at an average rate of 0.57% per annum. Pursuant to agreements with the estate of a former director of the Company and a company owned by the estate of a former President of the Company, \$636,265 of amounts owing to related parties bears interest at 5% per annum commencing July 1, 2012.

#### (b) Foreign currency risk

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

#### (c) Price risk

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

**JAZZ RESOURCES INC.**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

SIX MONTH PERIOD ENDED DECEMBER 31, 2014

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**11. 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 (ie. 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, 2014.