

**JAZZ RESOURCES INC.  
YEAR ENDED JUNE 30, 2010**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Note to Readers**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Jazz Resources Inc. (the "Company") for the year ended June 30, 2010.

**1.1 Date**

This MD&A is prepared as of October 13, 2010. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

**1.2 Overview**

The Company is a junior mining resource company focused on acquiring, exploring and developing mineral properties. The primary focus of the Company is the development of the Teddy Glacier, Spider, and Burniere properties located in the Revelstoke mining district of British Columbia, Canada.

In 2009 the Company completed a bulk sample program on the Teddy Glacier property. The Company's primary objective is to mill the high grade mineralization from this bulk sample. The Company continues to seek a facility to mill this bulk sample, no such facility is available in British Columbia.

On January 20, 2010 the Company announced its exploration plan for 2010. The strategy included resuming work on the Teddy Glacier property with a 9,000 tonne bulk sampling program as well as a diamond drill program.

The Company plans to rehabilitate the Spider property with the intent of reopening the mine in the near future. The Company has already obtained a permit to investigate, excavate, and trench a new vein discovered in 2008 near the Spider Mine.

Furthermore an exploration program consisting of sampling and trenching on the recently acquired Burniere property is planned.

On September 16, 2009 the Company acquired eight existing mineral claims (the Burniere property) adjacent to the Company's Teddy Glacier property. The Company paid \$12,500 and issued to Mr. Ken Sanders, the vendor of the properties, 25,000 common shares of the Company with a value of \$13,000. The claims are accessible and have good exploration potential.

At the present time the Company faces a funding shortfall. Any net profits from processing the 2009 bulk sample will be used to offset exploration expenses and the funding shortfall.

### 1.3 Selected Annual Information

|   | Year ended<br>June 30, 2010 | Year ended<br>June 30, 2009 | Year ended<br>June 30, 2008 |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | \$                          | \$                          | \$                          |
| Total revenues                              | Nil                         | Nil                         | Nil                         |
| General and administrative expenses         | 377,776                     | 447,755                     | 292,893                     |
| (Loss) income for the period                | (377,776)                   | (445,380)                   | (236,365)                   |
| (Loss) income per share – basic and diluted | (0.03)                      | (0.03)                      | (0.02)                      |
| Total assets                                | 844,530                     | 579,278                     | 694,397                     |
| Total financial liabilities                 | 555,699                     | 145,252                     | 57,240                      |
| Cash dividends declared – per share         | Nil                         | Nil                         | Nil                         |

The decrease in the net loss for the year ended June 30, 2010 compared to the corresponding period in 2009 was due largely to a decrease in stock based compensation. The increase in total assets from the previous year is due to an increase in mineral property and deferred exploration costs. The increase in liabilities was caused by increased accounts payable and amounts due to related parties.

### 1.4 Results of Operations for the year ended June 30, 2010.

This review of the Results of Operations should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended June 30, 2010.

#### Overview

For the period ended June 30, 2010, the Company incurred a net loss of \$377,776 compared to a net loss of \$445,380 for the year ended June 30, 2009.

#### Revenues

The Company had no revenues during the fiscal year.

#### Expenses

General and administrative expenses totaled \$377,776 for the year. The three largest expense items were stock-based compensation \$118,581, management fees \$78,000, and consulting fees of \$51,500. These three items accounted for approximately 66% of the Company's total general and administrative expenses.

#### Amounts Due to Related Parties

Amounts due to related parties at June 30, 2010 totalling \$352,932 are owing to a company controlled by a director of the Company, directors of the Company, and a shareholder of the Company.

#### Total assets

Total assets as at June 30, 2010 (\$844,530) increased by \$265,252 from \$579,278 as at June 30, 2009 as a result of an increase in mineral property and deferred exploration costs.

## 1.5 Summary of Quarterly Results

|  | Three Months Ended |                  |                     |                      |
|--|--------------------|------------------|---------------------|----------------------|
|  | June 30<br>2010    | March 31<br>2010 | December 31<br>2009 | September 30<br>2009 |
|  | \$                 | \$               | \$                  | \$                   |
| Total Revenues                         | 0                  | 0                | 0                   | 0                    |
| Net Income (Loss)                      | (100,326)          | (66,717)         | (82,991)            | (127,742)            |
| Net Loss per share (basic and diluted) | (.01)              | (.01)            | (.01)               | (.01)                |

|  | Three Months Ended |                  |                     |                      |
|--|--------------------|------------------|---------------------|----------------------|
|  | June 30<br>2009    | March 31<br>2009 | December 31<br>2008 | September 30<br>2008 |
|  | \$                 | \$               | \$                  | \$                   |
| Total Revenues                         | 0                  | 0                | 0                   | 0                    |
| Net Income (Loss)                      | (180,274)          | (73,470)         | (139,637)           | (51,999)             |
| Net Loss per share (basic and diluted) | (.01)              | (.01)            | (.01)               | (.01)                |

Net loss in the last quarter above was higher than the previous quarter because of higher interest expense recorded in the last quarter.

## 1.6 Liquidity

### Cash Flow from Operations

The Company recorded a net loss of \$377,776 for the year ended June 30, 2010, compared to a net loss of \$445,380 for the year ended June 30, 2009. All of these costs were in relation to general and administrative expenditures.

### Working Capital

As at June 30, 2010, the Company had \$11,795 cash on hand. As at June 30, 2010, the Company had a working capital deficiency of \$406,170 as compared to working capital of \$6,178 at June 30, 2009. The decrease in working capital was caused by an increase in accounts payable associated with exploration expenditures and an increase in amounts due to related parties. As at June 30, 2010 the Company had trade accounts payable of \$202,767 and amounts due to related parties of \$352,932.

### Debt and Other Obligations

The Company has no other debt.

### Outlook

At present, the Company has no active operations. The future of the Company is dependent on its ability to raise sufficient funds to carry out its exploration activities.

## **1.7 Capital Resources**

The Company is dependent on the sale of equity and shareholder loans in order to finance its activities.

On January 28, 2008 the Company completed a prospectus offering of 2,323,200 shares at a price of \$0.45 per share for total gross proceeds of \$1,045,440.

A new stock option plan was approved by the shareholders at the Annual General Meeting held on April 8, 2009. Under the new plan the maximum number of shares that can be issued has been increased to 2,800,700 from 2,336,081.

On December 4, 2009 the Company closed a private placement of \$101,000 (252,500 units) by way of a non-brokered private placement of units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share of the Company at a price of \$0.50 per share for a period of 18 months from the date of closing.

## **1.8 Off-Balance Sheet Arrangements**

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

## **1.9 Transactions with Related Parties**

Amounts due to related parties at June 30, 2010 totalling \$ 352,932 are owing to a company controlled by a director of the Company, directors of the Company, and a shareholder off the Company.

During the year ended June 30, 2010, the Company paid or accrued accounting fees of \$13,337 (2009 - \$12,176) to an officer of the Company.

During the year ended June 30, 2010, the Company paid management fees of \$78,000 (2009 - \$78,000) pursuant to a management agreement with the Manager. The Company has agreed to pay \$6,500 per month to the Manager as remuneration for services, commencing on the date the Company is listed on the TSX Venture Exchange, January 28, 2008.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and in certain cases, by signed agreements. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## **1.10 Fourth Quarter Adjustments**

None.

## **1.11 Proposed Transactions**

None.

## 1.12 Changes in Accounting Policies including Initial Adoption

### Adoption of new accounting policies

*CICA Handbook Section 3064 - Goodwill and other intangibles assets*

This new section replaces Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The Company adopted the new standard on July 1, 2009, which did not have a material impact on their financial statements.

## 1.13 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivables, 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 fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## 1.14 Other MD&A Requirements

### Additional Information

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Share Capital

As of the date of this MD&A the Company had 14,281,105 common shares outstanding and 1,925,000 stock options outstanding.

### General and Administrative Expenses

|                          | Year Ended<br>June 30,<br>2010 | Year Ended<br>June 30,<br>2009 | Year Ended<br>June 30,<br>2008 |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| Amortization             | 4,396                          | 6,007                          | 8,336                          |
| Consulting fees          | 51,500                         | 24,000                         | 7,950                          |
| Filing fees              | 8,143                          | 1,895                          | 8,182                          |
| Interest and penalties   | 27,825                         | -                              | 23,585                         |
| Management fees          | 78,000                         | 78,000                         | 32,500                         |
| Office and miscellaneous | 17,074                         | 18,429                         | 10,432                         |
| Professional fees        | 51,193                         | 55,781                         | 58,974                         |
| Rent                     | -                              | -                              | 9,800                          |
| Salaries and Benefits    | 7,693                          | 8,720                          | 5,998                          |
| Stock based compensation | 118,581                        | 242,249                        | 114,657                        |
| Transfer agent fees      | 11,077                         | 9,074                          | 11,441                         |
| Travel and entertainment | 2,294                          | 3,600                          | 1,038                          |
|                          | \$ <u>(377,776)</u>            | \$ <u>(447,755)</u>            | \$ <u>(292,893)</u>            |

### Mineral Property and Deferred Exploration Costs

The following information pertains to the Company's 100% interest in mining claims located in the Revelstoke Mining Division of B.C.

|   | June 30,<br>2010 | June 30,<br>2009 | June 30,<br>2008 |
|---|------------------|------------------|------------------|
| Deferred exploration costs, beginning of year | \$404,862        | \$182,078        | \$163,011        |
| Additions during the year                     |                  |                  |                  |
| Acquisition costs                             | 25,500           |                  |                  |
| Camp operation                                |                  | 2,871            | 1,080            |
| Contractors                                   | 375,291          | 218,908          |                  |
| Property and mining taxes                     | 2,713            | 4,736            | 3,000            |
| Site exploration                              | 70,132           | 50,132           | 14,987           |
| Government assistance & subsidies             | <u>(204,014)</u> | <u>(53,863)</u>  | <u>-</u>         |
| Deferred exploration costs, end of year       | <u>\$674,484</u> | <u>\$404,862</u> | <u>\$182,078</u> |

### Mineral Property and Deferred Exploration Costs by Property June 30, 2010

|   | Teddy Glacier    | Spider           | Total            |
|---|------------------|------------------|------------------|
| Deferred exploration costs, beginning of year | \$275,261        | \$129,601        | \$404,862        |
| Additions during the year                     |                  |                  |                  |
| Acquisition costs                             | 25,500           | -                | 25,500           |
| Contractors                                   | 375,291          | -                | 375,291          |
| Property and mining taxes                     | -                | 2,713            | 2,713            |
| Site exploration                              | 60,997           | 9,135            | 70,132           |
| Government assistance and subsidies           | <u>(200,460)</u> | <u>(3,554)</u>   | <u>(204,014)</u> |
| Deferred exploration costs, end of year       | <u>\$536,589</u> | <u>\$137,895</u> | <u>\$674,484</u> |

### Subsequent Events

In September 2010 the Company completed a limited logging operation on its properties in the Camborne area of British Columbia. The proceeds of this operation will be used to pay trade accounts payable.

On July 29, 2010 a director loaned the Company \$25,000. On September 13, 2010 a director loaned the Company \$90,000. The loans were used to pay trade accounts payable. The loans are unsecured, have no fixed rate of interest, and no fixed terms of repayment.

### Outlook

The Company's objective is to carry out its exploration program.

### **Changeover Plan to International Financial Reporting Standards (“IFRS”)**

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian generally accepted accounting principals (“GAAP”) for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Company, the changeover to IFRS will be required for interim and annual financial statements beginning on July 1, 2011. As a result, the Company will begin to develop a plan to convert its Consolidated Financial Statements to IFRS. The Company will provide training to key employees and will be monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

### **Forward Looking Statements**

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.