

**PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 5:00 P.M. (VANCOUVER TIME) ON SEPTEMBER 16, 2021.**

*This rights offering circular (this “Circular”) is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Circular. Any representation to the contrary is an offence.*

*This is the Circular we referred to in the August 9, 2021 rights offering notice (the “Notice”), which you should have already received. Your DRS rights statement and relevant forms were enclosed with the Notice. This Circular should be read in conjunction with the Notice and Kaizen Discovery Inc.’s continuous disclosure prior to making an investment decision.*

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the “United States” (as defined in Regulation S under the U.S. Securities Act). This rights offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, and the securities offered herein may not be offered or sold in or into the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. persons” are as defined in Regulation S under the U.S. Securities Act.*

*The offer of these securities is being made in all provinces and territories of Canada (the “Qualified Jurisdictions”).*

**Rights Offering Circular**

August 9, 2021

## **KAIZEN DISCOVERY INC.**

**Offering of Rights to Acquire 166,666,666 Right Shares at a Subscription Price of \$0.045 per Rights Share for aggregate gross proceeds of \$7,500,000**

**We currently have sufficient working capital to last approximately 1.5 months. We require 100% of the Rights Offering to be taken up to last 8 months, and will require subsequent additional financing in order to last 12 months. See “Use of Available Funds”.**

### **OFFERING OF RIGHTS TO SUBSCRIBE FOR RIGHTS SHARES AT A PRICE OF \$0.045 PER RIGHT SHARE**

References in this Circular to “we”, “our”, “us” and similar terms are to Kaizen Discovery Inc. (“KZD” or the “Company”). References in this Circular to “you”, “your” and similar terms are to holders of KZD’s Common Shares (as defined below). All amounts herein are presented in Canadian dollars, unless otherwise stated.

## **SUMMARY OF THE RIGHTS OFFERING**

### **Why are you reading this Circular?**

KZD is issuing to the holders (the “Shareholders”) of its outstanding common shares (the “Common Shares”) of record as at the close of business (Vancouver time) on August 23, 2021 (the “Record Date”), and who are resident in the Qualified Jurisdictions, an aggregate of 166,666,666 transferable rights (each whole right, a “Right”) to subscribe for an aggregate of 166,666,666 common Shares (the “Rights Shares”) on the terms set forth herein (the “Offering”).

This Circular describes details of the Offering including your rights and obligations in respect thereof. This Circular is referred to in the Notice and should be read in conjunction with it.

Enquiries relating to this Offering should be directed to Investor Relations at: info@kaizendiscovery.com or phone: 1-604-669-6446.

### ***What is being offered?***

Based on the 343,554,821 Common Shares outstanding as of the date of this Circular, an aggregate of 166,666,666 Rights are expected to be issued to purchase 166,666,666 Rights Shares pursuant to the Offering. The final number of Rights to be issued will depend on the actual number of issued and outstanding Common Shares on the Record Date, based on the formula of 0.4851239331 of a Right to be issued for each Common Share outstanding.

Rights will be evidenced by DRS rights statements in registered form (each, a “**Rights Statement**”). Each Shareholder of record who is resident in a Qualified Jurisdiction, as of the Record Date, will receive 0.4851239331 of a Right for every one Common Share held on the Record Date.

### ***What does one Right entitle you to receive?***

Each whole Right will entitle the holder thereof to purchase one Rights Share (the “**Basic Subscription Privilege**”) upon payment of the Subscription Price (as defined below). In the event that a Shareholder exercises the Basic Subscription Privilege in full, the Shareholder is entitled to exercise additional Rights (the “**Additional Rights**”) to subscribe for Rights Shares not otherwise purchased, on a pro rata basis, pursuant to an additional subscription privilege (the “**Additional Subscription Privilege**”). The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Offering and the total number of Rights exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time (as defined below) on the Expiry Date (as defined below). See “*What is the additional subscription privilege and how can you exercise this privilege?*”.

The Company will not be issuing fractional Rights. All fractional Rights will be rounded down to the next whole number of Rights and no additional compensation will be paid.

### ***What is the subscription price?***

A holder of Rights must pay \$0.045 (the “**Subscription Price**”) to exercise one whole Right to purchase one Rights Share. The Subscription Price must be paid in the lawful currency of Canada.

On August 6, 2021, being the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX Venture Exchange (the “**TSXV**”) was \$0.065.

### ***When does the offer expire?***

The offer will expire at 5:00 p.m. (Vancouver time) (the “**Expiry Time**”) on September 16, 2021 (the “**Expiry Date**”) after which time the unexercised Rights, if any, will be void and of no value.

The Company reserves the right to extend the Expiry Time and Expiry Date, in its sole discretion, subject to obtaining any required regulatory approvals, if the Company determines that the timely exercise of the Rights may have been prejudiced due to disruption in postal service.

### ***What are the significant attributes of the Rights issued under the Offering and the securities to be issued upon the exercise of the Rights?***

Each whole Right will entitle the holder thereof to purchase one Rights Share at the Subscription Price. Rights not exercised by the Expiry Time on the Expiry Date will be void and of no value.

A Right does not entitle the holder thereof to any rights whatsoever as a security holder of the Company other than the right to subscribe for and purchase a Rights Share on the terms and conditions described herein.

Registered holders of Common Shares are entitled to receive notice of and attend all meetings of Shareholders, and are entitled to one vote for each Common Share held. In addition, holders of Common Shares are entitled to receive on a pro rata basis dividends and/or distributions if, as and when declared by the Company's board of directors and, upon liquidation, dissolution or winding-up, are entitled to receive on a pro rata basis the remaining assets of KZD available for distribution to Shareholders.

As at the date hereof, there are 343,554,821 issued and outstanding Common Shares. Assuming all of the Rights are exercised and no other issuances of Common Shares occur before the Expiry Time, the Company will have 510,221,487 Common Shares outstanding immediately after the Expiry Time.

***What are the minimum and maximum number or amount of Rights Shares that may be issued under the Offering?***

The Offering is not subject to any minimum subscription level. However, the Company has obtained a stand-by commitment from its majority shareholder, Ivanhoe Electric (BVI) Inc. (previously HPX TechCo Inc.) ("**Ivanhoe Electric BVI**" or the "**Standby Purchaser**"), to subscribe for such number of Rights Shares that will ensure aggregate gross proceeds from the Offering of \$7,500,000. See "*Insider Participation*" below. Assuming the exercise of all Rights, a maximum of 166,666,666 Rights Shares will be issued in connection with the Offering (subject to adjustment for rounding and assuming that no additional Common Shares are issued between the date of this Circular and the Record Date). See "*Standby Commitment*"

***Where will the Rights and the securities issuable upon exercise of the Rights be listed for trading?***

The Common Shares are, and the Rights Shares issuable upon the exercise of the Rights will be listed for trading on the TSXV under the symbol "KZD" and commence trading "ex-rights" on August 20, 2021, being one trading day prior to the Record Date.

The Rights will be listed and trade on the TSXV under the trading symbol "KZD.RT" until the Expiry Time.

**NOTE TO U.S. SHAREHOLDERS**

**NEITHER THIS RIGHTS OFFERING NOR THE RIGHTS NOR THE RIGHTS SHARES ISSUABLE UPON EXERCISE OF THE RIGHTS HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THIS RIGHTS OFFERING OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS RIGHTS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The Rights and Rights Shares issuable upon exercise of the Rights have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or applicable state securities laws. Shareholders of KZD that have an address in the United States, are U.S. residents, or are in the United States at the time of the receipt or exercise of the Rights, cannot participate in the Offering unless such Shareholder can provide evidence

satisfactory to KZD that such Shareholder is an “accredited investor” within the meaning of Rule 501(a) of Regulation D promulgated under the U.S. Securities Act (“**Regulation D**”) in a manner which satisfies the requirements of Rule 506(c) of Regulation D. See “*How to Exercise the Rights – Who is Eligible to Receive the Rights?*” below.

This Circular has been prepared in accordance with the disclosure requirements of applicable Canadian securities laws. Prospective investors should be aware that those requirements are different from those of the United States. Financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition or disposition of the securities described in this Circular may have tax consequences in Canada, the United States, or elsewhere. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should consult their own tax advisors with respect to such tax considerations.

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected by the fact that the Company is governed by the laws of British Columbia, Canada, that some or all of its officers and directors may be residents of a country other than the United States, that some or all of the experts named in the Circular may be located outside of the United States and that all or a substantial portion of the assets of said persons may be located outside the United States.

#### **CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESERVE AND RESOURCE ESTIMATES**

This Circular has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the SEC applicable to registration statements and reports filed by United States companies pursuant to the U.S. Securities Act or the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). As such, information contained in this Circular concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Mineral resource estimates included in this Circular and in the Company’s public disclosure have been prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“**NI 43-101**”) and the Canadian Institute of Mining and Metallurgy Classification System, as required by Canadian securities regulatory authorities. In particular, this Circular and the Company’s public disclosure, include the terms “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource.” While these terms are recognized and required by Canadian regulations (under NI 43-101), the SEC does not recognize them. In addition, the Company’s public disclosure includes disclosure of “contained ounces” of mineralization. Although such disclosure is permitted under Canadian regulations, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as a “measured mineral resource”, “indicated mineral resource” or “inferred mineral resource” will ever be converted to reserves as defined in NI 43-101 or applicable SEC

regulations. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility or other economic studies. Shareholders in the United States are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.

### **USE OF AVAILABLE FUNDS**

#### ***What will our available funds be upon closing of the Offering?***

The Company estimates that it will have the following funds available after giving effect to the Offering:

A	Amount to be raised by the Offering	\$7,500,000
B	Selling commissions and fees	\$Nil
C	Estimated offering costs (e.g., legal, accounting, audit)	\$200,000
D	Available funds: $D = A - (B + C)$	\$7,300,000
E	Additional sources of funding required	\$Nil
F	Working capital deficiency	\$Nil
G	Total: $G = (D + E) - F$	\$7,300,000

#### ***How will we use the available funds?***

Assuming the exercise of all Rights, the maximum net proceeds to the Company from the Offering will be approximately \$7,300,000, after deducting estimated expenses of \$200,000 associated with the Offering.

Geology, camp, and site administration costs at the Pinaya Copper-Gold Project ("Pinaya")	\$1,000,000
Exploration Program – Induced Polarization ("IP" ) survey at Pinaya	\$1,600,000
Exploration Program – Diamond drilling at Pinaya	\$3,300,000
Other exploration project costs	\$100,000
General and administrative expenditures <sup>(1)</sup>	\$1,300,000
<b>Total:</b>	<b>\$7,300,000</b>

(1) Includes ongoing estimated legal costs to defend the AM Gold appeal and to recover costs from AM Gold.

The Company intends to spend the available funds from the Offering as stated. The Company will reallocate funds only for sound business reasons.

#### ***How long will the available funds last?***

The Company expects the net proceeds of the Offering will not be sufficient to meet working capital requirements for the next 12 months. The Company estimates that the net proceeds are

sufficient to meet the Company's working capital requirements over the **next 8 months**. The Company intends to use the net proceeds of the Rights Offering to deploy Ivanhoe Electric Inc's proprietary Typhoon™ transmitter system at its 100% owned Pinaya copper-gold project in Peru to undertake a 129 km<sup>2</sup> 3D Induced Polarization and Resistivity ("IP-resistivity") survey – the largest Typhoon™ survey completed to date. In addition, the Company will conduct exploration diamond drilling of the near-surface replacement gold targets. The remaining funds will be used for general and administrative expenditures.

The Company plans to pursue additional financing alternatives, which it is currently considering, in the first quarter of 2022 in order to continue maintain its existing operations. Management has been able to source funding in the past, and management expects to continue to be able to attract capital as needed. However, there is no assurance that the Company will be able to raise additional required financing on a timely basis or at all.

Notwithstanding anything stated herein to the contrary, there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

## **INSIDER PARTICIPATION**

### ***Will insiders be participating?***

Certain insiders of the Company, including certain of the Company's directors, have indicated their intention to participate in the Offering.

This reflects the intentions of such insiders (as defined in applicable Canadian securities legislation) as of the date hereof to the extent such intentions are reasonably known to the Company, however such insiders may alter their intentions before the Expiry Time on the Expiry Date. No assurance can be given that the respective insiders will exercise their Rights to acquire Rights Shares.

As at the date hereof, insiders of the Company own or exercise control or direction over, directly or indirectly, 251,963,465 Common Shares (on a non-diluted basis), representing approximately 73.34% of the issued and outstanding Common Shares. In the event that these insiders purchase 122,233,506 Rights Shares pursuant to the Basic Subscription Privilege, these insiders would own an aggregate of 374,196,971 Common Shares. If no other shareholders were to exercise Rights under the Offering and these insiders exercised their Additional Subscription Privilege, such insiders would own an aggregate of 418,630,131 Common Shares upon completion of the Offering, representing approximately 82.05% of the Company.

### ***Who are the holders of 10% or more of the Common Shares before and after the Offering?***

To the knowledge of the directors and officers of the Company, as at the date hereof, no person or company beneficially owns, directly or indirectly, or controls or directs more than 10% of any class of voting securities of the Company, other than as set out below.

<b>Shareholder</b>	<b>Holdings before the Offering (non-diluted)<sup>(1)</sup></b>	<b>Holdings after the Offering (non-diluted)<sup>(2)</sup></b>
Ivanhoe Electric (BVI) Inc. <sup>(3)</sup>	251,420,798 Common Shares (73.18% <sup>(4)</sup> )	Up to 418,087,464 Common Shares (Up to 81.94%)

Notes:

1. The information as to Common Shares beneficially owned, controlled or directed not being within the knowledge of the Company, its directors or officers, has been furnished by the Shareholder, as supplemented by a review of the central securities register maintained by Computershare and from insider reports available at [www.sedi.ca](http://www.sedi.ca).
2. Assumes that no other Shareholders exercise their Right to purchase Rights Shares under the Offering and Ivanhoe Electric BVI acquires the maximum number of Standby Shares.
3. Ivanhoe Electric BVI is an affiliate of and wholly owned by Ivanhoe Electric Inc. ("**Ivanhoe Electric**"), which acquired BVI through a contribution agreement with High Power Exploration Inc. effective April 30, 2021. Ivanhoe Electric BVI is ultimately controlled by I-Pulse Inc.
4. Does not include Rights Shares issuable pursuant to the Ivanhoe Electric BVI Warrants. Ivanhoe Electric BVI also has the right to acquire 48,100,000 Common Shares that are issuable upon the exercise of outstanding share purchase warrants. 26,000,000 share purchase warrants are currently exercisable into Common Shares at a price of \$0.075 until December 15, 2022; 2,100,000 share purchase warrants are currently exercisable into Common Shares at a price of \$0.155 until January 11, 2022; and 20,000,000 share purchase warrants are exercisable into Common Shares at a per share price of \$0.12 until July 11, 2021. These share purchase warrants may therefore be deemed outstanding for certain purposes under securities laws, and are in addition to the Common Shares reported in the table above.

As a result of Ivanhoe Electric BVI exercising control or direction over 10% or more of the issued and outstanding common shares of the Company, Ivanhoe Electric BVI is considered to be related parties to the Company under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Offering is not subject to the related party rules under MI 61-101 based on the exception in Section 5.1(k) thereof applicable to certain rights offerings.

## DILUTION

### ***If you do not exercise your Rights, by how much will your security holdings be diluted?***

Assuming that all of the Rights are exercised (either pursuant to the Basic Subscription Privilege or the Additional Subscription Privilege), then your percentage ownership of the Common Shares will be diluted by approximately 33% upon completion of the Offering.

## STAND-BY COMMITMENT

### ***Who is the Standby Purchaser and what are the fees?***

The Standby Purchaser is the current controlling shareholder of the Company. Pursuant to the standby purchase agreement between the Company and the Standby Purchaser dated August 9, 2021 (the "**Standby Purchase Agreement**"), the Standby Purchaser has agreed, subject to certain terms, conditions and limitations, to exercise its Basic Subscription Privilege, if any, and, in addition thereto, to acquire any additional Rights Shares available as a result of any unexercised Rights under the Offering (the "**Standby Shares**"), such that the Company will, subject to the terms of the Standby Purchase Agreement, be guaranteed to issue, to the Standby Purchaser 166,666,666 Rights Shares in connection with the Offering for aggregate gross proceeds of \$7,500,000. The Standby Purchaser is a "related party" of the Company under applicable securities laws as it controls and directs more than 10% of the issued outstanding Common Shares.

The Standby Purchaser may terminate the Standby Purchase Agreement in the following circumstances: (a) any material adverse change occurs at any time following execution of the Standby Purchase Agreement; (b) KZD is in material default of its obligations under the Standby Purchase Agreement and fails to remedy such breach within five business days of written notice of such breach; (c) any of the conditions in favour of the Standby Purchaser as set forth in the Standby Purchase Agreement are not satisfied or waived by the Standby Purchaser by the closing time of the Offering; (d) the Offering has been publicly announced within 10 Business Days of the date of the Standby Agreement; and (e) the Offering is terminated, is cancelled without issuance of the Rights Shares or closing of the Offering has not occurred by 45 days after the Record Date.

In consideration for the standby commitment, Ivanhoe Electric BVI will receive Common Share purchase warrants (the “**Ivanhoe Electric BVI Warrants**”) to purchase 25% of the Common Shares that Ivanhoe Electric BVI has agreed to acquire pursuant to its commitment under the Standby Purchase Agreement (for greater certainty, which does not include the Rights Shares that Ivanhoe Electric BVI is entitled to subscribe for under the Basic Subscription Privilege and Additional Subscription Privilege). The exercise price of the Ivanhoe Electric BVI Warrants will be \$0.065, the closing price of the Common Shares on August 6, 2021, being the last trading day prior to the announcement of the terms of the Offering. The Ivanhoe Electric BVI Warrants expire 5 years from the date of issue.

***Have we confirmed that the Standby Purchaser has the financial ability to carry out its stand-by commitment?***

To the knowledge of the Company, after reasonable inquiry, the Standby Purchaser has the financial ability to carry out its stand-by commitment.

***What are the security holdings of the Standby Purchaser before and after the Offering?***

<b>Shareholder</b>	<b>Holdings before the Offering (non-diluted)<sup>(1)</sup></b>	<b>Holdings of Common Shares after the Offering if the Standby Purchaser takes up the entire stand-by commitment (non-diluted)<sup>(2)(3)</sup></b>
Ivanhoe Electric (BVI) Inc. <sup>(3)</sup>	251,420,798 Common Shares <sup>(3)</sup> (73.18%)	Up to 418,087,464 Common Shares (Up to 81.94%)
Note: See the corresponding footnotes in the table above under the heading “Who are the holders of 10% or more of the Common Shares before and after the Offering?”		

**MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS**

***Who is the managing or soliciting dealer and what are its fees?***

There is no managing dealer or soliciting dealer in respect of the Offering.

**HOW TO EXERCISE THE RIGHTS**

***How does a securityholder that is a registered holder participate in the Offering?***

The Notice for the Offering has been sent to Shareholders in the Qualified Jurisdictions. For registered holders of Common Shares, a Rights Statement representing the number of Rights to which the Shareholder is entitled as of the Record Date has been included with the Notice. In order to exercise the Rights represented by the Rights Statement, a holder of Rights must complete and deliver the Rights Subscription Form attached to the Rights Statement to the offices of Computershare Investor Services Inc. (the “**Rights Agent**”) by mail or courier to Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1 Attention: Corporate Actions, before the Expiry Time on the Expiry Date in the manner and upon the terms set out in the Rights Statement and as set out below. The method of delivery is at the discretion and risk of the holder of the Rights Statement and delivery to the Rights Agent will only be effective when actually received by the Rights Agent. If mail is used, registered mail is recommended.

In order to exercise your Rights, you must:

- 1. Complete and sign Form 1 or 2, as the case may be, on the Rights Subscription Form.**  
The maximum number of Rights that you may exercise under the Basic Subscription Privilege

is shown in the first page of the Rights Statement. By completing the appropriate form attached to the Rights Statement, a Rights Statement holder may: (i) subscribe for Rights Shares (Form 1); or (ii) exercise Additional Rights (Form 2). A Rights Statement holder may sell or transfer Rights by delivering their Rights Statement with a duly executed Securities Transfer Form or valid form of stock power of attorney to the Rights Agent. If you complete Form 1 so as to exercise some but not all of the Rights evidenced by the Rights Statement, you will be deemed to have waived the unexercised balance of such Rights, unless you otherwise specifically advise the Rights Agent at the time the Rights Statement is surrendered to the Rights Agent.

2. **Additional Subscription Privilege.** Complete and sign Form 2 on the Rights Statement only if you also wish to participate in the Additional Subscription Privilege. You must exercise the Basic Subscription Privilege in full to be eligible to exercise the Additional Subscription Privilege. See “*What is the Additional Subscription Privilege and how can you exercise this privilege?*”.
3. **Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc.** To exercise the Rights, you must pay \$0.045 per Rights Share, and you may purchase one Rights Share for every one whole Right you hold. In addition to the amount payable for any Rights Shares you wish to purchase under the Basic Subscription Privilege, you must also pay the amount required for any Rights Shares subscribed for under the Additional Subscription Privilege, if any. Amounts paid in respect of the Additional Subscription Privilege not ultimately used to acquire Rights will be returned to you. See “*What is the Additional Subscription Privilege and how can you exercise this privilege?*”.
4. **Delivery.** Deliver or mail the completed Rights Statement (including Form 1 and Form 2) and payment in the enclosed return envelope addressed to the Rights Agent at the address below so that it is received before the Expiry Time on the Expiry Date. If you are mailing your documents, registered mail is recommended. Please allow sufficient time to avoid late delivery as the payments together with Form 1, Form 2 and any other applicable forms, must be received by the Expiry Time on the Expiry Date.

Computershare Investor Services Inc.  
100 University Avenue  
8th Floor  
Toronto, ON M5J 2Y1

Attention: Corporate Actions

Rights Statements will expire and be of no value unless they are returned with a properly completed Form 1 or 2, as the case may be, and received with payment for the Rights Shares subscribed for, at the office of the Rights Agent before the Expiry Time on the Expiry Date.

The signature of the Rights Statement holder must correspond in every particular with the name that appears on the face of the Rights Statement. Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Rights Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscriptions will be determined by the Company in its sole discretion, and any determination by the Company will be final and binding. All subscriptions are irrevocable. The Company reserves the absolute right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Rights Shares pursuant thereto could be deemed unlawful. The Company is

not and will not be under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.

Certificates for Rights Shares issued upon exercise of Rights in accordance with the Offering, including Rights Shares purchased through the Additional Subscription Privilege, will be registered in the name of the person to whom the Rights Statement was issued or to whom the Rights were transferred in accordance with the terms thereof, and mailed to the address of the subscriber for the Common Shares as stated on the Rights Statement, unless otherwise directed, as soon as practicable after the Expiry Date. Once mailed or delivered in accordance with the instructions of the subscriber, the Company assumes no further responsibility for the certificates evidencing the Rights Shares.

Rights Statements may be combined, divided or exchanged by delivering such Rights Statements, accompanied by appropriate instructions, to the Rights Agent as set out above. Rights Statements must be surrendered for division, combination or exchange by such date as will permit new Rights Statements to be issued and used by the holder thereof prior to the Expiry Time on the Expiry Date.

***How does a security holder that is not a registered holder participate in the Offering?***

Shareholders in the Qualified Jurisdictions who hold Common Shares through a securities broker or dealer, bank or trust company or other participant (a “**CDS Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”), will be issued their respective Rights as of the Record Date to CDS and will be deposited with CDS following the Record Date.

If you are a beneficial holder of Common Shares in the Qualified Jurisdictions, in order to exercise your Rights, you must:

1. Instruct the CDS Participant to exercise, purchase or transfer all or a specified number of such Rights, and forward to such CDS Participant, the aggregate Subscription Price for the Rights Shares you wish to subscribe for in accordance with the terms of the Offering. It is anticipated by the Company that each purchaser of Rights Shares will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Rights Shares are issued or purchased in accordance with the practices and policies of such CDS Participant; and
2. You may subscribe for additional Rights Shares pursuant to the Additional Subscription Privilege by instructing such CDS Participant to exercise the Additional Subscription Privilege in respect of the number of additional Rights Shares you wish to subscribe for, and forwarding to such CDS Participant the aggregate Subscription Price for such additional Rights Shares requested. Any excess funds will be returned by mail or credited to the applicable CDS Participant for the account of the beneficial holder without interest or deduction.

Subscriptions for Rights Shares made through a CDS Participant will be irrevocable and Shareholders will be unable to withdraw their subscriptions for Rights Shares once submitted. CDS Participants may have an earlier deadline for receipt of instructions and payment than the Expiry Time on the Expiry Date.

Only registered Shareholders will be provided with Rights Statements. For all non-registered, beneficial Shareholders who hold their Common Shares through a CDS Participant in the book-based systems administered by CDS, the total number of Rights to which all such beneficial Shareholders as at the Record Date are entitled will be issued to and deposited with CDS following the Record Date. The Company expects that each beneficial Shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the

practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights.

Beneficial Shareholders in the Qualified Jurisdictions may also accept the Offering in the Qualified Jurisdictions by following the procedures for book-based transfer, provided that a confirmation of the book-based transfer of their Rights through CDS on-line tendering system into the Company's account at CDS, is received by the Company prior to the Expiry Time on the Expiry Date. The Company has established an account at CDS for the purpose of the Offering. Any financial institution that is a participant in CDS may cause CDS to make a book-based transfer of a holder's Rights into the Company's account in accordance with CDS procedures for such transfer. Delivery of Rights using the CDS book-based transfer system will constitute a valid tender under the Offering.

The Company will not have any liability for: (i) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such Rights; or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or their CDS Participants.

### ***Who is eligible to receive Rights?***

The Rights are being offered to Shareholders resident in the Qualified Jurisdictions. Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Company. Neither the Notice nor this Circular is to be construed as an offering of the Rights, or the Rights Shares issuable upon exercise of the Rights, for sale in any jurisdiction outside of the Qualified Jurisdictions (the "**Non-Participating Jurisdictions**"), or to Shareholders who are residents in any jurisdictions other than the Qualified Jurisdictions (or, in the case of the United States, located or having an address in the United States) ("**Ineligible Shareholders**").

The Company will not accept subscriptions from any Shareholder or from any transferee of Rights who is or appears to be, or who the Company has reason to believe is, resident in a Non-Participating Jurisdiction (or, in the case of the United States, located or having an address in with the United States), except in the circumstances described below. This Circular or Rights Statements will not be delivered to any Ineligible Shareholders unless such Ineligible Shareholder satisfies the Company that it is an Approved Ineligible Shareholder (as defined below). Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial Shareholders who are resident in Non-Participating Jurisdictions. Ineligible Holders will be presumed to be resident in the place of their registered address.

An Ineligible Shareholder that satisfies the Company, in its sole discretion, that such offering to and subscription by such Shareholder or transferee is lawful and in compliance with all applicable securities and other laws where such Shareholder or transferee is resident (such Shareholder is referred to herein as an "**Approved Ineligible Shareholder**") may have its Rights Statements issued and forwarded by the Rights Agent upon direction from the Company.

The Rights Agent will hold the Rights of Ineligible Shareholders until 5:00 p.m. (Vancouver time) on September 7, 2021. Ineligible Shareholders must satisfy the Company as to their eligibility to participate in the Offering on or before 5:00 p.m. (Vancouver time) on September 7, 2021 to claim the Rights Statement. The Rights Statement, and any Rights Shares that may be issued upon the exercise of the Rights, may be endorsed with restrictive legends according to applicable securities laws.

An Ineligible Shareholder that (i) is a direct or indirect holder with an address of record in the United States (or whom the Company otherwise reasonably believes to be in the United States

or a United States resident) or otherwise a “U.S. person” (as defined herein) and (1) who is an “accredited investor” that satisfies one or more of the criteria set forth in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act (each a “**U.S. Accredited Investor**”), and who provides evidence to such effect, in a form which satisfies, in the sole discretion of the Company, the requirements of Rule 506(c) of Regulation D, which may require the Ineligible Holder to provide to us all or any combination of: (a) an Internal Revenue Service Form that reports such Ineligible Holder’s income for the most recent two years; (b) bank statements and other statements of securities holdings, certificates of deposit or tax assessments; (c) a consumer report from a United States nationwide consumer reporting agency; (d) written confirmation from a United States registered broker-dealer, an investment adviser registered with the SEC, a licensed United States attorney or an accountant as to whether such Ineligible Holder is a U.S. Accredited Investor; (e) any other information we deem necessary to confirm the Ineligible Holder’s status as a U.S. Accredited Investor in order to comply with Rule 506(c) of Regulation D; or (ii) is outside the Eligible Jurisdictions and the United States; and (2) satisfies us that such offering to and subscription by such Approved Ineligible Holder or transferee is lawful and in compliance with all applicable securities and other laws may have its Rights Statements issued and forwarded by the Rights Agent upon direction from us.

Ineligible Shareholders will be sent the Notice, for information purposes only, together with a letter advising them that their Rights Statements will be held by the Rights Agent (except in the case of an Approved Ineligible Shareholder as set out above) and that the Rights Statements will be issued to and held on their behalf by the Rights Agent until 5:00 p.m. (Vancouver Time) on September 7, 2021, after which time and prior to the Expiry Time, the Rights Agent shall attempt to sell the Rights of such Ineligible Shareholders represented by Rights Statements in the possession of the Rights Agent on such date(s) and at such price(s) as the Rights Agent determines in its sole discretion.

A registered Ineligible Shareholder whose address of record is outside the Qualified Jurisdictions but who holds Common Shares on behalf of a holder who is eligible to participate in the Offering must notify the Company, in writing, on or before the seventh day prior to the Expiry Time on the Expiry Date if such beneficial holder wishes to participate in the Offering.

No charge will be made for the sale of Rights by the Rights Agent except for a proportionate share of any brokerage commissions incurred by the Rights Agent and costs incurred by the Rights Agent in connection with the sale of the Rights. Ineligible Shareholders will not be entitled to instruct the Rights Agent in respect of the price or the time at which the Rights are to be sold. The Rights Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Rights Agent with respect to the sale of Rights, net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a pro rata basis among such Ineligible Shareholders and delivered by mailing cheques (in Canadian funds) to the Rights Agent therefor as soon as practicable to such Ineligible Shareholders. Amounts of less than \$10.00 will not be remitted. The Rights Agent will act in its capacity as agent of the Ineligible Shareholder on a best efforts basis only and we and the Rights Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any Ineligible Shareholder. Neither we nor the Rights Agent will be subject to any liability for the failure to sell any Rights of Ineligible Shareholders or as a result of the sale of any Rights at a particular price or on a particular day. There is a risk that the proceeds received from the sale of Rights will not exceed the costs incurred by the Rights Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Holders of Rights who are not resident in Canada should be aware that the purchase and sale of Rights or Rights Shares may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such holders should consult their own tax advisors about

the specific tax consequences in the jurisdiction where they reside or acquiring, holding, and disposing of Rights or Common Shares.

***What is the Additional Subscription Privilege and how can you exercise this privilege?***

A holder of a Rights Statement who is not an Ineligible Shareholder and who has exercised all the Rights (other than fractional Rights) evidenced by such Rights Statement may exercise Additional Rights, if available, at a price equal to the Subscription Price. The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Offering and the total number of Rights validly exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. Subscriptions for the exercise of Additional Rights will be received subject to allotment only and the number of Additional Rights, if any, that may be allotted to each subscriber will be equal to the lesser of: (i) the number of Additional Rights that such subscriber has exercised under the Additional Subscription Privilege; and (ii) the product (disregarding fractions, if any) obtained by multiplying the number of Additional Rights available to be issued by a fraction, the numerator of which is the number of Rights previously exercised by the subscriber pursuant to the Basic Subscription Privilege and the denominator of which is the aggregate number of Rights previously exercised pursuant to the Basic Subscription Privilege by all holders of Rights who have exercised and paid for Additional Rights. If any Rights holder has exercised fewer Additional Rights than such Rights holder's pro rata allotment of Additional Rights, the excess Additional Rights will be allotted in a similar manner among the Rights holders who were allotted fewer Additional Rights than they exercised.

To exercise Additional Rights under the Additional Subscription Privilege:

- a registered holder must: (i) complete Form 2 of the Rights Subscription Form attached to the Rights Statement, and (ii) deliver the Rights Statement, together with payment for those Additional Rights, to the Rights Agent at or before the Expiry Time on the Expiry Date as provided above; and
- a beneficial holder must deliver payment and instructions to the CDS Participant sufficiently in advance of the Expiry Time on the Expiry Date to allow the CDS Participant to properly exercise the Additional Subscription Privilege, in each case in accordance with your instructions to the CDS Participant.

If payment for all additional Rights Shares subscribed for pursuant to the Additional Subscription Privilege does not accompany the subscription, the over-subscription will be invalid.

If the Offering is fully subscribed, then the funds included for any over-subscriptions will be returned by the Company to the relevant Shareholders. If the Offering is not fully subscribed, certificates representing Rights Shares due to Shareholders as a result of over-subscriptions will be delivered by the Company as soon as practicable, together with the certificates representing Rights Shares due to those Shareholders pursuant to their subscriptions in accordance with the Basic Subscription Privilege. In addition, the Company will return to any over-subscribing Shareholder within 30 calendar days of the Expiry Date any excess funds paid in respect of an over-subscription for Rights Shares where the number of additional Rights Shares available to that Shareholder is less than the number of Additional Rights exercised. No interest will be payable by the Company in respect of any excess funds returned to Shareholders.

***How does a Rights holder sell or transfer Rights?***

The Rights will trade on the TSXV under the trading symbol "KZD.RT" until the Expiry Time on the Expiry Date. Holders of Rights Statements not wishing to exercise their Rights may sell or transfer them directly or through their securities broker or dealer at the holder's expense, subject

to any applicable resale restrictions. Rights Statements will not be registered in the name of an Ineligible Shareholder. Holders of Rights Statements may elect to exercise only a part of their Rights and dispose of the remainder, or dispose of all of their Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for services to be performed by the Rights Agent as described herein) is the responsibility of the holder of such Rights. Depending on the number of Rights a holder may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale.

If you wish to transfer your Rights, as a registered holder, you must: (i) complete a Securities Transfer Form or valid form of stock power of attorney ("**Transfer Form**") and have the signature guaranteed by an "eligible institution" to the satisfaction of the Rights Agent, and (ii) deliver the Rights Statement to the transferee. "Eligible institution" means a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (STAMP) or a member of the Stock Exchange Medallion Program (SEMP). Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. It is not necessary for a transferee to obtain a new Rights Statement to exercise the rights or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 of the Rights Statement must correspond in every particular with the name of the transferee shown on the Transfer Form. If the Transfer Form is properly completed, the Company and the Rights Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Statement for all purposes and will not be affected by notice to the contrary. A Rights Statement so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights.

If you are a beneficial holder, you must arrange for the transfer of Rights through the CDS Participant.

***When can you trade the Rights Shares issuable upon the exercise of your Rights?***

All Rights Shares issuable on exercise of the Rights will be listed and posted for trading on the TSXV under the symbol "KZD" as soon as practicable after closing of the Offering.

***Are there restrictions on the resale of Rights and Rights Shares?***

The Rights being issued hereunder and the Rights Shares issuable upon the exercise of the Rights (collectively, the "**Securities**") are being distributed by the Company in the Qualified Jurisdictions pursuant to exemptions from the registration and prospectus requirements under securities legislation in the Qualified Jurisdictions. Resale of the Securities may be subject to restrictions pursuant to applicable securities legislation then in force. Set out below is a general summary of the restrictions governing first trades in the Rights Shares in the Qualified Jurisdictions. Additional restrictions may apply to "insiders" of the Company and holders of the Common Shares who are "control persons" or the equivalent or who are deemed to be part of what is commonly referred to as a "control block" in respect of the Company for purposes of securities legislation. Each holder of Rights is urged to consult his or her professional advisors to determine the exact conditions and restrictions applicable to trades of the Common Shares.

Generally, the first trade of any of the Securities will be exempt from the prospectus requirements of securities legislation in the Qualified Jurisdictions and such Securities may be resold without hold period restrictions if: (i) the Company is and has been a "reporting issuer" in a jurisdiction of Canada for the four months immediately preceding the trade; (ii) the trade is not a "control distribution" as defined in applicable securities legislation; (iii) no unusual effort is made to prepare the market or to create a demand for the Securities; (iv) no extraordinary commission or other consideration is paid in respect of such trade; and (v) if the seller is an insider or officer of the

Company, the seller has no reasonable grounds to believe that the Company is in default of applicable securities legislation.

If such conditions have not been met, then the Securities may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances. As at the date hereof the Company has been a reporting issuer for more than four months in each of the following provinces of Canada: British Columbia and Alberta.

### **U.S. Restriction**

The Rights may not be transferred to any person within the United States or to a “U.S. person” (as such term is defined in Regulation S under the U.S. Securities Act). Holders of Common Shares in the United States, with U.S. addresses of record or who are U.S. persons who receive Rights may transfer or resell them only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act, which generally will permit the resale of the Rights through the facilities of the TSXV provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no “directed selling efforts”, as that term is defined in Regulation S under the U.S. Securities Act, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Corporation’s “affiliates”, as that term is defined under the U.S. Securities Act. In order to enforce this resale restriction, holders thereof will be required to execute a declaration certifying that such sale is being made through the facilities of the TSXV in accordance with Regulation S under the U.S. Securities Act.

Rights Shares issued to holders of Rights in the United States, with U.S. addresses or who are U.S. persons will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and may be offered and sold only in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, and certificates representing such Rights Shares will bear a legend to such effect.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights and Rights Shares should consult with their advisors concerning restrictions on resale, and should not resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

### ***Will the Company issue fractional underlying Rights Shares upon exercise of the Rights?***

The Company will not issue fractional Rights Shares upon the exercise of Rights and only whole Rights may be exercised. Where the issuance of Rights would otherwise entitle the holder of Rights to fractional Rights Shares, the holder’s entitlement will be reduced to the next lowest whole number of Rights Shares, with no additional compensation.

## **APPOINTMENT OF DEPOSITARY**

### ***Who is the depositary?***

Computershare Investor Services Inc. has been appointed to act as the depositary and Rights Agent for the Offering and to: (i) receive subscriptions and payments from Rights holders for the Rights Shares subscribed for under the Basic Subscription Privilege and, if applicable, the Additional Subscription Privilege and (ii) perform the services relating to the exercise and transfer of the Rights, including the issuance of the Rights Shares. Certain Rights may be settled directly with the Company.

The Company will pay for all such services of the Rights Agent. The Rights Agent will accept subscriptions for Rights Shares and payment of the Subscription Price from Rights holders by mail or courier to the office of the Rights Agent:

Computershare Investor Services Inc.  
100 University Avenue  
8th Floor  
Toronto, ON M5J 2Y1

Attention: Corporate Actions

Enquiries relating to the Offering should be addressed to the Rights Agent by telephone at 1-800-564-6253 or by sending an email to [corporateactions@computershare.com](mailto:corporateactions@computershare.com).

The method of delivery of Rights Statements and funds to the Rights Agent is at the discretion of the Rights holder. Neither the Rights Agent nor the Company will be liable for the failure to deliver or the delivery of Rights Statements or funds to an address other than the address set out above. Delivery to an address other than the address set out above may result in a subscription for Rights Shares or a transfer of Rights not being accepted. If mail is used, registered mail is recommended.

***What happens if the Company does not proceed with the Offering or if the Company does not receive funds from the stand-by guarantor?***

The Rights Agent will hold all funds received in payment for Rights Shares subscribed for on exercise of Rights in a segregated account pending completion of the Offering. If the Company does not proceed with the Offering or if the Company does not receive funds from the stand-by purchaser, such funds will be returned (without interest) to the applicable subscriber or CDS Participants.

## **RISKS AND UNCERTAINTIES**

An investment in securities of the Company involves significant risks, which should be carefully considered by prospective investors before purchasing such securities. In addition to the risk factors set out below and elsewhere in this Circular, investors should carefully consider the risk factors set out in the section entitled "Risk Factors" in the Company's MD&A for the year ended December 31, 2020 available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Any one or more of such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information and forward-looking statements contained herein relating to the Company.

***The Standby Purchase Agreement may be Terminated***

The Standby Purchase Agreement may be terminated by the Company or the Standby Purchaser in certain circumstances. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Standby Purchase Agreement will not be terminated by either the Company or the Standby Purchaser before the completion of the Offering. If there is a failure to complete the Offering, the Company anticipates that it would not have the funds available to complete its financing objectives described under the heading "*Use of Proceeds*" unless it is able to complete an alternative financing transaction, which would likely have a material adverse effect upon the business, financial condition and operating results of the Company. There can be no assurance that alternative financing would be available on acceptable terms or within sufficient time to complete its financing objectives.

### ***Financing and Share Price Fluctuation Risks***

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects, which could result in the loss of its property.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

### ***Impact of Pandemics***

All of the Company's operations are subject to the risk of emerging infectious diseases or the threat of viruses or other contagions or pandemic diseases, including COVID-19. Any outbreak or threat of an outbreak of a virus or other contagions or pandemic disease could have a material adverse effect on the Company's business, results of operations and financial condition as well as the operations of the Company's suppliers, contractors, service providers and host communities. The significant ongoing global uncertainty surrounding COVID-19 could also have a negative impact on the Company's ability to raise financing. A material spread of COVID-19 or other infectious disease could impact the timing and ability of the Company to proceed with planned exploration programs. An outbreak could cause governmental agencies to close for prolonged periods of time causing delays in regulatory permitting processes. Governments may introduce new or modify existing laws, regulations, orders or other measures that could impede the Company's ability to manage the Company's operations. The extent to which COVID-19 continues to affect our business will depend on future events which are highly uncertain and cannot be predicted, including the geographic spread, duration of the pandemic, actions taken by government authorities in response to the pandemic, and the impacts on global and regional markets and the Company's suppliers and service providers.

### ***Mineral Property Exploration and Mining Risks***

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's properties do not have a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

### ***Reliability of Mineral Resource Estimates***

Estimation of Mineral Resources is a subjective process that relies on the judgment of the persons preparing the estimates. The process relies on, among other things, the quantity and quality of available data and is based on knowledge, mining experience, analysis of drilling results and industry practice. Valid estimates made at a given time may change significantly in the future when new information becomes available. By their nature, Mineral Resource estimates are imprecise and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Inferred Mineral Resources, in particular, have a degree of uncertainty as there is a limited ability to assess geological continuity. There is

a risk that any estimate of Inferred Mineral Resources will not be capable of upgrading to Mineral Resources with sufficient continuity to allow them to be used in connection with the estimation of Mineral Reserves. In addition, estimates of Mineral Resources may have to be recalculated based on fluctuations in copper and gold or other metal prices, results of drilling, metallurgical testing and production, including dilution, and the evaluation of mine plans subsequent to the date of any estimates. Any material change in the quantity of Mineral Resources or the related grades may affect the economic viability of the projects at which a Mineral Resource has been identified and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***The Company may become subject to litigation and the outcome of pending litigation is uncertain.***

All industries, including the mining industry, may be made subject to legal claims and proceedings, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. KZD may also in the future become the subject of a legal claim or proceeding at any time, and without advance notice of the commencement of the proceeding. To the extent KZD becomes subject to any such claim or proceeding, it may materially impact management's time and the Company's financial resources to defend, even if it is without merit. As well, due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material adverse effect on the Company's business, results of operations, financial condition (including its cash position) and prospects.

Kaizen is currently subject to litigation in British Columbia. The proceedings relate to a claim against the Company in respect of its acquisition of the Pinaya Project. The trial of the action has been concluded and the trial judge agreed with Kaizen's position that the plaintiff's claims were without merit and dismissed the action in its entirety. Kaizen is entitled to recover costs and has applied for an enhanced, substantial-indemnity costs award. That decision is now on reserve with the trial judge. The plaintiff has commenced an appeal from the trial judgment and has recently articulated the grounds in support of its appeal. We believe that the plaintiff's appeal argument is essentially an effort to reargue the facts of the case. Kaizen will file a responding appeal argument in August and the appeal will then be set for hearing later in 2021 or early 2022. Counsel continues to believe that the appeal is without merit and unlikely to succeed but the course of legal proceedings is uncertain and Kaizen's assessment of the merits of pending litigation and any liability resulting from it may ultimately turn out to be incorrect, which could have a material adverse effect on the Company's business, results of operations, financial condition (including its cash position) and prospects.

### ***Commodity Price Risk***

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of its mineral property to a third party.

## **ADDITIONAL INFORMATION**

### ***Where can you find more information about the Company?***

Further information regarding the Company, its activities and its financial results, including copies of the financial statements and other continuous disclosure documents filed by the Company with applicable Canadian securities regulatory authorities, may be obtained under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Further information regarding the Company may also be found at the corporate website of KZD at [www.kaizendiscovery.com](http://www.kaizendiscovery.com).

## FORWARD-LOOKING STATEMENTS

This Circular contains “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”) that relate to the Company’s current expectations and view of future events. The forward looking statements are contained principally in the sections titled “What will our available funds be upon closing of the Offering?”, “How will we use the available funds?” and “How long will the available funds last?” In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “could”, “will”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate” or “project”. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to: (i) the funds to be raised under the Offering; (ii) estimated costs of the Offering; (iii) available funds to the Company after expenses of the Offering; (iv) additional sources of required funding for the Company; (v) the use of the funds raised under the Offering; (vi) the Company’s estimate of how long the funds raised in the Offering will last from the Expiry Date; (vii) the intention and commitment of insiders to exercise their Rights; (viii) estimated G&A requirements; (ix) the anticipated dilution to Shareholders who do not participate in the Offering; and (x) the Company’s ability as a going concern. The forward-looking statements are based on a number of key expectations and assumptions made by the Company’s management relating to the Company including, but not limited to: (i) the estimated costs of the Offering; (ii) the estimated amount of funds raised under the Offering being sufficient to fund ongoing exploration at the Pinaya Project; (iii) the estimated operating expenses of the Company following the Expiry Date; and (iv) the Standby Purchaser complying with their obligations under the Standby Purchase Agreement and the conditions to funding thereafter being met, satisfied or waived. These assumptions are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Forward-looking statements are not guarantees of future performance and accordingly, Shareholders shall not place undue reliance on such statements in light of their inherent uncertainty and assumptions, and the risks as set out above, and assumptions. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include: the uncertainty associated with estimating actual costs incurred in the Offering; delays in obtaining or failure to obtain required approvals to complete the Offering; the actual operating expenses of the Company for the twelve month period following the Expiry Date; the actual costs of ongoing exploration costs being higher than anticipated by the Company; the inherent uncertainty of cost estimates and the potential for unexpected costs and expense; commodity price fluctuations, the inability or failure to obtain adequate financing on a timely basis and other risks and uncertainties. These risks, uncertainties, assumptions and other factors could cause the Company’s actual results, performance, achievements and experience to differ materially from the Company’s expectations, future results, performances or achievements expressed or implied by the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. In light of the significant risks and uncertainties in the forward-looking statements, Shareholders should not place undue reliance on or regard these statements as a representation or warranty by the Company or any other person that the Company will achieve its objectives, strategies and plans in any specified time frame, if at all.

**The forward-looking statements made in this Circular relate only to events or information as of the date on which the statements are made in this Circular and is subject to change. Except as required by law, the Company undertakes no obligation to update or revise**

**publicly or otherwise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. A Shareholder should read this Circular with the understanding that the Company's actual future results may be materially different from what it expects. Future oriented financial information in this Circular relates to the Company's view of future events and is not appropriate to use for other purposes.**

#### **MATERIAL FACTS AND MATERIAL CHANGES**

**There is no material fact or material change about the Company that has not been generally disclosed.**