

*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 referred to in the November 11, 2016 rights offering notice, which will be mailed to you on or about November 24, 2016. Your rights certificate and relevant forms will be enclosed with the rights offering notice. This Circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.*

**Rights Offering Circular**

**November 11, 2016**



**KAIZEN DISCOVERY INC.**  
**("Kaizen", the "Company", "we" or "us")**

### **SUMMARY OF OFFERING**

#### ***WHY ARE YOU READING THIS CIRCULAR?***

We are issuing transferable rights (the "**Rights**") to the holders of common shares of Kaizen (the "**Common Shares**") of record at 2:00 p.m. (Vancouver time) on November 18, 2016 (the "**Record Date**") and who are resident in a Province or Territory of Canada (the "**Eligible Jurisdictions**"). The Rights entitle their holders to subscribe for Common Shares on the terms described in this Circular (the "**Rights Offering**"). This Circular provides additional details about the Rights Offering referred to in the Rights Offering notice dated November 11, 2016 (the "**Notice**"), a copy of which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and will be mailed to the holders of Common Shares.

#### ***WHAT IS BEING OFFERED?***

Each holder of Common Shares on the Record Date resident in an Eligible Jurisdiction (an "**Eligible Holder**") will receive one (1) Right for each Common Share held as of the Record Date. The Rights are being offered at no cost to shareholders.

#### ***WHAT DO THREE RIGHTS ENTITLE YOU TO RECEIVE?***

Three (3) Rights plus payment of the sum of \$0.105 (the "**Subscription Price**") will entitle you to purchase one Common Share (the "**Basic Subscription Privilege**") on or before January 11, 2017. If you exercise all of your Rights, you will also be entitled to subscribe for additional Common Shares issuable under the Rights Offering that have not been subscribed and paid for under the Basic Subscription Privilege prior to the Expiry Time, if any, ("**Additional Common Shares**") at the same Subscription Price, pro rata based on the Additional Common Shares available (the "**Additional Subscription Privilege**"). No fractional Common Shares will be issued upon the exercise of the Rights.

#### ***WHAT IS THE SUBSCRIPTION PRICE?***

The Subscription Price per Common Share is \$0.105 payable in Canadian funds. The Subscription Price to acquire a Common Share is at a discount to Kaizen's market price on the date of this Circular.

#### ***WHEN DOES THE OFFER EXPIRE?***

The Rights may be exercised commencing on November 24, 2016 until 2:00 p.m. (Vancouver time) on January 11, 2017 (the "**Expiry Time**"). **Rights not exercised at or before the Expiry Time will be void and of no value.**

***WHAT ARE THE SIGNIFICANT ATTRIBUTES OF THE RIGHTS ISSUED UNDER THE RIGHTS OFFERING AND THE COMMON SHARES TO BE ISSUED UPON THE EXERCISE OF THE RIGHTS?***

The Rights permit the holders thereof to purchase from Kaizen an aggregate of up to 69,191,659 Common Shares (based on the current number of Common Shares outstanding) during the period from November 24, 2016 to January 11, 2017. During this period, the Rights will trade on the TSX Venture Exchange ("TSX-V") and Rights holders may sell their Rights through the facilities of the TSX-V. The Rights will be evidenced by transferable rights certificates (each, a "**Rights Certificate**"), which will be in registered form. Every three (3) Rights will entitle the holder thereof to subscribe for one Common Share at the Subscription Price prior to the Expiry Time.

As at the date hereof, there are 207,574,977 Common Shares issued and outstanding. The holders of Common Shares are entitled to one vote per Common Share held at meetings of the holders of Common Shares; to dividends if, as and when declared by the Company's board of directors; and, in the event of the liquidation, dissolution or winding-up of the Company, to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, subject to the rights of any securities having priority over the Common Shares.

***WHAT ARE THE MINIMUM AND MAXIMUM NUMBER OR AMOUNT OF COMMON SHARES THAT MAY BE ISSUED UNDER THE RIGHTS OFFERING?***

The Rights Offering is not subject to any minimum subscription level. Based on the 207,574,977 Common Shares outstanding as of the date hereof, a maximum of 69,191,659 Common Shares will be issued upon exercise of the Rights.

***WHERE WILL THE RIGHTS AND THE COMMON SHARES ISSUABLE UPON THE EXERCISE OF THE RIGHTS BE LISTED FOR TRADING?***

The Common Shares are listed on the TSX-V under the symbol "KZD". The TSX-V has conditionally approved the listing of the Rights and the Common Shares issuable upon the exercise of the Rights. Such listing will be subject to the Company fulfilling all of the listing requirements of the TSX-V. The Rights will be listed on the TSX-V under the symbol "KZD.RT" and will be fully transferable through the facilities of the TSX-V. Trading in the Rights on the TSX-V will cease at 1:00 p.m. (Vancouver time) on January 11, 2017.

**FORWARD LOOKING STATEMENTS**

Certain statements in this Circular constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements can be identified by the use of words such as "may", "will", "intend", "expect", "plan", "estimate", and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect Kaizen's current expectations regarding future events, performance and results and speak only as of the date of this Circular. These include, but are not limited to, statements regarding the timing of, and other procedural matters associated with, the Rights Offering; the use of proceeds from the Rights Offering, including using the net proceeds of the Rights Offering to fund commitments to advance the Pinaya Project; and the Company's expectations about its liquidity and working capital. Such statements are based on a number of key expectations and assumptions made by management of the Company, including, but not limited to regulatory timings and approvals; the terms of existing contractual commitments; the availability of additional capital; and general economic and financial market conditions.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on such forward-looking statements. The forward-looking statements reflect the Company's current views with respect to future events based on currently available information and are inherently subject to risks and uncertainties. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Circular, including, but not limited to the impact of the issuance of additional Common Shares on the market price of the Common Shares; the condition of the global economy; various factors that impact the Company's exploration

activities; changes to existing contractual commitments; and the Company's access to future funding and unforeseen changes to its working capital requirements.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company cautions readers not to place undue reliance on any such forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, described or intended. The Company will not update any forward-looking statements unless required by applicable securities law.

### USE OF AVAILABLE FUNDS

#### **WHAT WILL OUR AVAILABLE FUNDS BE UPON THE CLOSING OF THE RIGHTS OFFERING?**

	<b>Assuming 100% of Rights Offering (through exercise of Rights and/or under Standby Commitment)<sup>1</sup></b>
A Amount to be raised by the Rights offering	\$7,265,124
B Selling commissions and fees	\$Nil <sup>2</sup>
C Estimated Rights Offering costs (e.g., legal, accounting, audit)	\$150,000
D Available funds: $D = A - (B+C)$	\$7,115,124
E Additional sources of funding required	\$Nil
F Working capital deficiency	\$Nil
<b>G Total: <math>G = D + E - F</math></b>	<b>\$7,115,124</b>

1. If not all of the Rights are exercised, HPX TechCo Inc. will, under the Standby Commitment purchase that number of Common Shares that will result in the maximum number of Common Shares that may be issued pursuant to the Rights Offering being issued. See "Standby Commitment".
2. HPX TechCo Inc. will be issued bonus warrants to acquire up to 2,100,000 Common Shares in consideration of its fulfillment of the Standby Commitment. See "Standby Commitment".

#### **HOW WILL WE USE THE AVAILABLE FUNDS?**

<b>Description of intended use of available funds listed in order of priority</b>	<b>Assuming 100% of Rights Offering (through exercise of Rights and/or under Standby Commitment)<sup>1</sup></b>
Funding commitments to advance the Pinaya Project	\$2,500,000
Identification and review of new project opportunities	\$2,000,000
Other exploration project costs	\$250,000
General and administrative expenditures	\$2,350,000
<b>Total: Equal to G in the available funds</b>	<b>\$7,100,000</b>

1. If not all of the Rights are exercised, HPX TechCo Inc. will, under the Standby Commitment purchase that number of Common Shares that will result in the maximum number of Common Shares that may be issued pursuant to the Rights Offering being issued. See "Standby Commitment".

#### **HOW LONG WILL THE AVAILABLE FUNDS LAST?**

The Company estimates that the funds raised in the Rights Offering will last approximately 18 months from the Expiry Time.

## INSIDER PARTICIPATION

### ***WILL INSIDERS BE PARTICIPATING?***

HPX TechCo Inc. ("**HPX**"), the Company's majority shareholder, will participate in the Rights Offering by exercising its Basic Subscription Privilege and fulfilling its obligations under the Standby Commitment Agreement (as defined below). Additionally, all directors of Kaizen who own Common Shares of Kaizen intend to exercise their Basic Subscription Privilege in the Rights Offering. The Company is not presently aware of whether other insiders of the Company have determined their intention with respect to the exercise of Rights issued to them pursuant to the Rights Offering. Insiders of the Company are also eligible to exercise the Additional Subscription Privilege if they exercise their Basic Subscription Privilege in full.

### ***WHO ARE THE HOLDERS OF 10% OR MORE OF OUR SECURITIES BEFORE AND AFTER THE RIGHTS OFFERING?***

To the knowledge of the Company, after reasonable inquiry, the only persons or companies who beneficially own, or control or direct, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to the voting securities of the Company are as follows:

<b>Name</b>	<b>Holdings before the Rights Offering<sup>1</sup></b>	<b>Maximum Holdings after the Rights Offering<sup>2</sup></b>
HPX TechCo Inc.	138,699,460 Common Shares or 66.8%	207,891,119 Common Shares or 75.1%

1. Based on 207,574,977 Common Shares issued and outstanding as of the date hereof.
2. Assuming that no person acquires Common Shares under the Rights Offering other than HPX, who will, in such circumstance, purchase all of the Common Shares issuable under the Rights Offering to fulfill its obligations under the Standby Commitment. See "*Standby Commitment*".

## DILUTION

### ***IF YOU DO NOT EXERCISE YOUR RIGHTS, BY HOW MUCH WILL YOUR SECURITY HOLDINGS BE DILUTED?***

If you elect not to exercise your Rights, your proportionate interest in the outstanding Common Shares will be diluted as a result of the exercise of Rights by other holders. As at the date of this Circular, Kaizen has 207,574,977 Common Shares issued and outstanding. Based on this, Kaizen will issue an additional 69,191,659 Common Shares, which represents a dilution factor of 25%.

## STANDBY COMMITMENT

### ***WHO IS THE STANDBY GUARANTOR AND WHAT ARE THE FEES?***

Pursuant to the terms of a standby commitment agreement (the "**Standby Commitment Agreement**") dated November 9, 2016, HPX, the majority shareholder and a related party of the Company, has agreed to exercise its Basic Subscription Privilege and purchase from Kaizen such number of Common Shares that are available to be purchased, but not otherwise subscribed for, under the Rights Offering (the "**Standby Commitment**"). Under the Standby Commitment Agreement, at completion of the Rights Offering, Kaizen will issue non-transferrable bonus warrants to HPX, entitling HPX to acquire up to 2,100,000 Common Shares at an exercise price per Common Share of \$0.155 at any time on or before January 11, 2022.

HPX may terminate its obligations under the Standby Commitment Agreement if one or more conditions precedent to the closing of the Rights Offering set forth in the Standby Commitment Agreement (a copy of which has been filed under Kaizen's profile on SEDAR) has not been satisfied or waived prior to the Expiry Time. Upon fulfillment of the Standby Commitment by HPX and completion of the Rights Offering, the existing Inter-Corporate Loan Agreement dated December 4, 2013 (the "**Loan Agreement**") between the Company and HPX will be terminated. The Loan Agreement makes available to the Company a \$5 million unsecured, revolving loan facility. No amount is currently drawn by the Company under the Loan Agreement.

**HAVE WE CONFIRMED THAT THE STANDBY GUARANTOR HAS THE FINANCIAL ABILITY TO CARRY OUT ITS STANDBY COMMITMENT?**

The Company has confirmed that HPX has the financial ability to carry out its obligations under the Standby Commitment.

**WHAT ARE THE SECURITY HOLDINGS OF THE STANDBY GUARANTOR BEFORE AND AFTER THE RIGHTS OFFERING?**

To the knowledge of the Company, after reasonable inquiry, the security holdings of HPX before and after the Rights Offering are as follows:

<b>Name</b>	<b>Holdings before the Rights Offering<sup>1</sup></b>	<b>Maximum Holdings after the Rights Offering<sup>2</sup></b>
HPX Techco Inc.	138,699,460 Common Shares or 66.8%	207,891,119 Common Shares or 75.1%

1. Based on 207,574,977 Common Shares issued and outstanding as of the date hereof.
2. Assuming that no person acquires Common Shares under the Rights Offering other than HPX, who will, in such circumstance, purchase all of the Common Shares issuable under the Rights Offering to fulfill its obligations under the Standby Commitment. See "*Standby Commitment*".

**HOW TO EXERCISE THE RIGHTS**

**HOW DOES A SECURITY HOLDER THAT IS A REGISTERED HOLDER PARTICIPATE IN THE RIGHTS OFFERING?**

If you are a registered holder of Common Shares on the Record Date resident in an Eligible Jurisdiction, you will find a Rights Certificate enclosed with the Notice mailed to you on or about November 24, 2016. To exercise the Rights represented by the Rights Certificate, you must:

1. **Complete and sign Form 1 on the Rights Certificate.** The maximum number of Rights that you may exercise under the Basic Subscription Privilege is shown in the box on the upper right hand corner of the face of the Rights Certificate. If you complete Form 1 so as to exercise some but not all of the Rights evidenced by the Rights Certificate, you will be deemed to have surrendered the unexercised balance of such Rights, unless you otherwise specifically advise Computershare Investor Services Inc. (the "**Subscription Agent**"), at the time the Rights Certificate is surrendered to the Subscription Agent. **Except as otherwise specifically provided herein, completion of Form 1 on the Rights Certificate constitutes a representation that the holder of a Rights Certificate is neither an Ineligible Holder (as defined herein) nor the agent of any such person.**
2. **Optional - Additional Subscription Privilege.** If you wish to also participate in the Additional Subscription Privilege, complete and sign Form 2 on the Rights Certificate. See "*What is the Additional Subscription Privilege and how can you exercise this privilege?*" below for further information.
3. **Payment.** 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 \$0.105 per Common Share. In addition to the amount payable for any Common Shares you wish to purchase under the Basic Subscription Privilege, you must also pay the amount required for all of the Common Shares you wish to subscribe for under the Additional Subscription Privilege. The aggregate payment amount should be rounded up to the nearest whole cent.
4. **Delivery.** All payments, together with the Rights Certificate must be delivered in the enclosed return envelope *by courier* to the office of the Subscription Agent, located at 100 University Ave., 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Corporate Actions, or *by mail* to P.O. Box 7021, 31 Adelaide St. E., Toronto, Ontario, M5C 3H2, Attention: Corporate Actions (collectively, the "**Subscription Office**"), so that it is received at the Subscription Office before the Expiry Time. If you are mailing your documents, registered mail is recommended. Please allow sufficient time to avoid late delivery. The method of delivery is at the discretion and risk of the holder of the Rights Certificate and delivery to the Subscription Office will only be effective when actually received by

the Subscription Agent at the Subscription Office. Rights Certificates and payments received after the Expiry Time will not be accepted.

The signature of the registered holder on Form 1 and, if applicable, Form 2 of the Rights Certificate must correspond to every particular with the name that appears on the face of the Rights Certificate. Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any other person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.

**All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any exercise will be determined by the Company in its sole discretion, and any determination by the Company will be final and binding on the Company and its security holders.** Any subscription for Common Shares will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. Neither the Company nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any exercise, nor will they be liable for the failure to give any such notice.

#### ***HOW DOES A SECURITY HOLDER THAT IS NOT A REGISTERED HOLDER PARTICIPATE IN THE RIGHTS OFFERING?***

Only registered Eligible Holders will be provided with Rights Certificates. For Eligible Holders whose Common Shares are held through a securities broker or dealer, bank or trust company or other participant (each, a "**Participant**") in the book based system administered by CDS Clearing and Depository Services Inc. ("**CDS**") (such shareholders being referred to as "**Beneficial Eligible Holders**"), Rights Certificates will be issued in registered form to CDS, and will be deposited with CDS. The Company expects that each Beneficial Eligible Holder will receive a confirmation of the number of Rights issued to such Beneficial Eligible Holder from his, her or its Participant in accordance with the practices and procedures of that Participant. To exercise your rights as a Beneficial Eligible Holder, you must:

1. **Instructions and Payment to the Participant.** Instruct the Participant through which you hold Common Shares to exercise all or a specified number of such Rights, and forward to such Participant, the Subscription Price for each Common Share that you wish to subscribe for. Participants may have an earlier deadline for receipt of instructions and payment than the Expiry Time. In any event, the entire Subscription Price for Common Shares subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the Expiry Time. Accordingly, if a Beneficial Eligible Holder is subscribing through a Participant, such Beneficial Eligible Holder must deliver payment and instructions to the Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Rights on such Beneficial Eligible Holder's behalf. **Except as otherwise specifically provided herein, payment of the Subscription Price to exercise Rights through a Participant constitutes a representation that the holder of a Rights Certificate is neither an Ineligible Holder (as defined herein) nor the agent of any such person.**
2. **Optional – Additional Subscription Privilege.** You may subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege by instructing such Participant to exercise the Additional Subscription Privilege in respect of the number of Additional Common Shares you wish to subscribe for, and forwarding to such Participant the Subscription Price for such Additional Common Shares requested.

**All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any exercise will be determined by the Company in its sole discretion, and any determination by the Company will be final and binding on the Company and its security holders.** Any subscription for Common Shares will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. Neither the Company nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any exercise, nor will they be liable for the failure to give any such notice.

Neither the Company nor the Subscription Agent shall have any liability for: (a) the records maintained by CDS or Participants relating to the Rights or the book-entry accounts maintained by CDS; (b) maintaining, supervising or reviewing any records relating to such Rights; (c) any advice or representation made or given by CDS or Participants with respect to the rules and regulations of CDS; or (d) any action taken or not taken by CDS or Participants.

## **WHO IS ELIGIBLE TO RECEIVE RIGHTS?**

Holders of Common Shares on the Record Date resident in an Eligible Jurisdiction are eligible to receive Rights. 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. The Rights and Common Shares have not and will not be registered under the laws of any jurisdiction outside of the Eligible Jurisdictions.

If you are a holder of Common Shares on the Record Date resident outside of an Eligible Jurisdiction (an "**Ineligible Holder**"), subject to the exceptions described below, the Subscription Agent will attempt, on a best efforts basis, to sell your rights on the TSX-V prior to the Expiry Time. The Subscription Agent's ability to sell the Rights, and the prices obtained for the Rights, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights held for the benefit of Ineligible Holders at any particular price or prices, or at all. The proceeds received by the Subscription Agent, if any, from the sale of the Rights, net of any applicable costs, expenses and taxes, will be divided among the Ineligible Holders on a pro rata basis according to the total number of Common Shares held by them on the Record Date. The Subscription Agent will mail cheques to the Ineligible Holders at their addresses appearing in the records of the Subscription Agent for their respective proportions of those net proceeds, subject to any applicable taxes which must be withheld for particular Ineligible Holders, provided that the Subscription Agent will not be required to make any such payment to any Ineligible Holder if the amount owing to such holder is less than \$10.00. Such amount will be used by the Company to offset a portion of the remuneration of the Subscription Agent for its services.

If you are an Ineligible Holder with a registered address in Japan, Singapore, Switzerland or the British Virgin Islands, you will find enclosed a form of representation letter setting out the conditions required to be met, and procedures that must be followed on or before December 23, 2016, in order to participate in the Rights Offering.

The Rights Offering does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Rights Offering is not being made to, nor will subscriptions be accepted from or on behalf of, holders of Rights in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

## **WHAT IS THE ADDITIONAL SUBSCRIPTION PRIVILEGE AND HOW CAN YOU EXERCISE THIS PRIVILEGE?**

If you wish to exercise the Additional Subscription Privilege, you must first exercise your Basic Subscription Privilege in full by completing Form 1 on the Rights Certificate for the maximum number of Common Shares that you may subscribe for and complete Form 2 on the Rights Certificate, specifying the number of Additional Common Shares desired. The Rights Certificate must then be sent with the aggregate Subscription Price for such Common Shares to the Subscription Agent. The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc." All payments, together with Form 1 and 2 duly completed on the Rights Certificate, must be received by the Subscription Agent at the Subscription Office before the Expiry Time. These funds will be placed in a segregated account pending allocation of the Additional Common Shares, with any excess subscription monies being returned by mail without interest or deduction.

If there is an insufficient number of Common Shares available to satisfy the subscriptions for Additional Common Shares, each such holder of Rights will be entitled to receive the number of Additional Common Shares equal to the lesser of:

- (a) the number of Additional Common Shares for which the subscriber has subscribed under the Additional Subscription Privilege; and
- (b) the number (disregarding fractions) obtained by multiplying the aggregate number of Additional Common Shares that may be acquired upon exercise of the Rights issued that were not exercised under the Basic Subscription Privilege by a fraction, the numerator of which is the number of Common Shares subscribed for by such holder under the Basic Subscription Privilege and the denominator of which is the aggregate number of Common Shares acquired under the Basic Subscription Privilege by all participants that have subscribed for Additional Common Shares under the Additional Subscription Privilege.

Subscribers for Additional Common Shares will be notified as soon as practicable after the Expiry Time of the number of Additional Common Shares, if any, allotted to them. Any excess subscription monies will be returned by mail without interest or deduction.

If you are a Beneficial Eligible Holder of Rights through a Participant in CDS (e.g. a brokerage firm) and you wish to exercise your Additional Subscription Privilege, you must deliver your payment and instructions to the Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Additional Subscription Privilege on your behalf.

#### ***HOW DOES A RIGHTS HOLDER SELL OR TRANSFER RIGHTS?***

The Rights will be listed on the TSX-V until 1:00 p.m. (Vancouver time) on January 11, 2017. Holders of Rights Certificates not wishing to exercise their Rights may sell or transfer such Rights directly or through the usual investment channels (such as stock brokers or investment dealers qualified to do business in the holder's jurisdiction) at the holder's expense, subject to any applicable resale restrictions.

A holder of a Rights Certificate wishing to transfer their Rights may do so by completing and executing Form 3 on the Rights Certificate and having the signature guaranteed by an "eligible institution" to the satisfaction of the Subscription Agent and delivering the Rights Certificate to the transferee. For this purpose, 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 Exchanges 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. Payment of any service charge, commission or other fee payable in connection with the trading of Rights will be the responsibility of the holders of the Rights.

If the Form 3 is properly completed, the Company and the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the Expiry Time.

If you hold Common Shares through a Participant in CDS (e.g. a brokerage firm), you must arrange for the exercise, transfer or purchase of Rights through that Participant.

#### ***WHEN CAN YOU TRADE SECURITIES ISSUABLE UPON THE EXERCISE OF YOUR RIGHTS?***

The Common Shares are listed on the TSX-V under the symbol "KZD". The TSX-V has conditionally approved the listing of the Common Shares issuable upon the exercise of the Rights. Such listing will be subject to the Company fulfilling all of the listing requirements of the TSX-V.

The Common Shares issuable upon the exercise of the Rights will be issued on or about January 12, 2017 and will be available for trading thereafter.

#### ***ARE THERE RESTRICTIONS ON THE RE SALE OF SECURITIES?***

The Rights being issued hereunder and the Common Shares issuable upon exercise of the Rights are being distributed by the Company pursuant to exemptions from the registration and prospectus requirements under Canadian securities legislation.

Resale of the Rights and the underlying Common Shares 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 and the underlying Common Shares in Canada. Additional restrictions apply to "insiders" of the Company and holders of Rights and underlying 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 is urged to consult his, her or its professional advisors to determine the exact conditions and restrictions applicable to trades of the Rights and the underlying Common Shares.**



Generally, the first trade in Rights and the Common Shares issuable upon exercise of the Rights will be exempt from the prospectus requirements of Canadian securities legislation, if: (a) the Company is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade; (b) the trade is not by a "control person"; (c) no unusual effort is made to prepare the market or to create a demand for the Rights or the Common Shares; (d) no extraordinary commission or other consideration is paid in respect of such trade; and (e) if the selling security holder is an insider or officer of the Company, the selling security holder has no reasonable grounds to believe that the Company is in default of securities legislation. If such conditions have not been met, then the Rights and the Common Shares may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances. As of the date hereof, the Company has been a reporting issuer for more than four months in the Provinces of British Columbia and Alberta.

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

#### ***WILL WE ISSUE FRACTIONAL UNDERLYING SECURITIES UPON EXERCISE OF THE RIGHTS?***

No fractional Common Shares will be issued. Where the exercise of Rights would otherwise have entitled a Rights holder to receive fractional Common Shares, the Rights holder's entitlement will be rounded down to the next lowest whole number of Common Shares, and no cash or other consideration will be paid in lieu thereof.

#### **DEPOSITORY**

##### ***WHO IS THE DEPOSITORY?***

Computershare Investor Services Inc., the Subscription Agent, is the depository for the Rights Offering. The Subscription Agent has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights.

##### ***WHAT HAPPENS IF WE DO NOT RECEIVE FUNDS FROM THE STAND-BY GUARANTOR?***

If we terminate the Rights Offering or if we do not receive funds from our majority shareholder, HPX, pursuant to the Standby Commitment, the Subscription Agent will return all funds held by it to holders of Rights that have subscribed for Common Shares under the Rights Offering.

#### **ADDITIONAL INFORMATION**

##### ***WHERE CAN YOU FIND MORE INFORMATION ABOUT US?***

For further information regarding the Company, please refer to the continuous disclosure documents filed by the Company with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.kaizendiscovery.com](http://www.kaizendiscovery.com).

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

**There is no material fact or material change about the Company that has not been generally disclosed as at the date of this Circular.**