Condensed Interim Consolidated Financial Statements of

Kaizen Discovery Inc.

March 31, 2021

(Unaudited)

Kaizen Discovery Inc.

Condensed Interim Consolidated Financial Statements

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Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)
(Stated in thousands of Canadian dollars)

	Notes		**March 31, 2021**		December 31, 2020
Assets					
Current assets					
Cash		**$**	**412**	$	895
Receivables			**15**		28
Prepaid expenses and deposits	11		**292**		262
Total current assets			**719**		1,185
Non-current assets					
Mineral properties	3		**3,154**		3,197
Financial assets			**30**		19
Property, plant and equipment			**21**		22
Other assets			**44**		70
Total assets		**$**	**3,968**	$	4,493
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	11	**$**	**545**	$	495
Provision			**567**		563
Promissory note	4,11		**4,731**		4,652
Total current liabilities			**5,843**		5,710
Non-current liabilities					
Non-current provision	5		**977**		1,643
Total liabilities		**$**	**6,820**	$	7,353
Shareholders' deficit					
Share capital	6	**$**	**48,576**	$	48,576
Share-based payment reserve	9		**3,931**		3,839
Other reserves			**452**		452
Share purchase warrants	6		**891**		891
Accumulated other comprehensive loss			**(760)**		(740)
Accumulated deficit			**(55,942)**		(55,878)
Total shareholders' deficit		**$**	**(2,852)**	$	(2,860)
Total liabilities and shareholders' deficit		**$**	**3,968**	$	4,493

Description of business and going concern (Note 1)

Subsequent events (Notes 4 & 9)

Approved and authorized for issue on behalf of the Board on May 11, 2021:

/s/ Terry Krepiakevich	*/s/ Eric Finlayson*
Terry Krepiakevich, Director	Eric Finlayson, Director

See accompanying notes to the condensed interim consolidated financial statements.

Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Stated in thousands of Canadian dollars, except for share and per share amounts)

	Notes		Three months ended March 31, 2021		2020
Operating expenses					
Exploration expenses	7	**$**	**(365)**	$	(1,077)
Administrative expenses	8		**(271)**		(268)
Loss from operations			**(636)**		(1,345)
Other income (expenses)					
Interest income			**1**		7
Gain (loss) on foreign exchange			**103**		(124)
Interest expense	4		**(141)**		(79)
Depreciation expense			**(1)**		(1)
Other income (expense)	5		**610**		(36)
Loss before income taxes			**(64)**		(1,578)
Income taxes			**-**		-
Net loss for the period			**(64)**		(1,578)
Other comprehensive loss					
Items that will not be reclassified subsequently to loss:					
Change in fair value of marketable securities			**11**		(5)
Items that may be reclassified subsequently to loss:					
Currency translation adjustment			**(31)**		182
Total other comprehensive (loss) income for the period		**$**	**(20)**	$	177
Total comprehensive loss for the period		**$**	**(84)**	$	(1,401)
Loss per share (basic and diluted)		**$**	**(0.00)**	$	(0.00)
Weighted average number of basic and diluted shares outstanding			**343,554,821**		317,254,821

See accompanying notes to the condensed interim consolidated financial statements.

Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Shareholders' Deficit

(Unaudited)
(Stated in thousands of Canadian dollars, except for share amounts)

	Number of shares	Share capital	Share-based payment reserve	Other reserves	Share purchase warrants	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2020	317,254,821	$ 47,722	$ 3,773	$ 452	$ 448	$ (698)	$ (50,581)	$ 1,116
Net loss for the period	-	-	-	-	-	-	(1,578)	(1,578)
Other comprehensive income	-	-	-	-	-	177	-	177
Share-based payments	-	-	12	-	-	-	-	12
Balance at March 31, 2020	**317,254,821**	**$ 47,722**	**$ 3,785**	**$ 452**	**$ 448**	**$ (521)**	**$ (52,159)**	**$ (273)**
Balance at January 1, 2021	**343,554,821**	**$ 48,576**	**$ 3,839**	**$ 452**	**$ 891**	**$ (740)**	**$ (55,878)**	**$ (2,860)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(64)**	**(64)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
Share-based payments	**-**	**-**	**92**	**-**	**-**	**-**	**-**	**92**
Balance at March 31, 2021	**343,554,821**	**$ 48,576**	**$ 3,931**	**$ 452**	**$ 891**	**$ (760)**	**$ (55,942)**	**$ (2,852)**

See accompanying notes to the condensed interim consolidated financial statements.

Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Stated in thousands of Canadian dollars)

	Notes		Three months ended March 31, 2021		2020
Operating activities					
Net loss for the period		**$**	**(64)**	$	(1,578)
Adjustments for non-cash items:					
Share-based payments			**92**		12
(Gain) loss on unrealized foreign exchange			**(102)**		118
Interest expense	4		**141**		79
Other (income) expense	5		**(610)**		36
Depreciation			**1**		1
Changes in non-cash working capital items:					
Receivables			**13**		(8)
Prepaid expenses and deposits			**(30)**		40
Accounts payable and accrued liabilities			**52**		84
Cash used in operating activities		**$**	**(507)**	$	(1,216)
Investing activities					
Redemption of other assets		**$**	**26**	$	-
Cash from investing activities		**$**	**26**	$	-
Effect of foreign exchange rate changes on cash		**$**	**(2)**	$	151
Decrease in cash		**$**	**(483)**	$	(1,065)
Cash, beginning of period			**895**		2,395
Cash, end of period		**$**	**412**	$	1,330

See accompanying notes to the condensed interim consolidated financial statements.

1. Description of business and going concern

(a) Kaizen Discovery Inc. (the “Company”) is a publicly listed company incorporated under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange under the symbol KZD and its head office and registered office are both located at Suite 654 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

At March 31, 2021, HPX TechCo Inc. (“HPX”), the Company’s privately owned parent, held 73.2% (December 31, 2020 – 73.2%) of the Company’s issued and outstanding common shares. The ultimate controlling entity is I-Pulse Inc., a privately owned company.

The Company, together with its subsidiaries, is a mineral exploration group focused on projects located in Peru and Canada.

(b) These condensed interim consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and satisfaction of liabilities in the normal course of business.

For the three months ended March 31, 2021, the Company had no operating revenues and incurred a net loss of $64,000 (March 31, 2020 - $1.6 million). At March 31, 2021, the Company had consolidated cash of $412,000 (December 31, 2020 - $895,000).

At March 31, 2021, the Company believes that it has adequate resources to maintain its minimum obligations, including general corporate activities, based on its cash position and ability to pursue additional sources of financing, including equity placements.

The Company currently has no source of operating cash flow, and has no assurance that additional funding will be available to it for additional exploration programs at its properties, or to enable the Company to fulfill its obligations under any applicable agreements. The Company’s ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Significant reliance is placed on HPX, the Company’s controlling shareholder, for providing ongoing financing to the Company. Failure of HPX to provide or participate in financing, or the inability of HPX to provide or participate in financing, would likely result in difficulty for the Company to attract separate third party investment. In addition, the spread of COVID-19 globally has caused and continues to cause considerable disruptions to the world economy, including financial markets and commodity prices and could adversely impact the Company’s ability to carry out plans to obtain additional financing. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the Company’s control, such as uncertainty in the capital markets, depressed commodity prices or country risk factors. As such, there is a material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Significant accounting policies

(a) *Basis of presentation*

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for full annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31,

2. Significant accounting policies (continued)

(a) Basis of presentation (continued)

2020, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

The accounting policies used in the preparation of these condensed interim consolidated financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the year ended December 31, 2020 and reflect all the adjustments necessary for fair presentation in accordance with IFRS for the interim periods presented.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

These condensed interim consolidated financial statements are expressed in Canadian dollars.

(b) Adoption of new and revised accounting standards and interpretations

The Company has not adopted any new amendments to IFRS in the current period, and has not applied the following amendments to standards that have been issued but are not yet effective:

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. Management is currently assessing the impact of these amendments.

Amendments to IAS 1, Presentation of Financial *Statements* (effective January 1, 2023) clarifies the presentation of liabilities in the statement of financial position. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of this amendment.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2023) provide guidance to assist entities in distinguishing between policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual periods beginning on or after January 1, 2023. Management is currently assessing the impact of this amendment.

(c) Critical accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the

2. Significant accounting policies (continued)

(c) *Critical accounting estimates and judgments (continued)*

application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company's critical accounting judgments and estimates remain substantially unchanged from those disclosed in the consolidated financial statements for the year ended December 31, 2020.

(d) *Segments*

The Company has one operating segment, a mineral exploration group focused on projects located in Peru and Canada.

3. Mineral properties

Mineral properties comprise the $3.15 million (December 31, 2020 - $3.20 million) carrying amount of the Pinaya Copper-Gold Project (the "Pinaya Project" or "Pinaya"). The decrease in the carrying amount since December 31, 2020 is due to fluctuations in foreign currency. The Pinaya Project covers 100.65 square kilometres and includes more than 10 kilometres of underexplored strike length within the Andahuaylas - Yauri Porphyry Belt in southeastern Peru.

4. Promissory note

Under the terms of an amended and restated unsecured promissory note ("Amended Promissory Note"), the Company had drawn down a total of US$3.40 million ($4.48 million) at December 31, 2020. The Company did not draw down on the Amended Promissory Note in the three months ended March 31, 2021. The Amended Promissory Note had a maturity date of December 31, 2020 and an interest rate of 10% per annum, with interest accruing daily and all interest compounding only at maturity. The interest rate increased to 12% per annum as the Company did not repay the amount owing upon the maturity date. However, on April 13, 2021, the Company announced that it had arranged an additional US$642,000 under a second amended and restated unsecured promissory note that replaces the Amended Promissory Note (the "Second Amended Promissory Note"). The Second Amended Promissory Note reflects a maturity date for all amounts owing as of September 30, 2021 and as a result, the interest rate will remain at 10% per annum.

At March 31, 2021, the carrying value of the promissory note was US$3.76 million ($4.73 million), comprising both principal and accrued interest. Interest expense on the promissory note of approximately $137,000 was recorded in the condensed interim consolidated statements of loss and comprehensive loss for the three months ended March 31, 2021 (March 31, 2020 - $72,000).

5. Non-current provision

The non-current provision with a carrying amount of $977,000 at March 31, 2021 (December 31, 2020 - $1.64 million) is related to potential obligations associated with the Pinaya Project. The non-current provision has been adjusted to reflect management's best estimate as at March 31, 2021.

6. Share capital

(a) *Common shares*

The Company is authorized to issue an unlimited number of common shares with no par value. At March 31, 2021, the Company had 343,554,821 common shares issued and outstanding (December 31, 2020 – 343,554,821).

(Stated in Canadian dollars unless otherwise noted; tabular amounts in thousands)

6. Share capital (continued)

(b) Share purchase warrants

Share purchase warrants outstanding as at March 31, 2021 and December 31, 2020, were as follows:

Expiry Date	Number of warrants		Weighted average exercise price ($ per warrant)	Weighted average remaining contractual life (years)
July 11, 2021	20,000,000	$	0.12	0.28
January 11, 2022	2,100,000		0.155	0.78
December 15, 2022	26,300,000		0.075	1.71
	48,400,000	**$**	**0.10**	**1.08**

7. Exploration expenses

Exploration expenses are summarized as follows:

	Three months ended March 31,			
		2021		2020
Salaries and consultants	**$**	**208**	$	254
Drilling		**-**		526
Assay		**8**		27
Rental		**6**		125
Share-based payments		**32**		-
Fees and taxes		**3**		2
Geophysics		**35**		-
Camp		**11**		68
Travel		**6**		14
Professional fees		**20**		25
Environmental		**10**		5
Other		**26**		31
Total exploration expenses	**$**	**365**	$	1,077

The Company has recognized approximately $6,000 related to short-term leases within exploration expenses for the three months ended March 31, 2021 (March 31, 2020 - $121,000).

Exploration expenses were allocated to the following projects:

	Three months ended March 31,			
		2021		2020
Pinaya	**$**	**263**	$	1,069
Aspen Grove		**45**		1
Coppermine		**2**		2
General project evaluation		**22**		5
Other		**33**		-
Total exploration expenses	**$**	**365**	$	1,077

(Stated in Canadian dollars unless otherwise noted; tabular amounts in thousands)

8. Administrative expenses

Administrative expenses for the Company are summarized as follows:

	Three months ended March 31, 2021	2020
Salaries and benefits	**$ 83**	$ 89
Share-based payments	**60**	12
Professional fees	**71**	107
Office	**24**	23
Fees and taxes	**11**	15
Investor relations	**(4)**	2
Insurance	**24**	17
Other	**2**	3
Total administrative expenses	**$ 271**	$ 268

9. Share-based payments

The Company's stock option plan for employees and directors permits the Board to grant options to acquire common shares of the Company at an exercise price not less than the closing price of the Company's shares on the day preceding the date of grant, less any discount permitted by the TSX Venture Exchange, over a maximum term of ten years. Pursuant to the plan, the Company is authorized to issue stock options for a maximum of 10% of the common shares of the Company outstanding from time to time. The general terms of stock options that have been granted under the plan include a maximum term of five years and vesting periods ranging from immediately to four years after the date of grant.

Details of stock option transactions during the period are as follows:

	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Number of stock options	**Weighted average exercise price ($ per share)**	Number of stock options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	**14,270,000**	**$ 0.07**	4,775,000	$ 0.18
Granted	**-**	**-**	-	-
Expired	**-**	**-**	(985,000)	0.30
Forfeited	**(25,000)**	**0.05**	(500,000)	0.20
Outstanding, end of period	**14,245,000**	**$ 0.07**	3,290,000	$ 0.14
Exercisable, end of period	**2,536,666**	**$ 0.15**	2,223,332	$ 0.18

Stock options outstanding and exercisable at March 31, 2021 are as follows:

	Options outstanding		Options exercisable	
Exercise price ($ per share)	Number of stock options	Weighted average remaining contractual life (years)	Number of stock options	Weighted average remaining contractual life (years)
0.050	12,775,000	4.50	1,066,666	3.41
0.200	450,000	0.84	450,000	0.84
0.215	250,000	1.00	250,000	1.00
0.235	320,000	0.92	320,000	0.92
0.240	450,000	0.41	450,000	0.41
	14,245,000	4.11	2,536,666	1.87

(Stated in Canadian dollars unless otherwise noted; tabular amounts in thousands)

9. Share-based payments (continued)

On April 29, 2021, the Company announced it had granted an aggregate of 909,090 stock options to certain employees pursuant to the Company's Stock Option Plan.

The stock options are exercisable at a price of $0.055 per share and will vest one third six months after the date of the grant, with an additional one third vesting twelve months after the date of the grant and the remaining one third vesting two years after the date of the grant. The stock options expire on April 28, 2026.

10. Financial instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized at fair value through profit or loss or fair value through other comprehensive income ("FVTOCI"). The Company's financial assets and financial liabilities are classified as follows:

		March 31, 2021		December 31, 2020
Financial assets				
Financial assets measured at amortized cost				
Cash	**$**	**412**	$	895
Deposits		**237**		237
Other assets		**44**		70
Financial assets measured at FVTOCI				
Marketable securities		**30**		19
Total financial assets	**$**	**723**	$	1,221
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities	**$**	**545**	$	495
Promissory note		**4,731**		4,652
Total financial liabilities	**$**	**5,276**	$	5,147

The carrying values of cash, deposits, other assets, accounts payable and accrued liabilities and the promissory note approximate their fair values due to their short-term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Marketable securities are measured at fair value using level 1 inputs.

11. Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below, with the exception of the Second Amended Promissory Note, which is disclosed in Note 4.

(Stated in Canadian dollars unless otherwise noted; tabular amounts in thousands)

11. Related party transactions (continued)

(a) Expenses, deposits and accounts payable

The Company incurred the following exploration and administrative expenses with related parties:

	Three months ended March 31,			
		2021		2020
Salaries and benefits	**$**	**198**	$	200
Corporate administration		**51**		27
Exploration and geophysical activities		**54**		7
Total related party expenses	**$**	**303**	$	234

The breakdown of the expenses by related party is as follows:

	Three months ended March 31,			
		2021		2020
GMM (i)	**$**	**255**	$	227
HPX (ii)		**13**		7
CGI (iii)		**35**		-
Total related party expenses	**$**	**303**	$	234

(i) Global Mining Management Corporation ("GMM"), a private company based in Vancouver, provides administration, accounting, and other office services to the Company on a cost-recovery basis. The Company held 7.7% of GMM's common shares at March 31, 2021 (December 31, 2020 – 7.7%). The investment in GMM is held at $Nil on the condensed interim consolidated statements of financial position.

(ii) HPX holds 73.2% of the Company's common shares at March 31, 2021 (December 31, 2020 – 73.2%). Costs incurred by HPX on behalf of the Company are reimbursed on a cost-recovery basis.

(iii) Computational Geosciences Inc. ("CGI") is a private company based in Vancouver, Canada, which is also a member of the same HPX group.

At March 31, 2021, the Company had a deposit of $237,000 (December 31, 2020 – $237,000) held by GMM. This deposit is recorded in prepaid expenses and deposits.

The breakdown of accounts payable by related party is as follows:

		March 31,		December 31,
		2021		2020
GMM	**$**	**127**	$	110
HPX		**32**		20
Total related party payables	**$**	**159**	$	130

(Stated in Canadian dollars unless otherwise noted; tabular amounts in thousands)

11. Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management is as follows**:**

	Three months ended March 31,	
	2021	2020
Salaries and benefits	**$ 123**	$ 125
Share-based payments	**53**	12
Total compensation of key management personnel	**$ 176**	$ 137

The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

KAIZEN DISCOVERY

Management's Discussion and Analysis

March 31, 2021

As at May 11, 2021

Introduction

The purpose of this Management's Discussion and Analysis ("MD&A") is to provide readers with management's overview of the past performance of, and future outlook for, Kaizen Discovery Inc. (the "Company" or "Kaizen"). The report also provides information to enhance readers' understanding of the Company's financial statements and highlights important business trends and risks affecting the Company's financial performance. It should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2021 (the "financial statements"), the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 and the MD&A for the year ended December 31, 2020.

All information contained in this MD&A is current as of May 11, 2021 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information on the Company is available on SEDAR and on the Company's website, www.kaizendiscovery.com.

Forward-Looking Statements

This MD&A includes "forward-looking statements" and "forward-looking information" within the meaning of Canadian securities legislation. All statements included in this MD&A, other than statements of historical fact, are forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict", "foresee" and other similar terminology, or sentences/statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance. These statements reflect Kaizen's current expectations regarding future events, performance and results, and is accurate only at the time of this MD&A, and may be superseded by more current information.

Forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Kaizen or its mineral projects to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

In making such statements, Kaizen has made assumptions regarding, among other things: general business and economic conditions; drilling programs and results at Pinaya; use of Typhoon™ geophysical surveys; the availability of additional exploration and mineral project financing; the supply and demand for, inventories of, and the level and volatility of the prices of metals; the timing and receipt of governmental permits and approvals; the timing and receipt of community and landowner approvals; changes in regulations; political factors; the accuracy of the Company's interpretation of drill results; the geology, grade and continuity of the Company's mineral deposits; the availability of equipment, skilled labour and services needed for the exploration and development of mineral properties; currency fluctuations; and impact of the COVID-19 pandemic.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgements about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgements used in engineering and geological interpretation, which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that ultimately may prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in mineral prices; (ii) results of drilling; (iii) metallurgical testing and other studies; (iv) proposed and completed mining exploration programs; (v) the evaluation of exploration and drilling plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

Although the forward-looking statements or information contained in this MD&A are based upon what management of Kaizen believes are reasonable assumptions, Kaizen cannot assure investors that actual results will be consistent with these forward-looking statements. They should not be read as guarantees of future performance or results. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: the factors discussed below and under "Risk Factors"; unanticipated changes in general business and economic conditions or conditions in the financial markets; fluctuations in the price of metals; stock market volatility; the availability of exploration capital and financing generally; changes in national and local government legislation; changes to taxation; changes in interest or currency exchange rates; loss of key personnel; inaccurate geological assumptions; legal disputes or unanticipated outcomes of legal proceedings; social unrest; competition; unavailability of materials and equipment; government action or delays in the receipt of permits or government approvals; community member disturbances; industrial disturbances or other job action; and unanticipated events related to health, safety and environmental matters including unknown impacts related to potential business disruptions stemming from the COVID-19 pandemic or another infectious disease.

Forward-looking information is designed to help readers understand management's current views of the Company's near and longer-term prospects, and it may not be appropriate for other purposes. Kaizen will not update any forward-looking statements or forward-looking information unless required to by applicable securities laws.

The forward-looking statements contained herein are based on information available and are made as of May 11, 2021.

Overview of the Business

Kaizen is a publicly listed mineral exploration company incorporated under the laws of British Columbia, Canada. The Company's shares are listed on the TSX Venture Exchange under the symbol KZD. The Company's head office and registered office are located at Suite 654 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

Kaizen's current mineral property portfolio consists of exploration-stage mineral projects in Peru and Canada.

To date, Kaizen has not generated any revenues from its operations and is considered to be in the exploration stage.

Outlook

Forecast growth in demand for energy metals such as copper far exceeds the demand growth seen historically by the mining industry. Unlike the previous doubling of demand every twenty years, there is a doubling of demand from the electric vehicle battery sector every two to three years. With looming shortfalls in metal supply, a perfect storm of demand growth and supply-side challenges is developing with implications for future metal prices and for the economic significance of the mining sector moving forward.

Kaizen continues to focus its activities on exploring the Pinaya Copper-Gold Project ("Pinaya") in Peru. As announced on March 24, 2021, and subject to the availability of financing, Kaizen plans to drill test up to ten shallow gold targets on the property with up to 3,000 m of drilling. These targets are defined by historical shallow-penetrating induced polarization ("IP") chargeability anomalies, anomalous gold in rock samples and surface alteration. Additionally, planning is also underway for an IP-resistivity survey using the proprietary deep-penetration Typhoon™ high-power transmitter system, owned by parent company HPX TechCo Inc. ("HPX"), a wholly-owned subsidiary of Ivanhoe Electric Inc. (which acquired HPX through a contribution agreement with High Power Exploration Inc. effective April 30, 2021), to trace the Pinaya Mineral Resource and shallow chargeability anomalies to depth, to identify deeper concealed mineralized bodies within the 10 km-long Pinaya hydrothermal system, and to explore beneath Miocene cover rocks west of the Mineral Resource.

On September 29, 2020, Kaizen announced that it had restarted exploration activities at its 100%-owned Aspen Grove Project ("Aspen Grove") in British Columbia. The Company's remaining portfolio of exploration properties, all of which are located in Canada, remain inactive at this time.

The Company continues to seek additional project opportunities, primarily in the Americas, the entry costs to which are as-yet undetermined. As such, management will continue to assess the cost of exploration programs at Aspen Grove and Pinaya and may revise the scope of planned programs. Although funding for the completed drill program at Pinaya in the first quarter of 2020 was obtained from HPX, future planned exploration activities at Aspen Grove and Pinaya are dependent on completion of further equity financings or loans.

A global pandemic related to COVID-19 was declared by the World Health Organization in March 2020. The current and expected impacts of COVID-19 on the Company's current operations are being closely monitored. There has been significant volatility in global markets including foreign exchange rates and commodity prices, supply chain disruptions, economic slow-downs, lockdowns and travel restrictions. Countries are asking people to self-isolate or practice social distancing to reduce the spread of the virus. Kaizen's primary focus remains on the health and safety of its employees, contractors and host communities. The Company has followed the requirements and advice of government and health authorities in Canada and Peru and has implemented appropriate measures at the corporate offices and at all sites. These measures are continuously reviewed and updated to reflect current circumstances. To this end, all staff and contractors in both Peru and Canada have been primarily working from home and self-monitoring for signs of infection since late March 2020. These measures have impacted the Company's operations, most notably in Peru, where restrictions on work and travel have reduced site access to Pinaya. The Company continues to monitor the ongoing developments surrounding COVID-19, including the impact of the COVID-19 variants and the distribution of vaccines and is prepared for continued short-term impacts to the Company and its operations.

Corporate Activities

Legal Actions

On March 23, 2021, the Company announced that the legal action initiated by AM Gold ("AMG") against the Company in 2017 through the Supreme Court of British Columbia was dismissed by the Court after concluding "that AMG's claims are all without merit." The Company will now ask the trial judge to order that AMG pay Kaizen's costs on a full indemnity "special costs" basis. The plaintiff has commenced an appeal and the appeal is at a very early stage.

Financing Agreement with HPX

On April 13, 2021, the Company announced that it had arranged an additional US$642,000 loan under an amended and restated unsecured promissory note (the "Second Amended Promissory Note"). The Second Amended Promissory Note reflects a maturity date for all amounts owing as of September 30, 2021. The interest rate remains at 10% per annum, compounded only at maturity. The Company intends to use the proceeds from the Second Amended Promissory Note for general working capital purposes.

Exploration Activities

Pinaya Copper-Gold Project, Peru (100% owned)

Overview

The Pinaya Copper-Gold Project covers 100.65 km^2 and includes more than 10 kilometres of underexplored strike length within the Andahuaylas-Yauri Porphyry-Skarn Belt in southeastern Peru (Figure 1). This Eocene-Oligocene aged belt hosts numerous productive copper ± gold/molybdenum porphyry and skarn systems, including Las Bambas, Tintaya, Constancia, Haquira and Antapaccay.

An updated National Instrument 43-101 ("NI 43-101") technical report for Pinaya, titled "Pinaya Gold-Copper Project Technical Report" prepared jointly by Brian Cole, P.Geo, and GeoSim Services Inc., with an effective date of April 26, 2016, was filed on the SEDAR website under Kaizen's profile at www.sedar.com and on the Kaizen website at www.kaizendiscovery.com. The technical report includes an updated Mineral Resource estimate that was prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's Standards of Disclosure for Mineral Projects.

Pinaya contains a Mineral Resource within three contiguous zones over 1.7-kilometres of strike in the central part of the property. The project's Measured Mineral Resource totals 8.2 million tonnes grading 0.33% copper and 0.60 grams per tonne ("g/t") of gold, for contained metal of 27,000 tonnes of copper and 158,000 ounces of gold. The project's Indicated Mineral Resource totals 33.5 million tonnes grading 0.32% copper and 0.46 g/t gold, for contained metal of 108,000 tonnes of copper and 497,000 ounces of gold. The project also has an Inferred Mineral Resource of 40.2 million tonnes grading 0.36% copper and 0.30 g/t gold, containing 145,000 tonnes of copper and 388,000 ounces of gold. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.

Licenses and Permits

On February 14, 2017, Kaizen received approval of its Declaration for Environmental Impact ("DIA") for Pinaya. The DIA allows Kaizen to excavate 95 trenches and use up to 20 drilling platforms in order to drill as many as 55 holes totaling up to 17,200 metres. In addition, the Certificate of Non-Existence of Archaeological Remains was received which was also a precondition to the commencement of drilling.

On July 9, 2018, the Company announced that the Consulta Previa review had been successfully completed and its Peruvian subsidiary had been issued with the Authorization to Commence Activities for its planned drilling program at Pinaya. Under Peruvian law, the government-led Consulta Previa (prior consultation) process verifies that the considerations of any local peoples that could represent an indigenous population have been recognized.

In February 2019, the Company received its water use permit from the Peru National Water Authority, which eliminated the need for the Company to transport water in support of its planned drill program.

In April 2019, agreements with private landholders were re-signed, providing Kaizen with access rights to conduct its planned exploration program until June 2020.

On June 30, 2019, the Company renewed its mineral titles over the resource area, interpreted extensions to the resource area, and other prospective areas. Other titles outside of these areas were relinquished.

On July 1, 2019, the Company signed three contracts with the community of Pinaya. The contracts comprise an Usufruct Agreement for the Mina Pata parcel; a Social Support Agreement; and a Collaboration Framework Agreement.

On January 29, 2021, the Company received approval from the Ministry of Mines for the Company's second supporting technical report ("ITS") for the DIA for Pinaya, giving the Company an additional period of twelve months to complete any further exploration drilling programs. The approval will expire on January 1, 2022.

Figure 1: The Pinaya concessions include over 10 km of underexplored strike length in the heart of the Andahuaylas-Yauri Porphyry-Skarn Belt

Planned Work Programs

Multiple untested shallow gold targets have been identified by Kaizen after reviewing historical geophysical and geochemical data, combined with Kaizen's more recent geologic mapping and soil re-sampling. Of the seven large chargeable features identified, only three have been partially drill tested in the past with encouraging results. The focus of exploration by previous operators was to define the current Pinaya Mineral Resource and much less on drill-testing regional exploration targets.

The first phase of the 2021 diamond drill plan at Pinaya will comprise up to 3,000 m of diamond drilling over 10 holes (~300 m each) across six of the seven shallow gold targets (see Figure 2 below). Strike extensions of mineralized cross structures in the area of the Pinaya Mineral Resource are also planned to be drilled.

Permitting of the drill holes is underway and the Company is considering available options to finance the exploration program.

On January 13, 2020, the Company announced the commencement of an exploration drilling program at Pinaya to test three priority targets. On March 23, 2020, the Company announced the completion of the program, with 1,946 metres completed over three drill holes. Full assay results from the drilling were announced on July 7, 2020. Assay results returned intercepts with anomalous levels of copper and gold mineralization in all three holes.

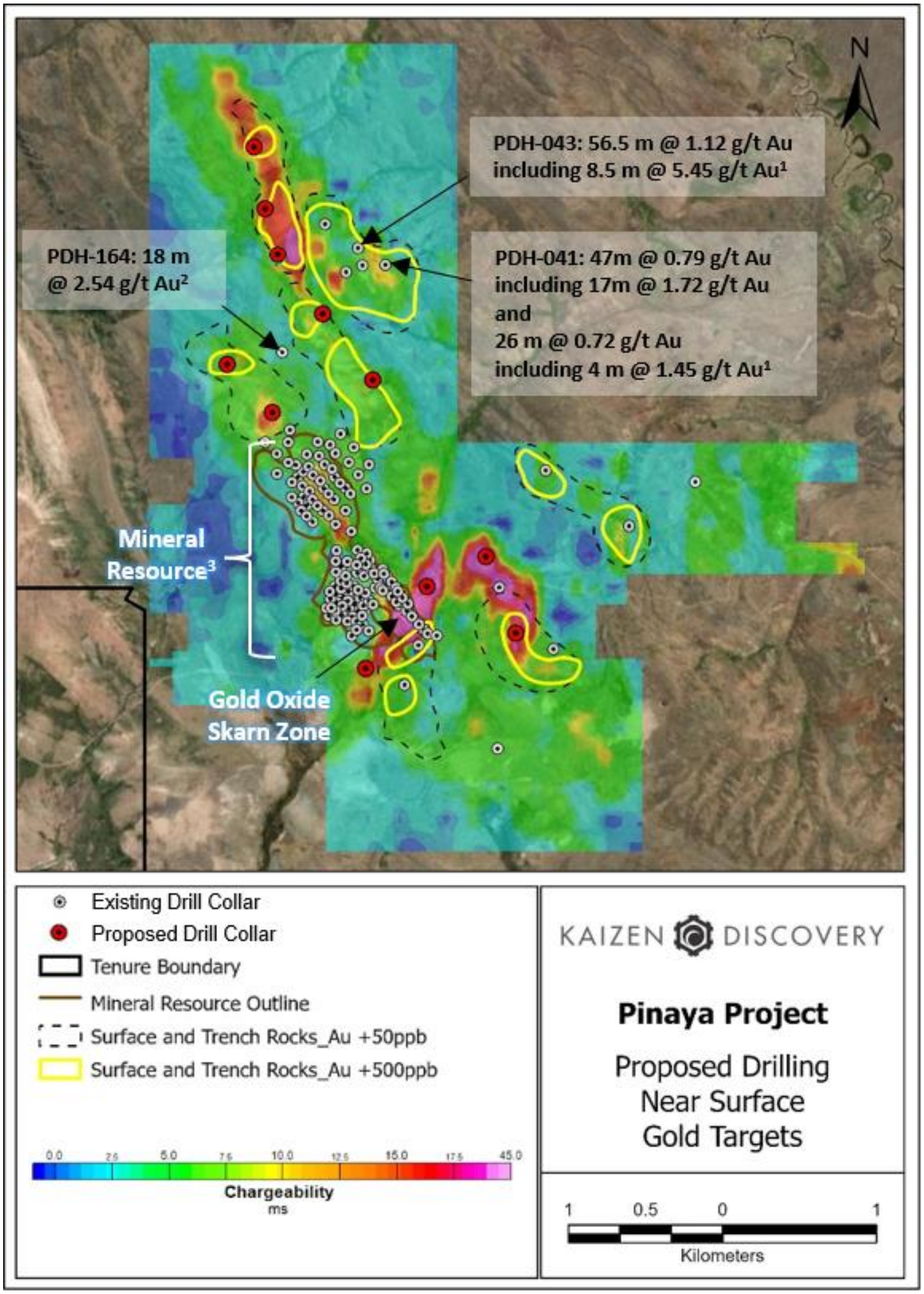
Based on observations of drill core from holes PDH-163, -164 and -165, Kaizen believes that potential exists for a large, unroofed porphyry copper system, which could extend to depth and laterally beyond the bounds of the historic geophysical surveys. Hole PDH-163 did intersect thin porphyry dikes, however it is still not clear if those are responsible for the skarn alteration and mineralization observed through this hole. All holes drilled in the current program did not penetrate beyond the Puno Group roof rocks into the underlying porphyry system.

Also as part of the planned work program, HPX intends to complete an IP-resistivity survey using HPX's proprietary deep-penetration Typhoon™ high-power transmitter system in order to trace the Pinaya Mineral Resource and shallow chargeability anomalies to depth, to identify deeper concealed bodies of mineralization within the 10 km-long Pinaya hydrothermal system and to explore beneath Miocene cover rocks to the west of the Puno Group host rock sequence.

The timing of future work programs at Pinaya will be impacted by the COVID-19 pandemic and the ability of the Company to secure financing. The Peruvian Government declared a national state of emergency on March 15, 2020. Under the state of emergency, Peru initially enacted 15 days of mandatory quarantine, starting at midnight on March 16, 2020. All borders (land, air, and maritime) were also closed and at that time, all of the Company's employees and contractors in Peru began working from home. In June 2020, the Peruvian Government began to ease lockdown restrictions on the country's mining sector, with a phased restart of activities. All work at Pinaya requires the implementation of health protocols, including self-distancing, disinfection procedures, use of protective masks and COVID-19 testing. The Company submitted its plan for surveillance, prevention and control of COVID-19 at Pinaya to the Ministry of Health and Ministry of Mines, and upon receiving approval, restarted certain field activities on June 16, 2020. Activities in the mining industry are allowed as long as the protocols to prevent COVID-19 are in place. Currently, Peru is under a nationwide curfew from 9 pm to 4 am and international flights of up to 8 hours of duration are allowed. International travelers are permitted to enter Peru only after producing a negative COVID-19 test (issued no more than 72 hours before the flight). Upon arrival, international travelers may take a COVID-19 test and if they receive a negative result may suspend the fourteen day quarantine requirement.

COVID-19 continues to have a significant impact globally and this pandemic could have a material adverse effect on the Company, results from operations, and the ability of the Company to secure further financing.

Figure 2: Proposed preliminary drill plan for targeting shallow gold at Pinaya.



Aspen Grove Project, British Columbia, Canada (100% owned)

The Aspen Grove Project is located in southern British Columbia, near the city of Merritt, and is 100%-owned by Kaizen through its wholly-owned subsidiary KZD Aspen Grove Holding Ltd. It comprises 29 claims totaling approximately 112 km^2 which will remain valid through to 2027, and covers part of an extensive belt of porphyry copper-gold mineralization hosted by Late Triassic – Early Jurassic Nicola Group volcanics and coeval intrusions. Three of the claims (13.75 km^2) are subject to a 2% net smelter return royalty, 1% of which can be purchased at any time for $3.0 million.

The project encompasses a number of historical copper prospects: Zig, Thalia, Boss, Par and Ketchan. Of these five target areas, only the Par and Ketchan areas have had preliminary drill testing completed by Kaizen. A total of 2,537 metres in five holes was completed at Par and a further 21 holes totaling 10,032 metres have been completed at Ketchan.

As announced on September 29, 2020, Kaizen re-started exploration at Aspen Grove with the objective of mapping the northern prospects (Thalia, Zig, Thor, Boss); sampling the intrusions intersected at Ketchan and Par for U/Pb and Re/Os dating; and understanding volcanic stratigraphy. Continued work will focus on updating the geological model through interpretation of cross sections with the addition of age dating, geochemistry and petrography results. The ultimate objective is to identify prospective targets for a future drill program. The Company has followed the COVID-19 requirements and advice of government and health authorities in British Columbia and has implemented measures, including social distancing, hand hygiene and personal protective equipment to protect employees and contractors at Aspen Grove.

Coppermine Project, Nunavut, Canada (100% owned)

The Coppermine Project is a non-core asset for which options are being assessed, including a possible sale to, or joint venture with, a third party. The project constitutes a district-scale, greenfield exploration prospect, discontinuously covering approximately 115 kilometres of strike length of an easterly-trending belt of Mesoproterozoic continental flood basalts (the Coppermine River Group) and unconformably overlying marine sedimentary rocks of Neoproterozoic age (the Rae Group). The belt has numerous mineral showings that demonstrate prospectivity for two distinct deposit types: sediment-hosted stratiform copper-silver and structurally-controlled volcanic-hosted copper-silver.

Kaizen, through its wholly-owned subsidiary Tundra Copper Corp., holds 153 Crown Land mineral claims totalling 1,657 km^2.

All of the claims are currently under Section 51 of the Mining Regulations of Nunavut. Under Section 51, if a claim holder is unable to do the required assessment work because the holder is, for reasons beyond the claim holder’s control, waiting for a public authority to give an authorization or decision without which the work cannot proceed, the claim holder may request a one-year suspension of the work requirements.

The Company’s Section 51 application is based on the Draft Nunavut Land Use Plan (“DNLUP”) classification for the land on which the project lies. In the DNLUP, the Company’s mineral claims are overlain by areas with proposed prohibitions and/or limitations on mining and exploration. Uncertainty regarding these designations, among other strategic issues, will impact Kaizen’s ability to continue to choose to invest in exploration at the Coppermine Project until the land use plans for Nunavut are finalized.

Other Exploration Projects

Kaizen continues to assess its options for the Tanzilla and Pliny porphyry copper-gold projects, located in the Stikine terrane of northwestern British Columbia, including the possible sale of those projects to, or joint ventures with, third parties.

Exploration Expenses

(Tabular amounts are expressed in thousands of Canadian dollars)

Exploration expenses for the three months ended March 31, 2021 and 2020 are summarized by project as follows:

	Three Months Ended March 31, 2021				
	Pinaya	**Coppermine**	**Aspen Grove**	**Other**	**Total**
	$	$	$	$	$
Salaries and consultants	149	-	37	22	208
Drilling	-	-	-	-	-
Assay	8	-	-	-	8
Rental	6	-	-	-	6
Share-based payments	-	-	-	32	32
Fees and taxes	1	2	-	-	3
Geophysics	35	-	-	-	35
Camp	11	-	-	-	11
Travel	6	-	-	-	6
Professional fees	16	-	4	-	20
Environmental	10	-	-	-	10
Other	21	-	4	1	26
Total exploration expenses	263	2	45	55	365

	Three Months Ended March 31, 2020				
	Pinaya	**Coppermine**	**Aspen Grove**	**Other**	**Total**
	$	$	$	$	$
Salaries and consultants	247	2	-	5	254
Drilling	526	-	-	-	526
Assay	27	-	-	-	27
Rental	125	-	-	-	125
Share-based payments	-	-	-	-	-
Fees and taxes	2	-	-	-	2
Geophysics	-	-	-	-	-
Camp	68	-	-	-	68
Travel	14	-	-	-	14
Professional fees	25	-	-	-	25
Environmental	5	-	-	-	5
Other	30	-	1	-	31
Total exploration expenses	1,069	2	1	5	1,077

Summary of Quarterly Results

(Tabular amounts are expressed in thousands of Canadian dollars, except for per share amounts)

	Quarter Ended			
	Mar-31 2021	Dec-31 2020	Sep-30 2020	June-30 2020
	$	$	$	$
Revenue	-	-	-	-
Exploration expenses	365	377	348	556
Administrative expenses	271	437	1,462	538
(Gain) loss on foreign exchange	(103)	(197)	(65)	(155)
Other (income) expense	(469)	143	102	173
Net loss for the period	64	760	1,847	1,112
Basic and diluted loss per share	-	-	0.01	-

	Quarter Ended			
	Mar-31 2020	Dec-31 2019	Sep-30 2019	June-30 2019
	$	$	$	$
Revenue	-	-	-	-
Exploration expenses	1,077	223	210	483
Administrative expenses	268	337	626	277
(Gain) loss on foreign exchange	124	28	(36)	3
Other (income) expense	109	(109)	34	60
Net loss for the period	1,578	479	834	823
Basic and diluted loss per share	-	-	-	-

The changes in the Company's financial results on a quarter-by-quarter basis are due primarily to fluctuations in the level of activity of the Company's exploration programs, project acquisitions and administration. The Company is a mineral exploration company and does not earn any revenue. The Company's current mineral property portfolio consists of exploration-stage mineral projects in Peru and Canada.

In the quarter ended September 30, 2019, administration expenses increased compared to previous quarters due to timing differences in the charging of professional fees.

In the quarter ended December 31, 2019, the Company recognized other income due to an adjustment to reflect management's best estimate of the current provision at December 31, 2019.

In the quarter ended March 31, 2020, exploration expenses increased as the Company commenced and completed its planned exploration drilling program at Pinaya.

In the quarter ended June 30, 2020, exploration expenses decreased as the Company had completed its planned drilling program prior to the government mandated shutdowns due to COVID-19 in March 2020. Exploration during the quarter ended June 30, 2020 primarily related to care and maintenance costs at camp, and concession fees related to Pinaya.

In the quarter ended September 30, 2020, administration expenses increased primarily due to an increase in professional fees related to legal proceedings (as discussed in the "Risk Factors" section of this MD&A).

In the quarter ended December 31, 2020, administration expenses decreased primarily due to a decrease in professional fees related to legal proceedings, while exploration expenses increased due to the restart of limited exploration activity at Aspen Grove.

In the quarter ended March 31, 2021, the Company recognized other income due to an adjustment to reflect management's best estimate of the non-current provision at March 31, 2021.

Results of Operations

First Quarter Results – The three months ended March 31, 2021 ("Q1 2021") compared to the three months ended March 31, 2020 ("Q1 2020")

The loss for Q1 2021 totaled $64,000 compared to the loss of $1.58 million in Q1 2020.

Exploration expenses were $365,000 in Q1 2021 compared to $1.08 million in Q1 2020. The decrease is predominantly due to the Company having executed its planned 2020 drilling program at Pinaya, prior to the COVID-19 lockdowns beginning in late March 2020. The costs incurred in Q1 2020 were comprised primarily of drilling, salaries, consultants, rentals and camp costs; whereas in Q1 2021, the Company did not complete any drilling and incurred minimum care and maintenance costs at its properties.

Administration expenses of $271,000 in Q1 2021 were consistent with Q1 2020. A $36,000 decrease in professional fees related to legal proceedings were offset by an approximate $48,000 increase in share-based payments.

Foreign exchange fluctuated from a $124,000 loss in Q1 2020 to a $103,000 gain in Q1 2021 due to differences in the movements of foreign exchange rates during the comparative periods.

Other income includes an adjustment of $629,000 to reflect management's best estimate of the non-current provision at March 31, 2021. There was no comparative adjustment in Q1 2020.

Interest expense was higher in Q1 2021 compared to Q1 2020 due to the larger principal outstanding on the short-term loan with HPX in Q1 2021.

Liquidity and Capital Resources

At March 31, 2021, the Company had consolidated cash of $412,000 (December 31, 2020 - $895,000). The Company holds its cash in interest-bearing accounts with creditworthy financial institutions.

The primary use of cash during the three months ended March 31, 2021, was funding operating activities of $507,000 (2020 - $1.22 million).

On April 13, 2021, the Company announced that it had arranged an additional US$642,000 short-term loan from HPX. The Company has issued to HPX a second amended promissory note that replaces the amended unsecured promissory note covering the existing short-term loan that was due on December 31, 2020. The Second Amended Promissory Note reflects a maturity date for all amounts owing as of September 30, 2021 and an interest rate of 10% per annum. The Company drew down US$642,000 ($806,000) in April 2021.

At March 31, 2021, the Company believes that it has adequate near-term resources to maintain its minimum obligations, including general corporate activities, based on its current cash position and ability to pursue additional sources of financing, including further equity placements.

The Company currently has no source of operating cash flow, and has no assurance that additional funding will be available to it for additional exploration programs at its properties, or to enable the Company to fulfill its obligations under any applicable agreements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company's properties and the possible loss of title to such properties. Significant reliance is placed on HPX, the Company's controlling shareholder, for providing ongoing financing to the Company. Failure of HPX to provide or participate in future financings, or the inability of HPX to provide or participate in future financings, would likely result in difficulty for the Company to attract separate third-party investment. In addition, the spread of COVID-19 globally has caused and continues to cause considerable disruptions to the world economy, including financial markets and commodity prices and could adversely impact the Company's ability to carry out plans to obtain additional financing. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the Company's control, such as uncertainty in the capital markets, depressed commodity prices or country risk factors. As such, there is material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2021, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of the Company.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Related Party Transactions

(Tabular amounts are expressed in thousands of Canadian dollars)

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this section of the MD&A. Details of transactions between the Company and other related parties are disclosed below.

Expenses, deposits and accounts payable

The Company incurred the following exploration and administrative expenses with related parties:

	Three months ended March 31,	
	2021	2020
	$	$
Salaries and benefits	198	200
Corporate administration	51	27
Exploration and geophysical activities	54	7
Total related party expenses	303	234

The breakdown of expenses by related party is as follows:

	Three months ended March 31,	
	2021	2020
	$	$
GMM	255	227
HPX	13	7
CGI	35	-
Total related party expenses	303	234

(i) Global Mining Management Corporation ("GMM"), a private company based in Vancouver, provides administration, accounting, and other office services to the Company on a cost-recovery basis. The Company held 7.7% of GMM's common shares at March 31, 2021 (December 31, 2020 – 7.7%). The investment in GMM is held at $Nil on the consolidated statements of financial position.

(ii) HPX holds 73.2% of the Company's common shares at March 31, 2021 (December 31, 2020 – 73.2%). Costs incurred by HPX on behalf of the Company are reimbursed on a cost-recovery basis.

(iii) Computational Geosciences Inc. ("CGI") is a private company based in Vancouver, Canada, which is also a member of the same HPX group.

At March 31, 2021, the Company had a deposit of $237,000 (December 31, 2020 - $237,000) held by GMM. This deposit is recorded in prepaid expenses and deposits.

The breakdown of accounts payable by related party is as follows:

	March 31, 2021	December 31, 2020
	$	$
GMM	127	110
HPX	32	20
Total related party payables	159	130

Under the terms of an amended and restated unsecured promissory note ("Amended Promissory Note"), the Company had drawn down a total of US$3.40 million ($4.48 million) at December 31, 2020. The Company did not draw down on the Amended Promissory Note in the three months ended March 31, 2021. The Amended Promissory Note had a maturity date of December 31, 2020 and an interest rate of 10% per annum, with interest accruing daily and all interest compounding only at maturity. The interest rate increased to 12% per annum as the Company did not repay the amount owing upon the maturity date. However, on April 13, 2021, the Company announced that it had arranged an additional US$642,000 ($806,000) under the Second Amended Promissory Note. The Second Amended Promissory Note reflects a maturity date for all amounts owing as of September 30, 2021 and as a result, the interest rate will remain at 10% per annum.

At March 31, 2021, the Company had a liability of US$3.76 million ($4.73 million) owing under the Second Amended Promissory Note agreement between HPX and the Company. Interest expense of approximately $137,000 was recorded in the condensed interim consolidated statements of loss and comprehensive loss for the three months ended March 31, 2021 (March 31, 2020 - $72,000).

Compensation of key management personnel

The remuneration of directors and other members of key management is as follows**:**

	Three months ended March 31,	
	2021	**2020**
	$	$
Salaries and benefits	123	125
Share-based compensation	53	12
Total compensation of key management personnel [1]	176	137

[1] The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

Outstanding Share Data

At May 11, 2021, the Company had the following issued and outstanding:

- 343,554,821 common shares.
- 15,154,090 stock options with a weighted average exercise price of $0.07 per share. Each stock option is exercisable to purchase one common share of the Company at prices ranging from $0.05 to $0.24 per common share.
- 2,100,000 warrants held by HPX. Each warrant entitles HPX to acquire one common share of the Company at an exercise price per common share of $0.155 at any time on or before January 11, 2022.
- 20,000,000 warrants held by HPX. Each warrant entitles HPX to acquire one common share of the Company at an exercise price per common share of $0.12 at any time on or before July 11, 2021.
- 26,300,000 warrants entitling the holder to acquire one common share of the Company at an exercise price per common share of $0.075 at any time on or before December 15, 2022. 26,000,000 of these warrants are held by HPX.

Adoption of new and revised accounting standards and interpretations

The Company has not adopted any new amendments to IFRS in the current period, and not applied the following amendments to standards that have been issued but are not yet effective:

Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. Management is currently assessing the impact of these amendments.

Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023) clarifies the presentation of liabilities in the statement of financial position. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of this amendment.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2023) provide guidance to assist entities in distinguishing between policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual periods beginning on or after January 1, 2023. Management is currently assessing the impact of this amendment.

Financial Instruments

(Tabular amounts are expressed in thousands of Canadian dollars)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, deposits, other assets, accounts payable and accrued liabilities and the promissory note approximate their fair values due to their short-term nature. Marketable securities are measured at fair value using level 1 inputs and changes in fair value are recognized at fair value through other comprehensive income ("FVTOCI").

The Company's financial assets and financial liabilities are classified as follows:

	March 31, 2021	December 31, 2020
	$	$
Financial assets		
Financial assets measured at amortized cost		
Cash	412	895
Deposits	237	237
Other assets	44	70
Financial assets measured at FVTOCI		
Marketable securities	30	19
Total financial assets	723	1,221
Financial liabilities measured at amortized cost		
Accounts payable and accrued liabilities	545	495
Promissory note	4,731	4,652
Total financial liabilities	5,276	5,147

The Company's exposures to financial risk and how the Company manages each of those risks are described in the Company's MD&A for the year ended December 31, 2020. There were no significant changes to the Company's exposures to those risks or to the Company's management of its risk exposures during the three months ended March 31, 2021.

Risk Factors

The Company is engaged in mineral exploration and development activities which, by their very nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks including the risk of total loss of the investment, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company's other public disclosures, including the risks disclosed in the "Risk Factors" section of the Company's MD&A for the year ended December 31, 2020, prior to making any investment in the Company's common shares.

The following risk factor disclosed in the Company's MD&A for the year ended December 31, 2020 has been updated:

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. Kaizen 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 Kaizen 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 will be applying for an enhanced, substantial-indemnity costs award. The plaintiff has commenced an appeal. The appeal is at a very early stage and the plaintiff has not yet articulated the grounds in support of its appeal. Kaizen and its counsel believe the trial judgment is well founded and that the appeal is unlikely to succeed. However, the course of litigation and 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.

Qualified Person

The scientific and technical information in this MD&A related to Pinaya has been reviewed, approved and verified by Mark Gibson, Pr.Sci.Nat., Chief Operating Officer of the Company, a Qualified Person under the terms of NI 43-101. Mr. Gibson is not independent of Kaizen.

The Mineral Resource disclosed in this MD&A for Pinaya are reported in the NI 43-101 technical report with an effective date of April 26, 2016 and titled "Pinaya Gold-Copper Project Technical Report" prepared jointly by Brian Cole, P.Geo. and Ronald G. Simpson, P.Geo., (Geosim Services Inc.). Both Mr. Cole and Mr. Simpson are "Qualified Persons" under NI 43-101 and are independent of Kaizen.