

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

RIGHTS OFFERING NOTICE

Filed pursuant to National Instrument 45-106 *Prospectus Exemptions*



KAIZEN DISCOVERY INC.

Notice to security holders – August 9, 2021

The purpose of this notice is to advise holders of the outstanding common shares (the “**Common Shares**”) of Kaizen Discovery Inc. (“**KZD**” or the “**Company**”) of a proposed offering of rights of the Company.

References in this notice to “we”, “our”, “us” and similar terms mean to the Company. References in this notice to “you”, “your” and similar terms mean to shareholders of the Company. All amounts herein are presented in Canadian dollars, unless otherwise stated.

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

Who can participate in the Offering?

The Company is issuing to the holders of Common Shares (the “**Shareholders**”) of record at the close of business (Vancouver time) on August 23, 2021 (the “**Record Date**”) 0.4851239331 of a transferable right (each whole right, a “**Right**”) for each Common Share held, with each whole Right entitling the holder to subscribe for one Common Shares (a “**Rights Share**”) on the terms set forth herein (the “**Offering**”) and as more particularly described in the Company’s rights offering circular dated August 9, 2021 (the “**Rights Offering Circular**”).

Who is eligible to receive Rights?

The Offering is being made to Shareholders in all provinces and territories of Canada (the “**Qualified Jurisdictions**”). The offer of the Rights is being made only to Shareholders resident

in the Qualified Jurisdictions. Shareholders will be presumed to be resident in the place shown on their registered address, unless the contrary is shown to our satisfaction. This notice is not to be construed as an offering of Rights, nor are the Rights Shares issuable upon exercise of the Rights, in any jurisdiction outside of the Qualified Jurisdictions or to Shareholders who are residents of any jurisdiction other than the Qualified Jurisdictions (or, in the case of the United States, located or having an address in with the United States) ("**Ineligible Shareholders**"). Instead, Ineligible Shareholders will be sent a letter advising them that their Rights will be held on their behalf by Computershare Investor Services Inc. (the "**Rights Agent**"), who will hold such Rights as agent for the benefit of all such Ineligible Shareholders.

How does an Ineligible Shareholder Participate?

An Ineligible Shareholder that is an Approved Ineligible Shareholder (as defined below) will be entitled to participate in the Offering.

An Ineligible Shareholder that is either (1)(i) a direct or indirect holder with an address of record in the United States (or whom KZD otherwise reasonably believes to be in the United States or a United States resident) and who is also an "accredited investor" that satisfies one or more of the criteria set forth in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act (each a "**U.S. Accredited Investor**"), and who provides evidence to such effect, in a form which satisfies, in the opinion of KZD, the requirements of Rule 506(c) of Regulation D; or (ii) is outside the Qualified Jurisdictions and the United States, and (2) satisfies KZD that such offering to and subscription by such holder or transferee is lawful and in compliance with all applicable securities and other laws (each an "**Approved Ineligible Shareholder**") may have its Rights Certificate (as defined below) forwarded by Computershare Trust Company of Canada upon direction from KZD.

How many Rights is KZD offering?

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

How many Rights will you receive?

A Shareholder will receive 0.4851239331 of a Right for each Common Share owned by the Shareholder as at the Record Date.

What does one Right entitle you to receive?

Each whole Right will entitle the holder thereof to purchase one Rights Share (the "**Basic Subscription Privilege**") upon payment of a subscription price of \$0.045 (the "**Subscription Price**") per Rights Share until the Expiry Time (as defined below) on the Expiry Date (as defined below).

Rights holders who exercise their Rights in full pursuant to the Basic Subscription Privilege are entitled to exercise additional Rights (the "**Additional Rights**") not otherwise purchased, on a pro rata basis, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). The number of Additional Rights available will be the difference, if any, between the total number of Rights that are issued pursuant to the Offering and the total number of Rights exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date.

Subscriptions for the exercise of Additional Rights will be received subject to allotment only and the number of Additional Rights, if any, that may be allotted to each subscriber will be equal to the lesser of: (i) the number of Additional Rights that such subscriber has exercised under the Additional Subscription Privilege; and (ii) the product (disregarding fractions, if any) obtained by multiplying the number of Additional Rights available to be issued by a fraction, the numerator of which is the number of Rights previously exercised by the subscriber pursuant to the Basic Subscription Privilege and the denominator of which is the aggregate number of Rights previously exercised pursuant to the Basic Subscription Privilege by all holders of Rights who have exercised and paid for Additional Rights. If any Rights holder has exercised fewer Additional Rights than such Rights holder's pro rata allotment of Additional Rights, the excess Additional Rights will be allotted in a similar manner among the Rights holders who were allotted fewer Additional Rights than they exercised.

Shareholders who exercise their Rights must enclose payment in full for all Rights Shares subscribed for (including any subscription pursuant to the Additional Subscription Privilege) in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc., the Rights Agent.

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

How will you receive your Rights?

If you are a registered Shareholder (a "**Registered Holder**") or an Approved Ineligible Shareholder who has provided an accepted exempt purchaser status certificate (and subscription agreement in the case of an Approved Ineligible Shareholder resident or otherwise located or having an address of record in the United States), a rights certificate ("**Rights Certificate**") evidencing the Rights to which you are entitled has been delivered with this Notice. Please review the Rights Certificate and the Rights Offering Circular for instructions as to how to exercise your Rights.

If you are a beneficial Shareholder (a "**Beneficial Holder**") whose Common Shares are held through a securities broker or dealer, bank or trust company or other participant (a "**CDS Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), you will not receive a Rights Certificate. The total number of Rights to which all Beneficial Holders as at the Record Date are entitled will be issued to and deposited with CDS following the Record Date. Please review the Rights Offering Circular and contact your CDS Participant for instructions as to how to exercise your Rights.

When and how can you exercise your Rights?

If you are a Registered Holder or an Approved Ineligible Shareholder, the period to exercise the Rights expires at 5:00 p.m. (Vancouver time) (the "**Expiry Time**") on September 16, 2021 (the "**Expiry Date**").

If you are a Beneficial Holder, you may subscribe for Rights Shares by instructing the CDS Participant holding your Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Rights Share subscribed for to such CDS Participant in accordance with the terms of the Offering. If you wish to exercise the Additional Subscription Privilege, if available, you must exercise the Basic Subscription Privilege in respect of all of the Rights issued to you and forward your request to the CDS Participant that holds Rights prior to the Expiry Time, along with payment for the number of Additional Rights requested. Any excess funds will be returned by mail or credited to your account with your CDS Participant without

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

Only Registered Holders and Approved Ineligible Shareholders will be provided with Rights Certificates. For all Beneficial Holders, the total number of Rights to which all such Beneficial Holders as at the Record Date are entitled will be issued to and deposited with CDS following the Record Date. The Company expects that each Beneficial Holder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights.

Beneficial Holders must arrange for exercises, purchases or transfers of Rights through their CDS Participant and should contact the CDS Participant to instruct them accordingly. It is anticipated by the Company that each purchaser of Rights Shares will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Rights Shares are issued or purchased in accordance with the practices and policies of such CDS Participant.

What are the next steps?

This document contains key information you should know about KZD. You can find more details in KZD's Rights Offering Circular. To obtain a copy, visit KZD's profile on the SEDAR website (www.sedar.com), visit KZD's website (www.kaizendiscovery.com), ask your dealer representative for a copy or contact Investor Relations at: info@kaizendiscovery.com or phone: 1-604-669-6446. You should read the Rights Offering Circular, along with KZD's continuous disclosure record, to make an informed decision.

Kaizen Discovery Inc.

Per: *"Eric Finlayson"*

Eric Finlayson
Interim President and Chief Executive Officer