Condensed Interim Consolidated Financial Statements of

Kaizen Discovery Inc.

September 30, 2020

(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		**September 30, 2020**		December 31, 2019
Assets					
Current assets					
Cash		**$**	**248**	$	2,395
Receivables			**82**		25
Prepaid expenses and deposits	12		**279**		534
Total current assets			**609**		2,954
Non-current assets					
Mineral properties	3		**3,363**		3,267
Financial assets			**26**		17
Property, plant and equipment			**24**		26
Other assets			**70**		70
Total assets		**$**	**4,092**	$	6,334
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	12	**$**	**1,411**	$	249
Provision	4		**556**		498
Promissory note	5,12		**3,769**		2,802
Total current liabilities			**5,736**		3,549
Non-current liabilities					
Non-current provision	6		**1,699**		1,669
Total liabilities		**$**	**7,435**	$	5,218
Shareholders' (deficit) equity					
Share capital	7	**$**	**47,722**	$	47,722
Share-based payment reserve	10		**3,797**		3,773
Other reserves			**452**		452
Share purchase warrants	7		**448**		448
Accumulated other comprehensive loss			**(644)**		(698)
Accumulated deficit			**(55,118)**		(50,581)
Total shareholders' (deficit) equity		**$**	**(3,343)**	$	1,116
Total liabilities and shareholders' equity		**$**	**4,092**	$	6,334

Description of business and going concern (Note 1)

Subsequent events (Note 5 and 10)

Approved and authorized for issue on behalf of the Board on November 10, 2020:

/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)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2020**	2019	**2020**	2019
Operating expenses					
Exploration expenses	8	**$ (348)**	$ (210)	**$ (1,981)**	$ (895)
Administrative expenses	9	**(1,462)**	(626)	**(2,268)**	(1,248)
Loss from operations		**(1,810)**	(836)	**(4,249)**	(2,143)
Other (expenses) income					
Interest income		**1**	4	**9**	12
Gain on foreign exchange		**65**	36	**96**	7
Interest expense	4,5	**(90)**	(3)	**(307)**	(43)
Depreciation expense		**-**	-	**(2)**	(2)
Other expense		**(13)**	(35)	**(84)**	(108)
Loss before income taxes		**(1,847)**	(834)	**(4,537)**	(2,277)
Income taxes		**-**	-	**-**	-
Net loss for the period		**(1,847)**	(834)	**(4,537)**	(2,277)
Other comprehensive (loss) income					
Items that will not be reclassified subsequently to loss:					
Change in fair value of marketable securities		**2**	(5)	**9**	-
Items that may be reclassified subsequently to loss:					
Currency translation adjustment		**(45)**	21	**66**	(59)
Items that have been reclassified to loss:					
Cumulative exchange (loss)/gain relating to liquidated foreign subsidiaries		**(21)**	-	**(21)**	2
Total other comprehensive (loss) income for the period		**$ (64)**	$ 16	**$ 54**	$ (57)
Total comprehensive loss for the period		**$ (1,911)**	$ (818)	**$ (4,483)**	$ (2,334)
Loss per share (basic and diluted)		**$ (0.01)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of basic and diluted shares outstanding		**317,254,821**	311,295,048	**317,254,821**	288,402,584

See accompanying notes to the condensed interim consolidated financial statements.

Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficit) Equity

(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) income		Accumulated deficit		Total
Balance at January 1, 2019	276,766,636	$	45,987	$	3,749	$	452	$	177	$	(599)	$	(47,825)	$	1,941
Net loss for the period	-		-		-		-		-		-		(2,277)		(2,277)
Shares issued pursuant to conversion of Promissory Note	20,488,185		1,024		-		-		-		-		-		1,024
Shares and share purchase warrants issued pursuant to Private Placement, net of share issue costs	20,000,000		711		-		-		271		-		-		982
Other comprehensive loss	-		-		-		-		-		(57)		-		(57)
Share-based payments	-		-		9		-		-		-		-		9
Balance at September 30, 2019	**317,254,821**	**$**	**47,722**	**$**	**3,758**	**$**	**452**	**$**	**448**	**$**	**(656)**	**$**	**(50,102)**	**$**	**1,622**
Balance at January 1, 2020	**317,254,821**	**$**	**47,722**	**$**	**3,773**	**$**	**452**	**$**	**448**	**$**	**(698)**	**$**	**(50,581)**	**$**	**1,116**
Net loss for the period	**-**		**-**		**-**		**-**		**-**		**-**		**(4,537)**		**(4,537)**
Other comprehensive income	**-**		**-**		**-**		**-**		**-**		**54**		**-**		**54**
Share-based payments	**-**		**-**		**24**		**-**		**-**		**-**		**-**		**24**
Balance at September 30, 2020	**317,254,821**	**$**	**47,722**	**$**	**3,797**	**$**	**452**	**$**	**448**	**$**	**(644)**	**$**	**(55,118)**	**$**	**(3,343)**

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)

	Nine months ended September 30,	
	2020	2019
Operating activities		
Net loss for the period	**$ (4,537)**	$ (2,277)
Adjustments for non-cash items:		
Share-based payments	**24**	9
Gain on unrealized foreign exchange	**(131)**	(2)
Interest expense	**307**	43
Other expense	**84**	108
Depreciation	**2**	2
Changes in non-cash working capital items:		
Receivables	**(78)**	3
Prepaid expenses and deposits	**42**	(15)
Accounts payable and accrued liabilities	**1,370**	258
Cash used in operating activities	**$ (2,917)**	$ (1,871)
Investing activities		
Redemption of other assets	**$ -**	$ 8
Cash from investing activities	**$ -**	$ 8
Financing activities		
Proceeds from promissory note	**$ 665**	$ 983
Proceeds from private placement	**-**	1,000
Share issue costs	**-**	(18)
Cash from financing activities	**$ 665**	$ 1,965
Effect of foreign exchange rate changes on cash	**$ 105**	$ 2
(Decrease) increase in cash	**$ (2,147)**	$ 104
Cash, beginning of period	**2,395**	355
Cash, end of period	**$ 248**	$ 459

Supplemental cash flow information (Note 13)

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 September 30, 2020, HPX TechCo Inc. ("HPX"), the Company's privately owned parent, held 71.0% (December 31, 2019 – 71.0%) 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 and nine months ended September 30, 2020, the Company had no operating revenues and incurred net losses of $1.85 million and $4.54 million, respectively. At September 30, 2020, the Company had consolidated cash of $248,000 (December 31, 2019 - $2.40 million).

At September 30, 2020, 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. As such, there is a material uncertainty that may cast significant doubt about 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, 2019, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

2. Significant accounting policies (continued)

(a) Basis of presentation (continued)

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, 2019 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

(i) The Company has adopted the following amendments to IFRS:

Amendments to IFRS 3, *Business Combinations* (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. The definition of a business has been amended to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and to exclude returns in the form of lower costs and other economic benefits. These amendments did not impact the Company's condensed interim consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2020) were made to refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition and the threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. These amendments did not impact the Company's condensed interim consolidated financial statements or disclosures.

(ii) The Company has not applied the following amendments to standards that have been issued but are not yet effective:

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.

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

2. Significant accounting policies (continued)

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

In March 2020, the World Health Organization declared a global pandemic, which has had an adverse impact on the global economy, impacting global supply chains, international trade, movement of people and the availability of financing. Such conditions may have an adverse impact on the Company. The duration of the pandemic is currently unknown and it is not possible to reliably estimate the severity of the impact on the Company.

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, 2019.

(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 $3.36 million (December 31, 2019 - $3.27 million) carrying amount of the Pinaya Copper-Gold Project (the "Pinaya Project" or "Pinaya"). The increase in the carrying amount since December 31, 2019 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. Provision

The current provision has been adjusted to reflect the revised estimate at September 30, 2020.

5. Promissory note

Under the terms of an Unsecured Promissory Note Agreement between HPX and the Company ("Promissory Note"), on December 23, 2019, the Company drew down a total of US$2.15 million ($2.83 million). The Promissory Note had a maturity date of June 30, 2020 and an interest rate of 10% per annum, with interest accruing daily and all interest compounding only at maturity. The interest rate was to increase to 12% per annum as the Company did not repay the amount owing upon the maturity date. However, on August 6, 2020, the Company announced that it had arranged an additional US$1.25 million under an amended and restated unsecured promissory note that replaces the Promissory Note (the "Amended Promissory Note"). The Amended Promissory Note reflects a maturity date for all amounts owing as of December 31, 2020. As a result the interest rate will remain at 10% and will increase to 12% in the event that the Company does not repay the amount owing upon the amended maturity date. HPX will advance funds in its discretion from time to time, upon request by the Company. The Company drew down US$500,000 ($665,000) in August 2020 and the final US$750,000 ($986,000) in November 2020.

At September 30, 2020, the carrying value of the promissory note was US$2.83 million ($3.77 million), comprising both principal and accrued interest. Interest expense on the promissory note of approximately $82,000 and $228,000 was recorded in the condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2020, respectively (September 30, 2019 - $3,000 and $43,000).

6. Non-current provision

The non-current provision with a carrying amount of $1.70 million at September 30, 2020 (December 31, 2019 - $1.67 million) is related to potential obligations associated with the Pinaya Project. The increase in the carrying amount since December 31, 2019 includes the impact of fluctuations in foreign currency.

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

7. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value. At September 30, 2020, the Company had 317,254,821 common shares issued and outstanding (December 31, 2019 – 317,254,821).

(b) Share purchase warrants

Share purchase warrants outstanding as at September 30, 2020 and December 31, 2019, were as follows:

Expiry Date	Number of warrants		Weighted average exercise price ($ per warrant)	Weighted average remaining contractual life (years)
January 11, 2022	2,100,000	$	0.155	1.28
July 11, 2021	20,000,000		0.12	0.78
	22,100,000	**$**	**0.12**	**0.83**

8. Exploration expenses

Exploration expenses are summarized as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Salaries and consultants	**$ 204**	$ 156	**$ 618**	$ 459
Drilling	**-**	-	**526**	-
Assay	**9**	-	**36**	-
Rental	**15**	7	**141**	22
Share-based payments	**-**	-	**-**	3
Fees and taxes	**41**	1	**415**	273
Camp	**18**	14	**87**	36
Travel	**-**	7	**14**	17
Professional fees	**21**	14	**63**	57
Environmental	**3**	3	**11**	9
Other	**37**	8	**70**	19
Total exploration expenses	**$ 348**	$ 210	**$ 1,981**	$ 895

The Company has recognized approximately $15,000 and $137,000 related to short-term leases within exploration expenses for the three and nine months ended September 30, 2020 (September 30, 2019 - $7,000 and $22,000).

Exploration expenses were allocated to the following projects:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Pinaya	**$ 295**	$ 125	**$ 1,911**	$ 651
Aspen Grove	**34**	-	**35**	2
Coppermine	**1**	2	**4**	4
General project evaluation	**18**	83	**31**	234
Other	**-**	-	**-**	4
Total exploration expenses	**$ 348**	$ 210	**$ 1,981**	$ 895

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

9. Administrative expenses

Administrative expenses for the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Salaries and benefits	**$ 119**	$ 157	**$ 281**	$ 481
Share-based payments	**5**	6	**24**	6
Professional fees	**1,265**	354	**1,757**	495
Office	**26**	31	**66**	95
Travel	**-**	12	**-**	18
Fees and taxes	**8**	19	**48**	47
Investor relations	**16**	3	**21**	9
Insurance	**21**	24	**64**	73
Other	**2**	20	**7**	24
Total administrative expenses	**$ 1,462**	$ 626	**$ 2,268**	$ 1,248

10. 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:

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Number of stock options	**Weighted average exercise price ($ per share)**	Number of stock options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	**4,775,000**	**$ 0.18**	6,375,000	$ 0.37
Granted	**-**	**-**	1,600,000	0.05
Expired	**(985,000)**	**0.30**	(2,025,000)	0.63
Forfeited	**(620,000)**	**0.21**	(1,175,000)	0.27
Outstanding, end of period	**3,170,000**	**$ 0.13**	4,775,000	$ 0.18
Exercisable, end of period	**2,636,666**	**$ 0.15**	3,175,000	$ 0.24

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

10. Share-based payments (continued)

Stock options outstanding and exercisable at September 30, 2020 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	1,600,000	3.91	1,066,666	3.91
0.155	100,000	0.17	100,000	0.17
0.200	450,000	1.33	450,000	1.33
0.215	250,000	1.50	250,000	1.50
0.235	320,000	1.41	320,000	1.41
0.240	450,000	0.91	450,000	0.91
	3,170,000	2.56	2,636,666	2.28

On November 6, 2020, the Company announced it had granted an aggregate of 1,600,000 stock options to non-executive directors, pursuant to the Company's stock option plan.

The stock options are exercisable at a price of $0.05 per share and will vest 33 1/3% six months after the date of the grant, with an additional 33 1/3% vesting twelve months after the date of grant and the remaining 33 1/3% vesting two years after the date of the grant. The stock options expire on November 5, 2025.

11. 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:

	September 30, 2020	December 31, 2019
Financial assets		
Financial assets measured at amortized cost		
Cash	**$ 248**	$ 2,395
Receivables	**1**	11
Deposits	**237**	495
Other assets	**70**	70
Financial assets measured at FVTOCI		
Marketable securities	**26**	17
Total financial assets	**$ 582**	$ 2,988
Financial liabilities measured at amortized cost		
Accounts payable and accrued liabilities	**$ 1,411**	$ 249
Promissory note	**3,769**	2,802
Total financial liabilities	**$ 5,180**	$ 3,051

The carrying values of cash, receivables, 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:

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

11. Financial instruments (continued)

- 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.

12. 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 Amended Promissory Note, which is disclosed in Note 5.

(a) Expenses, deposits and accounts payable

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

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Salaries and benefits	**$**	**213**	$	246	**$**	**567**	$	752
Corporate administration		**30**		74		**88**	$	158
Exploration and geophysical activities		**-**		5		**7**	$	6
Total related party expenses	**$**	**243**	$	325	**$**	**662**	$	916

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

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
GMM	**$**	**243**	$	315	**$**	**655**	$	906
HPX		**-**		10		**7**		10
Total related party expenses	**$**	**243**	$	325	**$**	**662**	$	916

(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 September 30, 2020 (December 31, 2019 – 9.1%). The investment in GMM is held at $Nil on the condensed interim consolidated statements of financial position.

(ii) HPX holds 71.0% of the Company's common shares at September 30, 2020 (December 31, 2019 – 71.0%). Costs incurred by HPX on behalf of the Company are reimbursed on a cost-recovery basis.

At September 30, 2020, the Company had a deposit of $237,000 (December 31, 2019 – $450,000) held by GMM. This deposit is recorded in prepaid expenses and deposits.

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

12. Related party transactions (continued)

(a) *Expenses, deposits and accounts payable (continued)*

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

		September 30, 2020		December 31, 2019
GMM	**$**	**22**	$	109
HPX		**20**		13
Total related party payables	**$**	**42**	$	122

(b) *Compensation of key management personnel*

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

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Salaries and benefits	**$**	**131**	$	168	**$**	**359**	$	513
Share-based payments		**5**		6		**24**		9
Total compensation of key management personnel	**$**	**136**	$	174	**$**	**383**	$	522

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

13. Supplemental cash flow information

The non-cash financing activities not already disclosed in the condensed interim consolidated statements of cash flows were as follows:

	Nine months ended September 30,			
		2020		2019
Financing activities				
Shares issued on settlement of promissory note	**$**	**-**	$	1,024
Settlement of promissory note		**-**		(1,024)

Management’s Discussion and Analysis

September 30, 2020

As at November 10, 2020

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 and nine months ended September 30, 2020 (the "financial statements"), the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 and the MD&A for the year ended December 31, 2019.

All information contained in this MD&A is current as of November 10, 2020 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; 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; and currency fluctuations.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments 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 judgments 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 outbreak 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 November 10, 2020.

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

Global urbanization, and the resultant increase in air pollution, is one of the greatest economic and social phenomena in our history, with profound implications for metals markets, miners and stakeholders. The Company's exploration focus will continue to be primarily on copper, which many analysts predict will be one of the best performing metals over the next five to ten years. Increased demand for copper resulting from (among other things) the global shift away from internal combustion engines to electric and fuel cell vehicles is expected to result in future copper deficits.

Kaizen continues to focus its activities on exploring the Pinaya Copper-Gold Project ("Pinaya") in Peru. As announced on March 23, 2020 (and originally announced on January 13, 2020), Kaizen completed planned diamond drilling totaling 1,946 meters at Pinaya to test three new porphyry/skarn prospects located close to the existing Pinaya Mineral Resource, the results of which were announced on July 7, 2020, and are described in the 'Exploration Activities' section of this MD&A.

On September 29, 2020, Kaizen announced its intention to restart 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 was provided by HPX TechCo Inc. ("HPX"), future planned exploration activities at Aspen Grove and Pinaya are dependent on completion of further equity financings or loans.

The Company is closely monitoring the impact of COVID-19, which has had an impact on current operations, and which could create significant uncertainty for the Company and its future operations. Countries around the world have imposed lockdowns, and 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 all its employees and contractors as well as its host communities. To this end, all staff and contractors in both Peru and Canada have been 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 and is prepared for continued short-term impacts to the Company and its operations.

Corporate Activities

Changes to Officers

On April 1, 2020, Kaizen announced the appointment of Lori Price as Chief Financial Officer ("CFO"). Ms. Price replaced outgoing CFO, Greg Shenton, who announced his retirement.

Financing Agreement with HPX

On August 6, 2020, the Company announced that it had arranged an additional US$1.25 million under an amended and restated unsecured promissory note (the "Amended Promissory Note"). The Amended Promissory Note reflects a maturity date for all amounts owing as of December 31, 2020. As a result, the interest rate will remain at 10% and will increase to 12% in the event that the Company does not repay the amount owing upon the amended maturity date. HPX will advance funds in its discretion from time to time, upon request by the Company. The Company drew down US$500,000 ($665,000) in August 2020 and the final US$750,000 ($986,000) in November 2020.

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.

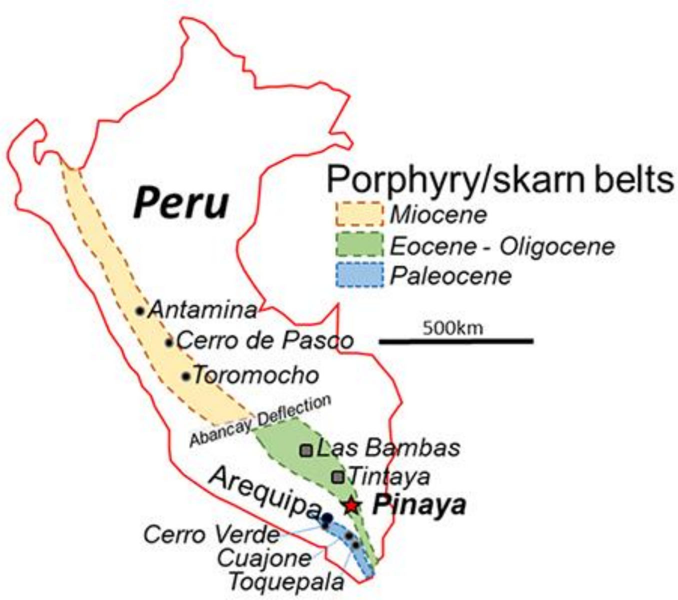
In February 2019, the Company received its water use permit from the Peru National Water Authority, which eliminated the need for the Company to transport water in support of its planned drill program.

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.

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

Previous exploration on the property focused mainly on defining the current Mineral Resource and much less on systematic regional exploration. Kaizen has reviewed existing geochemical and geophysical surveys and has identified multiple untested targets along and across the strike of the current Mineral Resource.

On January 13, 2020, the Company announced the commencement of an exploration drilling program at Pinaya to test three priority targets shown in Figure 2 below. 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 mineralization in all three holes.

PDH-164, drilled at Cerro Antaña, tested a conceptual porphyry target below an outcropping advanced argillic lithocap. Results confirmed the presence of copper in high sulphidation bornite and chalcocite, indicative of hypogene enrichment – a magmatic hydrothermal process that upgrades the copper content of chalcopyrite and is typically associated with large porphyry copper deposits. Results included a gold-enriched zone including 18 metres grading 2.54 g/t gold at a depth of 406 metres downhole.

PDH-163 tested the Pedro Dos Mil prospect, located just over two kilometres due east of the current Mineral Resource. Pedro Dos Mil is defined by an outcropping suite of granodiorite to quartz-diorite porphyries and associated breccias with potassic alteration, mineralized "A" - type porphyry veins with copper oxides after chalcopyrite, prominent soil copper and gold anomalies, as well as a ground-magnetic high and a chargeability anomaly. PDH-163 intersected 68 metres grading 0.20% copper (from 370 metres depth downhole) and indicates that significant skarn-type mineralization and associated porphyry copper potential exists 2 kilometres east of the Pinaya Mineral Resource area.

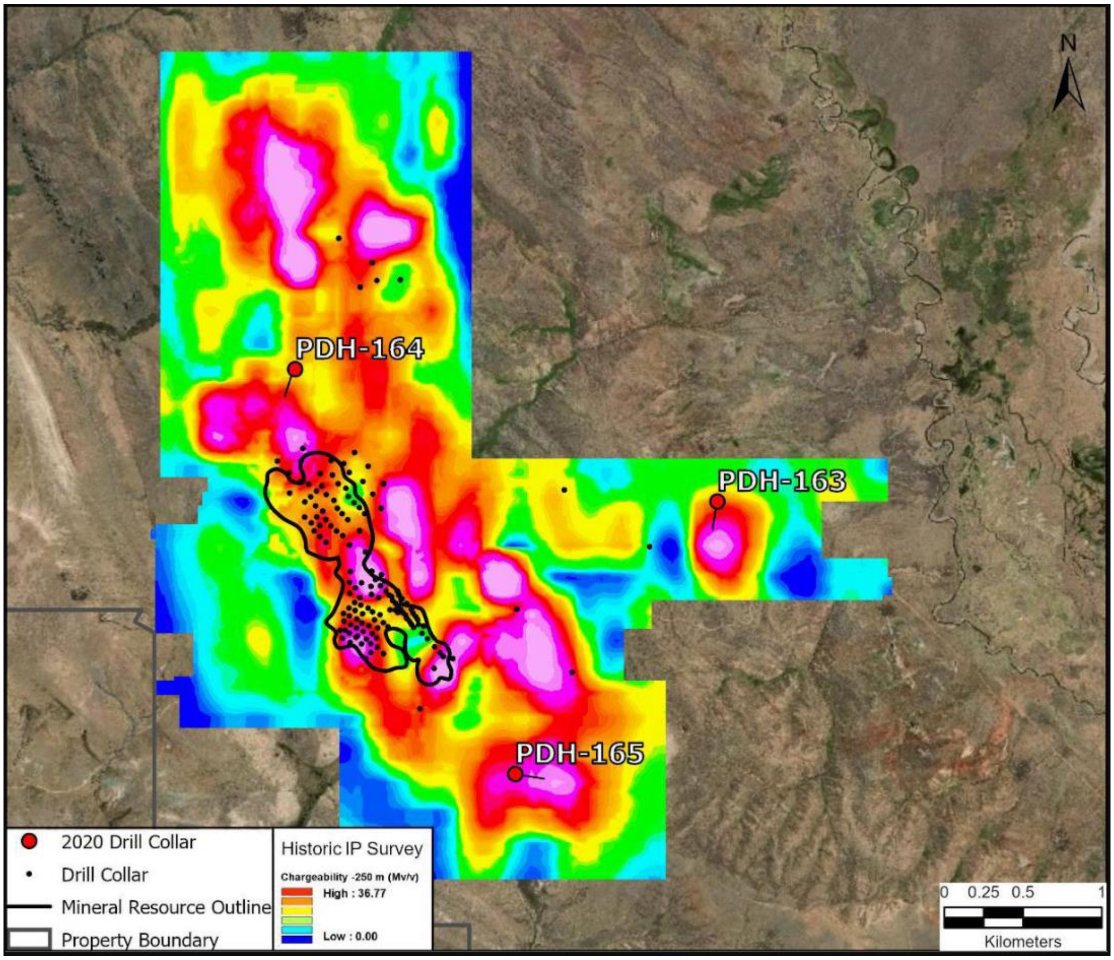
PDH-165 tested the Viscachani target, which is covered by post mineral volcanics. It was defined by chargeability and magnetic anomalies potentially associated with a potassic-altered intrusive centre. Chalcopyrite-bearing veins and disseminations intersected by PDH-165 demonstrate the continuation of the Pinaya system 1 kilometre to the south of the Mineral Resource area.

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. Note that none of the three holes drilled in the current program penetrated beyond the Puno Group roof rocks into the underlying porphyry system.

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. Beginning July 1, 2020, Lima and certain regions of Peru, including the region where Pinaya is located, were designated as non-quarantine areas. Currently, Peru is under a nationwide curfew from 11 pm to 4 am and international flights of up to 8 hours of duration have now been approved.

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 raise financing.

Figure 2: Three priority areas (Pedro Dos Mil, Cerro Antaña, and Viscachani) drilled during Kaizen's 2020 Pinaya drill program



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.

A technical review highlighted a number of additional, untested targets. As announced on September 29, 2020, Kaizen re-started limited field work at Aspen Grove, with the objective of re-mapping the northern prospects (Thalia, Zig, Thor, Boss) and sampling the intrusions intersected at Ketchan and Par for U/Pb and Re/Os dating. Continued work will focus on updating the geological model through interpretation of cross sections with the addition of age dating, geochemistry and petrography. Mapping and sampling of the northern projects will help confirm the presence of new untested drill targets.

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 September 30, 2020 and 2019 are summarized by project as follows:

	Three Months Ended September 30, 2020				
	Pinaya	Coppermine	Aspen Grove	Other	Total
	$	$	$	$	$
Salaries and consultants	172	-	30	2	204
Drilling	-	-	-	-	-
Assay	9	-	-	-	9
Rental	15	-	-	-	15
Share-based payments	-	-	-	-	-
Fees and taxes	40	1	-	-	41
Camp	18	-	-	-	18
Travel	-	-	-	-	-
Professional fees	21	-	-	-	21
Environmental	3	-	-	-	3
Other	17	-	4	16	37
Total exploration expenses	295	1	34	18	348

	Three Months Ended September 30, 2019				
	Pinaya	Coppermine	Aspen Grove	Other	Total
	$	$	$	$	$
Salaries and consultants	81	2	-	73	156
Drilling	-	-	-	-	-
Assay	-	-	-	-	-
Rental	7	-	-	-	7
Share-based payments	-	-	-	-	-
Fees and taxes	1	-	-	-	1
Camp	14	-	-	-	14
Travel	-	-	-	7	7
Professional fees	14	-	-	-	14
Environmental	3	-	-	-	3
Other	5	-	-	3	8
Total exploration expenses	125	2	-	83	210

Exploration expenses for the nine months ended September 30, 2020 and 2019 are summarized by project as follows:

	Nine Months Ended September 30, 2020				
	Pinaya	Coppermine	Aspen Grove	Other	Total
	$	$	$	$	$
Salaries and consultants	570	3	30	15	618
Drilling	526	-	-	-	526
Assay	36	-	-	-	36
Rental	141	-	-	-	141
Share-based payments	-	-	-	-	-
Fees and taxes	414	1	-	-	415
Camp	87	-	-	-	87
Travel	14	-	-	-	14
Professional fees	63	-	-	-	63
Environmental	11	-	-	-	11
Other	49	-	5	16	70
Total exploration expenses	1,911	4	35	31	1,981

	Nine Months Ended September 30, 2019				
	Pinaya	Coppermine	Aspen Grove	Other	Total
	$	$	$	$	$
Salaries and consultants	229	4	-	226	459
Drilling	-	-	-	-	-
Assay	-	-	-	-	-
Rental	22	-	-	-	22
Share-based payments	-	-	-	3	3
Fees and taxes	273	-	-	-	273
Camp	36	-	-	-	36
Travel	10	-	-	7	17
Professional fees	57	-	-	-	57
Environmental	9	-	-	-	9
Other	15	-	2	2	19
Total exploration expenses	651	4	2	238	895

Summary of Quarterly Results

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

	Quarter Ended			
	Sep-30 2020	June-30 2020	Mar-31 2020	Dec-31 2019
	$	$	$	$
Revenue	-	-	-	-
Exploration expenses	348	556	1,077	223
Administrative expenses	1,462	538	268	337
(Gain) loss on foreign exchange	(65)	(155)	124	28
Other expense (income)	102	173	109	(109)
Net loss for the period	1,847	1,112	1,578	479
Loss per share (basic and diluted)	0.01	-	-	-

	Quarter Ended			
	Sep-30 2019	June-30 2019	Mar-31 2019	Dec-31 2018
	$	$	$	$
Revenue	-	-	-	-
Exploration expenses	210	483	202	242
Administrative expenses	626	277	345	530
(Gain) loss on foreign exchange	(36)	3	26	(24)
Other expense (income)	34	60	47	76
Net loss for the period	834	823	620	824
Loss per share (basic and diluted)	-	-	-	-

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 the revised 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 for the three months 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).

Results of Operations

Third Quarter Results – The three months ended September 30, 2020 ("Q3 2020") compared to the three months ended September 30, 2019 ("Q3 2019")

The loss for Q3 2020 totaled $1.85 million compared to the loss of $834,000 in Q3 2019.

Exploration expenses were $348,000 in Q3 2020 compared to $210,000 in Q3 2019. The increase is predominantly due to expenditures related to rehabilitation of access roads and drill platforms, which could not be completed immediately after the completion of drilling due to COVID-19 restrictions. The Company incurred minimum care and maintenance costs in both periods, due to low levels of activity resulting from COVID-19 restrictions in Q3 2020, and minimum levels of planned exploration in Q3 2019.

Administration expenses increased from $626,000 in Q3 2019 to $1.46 million in Q3 2020 primarily due to an increase in professional fees related to legal proceedings (as discussed in the 'Risk Factors' section of this MD&A), which were offset by an approximate $38,000 decrease in salaries and benefits due to reduced staff levels.

Foreign exchange fluctuated from a $36,000 gain in Q3 2019 to a $65,000 gain in Q3 2020 due to differences in the movements of foreign exchange rates during the comparative periods.

Interest expense was higher in Q3 2020 compared to Q3 2019 as the outstanding short-term loan with HPX in 2019 was converted into shares of the Company on July 18, 2019. Therefore, interest was only accrued for 18 days in Q3 2019 compared to 92 days in Q3 2020.

Year-to-Date Results – The nine months ended September 30, 2020 ("YTD 2020") compared to the nine months ended September 30, 2019 ("YTD 2019")

The loss for YTD 2020 totaled $4.54 million compared to the loss of $2.28 million in YTD 2019.

Exploration expenses were $1.98 million in YTD 2020 compared to $895,000 in YTD 2019. The increase predominantly relates to the Company's drilling program at Pinaya, which commenced in January 2020 and was completed in mid-March 2020. As a result of the drilling program, salaries and consultants, drilling, assay, rental and camp expenses increased by approximately $891,000 compared to YTD 2019, in order to support the activities that were undertaken. In YTD 2019, the Company did not complete any drilling and maintained its operations at care and maintenance levels.

Administration expenses increased from $1.25 million in YTD 2019 to $2.27 million in YTD 2020 primarily due to an increase in professional fees related to legal proceedings (as discussed in the 'Risk Factors' section of this MD&A), which were offset by an approximate $200,000 decrease in salaries and benefits due to a reduction in staff levels.

Foreign exchange fluctuated from a $7,000 gain in YTD 2019 to a $96,000 gain in YTD 2020 due to differences in the movements of foreign exchange rates during the comparative periods.

Interest expense increased in YTD 2020 compared to YTD 2019 due to the larger balance outstanding on the short-term loan with HPX during YTD 2020 and the conversion of the outstanding short-term loan with HPX in 2019 to common shares of the Company on July 18, 2019.

Liquidity and Capital Resources

At September 30, 2020, the Company had consolidated cash of $248,000 (December 31, 2019 - $2.40 million). The Company holds its cash in interest-bearing accounts with creditworthy financial institutions.

The primary use of cash during the nine months ended September 30, 2020, was funding operating activities, including its exploration drilling program at Pinaya, of $2.92 million (2019 - $1.87 million).

At September 30, 2020, 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. On August 6, 2020, the Company announced that it had arranged an additional US$1.25 million short-term loan from HPX. The Company has issued to HPX an Amended Promissory Note that replaces the unsecured promissory note ("Promissory Note") covering the existing short-term loan that was due on June 30, 2020. The Amended Promissory Note reflects a maturity date for all amounts owing as of December 31, 2020. HPX will advance funds in its discretion from time to time, upon request by the Company. The Company drew down US$500,000 ($665,000) in August 2020 and the final US$750,000 ($986,000) in November 2020.

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 is having a negative impact on the financial markets which will affect the Company's ability to obtain additional financing. 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 nine months ended September 30, 2020, 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Salaries and benefits	213	246	567	752
Corporate administration	30	74	88	158
Exploration and geophysical activities	-	5	7	6
Total related party expenses	243	325	662	916

The breakdown of expenses by related party is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
GMM	243	315	655	906
HPX	-	10	7	10
Total related party expenses	243	325	662	916

(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 September 30, 2020 (December 31, 2019 – 9.1%). The investment in GMM is held at $Nil on the consolidated statements of financial position.

(ii) HPX holds 71.0% of the Company's common shares at September 30, 2020 (December 31, 2019 – 71.0%). Costs incurred by HPX on behalf of the Company are reimbursed on a cost-recovery basis.

At September 30, 2020, the Company had a deposit of $237,000 (December 31, 2019 - $450,000) held by GMM. This deposit is recorded in prepaid expenses and deposits.

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

	September 30, 2020	December 31, 2019
	$	$
GMM	22	109
HPX	20	13
Total related party payables	42	122

At September 30, 2020, the Company had a liability of US$2.83 million ($3.77 million) owing under the Amended Promissory Note agreement between HPX and the Company. On December 23, 2019, the Company drew down a total of US$2.15 million ($2.83 million) under the Promissory Note. The Promissory Note had a maturity date of June 30, 2020 and an interest rate of 10% per annum, with interest accruing daily and all interest compounding only at maturity. The interest rate was to increase to 12% as the Company did not repay the amount owing upon the maturity date. However, on August 6, 2020, the Company announced that it had arranged an additional US$1.25 million loan under the Amended Promissory Note. The Amended Promissory Note reflects a maturity date for all amounts owing as of December 31, 2020. As a result, the interest rate will remain at 10% and will increase to 12% in the event that the Company does not repay the amount owing upon the amended maturity date. HPX will advance funds in its discretion from time to time, upon request by the Company. The Company drew down US$500,000 ($665,000) in August 2020 and the final US$750,000 ($986,000) in November 2020.

Interest expense of approximately $82,000 and $228,000 was recorded in the condensed interim statements of loss and comprehensive loss for the three and nine months ended September 30, 2020 respectively (September 30, 2019 - $3,000 and $43,000).

Compensation of key management personnel

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
	$	$	$	$
Salaries and benefits	131	168	359	513
Share-based compensation	5	6	24	9
Total compensation of key management personnel [1]	136	174	383	522

[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 November 10, 2020, the Company had the following issued and outstanding:

- 317,254,821 common shares.
- 4,770,000 stock options with a weighted average exercise price of $0.11 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 non-transferable warrants held by HPX. Each non-transferable 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 non-transferable warrants held by HPX. Each non-transferable 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.

Adoption of new and revised accounting standards and interpretations

The Company has adopted the following amendments to IFRS:

Amendments to IFRS 3, *Business Combinations* (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. The definition of a business has been amended to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and to exclude returns in the form of lower costs and other economic benefits. These amendments did not impact the Company's condensed interim consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2020) were made to refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition and the threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. These amendments did not impact the Company's condensed interim consolidated financial statements or disclosures.

The Company has not applied the following amendments to standards that have been issued but are not yet effective:

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.

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, receivables, 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:

	September 30, 2020	**December 31, 2019**
	$	$
Financial assets		
Financial assets measured at amortized cost		
Cash	248	2,395
Receivables	1	11
Deposits	237	495
Other assets	70	70
Financial assets measured at FVTOCI		
Marketable securities	26	17
Total financial assets	582	2,988
Financial liabilities measured at amortized cost		
Accounts payable and accrued liabilities	1,411	249
Promissory note	3,769	2,802
Total financial liabilities	5,180	3,051

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 year ended December 31, 2019. 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 and nine months ended September 30, 2020.

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, 2019, 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, 2019 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. Kaizen and its legal counsel have assessed the claim and determined that it is without merit and that the prospect of Kaizen incurring material liability is very low. 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.