Condensed Interim Consolidated Financial Statements of

Kaizen Discovery Inc.

June 30, 2015

(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		June 30, 2015		December 31, 2014
Assets					
Current assets					
Cash	4	$	**4,442**	$	8,308
Receivables			**760**		626
Prepaid expenses and deposits			**161**		132
Marketable securities	5		**179**		649
Total current assets	.		**5,542**		9,715
Non-current assets					
Mineral properties	6		**5,461**		5,458
Joint venture interest	7		**4,350**		4,918
Other assets			**141**		66
Total assets		$	**15,494**	$	20,157
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	**603**	$	979
Equity					
Share capital	9		**31,809**		31,809
Share-based payment reserve	12		**2,759**		2,192
Accumulated other comprehensive loss			**(26)**		(39)
Accumulated deficit			**(19,651)**		(14,784)
Total equity			**14,891**		19,178
Total liabilities and equity		$	**15,494**	$	20,157

Description of business and going concern (Note 1)
Subsequent events (Notes 6 and 13)

Approved and authorized for issue on behalf of the Board on August 26, 2015

"Terry Krepiakevich"
Terry Krepiakevich

"Peter Meredith"
Peter Meredith

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 June 30,		Six months ended June 30,	
	Notes	**2015**	2014	**2015**	2014
Expenses					
Exploration expenses	10	**$ (1,011)**	$ (1,045)	**$ (1,859)**	$ (2,135)
Administrative expenses	11	**(946)**	(867)	**(2,094)**	(2,367)
Share of losses from joint venture	7	**(521)**	-	**(568)**	-
Write down of marketable securities	5	**(19)**	-	**(469)**	-
(Loss) gain on foreign exchange		**(56)**	294	**93**	(19)
		(2,553)	(1,618)	**(4,897)**	(4,521)
Other income and expense					
Interest Income		**13**	-	**30**	-
Loss before income taxes		**(2,540)**	(1,618)	**(4,867)**	(4,521)
Income taxes		**-**	-	**-**	-
Loss for the period		**(2,540)**	(1,618)	**(4,867)**	(4,521)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Currency translation adjustment		**19**	-	**13**	-
Total comprehensive loss for the period		**$ (2,521)**	$ (1,618)	**$ (4,854)**	$ (4,521)
Attributable to equity holders of the Company		**$ (2,521)**	$ (1,618)	**$ (4,854)**	$ (4,521)
Loss per share (basic and diluted)		**$ (0.02)**	$ (0.01)	**$ (0.03)**	$ (0.03)
Weighted number of basic and diluted shares outstanding		**157,979,902**	133,910,677	**157,979,202**	132,177,724

See accompanying notes to the condensed interim consolidated financial statements.

Kaizen Discovery Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

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

	Number of shares (Note 9)	Share capital	Share-based payment reserve	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at December 31, 2013	125,281,177	$ 15,204	$ 37	$ (3)	$ (5,788)	$ 9,450
Shares issued on private placement	8,500,000	4,983	-	-	-	4,983
Stock options exercised	129,500	17	(6)	-	-	11
Recognition of share-based payments	-	-	1,292	-	-	1,292
Other comprehensive income	-	-	-	-	-	-
Comprehensive loss for the period	-	-	-	-	(4,521)	(4,521)
Balance at June 30, 2014	133,910,677	$ 20,204	$ 1,323	$ (3)	$ (10,309)	$ 11,215
Balance at December 31, 2014	**157,979,902**	**$ 31,809**	**$ 2,192**	**$ (39)**	**$ (14,784)**	**$ 19,178**
Recognition of share-based payments	**-**	**-**	**567**	**-**	**-**	**567**
Other comprehensive income	**-**	**-**	**-**	**13**	**-**	**13**
Comprehensive loss for the period	**-**	**-**	**-**	**-**	**(4,867)**	**(4,867)**
Balance at June 30, 2015	**157,979,902**	**$ 31,809**	**$ 2,759**	**$ (26)**	**$ (19,651)**	**$ 14,891**

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)

	Six months ended June 30, 2015	2014
Operating activities		
Net loss	**$ (4,867)**	$ (4,521)
Adjustments for non-cash items:		
Recognition of equity-settled share-based payments	**567**	1,292
Share of losses from joint venture	**568**	-
Write down of marketable securities	**469**	-
Unrealized foreign exchange	**14**	-
	(3,249)	(3,229)
Changes in:		
Receivables	**(134)**	254
Prepaid expenses and deposits	**(29)**	(138)
Accounts payable and accrued liabilities	**(376)**	236
Cash used in operating activities	**(3,788)**	(2,877)
Investing activities		
Acquisition of other assets	**(75)**	-
Acquisition of mineral property	**(3)**	-
Deferred costs	**-**	(222)
Cash used in investing activities	**(78)**	(222)
Financing activities		
Net proceeds from issuance of ordinary shares	**-**	4,994
Cash from financing activities	**-**	4,994
(Decrease) increase in cash	**(3,866)**	1,895
Cash, beginning of period	**8,308**	10,152
Cash, end of period	**$ 4,442**	$ 12,047

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, and its shares are listed on the TSX Venture Exchange under the symbol KZD. The Company's head and registered office is located at Suite 654 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

At June 30, 2015, HPX TechCo Inc. ("HPX"), the Company's privately owned parent, held 67.3% (December 31, 2014 – 67.3%) of the Company's issued and outstanding common shares. The ultimate controlling entity is Ivanhoe Industries LLC, a privately owned company.

The Company, together with its subsidiaries and joint venture interest (the "Group"), is a mineral exploration and development group of companies focused on acquiring, exploring and developing mineral properties located in Canada, Africa and Australia.

(b) At June 30, 2015, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The amounts shown as mineral properties in the consolidated statement of financial position represent historical acquisition costs and do not necessarily represent present or future values. The underlying values of mineral properties are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title to and beneficial interest in the mineral properties, and the ability of the Company to obtain the necessary financing to complete permitting, exploration, development and profitable production activities. Based on a working capital balance of $4.9 million at June 30, 2015, access to a $5.0 million unsecured revolving loan facility with majority shareholder HPX and a framework agreement for cooperation with partner Itochu Corporation of Japan ("Itochu"), the Company believes it has adequate resources to maintain its core operations through to June 30, 2016.

The 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. In the six months ended June 30, 2015, the Company had no operating revenues and incurred a loss and comprehensive loss of $4.9 million.

The Company's consolidated cash position at June 30, 2015 was $4.4 million compared to $8.3 million at December 31, 2014. The Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop its mineral properties and, ultimately, to achieve profitable operations.

The 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 may be material.

2. Basis of preparation

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for full annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

The same accounting policies are used in the preparation of these condensed interim consolidated financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS for the interim periods presented.

2. Basis of preparation (continued)

(b) Use of judgments and estimates

In the opinion of management, all adjustments considered necessary to present fairly the financial position, results of operations and cash flows at June 30, 2015 and for all periods presented have been included in these condensed interim consolidated financial statements. The interim results are not necessarily indicative of results for the full year ending December 31, 2015 or future operating periods.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that apply to the Company's consolidated financial statements as at and for the year ended December 31, 2014.

(c) Segments

The Company operates in a single reportable segment, and its activities consist of the acquisition, exploration and development of mineral properties.

(d) Change in functional currency

Subsequent to the acquisition of West Cirque Resources Ltd. on July 7, 2014, management concluded that the Company's functional currency should be changed from the U.S. dollar to the Canadian dollar as the majority of Company's assets were denominated in Canadian dollars.

On June 30, 2014, the effective date of the change in functional currency, all assets, liabilities, issued capital and other components of equity were translated into Canadian dollars at the exchange rate on that date. The change in accounting treatment was applied prospectively. As a result, for comparative purposes, the financial information for the three and six months ended June 30, 2014 was translated for presentation purposes.

References to "$" refer to Canadian currency, "US$" refer to U.S. currency and "AUD$" refer to Australian currency.

3. Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2015:

(a) IFRS 9, *Financial Instruments*, replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 9 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

(b) IFRS 15, *Revenue from Contracts with Customers*, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

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

4. Restricted cash

At June 30, 2015, restricted cash in the amount of approximately $312,000 (US$250,000) (December 31, 2014 - $Nil) was held in escrow for the reimbursement of certain property-maintenance payments that AM Gold Inc. ("AM Gold") will incur between April 1, 2015 and the expected closing of the acquisition of the Pinaya Copper-Gold Project (Note 13). This cash is not available for general use by the Company.

5. Marketable securities

The following is a summary of marketable securities:

	Number of shares	December 31, 2014	Impairment	Unrealized loss	June 30, 2015
Alecto Minerals PLC	54,996,857	$ 631	$ (469)	**$ -**	**$ 162**
Other		18	-	(1)	**17**
		$ 649	$ (469)	$ (1)	**$ 179**

As a result of the significant decrease in the value of Alecto Minerals PLC's common shares in 2015, an impairment loss of $0.5 million was recognized in the statement of comprehensive loss in the six months ended June 30, 2015 (2014 - $Nil).

6. Mineral properties

The Group's mineral properties consist of the following mineral rights:

	June 30, 2015	December 31, 2014
a) West Cirque Projects		
Tanzilla	**$ 1,565**	$ 1,565
Pliny	**560**	560
Castle East	**239**	239
	2,364	2,364
b) Coppermine Project	**3,097**	3,094
	$ 5,461	$ 5,458

(a) West Cirque Projects

As part of the July 9, 2014 acquisition of West Cirque Resources Ltd. ("West Cirque"), the Company acquired the following mineral property interests located in British Columbia, Canada:

(i) The Aspen Grove porphyry copper property covers 11,237 hectares located halfway between Merritt and Princeton in southern British Columbia. A total of 1,375 hectares is subject to 2% net smelter return with a buy-down option of 1% for $3.0 million. Following its acquisition of West Cirque, the Company transferred the Aspen Grove property to KZD Aspen Grove (Note 7).

6. Mineral properties (continued)

(a) West Cirque Projects (continued)

(ii) The Tanzilla and Pliny copper properties are both located in the Dease Lake area of British Columbia and cover surface areas of 4,047 hectares and 3,985 hectares respectively.

In March 2013, as part of an earn-in agreement, Freeport-McMorran Corporation of Canada Limited ("Freeport") was granted the right to earn a 51% interest in the Tanzilla, Pliny and Castle properties by funding cumulative exploration expenditures of \$4.0 million prior to December 28, 2015 and \$8.0 million prior to June 28, 2017. Upon Freeport earning a 51% interest, Freeport and the Company will form a joint venture. The Company will then have the option to a) proportionally fund its 49% share of the joint venture expenditures or b) agree to dilute its interest by allowing Freeport to earn an additional 26.5% interest through funding of all subsequent expenditures necessary to complete a feasibility study. On April 25, 2014, the earn-in agreement was amended to include only the Tanzilla and Pliny properties.

In early July 2015, the Company, in its role as operator of the Tanzilla project, received a \$0.5 million payment from Freeport that must be used to fund the 2015 exploration program's expenditures. Upon completion of the program, Freeport is required to fund the balance of expenditures.

On July 31, 2015, the Company granted Itochu an option to acquire an effective indirect 15% interest in the Tanzilla project and an option to acquire up to a further effective indirect 10% interest, subject to certain conditions. In early August 2015, Itochu made a \$0.25 million cash payment to the Company as consideration for granting the option.

(iii) The Castle copper property is a mineral claim located 68 kilometers south of Dease Lake, British Columbia and covers 1,034 hectares.

(b) Coppermine Project

On November 18, 2014, the Company completed the acquisition of all outstanding shares of Tundra Copper Corp. ("Tundra"). At the time of acquisition, the Coppermine Project's mineral claims owned by Tundra covered 352 square kilometers ("km^2") in the Coppermine District, near the town of Kugluktuk in Nunavut, Canada. In the fourth quarter of 2014, the Company completed additional staking and also applied for prospecting permits covering a combined 3,160 km^2 near Tundra's Coppermine Project's holdings.

The Group has spent a total of approximately \$0.7 million in exploration expenditures on the Coppermine Project to June 30, 2015.

(c) Ebende Project

The Company owns a 100% interest in the Ebende Project consisting of 17 contiguous and near contiguous licences located in the Eastern Kasai and Katanga Provinces of the DRC. At December 31, 2014, the total area of the licences was approximately 5,400 square kilometers ("km^2"). In 2015, following exploration licence renewal applications, the mineral property interest's acreage was reduced to 2,551 km^2.

The Group has spent a total of approximately \$5.6 million in exploration expenditures on the Ebende Project to June 30, 2015.

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

6. Mineral properties (continued)

(d) Fairholme Project

The Fairholme Project consists of two copper-gold licences covering 169 km^2 in central New South Wales, Australia. In May 2013, the Company optioned the right to earn an initial 49% interest in the Fairholme Project by funding AUD$1.0 million in exploration over one year, including a minimum spending commitment of AUD$0.5 million. The Company has the right to increase its interest in the Fairholme Project to 65% by funding an additional AUD$4.0 million in exploration with the aim of delineating a scoping study. On August 21, 2015, the deadline for funding an additional AUD$4.0 million was extended from December 31, 2015 to December 31, 2017. The Company can ultimately increase its stake to 90% or 95% by funding a bankable feasibility study (depending on the cost of such study). A 49% interest in the Fairholme Project was transferred to the Company on January 16, 2014.

The Group has spent a total of approximately $3.3 million in exploration expenditures on the Fairholme Project to June 30, 2015.

7. Joint venture interest

On August 18, 2014, the Company announced the signing of a definitive project financing agreement with Itochu.

On August 21, 2014, following the transfer by the Company of the Aspen Grove mineral rights to KZD Aspen Grove Holding Ltd. (“KZD Aspen Grove”), a wholly-owned subsidiary of the Company, a $4.0 million cash contribution was received from Itochu in exchange for the acquisition by Itochu of a 40% share ownership interest in KZD Aspen Grove. The funds can be used to fund KZD Aspen Grove’s corporate and exploration activities.

The financing agreement also grants Itochu the right to future off-take from Aspen Grove in proportion to its ownership interest in KZD Aspen Grove. The agreement also provides for Itochu to use reasonable endeavours to arrange project financing and support from Japanese financial institutions for the development of the Aspen Grove Project.

The Company’s investment in KZD Aspen Grove is governed by the Unanimous Shareholders Agreement, which requires unanimous approval for certain key strategic, operating, investing and financing policies of KZD Aspen Grove. The Company is treating its 60% investment in KZD Aspen Grove as a joint venture investment using the equity method of accounting. There are no publicly quoted market prices for KZD Aspen Grove’s common shares.

The following is a summary of the Company’s 60% investment in KZD Aspen Grove at June 30, 2015:

		June 30, 2015		December 31, 2014
Carrying amount at beginning of period	**$**	**4,918**	$	-
Original Company's property acquisition value - August 18, 2014		**-**		5,426
Less:				
Company's share of losses from joint venture during the period		**(568)**		(508)
Carrying amount at end of period	**$**	**4,350**	$	4,918

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

7. Joint venture interest (continued)

The summarized financial information at June 30, 2015 of KZD Aspen Grove on a 100% basis and reflecting the Company's 60% interest is as follows:

		June 30, 2015		December 31, 2014
Assets				
Current assets				
Cash	**$**	**3,065**	$	3,337
Receivables		**47**		32
Mineral property interest		**5,426**		5,426
Other assets		**15**		5
Total assets		**8,553**		8,800
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities		**921**		220
Net Assets		**7,632**		8,580
Company's share of joint venture's net assets	**$**	**4,579**	$	5,148

8. 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:

(a) Expenses, accounts receivable and accounts payable

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

	Three months ended June 30,				**Six months ended June 30,**			
		2015		2014		**2015**		2014
Exploration and geophysical activities	**$**	**27**	$	623	**$**	**4**	$	623
Salaries and benefits		**824**		278		**1,356**		882
Corporate administration		**192**		65		**301**		150
Total related party expenses	**$**	**1,043**	$	966	**$**	**1,661**	$	1,655

The breakdown of expenses by related party is as follows:

	Three months ended June 30,				**Six months ended June 30,**			
		2015		2014		**2015**		2014
GMM	**$**	**1,016**	$	343	**$**	**1,657**	$	1,032
HPX TechCo Inc. and affiliates		**27**		623		**4**		623
	$	**1,043**	$	966	**$**	**1,661**	$	1,655

The transactions with Global Mining Management Corporation ("GMM") noted above for the three and six month periods ended June 30, 2015 include approximately $159,000 (2014 - $Nil) and $205,000 (2014 - $Nil) of expenses incurred by KZD Aspen Grove (Note 7), and the Company's share of losses from joint venture includes 60% of these expenses.

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

8. Related party transactions (continued)

(a) Expenses, accounts receivable and accounts payable (continued)

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

		June 30, 2015		December 31, 2014
Accounts receivable				
GMM	**$**	**288**	$	291
KZD Aspen Grove		**292**		211
Total related party accounts receivable	**$**	**580**	$	502

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

		June 30, 2015		December 31, 2014
Accounts payable				
GMM	**$**	**344**	$	247
HPX TechCo Inc.		**18**		35
Key management personnel, directors and officers		**51**		91
Total related party accounts payable	**$**	**413**	$	373

(i) GMM is a private company based in Vancouver beneficially owned equally by six companies, one of which is the Company, and has officers in common with the Company. GMM provides administration, accounting, and other office services to the Company on a cost-recovery basis.

(ii) HPX is the Company’s privately owned parent, holding 67.3% of the Company’s common shares at June 30, 2015 (December 31, 2014 – 67.3%). In 2015 and 2014, HPX planned and managed the Company’s geotechnical exploration programs in Africa and Australia. HPX’s services are provided to the Company on a cost recovery plus 12% markup basis.

(iii) Amounts owed to key management personnel include outstanding salaries and expense reimbursements.

(iv) The Company is the operator of the Aspen Grove joint venture, and the receivable balance represents unpaid reimbursements for expenses paid by the Company on behalf of KZD Aspen Grove.

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

8. 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 June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Salaries and short-term benefits	**$ 439**	$ 318	**$ 725**	$ 750
Share-based payments	**146**	213	**372**	987
Total remuneration	**$ 585**	$ 531	**$ 1,097**	$ 1,737

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

9. Share capital

At June 30, 2015, the Company is authorized to issue an unlimited number of common shares with no par value. Common shares issued and fully paid at June 30, 2015 and December 31, 2014 are as follows:

	Number of common shares	**Amount**
Balance at June 30, 2015 and December 31, 2014	**157,979,902**	**$ 31,809**

The balance above excludes 351,750 common shares of the Company held by the Company at June 30, 2015 and December 31, 2014, which will be returned to treasury in the three months ended September 30, 2015.

A total of 11.0 million common shares were released from escrow in the six month period ended June 30, 2015. The following table summarizes the schedule of outstanding semi-annual releases from escrow at June 30, 2015:

	Millions of common shares		
	June	December	Total
2015	-	16.4	16.4
2016	16.4	43.8	60.2
	16.4	60.2	76.6

The 76.6 million common shares remaining to be released from escrow at June 30, 2015 includes 74.5 million common shares held by HPX, the Company’s privately owned parent.

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

10. Exploration expenses

Exploration expenses are summarized as follows:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Wages and consultants	**$ 428**	$ 279	**$ 682**	$ 796
Drilling	**7**	-	**300**	-
Assay	**-**	-	**106**	25
Share-based payments	**51**	48	**133**	204
Fees and taxes	**168**	28	**255**	299
Geophysics	**4**	633	**(33)**	633
Camp	**107**	39	**138**	94
Travel	**239**	6	**253**	8
Other	**7**	12	**25**	76
	$ 1,011	$ 1,045	**$ 1,859**	$ 2,135

Exploration expenses were allocated to the following projects:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Coppermine	**$ 536**	$ -	**$ 664**	$ -
Fairholme	**63**	467	**610**	543
Ebende	**182**	383	**244**	712
Burkina Faso	**-**	75	**-**	202
General exploration	**230**	120	**341**	678
	$ 1,011	$ 1,045	**$ 1,859**	$ 2,135

11. Administrative expenses

Administrative expenses are summarized as follows:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Wages and benefits	**$ 376**	$ 309	**$ 837**	$ 645
Share-based payments	**206**	268	**434**	1,088
Professional fees	**155**	119	**314**	254
Office	**81**	80	**253**	148
Travel	**80**	38	**138**	108
Fees and taxes	**27**	(4)	**42**	22
Investor relations	**41**	30	**64**	44
Insurance	**44**	18	**99**	36
Rental	**6**	8	**21**	14
Other	**(70)**	1	**(108)**	8
	$ 946	$ 867	**$ 2,094**	$ 2,367

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

12. Share-based payments

Stock option plan

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 six months ended June 30, 2015 are as follows:

		June 30, 2015
	Number of stock options	Weighted average exercise price ($ per share)
Balance, beginning of period	11,589,700	$ 0.67
Granted	3,355,000	0.30
Expired	(333,700)	0.82
Forfeited	(480,000)	0.63
Balance, end of period	14,131,000	$ 0.58

Stock options outstanding and exercisable at June 30, 2015 are as follows:

	Options outstanding		Options exercisable	
Exercise price ($ per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)
0.30	3,655,000	4.2	1,138,750	3.4
0.50	150,000	0.8	150,000	0.8
0.51	425,000	4.2	85,000	4.2
0.63	8,625,000	3.5	3,630,000	3.5
0.66	325,000	3.6	130,000	3.6
0.67	300,000	3.8	120,000	3.8
0.90	325,000	1.1	325,000	1.1
1.48	10,000	1.2	10,000	1.2
1.57	76,000	1.5	76,000	1.5
2.13	200,000	0.5	200,000	0.5
2.24	40,000	0.8	40,000	0.8
	14,131,000	3.6	5,904,750	3.2

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

12. Share-based payments (continued)

The weighted average fair value of stock options granted during the six months ended June 30, 2015 of $0.14 was measured using the Black-Scholes option pricing model with the following inputs:

	Weighted average
Exercise price	$0.30
Risk free rate	0.98%
Expected life (years)	4.0
Annualized volatility	71%
Dividend rate	0%
Forfeiture rate	0%
Share price	$0.28

13. Subsequent event

On July 6, 2015, the Company and AM Gold Inc. ("AM Gold") jointly announced that they had entered into a definitive acquisition agreement that will provide the Company with 100% ownership of the Pinaya Copper-Gold Project (the "Pinaya Project") in Peru's provinces of Caylloma and Lampa. Under the provisions of the acquisition agreement, the Company will acquire Canper Exploraciones S.A.C. ("Canper"), a Peruvian subsidiary of AM Gold. The Pinaya Project is Canper's principal asset.

As part of the agreement, AM Gold will receive 15,384,615 common shares of Kaizen, a cash payment of $500,000 and reimbursement of certain property-maintenance payments that AM Gold will incur between April 1, 2015 and the closing of the transaction.

The transaction is expected to close in early September, 2015, subject to the receipt of required approvals.

The Company also has entered into a concurrent agreement with Rokmaster, under which (i) the Company will purchase certain of Rokmaster's equipment located in Peru and (ii) Rokmaster will, among other things, terminate the arbitration proceedings with AM Gold and Canper. The consideration payable by the Company to Rokmaster is two million common shares of the Company and $300,000. AM Gold and Rokmaster have been engaged in commercial arbitration since November 2014, seeking to resolve differences regarding payments under a 2012 option and joint-venture agreement that would have entitled Rokmaster to earn up to a 75% interest in the Pinaya Project.

Upon closing of the Pinaya transaction, Rokmaster and AM Gold, and their respective Peruvian subsidiaries, will release each other from certain claims and terminate both their present arbitration and the existing option and joint-venture agreement between AM Gold, Canper and Rokmaster. AM Gold and Canper will not make any payment to Rokmaster pursuant to the terms of the settlement agreement.

KAIZEN DISCOVERY

Management's Discussion and Analysis

For the Six Months Ended June 30, 2015

As at August 28, 2015

Introduction

The purpose of this Management's Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook for Kaizen Discovery Inc. (the "Company" or "Kaizen Discovery"). This report also provides information to improve the reader's understanding of the Company's financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's condensed interim consolidated financial statements and notes for the three and six months ended June 30, 2015 (the "Financial Statements"), the Company's annual management's discussion and analysis (the "2014 Annual MD&A") and annual audited consolidated financial statements (the "2014 Annual Financial Statements") for the year ended December 31, 2014.

All information contained in this MD&A is current as of August 28, 2015 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.

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors. This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

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

Forward Looking Statements

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. These include, but are not limited to: statements regarding the acquisition of projects that match evaluation criteria and align with corporate strategic objectives; participation by Japanese strategic partners, including at the project level; continued access to capital and project financing; the potential for significant discoveries; the advancement of current projects, including proposed work programs for the Coppermine, Aspen Grove, Tanzilla and Fairholme projects; access to HPX TechCo technologies and expertise; the identification, exploration and development of high quality mineral projects and the delivery of minerals to Japan's industrial sector.

Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Kaizen, its mineral projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect Kaizen's current expectations regarding future events, performance and results and speak only as of the date of this presentation.

In making such statements, Kaizen has made assumptions regarding, among other things: general business and economic conditions; the availability of obtaining additional project financing; the supply and demand for, inventories of, and the level and volatility of the prices of metals; estimated capital costs, operating costs, production and economic returns; ongoing relationships with our strategic partners; the timing and receipt of governmental permits and approvals; 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; market competition; performance by counterparties of their contractual obligations; and the future operational and financial performance of the company generally.

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: unanticipated changes in general business and economic conditions or conditions in the financial markets; fluctuations in the price of metals; stock market volatility; decisions made by our strategic partners; significant capital requirements and the availability and management of capital resources; changes in national and local government legislation; 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; unanticipated operational difficulties including failure of equipment or processes, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of permits or government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters.

We recommend that you review the discussion of material risks in this MD&A that could cause actual results to differ materially from our current expectations. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by security laws.

The forward looking statements contained herein are based on information available as of August 28, 2015.

Overview of the Business

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

At June 30, 2015, HPX TechCo Inc. ("HPX"), the company's privately owned parent, held 67.3% (December 31, 2014 – 67.3%) of the Company's issued and outstanding common shares. The ultimate controlling entity is Ivanhoe Industries LLC, a privately owned company.

Kaizen's long-term growth strategy is to work with Japanese entities to identify, explore and develop high-quality mineral projects that have the potential to produce and deliver minerals to Japan's industrial sector.

Through a January 2014 collaboration agreement with ITOCHU Corporation of Japan ("ITOCHU"), Kaizen and ITOCHU declared a mutual desire to work together to identify and pursue areas of potential cooperation on projects, including possible joint ventures. Each company will present, for consideration by the other, a number of mineral exploration and development projects from their respective existing portfolios or lists of interest. ITOCHU also invested C$5.1 million in Kaizen through a private placement in February, 2014.

Kaizen's current property portfolio consists of projects located in Canada, Africa, and Australia.

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

Outlook

Despite deteriorating market conditions and the consequential cautious approach to certain of the Company's exploration programs, management believes there is strong potential for further discoveries, and value creation at its projects.

Although our conviction in the importance of continuing to identify, acquire and partner high quality mining projects and then execute well-planned, efficient exploration and development programs remains unchanged, management has recognized the need to safeguard the Company's treasury and advance our programs with measured steps. Accordingly, we will continue to assess the strategic importance, opportunity and cost of planned exploration and development programs at each of Kaizen's material project interests, and may revise the scope of planned programs.

Based on a working capital balance of approximately $5.00 million as at June 30, 2015, access to a CDN $5.00 million unsecured revolving loan facility with majority shareholder HPX and a framework agreement for cooperation with partner ITOCHU, the Company is well positioned to continue making discoveries and building value on its key properties, through the prudent allocation of capital.

Overall Performance

Discussion of Corporate Activities

Acquisition of Canper Exploraciones S.A.C.

On July 3, 2015, Kaizen entered into an Acquisition Agreement ("Transaction") with AM Gold Inc. and Canper Exploraciones S.A.C. (Canper), pursuant to which Kaizen will acquire AM Gold's full legal, beneficial and indefeasible title to the shares of Canper in consideration for 15,384,615 Kaizen Shares (representing 9.7% of Kaizen's current issued and outstanding common shares on an undiluted basis), a cash payment of C$0.50 million and reimbursement of certain property-maintenance payments that AM Gold will incur between April 1, 2015 and the closing of the Transaction. Post-closing, AM Gold is expected to hold approximately 8.8% of Kaizen's then issued and outstanding common shares, on an undiluted basis. The Transaction is expected to close in September 2015, subject to the receipt of required approvals.

Canper is the registered owner of the Pinaya Copper-Gold project in Peru's Provinces of Caylloma and Lampa, the La Mamita project in Corongo Province, Peru and the Minas Luchos project in San Román Province, Peru.

Agreement with Rokmaster Resources Corp.

Concurrent with the execution of the Canper Transaction, Kaizen entered into the Rokmaster Resources Corp. (Rokmaster) Agreement with Rokmaster pursuant to which (i) Kaizen will purchase certain of Rokmaster's equipment located in Peru, and (ii) Rokmaster will, among other things, terminate the Rokmaster Arbitration with AM Gold and Canper. The consideration payable by Kaizen to Rokmaster is two million Kaizen Shares and C$0.30 million. AM Gold and Rokmaster have been engaged in commercial arbitration since November 2014, seeking to resolve differences regarding payments under an Option and JV Agreement.

Upon closing of the Transaction, Rokmaster and AM Gold, and their respective Peruvian subsidiaries will release each other from certain claims and terminate both their present arbitration and the Option and JV Agreement. AM Gold and Canper will not make any payment to Rokmaster pursuant to the terms of Rokmaster Agreement.

The Kaizen Shares to be issued to Rokmaster as part of the arbitration settlement agreement are subject to escrow trickle-out provisions under which 25% of the Kaizen Shares will be released to Rokmaster on and following the first trading day after the expiry of the four-month hold period under applicable securities laws. A cumulative and further 25% will be released on each subsequent three-month anniversary.

The Kaizen Shares to be issued to Rokmaster are also subject to a placement right, permitting Kaizen to arrange the sale of the escrowed Kaizen shares, provided the sale price is at least equal to the 30-day volume-weighted average price prior to such release date.

Option Agreement with ITOCHU regarding Tanzilla project

On July 31, 2015 the Company granted to ITOCHU an option to initially acquire an effective indirect 15% interest in the Tanzilla project and an option to acquire up to a further effective indirect 10% interest in the Tanzilla project, subject to certain conditions. In early August 2015, ITOCHU made a cash payment to the Company of $0.25 million in consideration for granting the option.

<u>Discussion of Exploration Activities</u>

Tanzilla Project

The Tanzilla project, located in northwest British Columbia, is approximately 20 kilometres (“km”) south-east of the community of Dease Lake. The property covers a seven-kilometre-long alteration zone associated with anomalous copper, zinc, lead, gold and silver values in rocks.

Earn-in and Joint Venture Agreement

The Tanzilla project is being funded by Freeport-McMoRan Corporation of Canada Limited (Freeport), a wholly owned, indirect subsidiary of Freeport-McMoRan Copper & Gold Inc. In March 2013, as part of a multi-project Earn-In Agreement, Freeport was granted the right to earn an initial 51% interest in three projects held by Kaizen’s subsidiary West Cirque Resources, by funding cumulative expenditures of $8.00 million over a four-year period. At June 30, 2015 Freeport had made cumulative expenditures of approximately $2.48 million towards the Earn-in agreement of which approximately $1.54 million were on the Tanzilla project.

In July 2015 the Company received a $0.50 million payment from Freeport, which will offset expenditures incurred by the Company in its role as operator of the project during the 2015 exploration program. Upon completion of the program, Freeport is required to fund the balance of expenditures incurred by the Company.

2015 Exploration Program Budget / Expenditures

The 2015 exploration budget for Tanzilla is $0.81 million of which $0.29 million, $0.22 million and $0.12 million have been allocated for drilling, helicopter and personnel, respectively.

During the six-months ended June 30, 2015 a total of $0.034 million in expenditures was incurred on the Tanzilla project. It is management’s expectation that the 2015 exploration program will have completed at approximately the total budgeted amount.

2015 Exploration Program Activities

The primary objective of the 2015 drill program is to test for mineralization at greater depths below the high sulfidation alteration and mineralization encountered in 2014 hole, TZ14-05. The program is expected to include drilling of 1800-1900 meters in three drill holes; two-holes targeting the central Silica Ridge alteration zone and one-hole targeting the Gopher Zone, located 2.75 km southeast of Silica Ridge.

Drilling commenced on July 8, 2015 and ended on August 7, 2015, with a total of 1,878 metres drilled. Future exploration plans for the project will be impacted by assay results from the recently completed drilling, and to some extent by Freeport's decision on future funding.

Aspen Grove Project

The Aspen Grove project is located in southern British Columbia near the town of Merritt and comprises 29 claims (11,237 hectares). The Aspen Grove property covers part of an extensive belt of porphyry copper mineralization hosted by Upper Triassic Nicola Group volcanic rocks and Late Triassic to Early Jurassic intrusions.

Title to Aspen Grove is held by KZD Aspen Grove Holding Ltd., a subsidiary owned 60% by Kaizen and 40% by ITOCHU. Three claims (1,375 hectares) are subject to a 2% net smelter return; 1% of which can be purchased at any time for $3.0 million.

2015 Exploration Program Budget / Expenditures

Exploration program expenditures for the Aspen Grove project for the six-months ending June 30, 2015 were $0.81 million compared with a budgeted amount of $1.08 million resulting in the program being under budget by $0.27 million. The primary reason for the variance was lower drilling costs and some differences in the actual timing of expenditures. The budget for 2015 exploration at Aspen Grove is $3.1 million.

2015 Exploration Program

During April and May 2015 the Company performed induced polarization (IP) surveys covering a total of approximately 15 square kilometres (5.8 square miles), including the extension of the Par prospect, the Ketchan prospect and the Boss/Zig/Thalia prospects ("BZT"). In addition to the surveys, geological mapping and sampling was also carried out in these and other areas.

In early June 2015 drilling commenced on a planned 7,500 metre diamond drill program. The drill program started at Par to test the diatreme breccia-porphyry target before continuing to Ketchan Lake to test historic results and newly identified geological, magnetic and IP geophysical targets.

The Par prospect, located on the western side of the property, was tested with one drill hole (AG-01), which intersected over 100 metres of mineralized breccia from surface before being completed to a depth of 459 metres.

Drill Hole	From (metres)	To (metres)	Drilled metres	Copper (%)	Gold (g/t)
AG15-01	1.8	105	103.2	0.204	0.084
Incl.	1.8	75	73.2	0.245	0.096
Incl.	48	75	27.0	0.380	0.114

Note: The true width of the drill intersections reported throughout this MD&A is unknown as the geometry of the mineralized zone is not yet known.

The initial drill hole at Ketchan, K15-01, tested a magnetic and chargeability high near the southwestern margin of the Ketchan porphyry. The hole was drilled to a depth of 390 metres, and intersected a 265.5-metre thick zone of copper-gold mineralization, starting at surface. The intersection included a 78-metre interval grading 0.50% copper and 0.15 grams per tonne (g/t) gold.

Drill Hole	From (metres)	To (metres)	Drilled metres	Copper (%)	Gold (g/t)
K15-01	4.5	270	265.5	0.265	0.112
Incl.	30	58	28	0.310	0.167
and	192	270	78	0.502	0.145
and	248	262	14	1.032	0.125
K15-02b	4.65	391	386.35	0.136	0.097
Incl.	57	129	72	0.340	0.060
and	275	351	76	0.141	0.268

Note: The true width of the drill intersections reported throughout this MD&A is unknown as the geometry of the mineralized zone is not yet known.

The second drill hole in the Ketchan prospect, K15-02b, was collared 255 metres east of K15-01 and tested a second magnetic and chargeability high near the southwestern margin of the Ketchan diorite. K15-02b was completed at 485 metres after intersecting the contact between the diorite and Nicola Group marine sedimentary rocks at 401 metres. A 386-metre thick zone of copper-gold mineralization was intersected.

Drilling at Ketchan is continuing with 150- to 250-metre spaced drill holes, designed to test the entire 300-to-500 by 1,800-metre-long mineralized system as defined by airborne magnetics, geological mapping and rock sampling, and induced polarization surveys. Follow-up drilling is expected once the initial program is complete.

Coppermine Project

The Coppermine project constitutes a district-scale greenfield exploration prospect, covering approximately 115 km of strike of an easterly-trending belt of Meso-Proterozoic continental flood basalts (the Coppermine River Group) and unconformably overlying marine sedimentary rocks of Neo-Proterozoic age (the Rae Group). The belt has numerous mineral showings and occurrences that demonstrate its prospectivity for two distinct deposit types: sediment-hosted, stratiform copper-silver; and structurally-controlled, volcanic-hosted copper-silver.

Licences

Kaizen, through its wholly owned subsidiary Tundra Copper Corp. (“Tundra”), currently holds 174 Crown Land mineral claims totaling 186,739 hectares as well as 7 prospecting permits totaling 129,885 hectares; 36 of the Crown Land claims were held by Tundra when acquired by the Company in November 2014; the additional 138 claims were issued to Tundra in April 2015 as a result of staking in the fourth quarter of 2014.

Adjacent to these claims and prospecting permits, are Inuit Owned Lands (“IOL’s”), for which Tundra received a surface access permit from the Kitikmeot Inuit Association and mineral rights through a Mineral Exploration Agreement (“MEA”) with Nunavut Tunngavik Incorporated. The MEA grants Tundra rights to a 100% interest in the minerals contained in the IOL’s and includes a form of Mineral Production Lease and details of a net profits royalty benefiting Nunavut Tunngavik Incorporated.

2015 Exploration Program Budget / Expenditures

The total 2015 exploration program budget for Coppermine is $1.65 million. For the six month period ending June 30, 2015 the Company had incurred $0.66 million in exploration expenses.

2015 Exploration Program

Kaizen's planned 2015 exploration program includes regional mapping, sampling and diamond drilling of both the volcanic- and sedimentary-hosted stratiform targets.

During Q2'15, initial mobilization of fuel and camp supplies to an existing airstrip within the project area was completed. Construction of the camp was completed in mid July.

Following successful completion of the screening and public comment processes conducted by the Nunavut Impact Review Board, required operations permits were received from the Kitikmeot Inuit Association, Nunavut Water Board and Aboriginal Affairs and Northern Development Canada in mid-July.

Mapping and sampling started in early July and then on July 26th, drilling commenced on the volcanic-hosted targets in the project area, which was followed with drilling of the sedimentary hosted targets. The exploration program is expected to be completed in mid-September 2015.

Fairholme Project

The Fairholme project consists of two contiguous exploration licences, Fairholme EL6552 and Manna EL6915; covering a 169 km^2 area located 360 km west of Sydney, Australia and 160 km west of the town of Orange. The EL 6915 licence has been renewed until October 18, 2015. The EL 6552 is valid until April 2, 2016.

Farm-in and Joint venture

On January 16, 2014, after incurring expenditures of AUD$1.0 million, the Company was granted a 49% interest in the Fairholme project. The Company has the right to increase its interest in the Fairholme project to 65% by funding an additional AUD$4.0 million in exploration prior to December 31, 2015 with the aim of delineating a scoping study. On August 21, 2015 the deadline for funding an additional AUD$4.0 million was extended from December 31, 2015 to December 31, 2017. The Company can further increase its stake to 90% or 95% by funding a bankable feasibility study (final % dependent on the cost of such study).

As at June 30, 2015 the Company had funded AUD$2.70 million of the AUD$4.0 million exploration expenditures for the current phase of the farm-in.

2014 / 2015 Exploration Program

Four drill holes were completed between December 2014 to March 2015. Three holes tested Targets 3 and 5, which were identified by the 3D IP geophysical survey completed in 2014. The two targets are coincident with the main magnetic-intrusive centre at the Dungarvan prospect (FHD004-5 and FHD007). Drill hole FHD006 tested the magnetic low adjacent to Dungarvan.

Drill hole	Easting	Northing	Azimuth	Dip	Depth (metres)
FDH004	534158	6297698	32	-70	541.9
FDH005	534567	6297072	28	-80	711.7
FDH006	533364	6298246	28	-65	793.3
FDH007	534506	6297011	120	-60	405.9
Total					2452.8

The drill holes over the Dungarvan prospect intercepted an extensive porphyry system associated with the main magnetic high centre. Rocks encountered included monzodiorite, intermediate feldspar-hornblende porphyry, intermediate feldspar porphyry and diorite intrusions hosted by an intermediate package of bedded, matrix-supported polymictic conglomerate and medium- to fine-grained volcaniclastic rocks. Hole FDH006 encountered well-bedded fine- to medium-grained volcaniclastic rocks with lesser conglomerate and minor feldspar porphyry intrusions. The drill holes intersected minor copper-gold mineralization within a broad zone of disseminated iron-sulphide-bearing volcaniclastic rocks, considered the source of the chargeability anomaly. A large part of the project area remains insufficiently explored under cover, and a project review is underway.

Ebende Project

The Ebende project is an early stage exploration project consisting of 17 contiguous and near contiguous licences located in the Eastern Kasai and Katanga Provinces of the DRC. At this stage, the project is conceptual in nature and is based on the premise that the area shares similar geological features with other mineralized continental flood basalts which are known to contain economic concentrations of copper, nickel and platinum group elements (e.g. at Norilsk in Russia).

Licences

The Ebende exploration project comprises 17 licences for which the company has to date received Ministerial approval for renewal of 13 of these 17 licences. Annual Surface rights have been paid for 16 of the 17 licences. Once approval is received for all the licences the Company will hold approximately 2,551 km^2.

Geology

The Ebende project is underlain by a regional-scale belt of mafic volcanic rocks adjacent to a cratonic boundary. The geological setting is considered conceptually prospective for magmatic deposits of nickel, copper, and platinum-group elements. Previous exploration work included aeromagnetic, gravity, stream geochemistry and Typhoon™ IP surveys, as well as preliminary drilling. Initial regional stream-sediment sampling highlighted an area with elevated nickel, copper, platinum and palladium. In 2014, Kaizen contracted a second Typhoon™ survey and a soil geochemical survey to follow up on this area. Copper-in-soil anomalies coincident with chargeable zones along the footwall of the Ebende volcanics warrant drill testing. No significant mineralization has been intersected to date. Kaizen is considering funding options to advance this project.

Exploration expenses are summarized as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
Drilling	7	-	300	-
Assay	-	-	106	25
Wages and consultants	428	279	682	796
Share-based payments	51	48	133	204
Fees and taxes	168	28	255	299
Geophysics	4	633	(33)	633
Camp	107	39	138	94
Travel	239	6	253	8
Other	7	12	25	76
	1,011	1,045	1,859	2,135

Exploration expenses were allocated to the following projects as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
Coppermine	536	-	664	-
Fairholme	63	467	610	543
Ebende	182	383	244	712
Burkina Faso	-	75	-	202
General exploration	230	120	341	678
	1,011	1,045	1,859	2,135

<u>Results of Operations</u>

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. The loss for the six months ended June 30, 2015 totaled $4.87 million (2014 - $4.52 million), including value of non-cash share-based payments expense during the period of $0.57 million (2014 - $1.29 million).

The table below explains the changes in major expenditures for the six months ended June 30, 2015 as compared to the corresponding period ended June 30, 2014.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Exploration expenses	Decrease of $0.28 million	Due to decrease in activity on African projects and generative exploration, offset partially by initiation of work at the Coppermine project
Administrative expenses	Decrease of $0.27 million	Due to significant drop in recording of share-based payments, offset partially by higher wages and benefits, professional fees and office expenses as corporate activity intensified
Share of losses from joint venture	Increase of $0.57 million	Due to exploration activity at the Aspen Grove project which was inactive in same period in 2014
Write down of investment	Increase of $0.47 million	Due to fall in market value of Alecto Minerals PLC, which negatively impacted carrying value of 55 million shares held by the Company
(Loss) / gain on foreign exchange	Decrease (gain) of $0.11 million	Due primarily to gain in value of cash held in US Dollars caused by weakening of the Canadian Dollar relative to the US Dollar

The table below explains the changes in major expenditures for the three months ended June 30, 2015 as compared to the corresponding period ended June 30, 2014.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Share of losses from joint venture	Increase of $0.52 million	Due to exploration activity at the Aspen Grove project which was inactive in same period in 2014
(Loss) / gain on foreign exchange	Increase (loss) of $0.35 million	Due primarily to loss in value of cash held in US Dollars caused by strengthening of the Canadian Dollar relative to the US Dollar

Summary of Quarterly Results

	Quarter Ended			
	Jun-30 2015	Mar-31 2015	Dec-31 2014	Sep-30 2014
	$	$	$	$
Exploration expenses	1,011	848	214	1,536
Administrative expenses	946	1,148	1,784	1,093
Share of losses from joint venture	521	47	391	117
(Gain) on sale of investment	-	-	(494)	-
(Gain) / loss on foreign exchange	56	(149)	(16)	(149)
Write down of investment	19	450	-	-
Other	(13)	(17)	-	-
Loss for the period	2,540	2,327	1,879	2,597

	Quarter Ended			
	Jun-30 2014	Mar-31 2014	Dec-31 2013	Sep-30 2013
	$	$	$	$
Exploration expenses	1,045	1,090	1,363	1,292
Administrative expenses	867	1,500	434	7
Share of losses from joint venture	-	-	-	-
(Gain) on sale of investment	-	-	-	-
(Gain) / loss on foreign exchange	(294)	313	(2)	-
Write down of investment	-	-	-	-
Other	-	-	-	-
Loss for the period	1,618	2,903	1,795	1,299

Nature of Major Quarterly Variances

Exploration expenses

Exploration expenses can vary widely from quarter to quarter depending on management decisions for exploration programs.

During 2014, exploration expenses were fairly consistent when compared on a quarterly basis, which was achieved as the result of having projects for which exploration activities are not seasonally constrained. During Q4 of 2015 there was a relative drop in exploration expenses as the Company's portfolio of projects was dominated with those residing in the northern hemisphere and thus not active during winter months.

Exploration activities in the DRC are normally centered in the second and third quarter of the year to avoid the rainy season. In Australia, a similar seasonal impact is experienced as, in certain areas, exploration activity is carried over farming areas and the resulting timing of exploration activities is designed to minimize the impact on planted crops.

Administrative expenses

Administrative expenses over the last six consecutive quarters have experienced variation primarily due to the timing of large option grants and the resulting allocation of share-based payment amounts which has a significant impact. Such a grant was made in January 2014, resulting in Q1'14 option benefits included in administrative expense of $0.8 million compared to $0.2 million in Q1'15.

Share of losses from joint venture

Share of losses from joint venture fluctuates in direct relation to exploration activities at the Aspen Grove project. The project was more active during the fall of 2014 and spring/summer 2015.

Write-down of investment

Expenses in Q1'15 included a $0.5 million write-down on marketable securities related to shares held in Alecto Minerals PLC that were received as proceeds from the sale of the Kerboule project in Burkina Faso.

(Gain) / loss on foreign exchange

Recent quarters have witnessed high volatility in the quoted exchange rate between the Canadian and US Dollars which has impacted the Company's Statement of Loss due in most part to material cash balances denominated in US Dollars.

Liquidity and Capital Resources

The Company is considered to be in the exploration stage, has no known mineral resources, has not generated revenues from its operations and has been dependent on equity and joint venture and/or financing partner's contributions. The Company holds its excess cash in interest bearing accounts with creditworthy financial institutions, and has sufficient funding, including a CDN $5.00 million unsecured revolving line of credit with majority shareholder HPX, to cover all administrative and exploration activities for the next 12 months. The Company's liquidity and capital resources are as follows:

	June 30 2015	**December 31, 2014**
	$	$
Cash	4,442	8,308
Receivables	760	626
Prepaid expenses	161	132
Marketable securities	179	649
Total current assets	5,542	9,715
Payables and accrued liabilities	(603)	(979)
Working capital	4,939	8,736

As at June 30, 2015, the Company had a cash position of $4.44 million (December 31, 2014 - $8.31 million), consisting mainly of proceeds from 2014 financing activities totaling $7.08 million. As at June 30, 2015, the Company had a working capital position of $4.94 million (December 31, 2014 - $8.74 million).

The primary use of cash during the six months ended June 30, 2015 was the funding of operating activities of $3.79 million (2014 – $2.88 million). Cash used in operating activities was primarily comprised of exploration expenditures of $1.73 million (2014 - $1.93 million) and administrative expenditures of $1.66 million (2014 - $1.28 million).

The Company currently has no source of operating cash flow, and has no assurance that additional funding will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements.

The ability of the Company to continue is dependent on the continuing success of its exploration activities and on generating continuous funding to support those activities.

Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties.

Off-Balance Sheet Transactions

The Company does not have any off-balance sheet arrangements as at June 30, 2015 or as of the date of this report.

Transactions Between Related Parties

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:

(a) Expenses, accounts receivable and accounts payable

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
Exploration and geophysical activities	27	623	4	623
Salaries and benefits	824	278	1,356	882
Corporate administration	192	65	301	150
Total related party expenses	1,043	966	1,661	1,655

The breakdown of expenses by related party is as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
GMM	1,016	343	1,657	1,032
HPX TechCo Inc. and affiliates	27	623	4	623
	1,043	966	1,661	1,655

The transactions with Global Mining Management Corporation ("GMM") noted above for the three and six month periods ended June 30, 2015 include approximately $159,000 (2014 - $Nil) and $205,000 (2014 - $Nil) of expenses incurred by KZD Aspen Grove Holding Ltd. and the Company's share of losses from joint venture includes 60% of these expenses.

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

Accounts receivable	June 30 2015 $	December 31 2014 $
GMM	288	291
KZD Aspen Grove Holding Ltd.	292	211
Total related party accounts receivable	580	502

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

Accounts payable	June 30 2015 $	December 31 2014 $
GMM	344	247
HPX TechCo Inc.	18	35
Key management personnel, directors and officers	51	91
Total related party accounts payable	413	373

(i) "GMM" is a private company based in Vancouver beneficially owned equally by six companies, one of which is the Company, and has officers in common with the Company. GMM provides administration, accounting, and other office services to the Company on a cost recovery basis.

(ii) HPX is the Company's privately owned parent, holding 67.3% of the Company's common shares at June 30, 2015 (December 31, 2014 – 67.3%). In 2015 and 2014, HPX planned and managed the Company's geotechnical exploration programs in Africa and Australia. HPX's services are provided to the Company on a cost recovery plus 12% markup basis.

(iii) Amounts owed to key management personnel include outstanding salaries and expense reimbursements.

(iv) The Company is the operator of the Aspen Grove joint venture, and the receivable balance represents unpaid reimbursements for expenses paid by the Company on behalf of KZD Aspen Grove Holding Ltd.

(b) Compensation of key management personnel

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
Salaries and short-term benefits	439	318	725	750
Share-based payments	146	213	372	987
Total remuneration	585	531	1,097	1,737

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

There are 158,331,652 Common Shares issued and outstanding and 14,078,500 Options outstanding as at the date of this MD&A.

Proposed Transactions

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment, and joint venture transactions and opportunities that could enhance shareholder value. There is no guarantee that any contemplated transaction will be concluded.

With the exception of continuing discussions with Japanese corporations as to providing project level funding, there are no proposed asset or business acquisitions or dispositions before the Board for consideration, other than those discussed in this MD&A and those in the ordinary course. While we remain focused on our plans to continue exploration and development on our material properties, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

Critical Accounting Estimates

In the opinion of management, all adjustments considered necessary to present fairly the financial position, results of operations and cash flows at June 30, 2015 and for all periods presented have been included in these condensed interim consolidated financial statements.

The interim results are not necessarily indicative of results for the full year ending December 31, 2015 or future operating periods. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that apply to the Company's consolidated financial statements as at and for the year ended December 31, 2014.

Changes in Accounting Policies Including Initial Adoption

Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2015:

(a) IFRS 9, *Financial Instruments*, replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 9 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

(b) IFRS 15, *Revenue from Contracts with Customers*, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

Financial Instruments and Other Instruments

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 Company's financial instruments consist of cash, receivables, marketable securities, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is measured at fair value using level 1 inputs.

Risk Factors

The Company is engaged in mining exploration and development activities, which by nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various properties, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks.

In particular, there are currently significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties relating to the global economy, increased volatility and a general decline in the prices of gold, copper, other precious and base metals and other minerals, as well as increasing volatility in the foreign currency exchange markets and a weakening of the Canadian dollar which impact our business and may impact our ability to remain a going concern

Additionally and in spite of the Company's framework agreement with ITOCHU, there is no requirement or guarantee that ITOCHU will elect to provide funding for current or future projects.

Prospective investors should carefully consider all of the information disclosed in this MD&A, including the risks as detailed in the "Risk Factors" section of the Company's MD&A for the year ended December 2014, prior to making any investment in the Company's common shares.

Other MD&A Requirements

The Company's business of exploring and developing mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

Qualified Person under National Instrument 43-101:

a) Unless otherwise stated, Mr. John Bradford, Chief Geologist of the Company, is the qualified person responsible for the preparation of the technical information included in this MD&A.

b) Ebende project - The technical information for the Ebende project was prepared under the supervision of Mr. Michael David Lynn, a principal consultant for MSA Company (Pty) Ltd.

c) Fairholme project - The technical information for the Fairholme project was prepared under the supervision of Mr. Barry De Wet.