

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Kaizen Discovery Inc.		None	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Pamela Deveau	+1 (604) 689-8765	info@kaizendiscovery.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
606 - 999 Canada Place		Vancouver, BC Canada V6C 3E1	
8 Date of action		9 Classification and description	
August 23, 2021		Subscription Rights for Common Shares	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
48311A	N/A	TSXV: KZD; U.S. OTC:CCNCF	N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On August 23, 2021, Kaizen Discovery Inc. ("Kaizen") commenced a rights offering of up to 166,666,666 shares of common stock pursuant to which shareholders of record as of August 23, 2021, and who are residents of a province or territory of Canada, received, at no cost to them, 0.4851239331 subscription rights (each whole subscription right, a "Right") for each share of Kaizen common stock owned (the "Rights Offering"). Each Right entitled the shareholder to purchase one share of Kaizen common stock at a subscription price of C\$0.045. The Rights Offering expired at 5:00 p.m., Vancouver time, on September 16, 2021. No fractional Rights were issued, with each fractional Right rounded down to the next whole number of Rights.

The Rights Offering is described in the Rights Offering Circular of Kaizen dated August 9, 2021 (the "Circular"), which is available on www.sedar.com. Shareholders should review the Circular and consult with their own tax advisors regarding the U.S. federal income tax consequences of the Rights Offering.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See Exhibit A.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ If no election is made under Code Section 307(b)(2), a shareholder's tax basis in its existing Kaizen common shares would not change, and such shareholder's tax basis in any new Kaizen common shares received pursuant to the Rights Offering would be equal to the exercise price multiplied by the number of Kaizen common shares purchased.

Shareholders should consult their own tax advisors to determine whether they should make an election under Code Section 307(b)(2) and what allocation of tax basis is appropriate.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Code Section 305(a), 307(a) and 307(b).

18 Can any resulting loss be recognized? ▶ No.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, any income recognized should be reported by holders for the taxable year which includes August 23, 2021 (e.g., a calendar-year shareholder would report the transaction on his or her federal income tax return filed for the 2021 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ /s/ Pamela Deveau Date ▶ October 6, 2021

Paid Preparer Use Only	Print your name ▶ <u>Pamela Deveau</u>	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name	<u>/s/ John Hollinrake</u>	<u>10/06/21</u>		<u>P01568530</u>
	Firm's name ▶ <u>Dorsey & Whitney LLP</u>			Firm's EIN ▶	<u>41-0223337</u>
	Firm's address ▶ <u>Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104</u>			Phone no.	<u>(206) 903-8812</u>

EXHIBIT A
KAIZEN DISCOVERY INC. IRS FORM 8937
PERTAINING TO SECTION 15

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that might apply to particular categories of shareholders.

Pursuant to Code Section 307(b), the tax basis of any Rights received should generally be zero because, on August 23, 2021, the fair market value of a Right was less than 15% of the fair market value of a share of Kaizen common stock with respect to which such Rights were distributed. However, pursuant to Code Section 307(b)(2) and the Treasury Regulations promulgated thereunder, a shareholder may make an election to allocate a portion of the tax basis in such shareholder's existing Kaizen common stock to the Rights received. Absent such election, a shareholder's tax basis in any new shares received pursuant to the Rights Offering would generally be equal to the exercise price and would not result in an allocation from such shareholder's tax basis in their existing Kaizen common shares. Accordingly, a shareholder's tax basis in any new Kaizen common shares received pursuant to the Rights Offering should be equal to either (i) the exercise price of the Right for a shareholder that did not make an election under Code Section 307(b)(2), or (ii) the exercise price of the Right plus any tax basis allocated to the Right for a shareholder that made an election under Code Section 307(b)(2).

Shareholders should review the Circular and consult their own tax advisors regarding the U.S. federal income tax consequences of the Rights Offering.