



November 10, 2016

## **Kaizen Discovery Announces Rights Offering**

**VANCOUVER, CANADA** – Kaizen Discovery Inc. (TSXV:KZD) (“Kaizen” or “the Company”) announced today that it will conduct a rights offering to raise gross proceeds of approximately C\$7.3 million.

Eligible Kaizen shareholders of record on November 18, 2016 will be issued rights (the “Rights”) on the basis of one (1) Right for each common share held (the “Rights Offering”). Three (3) Rights will entitle the holder to subscribe for one (1) common share of Kaizen upon payment of the subscription price of C\$0.105 per share (the “Subscription Price”). No fractional shares will be issued. The Rights will be issued to all existing shareholders in Canada, and will be made available to qualified shareholders in Japan, Singapore, Switzerland and the British Virgin Islands who are able to substantiate their eligibility to participate. All directors of Kaizen who own common shares of Kaizen intend to exercise their basic subscription privilege in the Rights Offering.

“This Rights Offering represents a significant transaction for Kaizen, adding new equity by offering existing shareholders the opportunity to buy new shares in proportion to their existing shareholdings and to potentially increase their holding should they choose to exercise their additional subscription rights,” said Eric Finlayson, Kaizen’s Interim Chief Executive Officer. “This fundraising will significantly enhance Kaizen’s ability to assess and pursue new undervalued mineral exploration opportunities and will allow the Company to meet its funding obligations for the first phase of exploration at the Pinaya copper-gold project in Peru.”

The Rights will trade on the TSX Venture Exchange under the symbol KZD.RT commencing on November 16, 2016 and will trade until 1:00 p.m. (Vancouver time) on January 11, 2017. The Rights will expire at 2:00 p.m. (Vancouver time) on January 11, 2017 (the “Expiry Time”), after which time unexercised Rights will be void and of no value. Shareholders who fully exercise their Rights will be entitled to subscribe for additional shares in the Rights Offering, if available as a result of unexercised Rights prior to the Expiry Time, subject to certain limitations set out in Kaizen’s Rights Offering circular.

A rights offering notice and rights certificate will be mailed to each registered shareholder of Kaizen resident in Canada as at the record date. Registered shareholders who wish to exercise their Rights must forward the completed rights certificate, together with the applicable funds, to the rights agent, Computershare Investor Services Inc., on or before the Expiry Time. Shareholders who own their shares through an intermediary, such as a bank, trust company, securities dealer or broker, will receive materials and instructions from their intermediary.

Further details of the Rights Offering are contained in the Company’s Rights Offering circular, which has been filed on SEDAR under Kaizen’s profile at [www.sedar.com](http://www.sedar.com).

There are currently 207,574,977 common shares of Kaizen outstanding. If all of the Rights issued under the Rights Offering are validly exercised or acquired under the Standby Commitment, an additional 69,191,659 common shares will be issued and the Rights Offering will raise gross proceeds of approximately C\$7.3 million. Kaizen intends to use the net proceeds of the Rights Offering to fund commitments to advance the Pinaya Project, including a C\$2.5 million commitment under the strategic financing agreement with ITOCHU; to identify and review new project opportunities; to fund other exploration project costs; and for general administrative expenses.

## **Standby Commitment Agreement**

In connection with the Rights Offering, Kaizen has entered into a standby commitment agreement (the "Standby Commitment Agreement") with its largest shareholder, HPX TechCo Inc. ("HPX"), who has agreed, subject to the satisfaction of certain conditions, to fully exercise its basic subscription privilege to purchase its pro rata share of the common shares offered in the Rights Offering and to acquire all other common shares not acquired on the exercise of Rights in the Rights Offering. The aggregate subscription amount for HPX will be approximately C\$4.9 million if the standby commitment is not called upon, and will be approximately C\$7.3 million if the full standby commitment is utilized. Further details of the Standby Commitment Agreement are contained in the Company's Rights Offering circular. As of the date hereof, HPX owns 66.8% of the Company's issued and outstanding common shares. If the standby commitment is utilized in full and no other shareholders exercise Rights, HPX will come to own 75.1% of the issued and outstanding common shares on completion of the Rights Offering.

Under the Standby Commitment Agreement, Kaizen will issue 2,100,000 non-transferable warrants to HPX. Each warrant will entitle HPX to acquire one (1) common share of Kaizen at an exercise price per common share of C\$0.155 at any time on or before January 11, 2022.

Upon fulfillment of the standby commitment by HPX and completion of the Rights Offering, the existing Inter-Corporate Loan Agreement dated December 4, 2013 between the Company and HPX (the "Loan Agreement") will be terminated. The Loan Agreement makes available to the Company a C\$5.0 million unsecured, revolving loan facility. No amount is currently drawn by the Company under the Loan Agreement.

This news release does not constitute an offer to sell or the solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons," as such term is defined in Regulation S under the U.S. Securities Act, unless an exemption from such registration is available.

More information on Kaizen is available at [www.kaizendiscovery.com](http://www.kaizendiscovery.com).

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this news release constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements can be identified by the use of words such as "may", "will", "intend", "expect", "plan", "estimate", 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

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speak only as of the date of this news release. These include, but are not limited to, statements regarding the timing of, and other procedural matters associated with, the Rights Offering, and the use of proceeds from the Rights Offering, including using the net proceeds of the Rights Offering to fund commitments to advance the Pinaya Project. Such statements are based on a number of key expectations and assumptions made by management of the Company, including, but not limited to: regulatory timings and approvals; the terms of existing contractual commitments; the availability of additional capital; and general economic and financial market conditions.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on such forward-looking statements. The forward-looking statements reflect the Company's current views with respect to future events based on currently available information and are inherently subject to risks and uncertainties. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this news release, including, but not limited to the impact of the issuance of additional Common Shares on the market price of the Common Shares; the condition of the global economy; various factors that impact the Company's exploration activities; changes to existing contractual commitments; and the Company's access to future funding and unforeseen changes to its working capital requirements.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company cautions readers not to place undue reliance on any such forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, described or intended. The Company will not update any forward-looking statements unless required by applicable securities law.