ZAZU METALS CORPORATION

(An Exploration Stage Company)
Management's Discussion and Analysis
October 29, 2015
In US dollars

The following management discussion and analysis of the business of Zazu Metals Corporation ("Zazu" or the "Company") is intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward looking statements relating to its potential future performance. The information should be read in conjunction with Zazu's September 30, 2015 unaudited condensed interim consolidated financial statements and December 31, 2014 audited annual consolidated financial statements and the related notes for the year then ended which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Zazu's accounting policies are described in note 3 of the Company's December 31, 2014 audited annual consolidated financial statements. All of the financial information presented herein is expressed in US dollars, unless otherwise indicated. This management discussion and analysis has been prepared as at October 29, 2015.

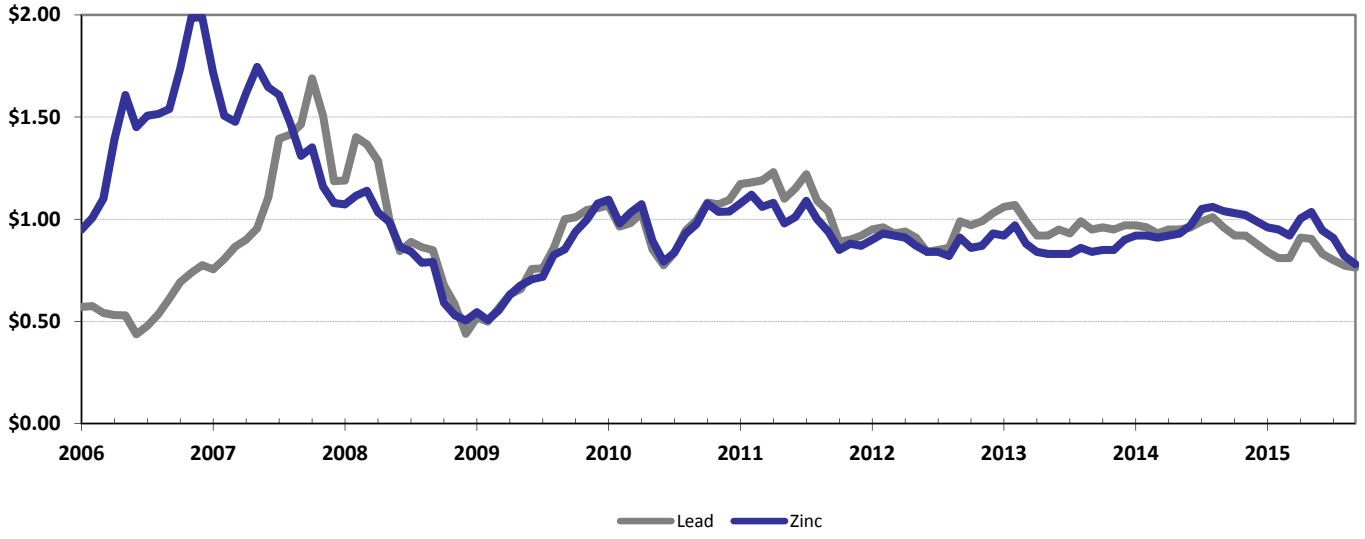
Additional information, including a copy of Company's Annual Information Form for the year ended December 31, 2014, is available on SEDAR (www.sedar.com).

Zazu is a Canadian based exploration company formed in November 2006 to acquire an interest in a zinc, lead and silver exploration property, known as the Lik property, located in Alaska. The Company holds a 50% interest in the Lik property (the other 50% interest is held by Teck Resources Limited) and has the right to earn up to a further 30%. The Company's primary near term objective is to advance the Lik property towards development through the definition of a resource and commencement of a formal feasibility study. The Company also intends to pursue a strategy of evaluating and potentially acquiring interests in other attractive mineral properties that the Company believes will be accretive to its overall growth strategy.

On December 19, 2007, the Company completed its Initial Public Offering ("IPO") and its common shares began trading on The Toronto Stock Exchange under the symbol "ZAZ". The Company is a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. In July 2014, the Company's shares began trading on the OTCQX exchange in the United States.

Historical Lead and Zinc Prices

LME spot price as quoted by the International Monetary Fund



From their highs in 2006 and 2007, lead and zinc prices declined in 2008 and 2009 as virtually all industries, including mining for base metals, were impacted by deteriorating market conditions and the slowdown in global economic activity. Since 2009, prices have fluctuated in a narrow range as economies in all parts of the world have experienced slow economic

growth. Ultimately, the Company believes lead and zinc prices will resume their overall upward trend as world economies strengthen and the zinc market copes with the forecast closure of several large mines over the next several years. Worldwide economic events will continue to affect the Company as it evaluates its options to develop the Lik property and until normal volatility levels return to global financial markets, lead and zinc could continue to see dramatic and unpredictable price fluctuations similar to those seen between 2007 and 2009 which were brought on by sovereign debt issues in Europe.

The Company is in the business of exploring for minerals which by its nature involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. The Company's mineral properties are located outside of Canada and are subject to the risks normally associated with foreign investment, including increases in taxes and royalties, recognition of contracts and currency exchange fluctuations.

GOING CONCERN

Historically the Company's primary source of funding has been the sale of equity securities for cash. The Company is not in commercial production at the Lik property and, accordingly, it does not generate cash from operations.

At September 30, 2015 the Company did not have enough cash on hand to meet its planned expenditures for the next twelve months. The September 30, 2015 financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

RESULTS OF OPERATIONS

The net loss of the Company reflects the overhead costs associated with running a public company as it oversees exploration and development of its Lik property, as well as any gains and losses resulting from the periodic translations of the Company's Canadian currency denominated cash and cash equivalents.

Exploration and development costs incurred at the Lik property are capitalized to mineral property interests. If the property proceeds to development, these costs become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is deemed not appropriate in the foreseeable future, the related deferred expenditures are written off. If the likelihood of recovering the carrying amount of a property becomes doubtful, then that property's carrying value will be written down to the estimated recoverable amount.

2015 vs. 2014

The Company's net loss for the quarter ended September 30, 2015 was $246,857 or $0.01 per share compared to a net loss of $530,879 or $0.01 per share for the quarter ended September 30, 2014. The Company's net loss for the nine months ended September 30, 2015 was $859,116 or $0.02 per share compared to a net loss of $1,557,598 or $0.03 per share for the nine months ended September 30, 2014.

The net loss for both 2015 and 2014 included salaries and consulting fees as well as costs for audit and accounting fees, directors' fees, regulatory fees and transfer agent expenses, insurance, office costs and travel. Non-cash items included share

based compensation and gains and losses from the translation of the Company's Canadian currency denominated cash and cash equivalents.

During the third quarter of 2015, the Company recorded $55,700 (2014 – $352,000) of share based compensation. For the first nine months of 2015, the Company recognized $248,700 (2014 – $863,000) of share based compensation. Share based compensation for option holders who are directly involved in exploration at the Lik property is capitalized as an exploration and evaluation asset. Share based compensation in the third quarter of 2015 was split: $5,300 (2014 – $33,300) was capitalized as an exploration and evaluation asset and $50,400 (2014 – $264,000) was expensed as share based compensation. Share based compensation for the first nine months of 2015 was also split: $28,700 (2014 – $88,000) was capitalized as an exploration and evaluation asset and $220,000 (2014 – $775,000) was expensed as share based compensation.

Share based compensation is calculated using the Black-Scholes option pricing model and is recognized over the vesting period of the underlying options except in the case of cancelled options when the vesting period is deemed to have accelerated and any amount still to be recognized in future periods is recognized immediately. Share based compensation in 2015 was based on a fair value of CDN$0.45 per share for the 1,190,000 options granted in November 2013, a fair value of CDN$0.41 per share for the 2,200,000 options granted in May 2014, and a fair value of CDN$0.12 per share for the 600,000 options granted in August 2015.

Corporate tax reporting and interim review fees comprise audit and accounting costs which were $13,880 for the third quarter of 2015 (2014 – $30,144) and $38,460 for the first nine months of 2015 (2014 – $53,538). Fees for tax reporting by the Lik project have been capitalized and are included in exploration and evaluation assets.

Directors' fees were $7,601 for the third quarter of 2015 (2014 – $18,394) and $39,678 for the first nine months of 2015 (2014 – $54,901). Beginning with the third quarter of 2015, the Directors agreed to a 50% reduction in their fees until further notice. Directors' fees are denominated in Canadian dollars and reported amounts are subject to fluctuations in the CDN$/US$ exchange rate.

Financial advisory fees were $8,289 for the third quarter of 2015 (2014 – nil) and $12,434 for the first nine months of 2015 (2014 – nil). In the second quarter of 2015, the Group entered into a contract for financial advisory services. In May 2015 the Group paid CDN$25,000 and will recognize the expense over the term of the contract which is for the period May 2015 through December 2015. Under the contract the Group will receive advice on potential merger partners and projects or companies being considered for acquisition.

Insurance costs were $11,233 for the third quarter of 2015 (2014 – $11,697) and $34,164 for the first nine months of 2015 (2014 – $34,882) and represent premiums on the Company's comprehensive general liability and Directors and Officers insurance policies.

Investor and shareholder relations expenses were $2,695 for the third quarter of 2015 (2014 – $13,699) and $15,516 for the first nine months of 2015 (2014 – $60,816) and are comprised of shareholder communication expenses and other costs such as attending industry conferences. Costs were higher in 2014 due to the cost of internet investor awareness programs that the Company began in January and September of 2014. These programs are twelve months in duration and the January 2014 program was not renewed resulting in lower costs in 2015.

Legal fees were nil in the third quarter of 2015 (2014 – $5,318) and $1,728 for the first nine months of 2015 (2014 – $5,900). Legal costs in both 2015 and 2014 were incurred as part of a review of the Company's continuous disclosure practices. See "Transactions with related parties" for additional information.

Office, rent and communications costs were $6,824 for the third quarter of 2015 (2014 – $11,248) and $27,606 for the first nine months of 2015 (2014 – $35,226). In the third quarter of 2015 the Company downsized its office space and reduced its office rent expense. See "Transactions with related parties" for additional information.

Regulatory and transfer agent costs were $12,408 for the third quarter of 2015 (2014 – $14,070) and $46,390 for the first nine months of 2015 (2014 – $75,926) and represent those filing and listing fees normally associated with public companies.

Listing fees were higher in 2014 as the Company incurred one-time costs as part of the process to list its shares for trading on the OTCQX exchange in the United States.

Salaries and benefits costs were $106,030 for the third quarter of 2015 (2014 – $136,915) and $354,887 for the first nine months of 2015 (2014 – $419,293). In March 2015, the Group and its Chief Executive Officer signed a new employment agreement which defined a reduced salary beginning in the second quarter of 2015. As a result, salaries and benefit costs are lower in 2015 than in 2014. Wages and benefits paid to staff involved directly in exploration at the Lik property are included in exploration and evaluation assets.

Travel costs were $2,230 for the third quarter of 2015 (2014 – $5,065) and $8,745 for the first nine months of 2015 (2014 – $15,693). Several of the Company's officers reside in the United States and travel costs include the costs for these officers to travel to the administrative office in Vancouver to attend management meetings.

Finance income was nil for the third quarter of 2015 (2014 – $1,848) and $332 for the first nine months of 2015 (2014 – $7,361) and consists of interest earned on the Company's cash equivalents. Funds not required for the Company's immediate operations are invested in highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

Historically, the Company has raised cash in private financings denominated in both US and Canadian dollars. Although the majority of the Company's expenditures are made in US dollars, as a Canadian company, it is necessary to also make payments in Canadian dollars. As a result, the Company maintains a portion of its cash in Canadian dollars and this balance is subject to foreign exchange gains or losses. The Canadian dollar weakened versus the US dollar in the third quarter of 2015 and the Company recognized a foreign exchange loss of $24,787 (2014 – $21,589). For the first nine months of 2015 the Company recognized a foreign exchange loss of $55,945 (2014 – $32,069).

Interest expense was nil for the third quarter of 2015 (2014 – nil) and $2,458 for the first nine months of 2015 (2014 – nil) and is the interest paid on the loans from the Company's Chief Executive Officer. See "Transactions with related parties" for additional information.

Lik Property, Alaska

The technical and preliminary economic information in this section in respect of the Lik property is based upon the "Preliminary Economic Assessment Technical Report" dated April 23, 2014 (the "PEA"), prepared by JDS Energy and Mining, Inc. ("JDS"). The authors of the PEA are "qualified persons" for purposes of NI 43-101. JDS is independent of the Company, within the meaning of NI 43-101, as are the authors of the PEA. The PEA is available on the Company's website (www.zazumetals.com) and on SEDAR (www.sedar.com).

In April 2014, JDS completed a Preliminary Economic Assessment on an initial open pit mine at the Lik project. The PEA is an initial investigation of a development scenario for the project which contains a number of economic and technical assumptions. It includes Inferred Resources which are considered too geologically speculative to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the reserves' development, production and economic forecasts will be realized.

The PEA only considers the open pit potential of the Lik South deposit. Lik currently consists of two contiguous deposits located at the southern end of Zazu's property package. The PEA did not consider Lik North, which would be mined using underground methods nor does it include any of the Lik South resource that would also require underground mining.

NET PRESENT VALUE AND INTERNAL RATE OF RETURN
FOR SELECTED ZINC PRICES

	$0.80	$0.92 *	$1.00	$1.10	$1.20
Post tax IRR	2.6%	9.7%	13.4%	17.9%	22.1%
Post tax NPV @ 8%	$ (76 million)	$ 25 million	$ 83 million	$ 158 million	$ 233 million
Pre tax IRR	3.7%	12.5%	17.3%	23.1%	28.4%
Pre tax NPV @ 8%	$ (60 million)	$ 69 million	$ 148 million	$ 253 million	$ 357 million

* Lesser of November 3-year trailing average and spot price as of 12/30/2013.
For lead: US$1.01 /lb, silver US$19.43per troy ounce

During the third quarter of 2015 the monthly zinc price averaged $0.84 per pound (2014 – $1.05 per pound) while the monthly price of lead averaged $0.99 per pound (2014 – $0.95 per pound). Average prices for the first nine months of 2015 were $0.92 per pound for zinc (2014 – $0.97 per pound) and $0.83 per pound for lead (2014 – $0.96 per pound).

Worldwide economic events will continue to affect lead and zinc prices, though management, along with other industry participants, believes the longer term outlook for zinc prices is bullish with prices expected to rise as global supply decreases due to declines in existing mines' grades and shutdowns of soon to be exhausted mines. Long term price support is expected from increased industrial demand stemming from improving world economies. At present, there is little new mine capacity scheduled to replace the expected decline in production from closed mines. The Company hopes to develop Lik in order to deliver into this supply shortage.

As modeled, Lik South would have average annual production of 234,000 dry tonnes of zinc concentrate and 55,800 dry tonnes of lead concentrate, ranking as one of the largest producers of zinc concentrates globally.

The study estimated a capital cost of $352 million including a 20% contingency for a 2 million tonne-per-year mine and mill with an initial 9 year mine life. Although not considered as part of the economic analysis, JDS notes the additional exploration potential of Lik North and its potential to further extend the mine life.

The development plan for the Lik deposit as laid out in the PEA involves the construction of a 5,500 tonne-per-day mill that will produce both a zinc and a lead concentrate using on-site crushing/grinding and sequential flotation methods.

JDS led the PEA with specialist research and opinions provided by other consultants. Roscoe, Postle and Associates, Inc. ("RPA") provided a resource estimate for both Lik South and North dated December 31, 2013, as follows.

MINERAL RESOURCE ESTIMATE – DECEMBER 31, 2013

		Indicated Resources				Inferred Resources			
Location	Cut-off % Pb+Zn	Mt	Zn %	Pb %	Ag g/t	Mt	Zn %	Pb %	Ag g/t
Open Pit									
Lik South	5%	16.85	8.04	2.70	50.1	0.74	7.73	1.94	13.4
Lik North	5%	0.44	10.03	2.77	59.0	2.13	8.88	2.94	45.8
		17.29	8.09	2.70	50.3	2.87	8.59	2.68	37.5
Underground									
Lik South	7%	0.69	8.04	3.15	51.0	0.51	6.97	1.59	11.3
Lik North	7%	0.13	8.93	2.93	37.5	1.96	9.22	2.99	45.8
		0.82	8.18	3.12	48.9	2.47	8.76	2.70	38.7
Total		18.11	8.10	2.72	50.2	5.34	8.66	2.69	38.0

Notes:

1 CIM definitions were followed for Mineral Resources.

2 Mineral Resources are estimated using average long-term prices of $1.20/lb for zinc, $1.20/lb for lead and $27/oz for silver.

3 A density value of 3.5 g/cc (0.109 tons/ft.^{3}) was used.

Full results are shown in the Technical Report which is available on the Company's website (www.zazumetals.com) and on SEDAR (www.sedar.com).

Zazu hopes to benefit from nearby state-owned infrastructure for the Lik project, consisting of a haul road and concentrate shipping port. In December 2009, the Alaska Industrial Development and Export Agency ("AIDEA") began due diligence on the proposed expansion of the Delong Mountain Transportation System ("DMTS"), to accommodate both the development and future concentrate production from Lik. The DMTS is the haul road and port utilized by Teck's Red Dog Mine and is available for multiple users. It is owned by AIDEA, a public corporation of the State of Alaska, and Zazu plans to use it to export concentrate production from the Lik project.

AIDEA, as owners of the DMTS, will evaluate their possible role in the two parts of the proposed expansion project: the financing of a spur road connecting the Lik project to the DMTS, and the financing of any required modifications at the port. The proposed expansion will facilitate both the development of the Lik project, and handle future concentrate production from the project. Prior to the AIDEA agreement Zazu received a letter of Non Objection from the Northwest Arctic Borough ("NWAB"). In this letter, the NWAB formally acknowledges their awareness of the Lik project, and that they have no objection to the project at this time.

In January 2015, AIDEA announced the completion of their study into capacity availability in their DMTS. The report concluded that there is sufficient excess capacity for Zazu's concentrate shipping needs, confirming the assumptions made in Zazu's 2014 PEA.

This study aimed to identify the outputs of both Lik and Red Dog, if any modifications are required to the DMTS to support them, and if so, their potential cost. The study concluded that sufficient handling capacity will exist with only minor modifications required to accommodate future planned production from Lik under the analyzed PEA scenario.

Zazu intends to continue to work with AIDEA, refining the infrastructure requirements of Lik and their potential role in its development.

Zazu's intent is to develop the larger Lik South deposit first as an open pit, then Lik North as an underground mine in later years. To achieve this, Zazu is advancing the Lik South deposit towards a feasibility study. Zazu will continue its ongoing environmental baseline studies, and other programs will focus on the refinement of a project mine plan including the infrastructure requirements necessary for project development.

JDS has continued to function as the primary contractor directing work geared toward completion of the pre-feasibility study stage on the Lik deposit. Their responsibilities include development of the site design, integration of the current and prior engineering studies (road/port/geotechnical) and oversight of the metallurgical program and process design. Their work on project advancement will continue to ramp up as more data from last summer's field program begins to become available to them.

A metallurgical program was restarted in 2011 under the direction of JDS. Results of previous studies showed that the prior results were quite reproducible, yielding clean concentrates and very good recoveries. A new metallurgical sample was acquired in 2011 and this sample is being used for more extensive metallurgical testing to refine and optimize the processing circuit. This program is still underway.

In 2011 Zazu received the first report pertaining to the necessary Metal Leaching/Acid Rock Drainage ("ML/ARD") work that will be required prior to the permitting and development of the Lik project. This first report built on sampling that was done on the property in 2009 and provides a preliminary ML/ARD characterization of the Lik deposit which will provide a basis and direction for continued studies. Zazu instructed its contractor in the latter part of 2011 to provide a scope and budget to move the project to the next level of investigation which started in 2012 and continued in 2013. Field testing was done during the 2013 summer season. The Company is continuing this program during 2014 and into 2015. The Acid Rock Drainage study is a multiyear study.

Zazu advanced the Lik project in three key areas in 2014: a NI 43-101 compliant PEA was completed; studies necessary for property permitting were completed and consolidated; and Alaska Industrial Development and Export Authority ("AIDEA") completed a capacity utilization study on the Delong Mountain Transportation System ("DMTS") at Zazu's request.

The NI 43-101 compliant Preliminary Economic Analysis was completed by JDS Energy and Mining, Inc. It concluded a positive Internal Rate of Return ("IRR") for the project, using spot metal prices. It also demonstrated the project's sensitivity to zinc price, with significant changes to the IRR with changes to zinc price.

A suite of ongoing studies continued in 2014. The majority of the studies are multi-year in duration and required for permit application.

AIDEA completed an independent review of the capacity of their DMTS, the haul road and port system available for Lik. Their findings were in agreement with Zazu's PEA assumptions and concluded that sufficient capacity exists in the system to support the shipping of concentrate produced by Lik. The availability of regional infrastructure reduces the overall investment required to bring Lik into production.

In 2015 Zazu has continued its work program. This includes completion of the Acid Rock Drainage program and maintaining the environmental data collection programs. These are designed to advance Lik toward the feasibility study stage, and prepare the project for permitting. The permitting process is an involved, long lead time endeavor.

Zazu is not aware of any impediment or reason that would prevent Lik from ultimately becoming a mine and believes that timely application for permits will keep the project on track to deliver concentrate into the zinc supply deficit anticipated for the latter half of this decade caused by announced mine closures which are expected to remove 10% of the world's supply of zinc.

The Company incurred exploration expenditures at the Lik property of $88,237 in the third quarter of 2015 (2014 – $209,799) and $211,818 for the first nine months of 2015 (2014 – $998,383).

Administration and insurance costs were $28,579 in the third quarter of 2015 (2014 – $29,362) and $35,534 for the first nine months of 2015 (2014 – $40,624) and consist mainly of claim filing fees and the costs associated with managing the Company's mining claims.

Assays and analysis costs were $6,390 in the third quarter of 2015 (2014 – $8,358) and $15,119 for the first nine months of 2015 (2014 – $87,946) and consist of drill core storage costs and costs from the metallurgical testing program which was paused in late 2014 and restarted in June 2015 upon completion of the Company's financing.

Camp, freight and logistics costs were $9,243 in the third quarter of 2015 (2014 – $32,033) and $12,277 for the first nine months of 2015 (2014 – $79,710). Costs are lower in 2015 than 2014 due to reduced activity at the camp in 2015. The camp was open intermittently in the second and third quarters of 2015 to support the environmental data gathering and metallurgical testing programs as well as for maintenance.

Drilling costs were $1,545 in the third quarter of 2015 (2014 – $2,208) and $4,636 for the first nine months of 2015 (2014 – $6,623) and consist of depreciation of the Company's drilling equipment.

Engineering and other study costs were $30,458 in the third quarter of 2015 (2014 – $65,702) and $49,462 for the first nine months of 2015 (2014 – $424,272). Costs in 2015 are for the acid rock drainage study while costs in 2014 included $274,086 for the updated Preliminary Economic Assessment (Scoping) Study, $148,741 for the acid rock drainage study and $1,445 for other studies.

Environmental costs were $2,220 in the third quarter of 2015 (2014 – $28,215) and $50,947 for the first nine months of 2015 (2014 – $240,639) and consist of fees paid to consultants to collect and evaluate the environmental data ultimately required for mine permitting.

Geological costs were $4,501 in the third quarter of 2015 (2014 – $10,621) and $7,643 for the first nine months of 2015 (2014 – $23,069) and consist of the costs of geologists working on the project. Activity in 2015 is lower than 2014 as the Company paused most work in late 2014 until completion of the Company's financing in May 2015.

Reclamation costs were nil in the third quarter of 2015 (2014 – nil) and $7,500 for the first nine months of 2015 (2014 – $7,500) and consist of the fees charged by the surety bond company providing the $250,000 reclamation bond required by the State of Alaska. See "Liquidity and Capital Resources" for additional information.

Share based compensation was $5,300 for the third quarter of 2015 (2014 – $33,300) and $28,700 for the first nine months of 2015 (2014 – $88,000) and is that portion of share based compensation calculated for employees involved directly in exploration at the LIK property. Share based compensation in 2015 was based on fair values of CDN$0.45 per share for the options granted in November 2013 and CDN$0.54 per share for the options granted in May 2013.

Management carries out regular, periodic reviews of the carrying value of its Lik property. In the second quarter of 2010, management determined that a write down of the carrying value was required to reflect the weaker metals prices and global economy over the preceding two years. As a result, the Company recognized a write down of $20 million, to bring the carrying value of Lik to $7.1 million, to approximate the Company's fair value as indicated by its then recent traded market capitalization. Management has since carried out further reviews and believes that the recent downturn in zinc and lead prices is not permanent and as such no further adjustments are required to the carrying value of the Lik project on the Company's balance sheet. The Company's work commitments, development strategy, activity and outlook for the Lik property are unaffected by this accounting treatment.

Total capitalized mineral property expenditures, including acquisition costs and after write-downs, were $15,337,718 at September 30, 2015.

SUMMARY OF QUARTERLY RESULTS

For the quarters ended:

	Sep 30/15	Jun 30/15	Mar 31/15	Dec 31/14	Sep 30/14	Jun 30/14	Mar 31/14	Dec 31/13
Net loss	$ (246,857)	$ (270,580)	(341,679)	(386,238)	(530,879)	(589,171)	(437,548)	(501,351)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

The large fluctuations in the Company's quarterly results are primarily due to the timing of stock option grants, and the translation of foreign currency denominated financial items.

Excluding the non-cash items of share based compensation expense and foreign exchange gains and losses, the Company's net losses would amount to:

Sep 30/15	Jun 30/15	Mar 31/15	Dec 31/14	Sep 30/14	Jun 30/14	Mar 31/14	Dec 31/13
$ (171,670)	$ (189,948)	$ (221,553)	$ (237,190)	$ (245,290)	$ (278,214)	$ (227,025)	$ (242,570)

These amounts reflect normal overheads expected by the Company given its current stage of operations.

LIQUIDITY AND CAPITAL RESOURCES

Historically the Company's primary source of funding has been the sale of equity securities for cash. The Company is not in commercial production at the Lik property and, accordingly, it does not generate cash inflows from operations.

At September 30, 2015, the Company had cash and cash equivalents totalling $699,819 as compared to $269,539 at December 31, 2014. The Company has no significant financial or other instruments other than its cash balances which are primarily invested with large Canadian chartered banks.

The following is a summary of the Company's contractual obligations and commitments as at September 30, 2015:

	Total	2015	2016 – 2018	2019 – 2020	2021 and beyond
Lik project agreements	$ 77,247	$ 12,000	$ 65,247	-	-
Office operation leases	5,834	1,428	4,406	-	-

The Department of Natural Resources of the State of Alaska required the Company, as operator of the Lik project, to post a $250,000 bond to cover any future reclamation activities necessary upon the abandonment of the mining claims that make up the project. The Company did not, and was not required to, submit a work plan outlining the work required to reclaim the project site. The Company does not have any plans to abandon its interest in the property, and expects this bond to remain in place until it receives construction operation permits. Construction and operating activities will result in a much larger portion of the claim block being disturbed, thereby requiring a substantially larger effort to reclaim the areas disturbed. Reclamation will require the land to be returned to a condition approved by the State of Alaska upon the termination of operations at the site. Current site disturbances are limited to the camp area and airstrip and the Company's current activities at the site do not add materially to the area disturbed. Rather than fund this amount out of its existing cash

reserves, the Company has contracted with a surety bond agency to provide this bond on the Company's behalf. The bond is in place and set for renewal in June 2016. The cost of the bonding is currently $7,500 per year. As is customary in these situations, the Company has agreed to indemnify the surety bond agency if any funds are drawn by the State from this bond to meet reclamation obligations for up to $250,000.

In April 2013, the Company entered into a new cost reimbursement agreement with AIDEA whereby AIDEA would continue due diligence on the proposed expansion of the DMTS to accommodate use of the road and port facilities by the Company. Under this agreement, the Company agreed to reimburse AIDEA up to $200,000 in any fees they incur as part of their due diligence. In March 2015, AIDEA invoiced the Company $173,794 to reimburse the costs of their due diligence. These costs were accrued by the Company in the fourth quarter of 2014 and paid in May 2015.

Salary amounts are reviewed annually by the Board of Directors and the Company has entered into employment agreements with its senior officers for an aggregate of $30,000 per month. In December 2014, the Company and its Chief Executive Officer modified his employment contract and reduced the amount payable upon termination by the Company at any time, or by the officer within 120 days of a change of control of the Company, from two years' salary to one month's salary. In March 2015, the employment agreements for the other senior officers were modified and reduced the amount payable upon termination by the Company at any time, or by the officer within 120 days of a change of control of the Company, from one year's salary to one month's salary. At such time any outstanding stock options will immediately vest and, upon the officer's request, the Company will provide an interest free loan for up to six months to exercise any stock options, with the shares held by the Company as collateral. In March 2015, the employment contract for the Chief Executive Officer was modified again, this time to reduce the salary payable from $185,000 per year to $60,000 per year.

In May 2015, the Group raised $1,517,598 by issuing 7,489,000 shares in a non-brokered private placement financing, which was completed in two tranches. In tranche one, the Group sold 275,000 common shares at a price of CDN$0.25 per share for equivalent proceeds of $57,000 and 3,750,000 common shares at a price of $0.20 per share for proceeds of $750,000. Tranche two consisted of the sale of 2,464,000 common shares at a price of CDN$0.25 per share for equivalent proceeds of $511,000 and 1,000,000 common shares at a price of $0.20 per share for proceeds of $200,000 including 1,000,000 shares sold to the Group's Chief Executive Officer. The Group incurred $66,369 in costs related to this financing. Proceeds from this financing were used to repay loans of $250,000 from the Group's Chief Executive Officer. The loans were unsecured and payable on demand, with interest calculated at 6% per year and paid monthly and are intended to provide working capital while a larger financing is pursued. The Chief Executive Officer participated in the financing. See "Transactions with related parties" for additional information.

OFF-BALANCE SHEET ARRANGEMENTS

During the third quarter of 2015 and up to the date of this report, the Company had no off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Directors' fees were $7,601 for the third quarter of 2015 (2014 – $18,394) and $39,678 for the first nine months of 2015 (2014 – $54,901). Under the Company's policy for director remuneration, each non-executive director receives a base fee of CDN$12,000 per year and is entitled to be reimbursed for reasonable expenses (including travel) incurred in connection with the attendance of committee or directors' meetings. Non-executive directors who chair a committee are entitled to additional compensation as follows: (i) CDN$10,000 to chair the Audit Committee; (ii) CDN$5,000 to chair the Corporate Governance Committee; and (iii) CDN$5,000 to chair the Compensation and Nomination Committee. Beginning with the third quarter of 2015, and to be reviewed quarterly until further notice, the Directors agreed to a 50% reduction in their fees.

From November 2009 through July 2015, the Company shared office space with a company whose President is a director of Zazu. Rent paid to this company was $1,893 for the third quarter of 2015 (2014 – $5,640) and $11,796 for the first nine months of 2015 (2014 – $16,781). In August 2015, the Company relocated its head office to smaller office space and signed a lease for CDN$850 per month ending in July 2016.

In February 2015 and March 2015, the Company's Chief Executive Officer loaned the Company $150,000 and $100,000 respectively to provide working capital while a financing was pursued. These loans were unsecured and payable on demand, with interest calculated at 6% per year and paid monthly. Interest paid was $1,439 for the third quarter of 2015 (2014 – nil) and $2,458 for the first nine months of 2015 (2014 – nil). In May 2015, the Company repaid the loans and accumulated interest using proceeds from the private placement financing. The Chief Executive Officer participated in the financing and purchased 1 million shares at a price of $0.20 per share.

Legal fees were $8,829 for the first nine months of 2015 (2014 – $8,361) and were paid to a legal firm whose partner is a director of the Company. Fees of $1,728 were for a review of the Company's continuous disclosure practices and were expensed. Fees of $808 relating to the Preliminary Economic Assessment report were capitalized and included in exploration and evaluation assets. Fees of $6,293 were paid in connection with the May 2015 financing and were recorded as share issue costs.

The total amount payable to related parties at September 30, 2015 was $6,711 (2014 – $20,487). The amounts due for directors' fees are interest free with no specific terms of repayment.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of special voting shares, issuable in series.

In May 2015, the Company issued 7,489,000 Common Shares in a private placement for total gross proceeds of $1,517,598.

At October 29, 2015, the Company had 55,398,051 Common Shares issued and outstanding as well as stock options to purchase 4,990,000 Common Shares. 3,656,668 of the options had vested, though none of the vested stock options were in the money.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows of any asset of the Corporation.

CRITICAL ACCOUNTING ESTIMATES

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. The Company's accounting policies are described in Note 3 to the December 2014 audited consolidated financial statements.

The Company is capitalizing all direct acquisition, land holding and exploration expenditures related to its properties until commercial production commences or the investment is abandoned, at which time the costs will either be amortized on a unit-of-production basis or fully charged to operations.

In addition, International Financial Reporting Standards require the Company to consider at the end of each accounting period whether or not there has been any change in circumstances which would indicate impairment of the capitalized mineral property, plant and equipment. For non-producing properties, this assessment is based on whether factors that may indicate the need for a write-down are present. If the Company determines there has been an impairment because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write-down the recorded value of its mineral property, plant and equipment to its estimated fair value, which would reduce the Company's earnings and net assets.

The factors that the Company has considered in its impairment evaluation are:

- The Preliminary Economic Assessment technical report shows net present values in excess of the carrying value of the Lik project at lead and zinc prices expected by the Company in the future.
- None of the results of the work done on the project to date suggests impairment and all work done so far continues to justify further development of the project.
- Additional work on the project is planned, pending a successful financing by the Company.
- The overall industry and market consensus remains unchanged that lead and zinc prices will rise on increased demand as worldwide economies improve and on decreased supply due to scheduled mine closures.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities, some of which are denominated in Canadian dollars. These accounts are recorded at cost in US dollars, which approximates fair value, and the Company is exposed to a financial gain or loss as a result of foreign exchange movements by the Canadian dollar against the US dollar.

The Company's cash and cash equivalents are primarily invested in easily liquidated bankers' acceptances issued by Canadian chartered banks.

In addition to costs denominated in US dollars, the Company also incurs general and administrative costs denominated in Canadian dollars. Accordingly, the Company's general and administrative costs are affected by changes in the foreign exchange rate of the Canadian dollar. Canadian dollar denominated costs represent approximately 30% of the Company's total budgeted general and administrative costs for 2015. A 10% increase in the value of the Canadian dollar against the US dollar could increase the Company's reported general and administrative costs by approximately $30,000 annually. The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting that occurred during the third quarter of 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DISCLOSURE CONTROLS

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiary, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company in a timely manner.

OUTLOOK

The Company began 2015 with $269,539 in cash and received an additional $250,000 in the first quarter of 2015 as proceeds of the loans from the Company's Chief Executive Officer. In May 2015, the Company raised $1,517,598 by private placement and repaid the loans from the Chief Executive Officer. The Company believes it has sufficient funds for project development expenditures and working capital through mid 2016. In order to carry on beyond that time, a further financing will be required. Should this be unsuccessful, the development programs can be either scaled back or stopped, and the project placed on hold. Conversely, a financing beyond the immediate needs of the current work program would allow additional studies to be undertaken, accelerating the progress towards the feasibility study stage.

A suite of ongoing, multi-year studies progressed at Lik in 2014 and Zazu intends to continue the current work program in 2015. The majority of these studies are required for permit application. This includes completion of the Acid Rock Drainage program and maintaining the environmental data collection programs. These are designed to advance Lik toward the feasibility study stage, and prepare the project for permitting.

The Lik property is one of the most advanced development stage zinc properties in the world. The zinc market will be faced with several large mine closures over the next several years, with limited potential for replacement. Zazu aims to be in operation in time to deliver into this supply deficit.

RISK FACTORS

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of zinc, lead and silver, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors are favorable but could change at any time and negatively affect the Company's operations and business.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact on, or constitute risk factors in respect of the Company's future financial performance.

Exploration Risk

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a body of commercial ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including environmental regulations.

Financial Capability and Additional Financing

If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. The only sources of funds presently available to the Company are the sale of additional equity capital or entering into joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Company's capital resources are largely determined by the strength of the junior resource market and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

In order to exercise the option to increase its ownership of the Lik property to 80%, the Company must spend the Required Expenditure Amount prior to 2018. The Required Expenditure Amount is currently estimated to be approximately $43.3 million (after adjusting for inflation indexing) of which $21.8 million has been incurred. Accordingly, the exact amount the Company is required to spend is uncertain and the longer the duration of time over which such expenditures are made, the greater the potential variability in this spending obligation.

There is no assurance that the Company will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Company does not raise the funds to complete the currently proposed exploration programs, the viability of the Company could be jeopardized.

Permits and Government Regulation

Although the Company believes it has all of the necessary permits to carry out the proposed exploration programs, the operations of the Company may require licenses and permits from time to time from various governmental authorities to carry out exploration and development at its projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company or its joint venture partner will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company or its joint venture partner from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Company or its joint venture partner will have the resources or expertise to meet its obligations under such licenses and permits.

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the exploration activities of the Company are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development. New rules and regulations may be enacted or existing rules and regulations may be applied to the operations and activities of the Company and could have a substantial adverse impact on the Company.

In the United States, Congress has considered a number of proposed amendments to the General Mining Law of 1872. If adopted, such amendments could, among other things, substantially increase the cost of holding unpatented mining claims, impair the ability of companies to develop mineral resources on unpatented mining claims and impose royalties on production from unpatented mining claims. The effects, if any, of any such amendments on the Company and its operations cannot be determined at this time.

Fluctuating Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, rate of inflation, world supply of mineral commodities, consumption patterns, sales of zinc, lead and silver, forward sales by producers, production, industrial and consumer demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The prices of commodities are affected by numerous factors beyond the Company's control.

Environmental Regulation

The Company's activities are subject to environmental laws and regulations which may materially adversely affect its future operations. These laws and regulations control the exploration and development of the Lik property and their effects on the environment, including air and water quality, mine reclamation, waste handling and disposal, the protection of different species of plant and animal life, and the preservation of lands. These laws and regulations will require the Company to acquire permits and other authorizations for certain activities. There can be no assurance that the Company will be able to acquire such necessary permits or authorizations on a timely basis, if at all.

Further, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company is not currently insured against most environmental risks. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy.

Cautionary Note Regarding Forward-Looking Information

This management discussion and analysis contains "forward-looking information" within the meaning of applicable Canadian securities legislation and United Stated federal securities laws. Forward-looking information includes, but is not limited to, information with respect to the future financial and operating performance of the Company, its subsidiaries and affiliated companies, its mining project, the future prices of zinc, lead and silver, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and regulatory matters, and other events or conditions that may occur in the future. Generally, forward-looking information can be identified by the use of forward- looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved".

The following table outlines certain significant forward-looking information contained in this management discussion and analysis, provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forward-looking statement	Assumptions	Risk factors
The Company's properties may contain economic deposits of zinc, lead, silver and/or other metals or minerals	The results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the price of zinc, lead, silver and/or other applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes will exist with respect to the Company's properties	Uncertainties involved in interpreting geological data; the risk that future exploration or development results will not be consistent with the Company's expectations; maintaining compliance with environmental regulations and the risk of changes to environmental and other local legislation and regulation; the volatility of the price of zinc, lead, silver and/or other metals or minerals; increases in costs of exploration services required by the Company; interest rate and exchange rate fluctuations; changes in economic and political conditions; the risk of title disputes and confirming and maintaining title to the Company's properties
The Company will be able to carry out anticipated business plans as currently contemplated in relation to the costs and timing for future exploration and development on its properties	Financing will be available for future exploration and development of the Company's properties; the Company's future exploration and development activities, and the costs associated therewith, will be consistent with the Company's current expectations; the results of exploration and development activities on the Company's properties will be favourable; the Company will be able to retain and attract skilled staff in order to complete its business objectives; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; the price of zinc, lead, silver and/or other applicable metals or minerals will be favourable to the Company; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company at the applicable times; no title disputes will exist with respect to the Company's properties	External financing on acceptable terms to the Company will not be available at the applicable times; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs of exploration services required by the Company; the Company may be unable to retain and attract skilled staff; maintaining compliance with environmental regulations and the risk of changes to environmental and other local legislation and regulation; the Company may be unable to obtain all required permits and approvals; the volatility of the price of zinc, lead, silver and/or other metals or minerals; interest rate and exchange rate fluctuations; changes in economic and political conditions; the risk of title disputes and confirming and maintaining title to the Company's properties

Forward-looking statement	Assumptions	Risk factors
Management's outlook regarding future trends	Financing will be available for the Company's exploration, development and operating activities; the price of zinc, lead, silver and/or other applicable metals or minerals will be favourable to the Company	The volatility of the price of zinc, lead, silver and/or other metals or minerals; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the exploration, development and mining industry such as economic factors as they effect exploration, future commodity prices, obtaining financing, market conditions, changes in interest rates, actual results of current exploration activities, government regulation, political or economic developments, environmental risks, insurance risks, capital expenditures, operating or technical difficulties in connection with development activities, personnel relations, the speculative nature of mineral exploration and development, including the risks of diminishing quantities of grades of resources and reserves; contests over title to properties, and changes in project parameters as plans continue to be refined. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities, the timely receipt of any required approvals, the price of zinc, lead, silver and/or other metals or minerals, the ability of the Company to obtain qualified personnel, equipment and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the accuracy of the Company's resources estimates and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

More Information

For a further discussion of risk factors, please see "Risk Factors" in the Investors section of our website (www.zazumetals.com).