ZAZU METALS CORPORATION

(An Exploration Stage Company)
Management's Discussion and Analysis
November 10, 2016
In US dollars

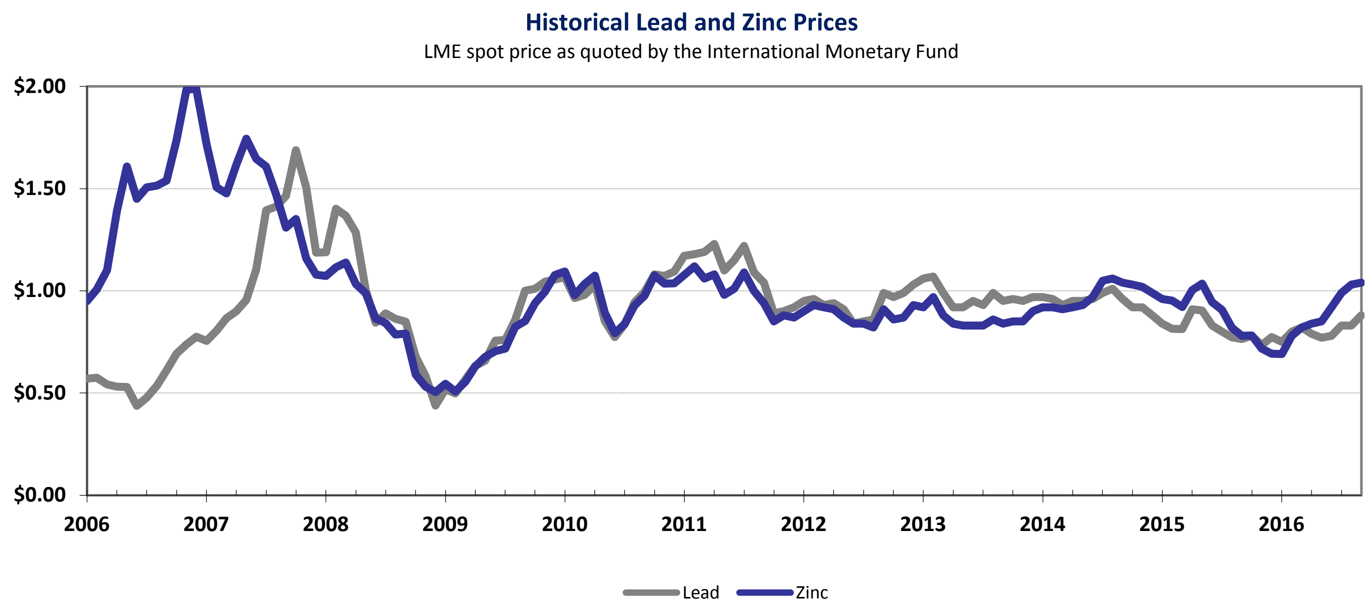
The following management discussion and analysis of the business of Zazu Metals Corporation ("Zazu" or the "Company") is intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward looking statements relating to its potential future performance. The information should be read in conjunction with Zazu's September 30, 2016 unaudited condensed interim consolidated financial statements and December 31, 2015 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, 2015 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 is made as at November 10, 2016.

Additional information, including a copy of Company's Annual Information Form for the year ended December 31, 2015, 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.

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.

In June 2016, the Company was informed by the Toronto Stock Exchange that it was reviewing the Company's eligibility for continued listing on the TSX for failing to incur expenditures of at least $350,000 for exploration on its core existing projects during the last 12 month period. In October 2016 the Company announced that it would voluntarily delist its shares from the TSX and apply to list them on the TSX Venture Exchange. The delisting is not expected to have any impact on the Company's ongoing operations, nor on its ability to raise further funding, if required, to continue development of the Lik property.



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, 2016 the Company did not have enough cash on hand to meet its planned expenditures for the next twelve months. The Company plans to pursue financing in the future in order to fund its operations and to continue the advancement of its mineral property but the material uncertainty of raising sufficient funds casts significant doubt about the Company's ability to continue as a going concern. The Company has historically raised funds primarily through the sales of equity securities for cash. While the Company expects that it will obtain funding through an equity funding, or other means depending on market conditions, there can be no assurance that the Company will be able to obtain such funding or obtain it on acceptable terms.

The September 30, 2016 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 revaluations 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.

2016 vs. 2015

The Company's net loss for the quarter ended September 30, 2016 was $89,582 or $0.00 per share compared to a net loss of $246,857 or $0.01 per share for the quarter ended September 30, 2015. The Company's net loss for the nine months ended September 30, 2016 was $244,361 or $0.00 per share compared to a net loss of $859,116 or $0.02 per share for the nine months ended September 30, 2015.

The net loss for both 2016 and 2015 included salaries and consulting fees as well as additional costs for audit and accounting fees, directors' fees, regulatory fees and transfer agent expenses, insurance, office costs and travel. Finance income from interest on cash equivalents helped offset some of the expenses. Non-cash items included share based compensation and gains and losses from the revaluation of the Company's Canadian currency denominated cash and cash equivalents.

During the third quarter of 2016, the Company recognized $2,700 (2015 – $55,700) of share based compensation. For the first nine months of 2016, the Company recognized $11,200 (2015 – $248,700) of share based compensation. Share based compensation for option holders who are directly involved in exploration and development at the Lik property is capitalized as an exploration and evaluation asset. All share based compensation for the first nine months of 2016 was expensed as share based compensation. Share based compensation for the first nine months of 2015 was split: $28,700 was capitalized as an exploration and evaluation asset and $220,000 was expensed as share based compensation.

Share based compensation is calculated using the Black-Scholes option pricing model which requires the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Share based compensation in 2016 was based on a fair value of CDN$0.06 per share for the 600,000 options granted in August 2015.

Corporate tax reporting fees comprise audit and accounting costs which were $5,227 for the third quarter of 2016 and $12,582 for the first nine months of 2016. Interim review fees and corporate tax reporting fees were $13,880 for the third quarter of 2015 and $38,460 for the first nine months of 2015. As part of its program to reduce costs, the Company decided to eliminate interim quarterly reviews by its auditor beginning with the first quarter of 2016.

Directors' fees were $7,624 for the third quarter of 2016 (2015 – $7,601) and $22,642 for the first nine months of 2016 (2015 – $39,678). Directors' fees are paid quarterly and denominated in Canadian dollars making them subject to fluctuations in the CDN$/US$ exchange rate. As part of its effort to preserve working capital, directors' fees were cut by 50% beginning with the first quarter of 2016. Directors' fees were initially cut by 50% in the third quarter of 2015, but this reduction was reversed in the fourth quarter of 2015.

Insurance costs were $10,781 for the third quarter of 2016 (2015 – $11,234) and $32,795 for the first nine months of 2016 (2015 – $34,164) and represent premiums on the Company's comprehensive general liability and Directors and Officers insurance policies.

Investor and shareholder relations costs were $1,117 for the third quarter of 2016 (2015 – $2,695) and $8,201 for the first nine months of 2016 (2015 – $15,516) and comprise shareholder communication expenses and other costs such as attending industry conferences. Costs are higher in 2015 due to the cost of internet investor awareness programs that the Company began in 2014 which ended in early 2015.

Legal fees were $3,026 for the third quarter of 2016 (2015 – nil) and were incurred as the Company began the process to delist its shares from the TSX. Legal fees were $8,201 for the first nine months of 2016 (2015 – $15,516) and also include costs related to the Company's continuous disclosure program. See "Transactions with related parties" for additional information.

Office, rent and communication costs were $3,919 for the third quarter of 2016 (2015 – $6,824) and $11,927 for the first nine months of 2016 (2015 – $27,606). The Company moved to smaller office space in August 2015 resulting in lower rent expense versus 2015.

Regulatory and transfer agent costs were $15,483 for the third quarter of 2016 (2015 – $12,408) and $40,220 for the first nine months of 2016 (2015 – $46,390) and represent those filing and listing fees normally associated with public companies as well as fees incurred as the Company began the process to delist its shares from the TSX.

Salaries and benefits costs were $35,612 for third quarter of 2016 (2015 – $106,030) and $107,365 for the first nine months of 2016 (2015 – $354,887). As part of its effort to preserve working capital, salaries for officers were cut by between 70% and 80% beginning with the first quarter of 2016. Wages and benefits paid to staff involved directly in exploration at the Lik property are included in exploration and evaluation assets.

Travel costs were $2,161 for third quarter of 2016 (2015 – $2,230) and $2,161 for the first nine months of 2016 (2015 – $8,745). 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. As part of its program to reduce costs, travel has been reduced whenever possible.

Finance income was $205 for third quarter of 2016 (2015 – nil) and $1,209 for the first nine months of 2016 (2015 – $332) 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 Company's two private placements in the first quarter of 2011 were denominated in Canadian dollars resulting in the Company holding a large amount of Canadian dollars. In the third quarters of both 2015 and 2016 the Canadian dollar weakened versus the US dollar and the Company recognized a foreign exchange loss of $1,931 in the third quarter (2015 - $24,787). For the nine months ended September 30, 2016 the Company recognized a foreign exchange gain of $9,097 while it recognized a loss of $55,945 for the same period in 2015.

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 require underground mining.

In US dollars

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 2016 the monthly zinc price averaged $1.02 per pound (2015 – $0.84 per pound) while the monthly price of lead averaged $0.85 per pound (2015 – $0.78 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.

In US dollars

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.

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. 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 Acid Rock Drainage study is nearing completion.

While the Company remains committed to the development of Lik, in light of market conditions in early 2015, management determined to support only 'mission critical' studies with the remainder temporarily suspended. This step minimally impacted the timeline to development, and once market conditions improve, the suspension of the non-critical studies will be lifted. All studies can be re-initiated in a short timeframe.

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 $38,646 in the third quarter of 2016 (2015 – $88,237) and $73,857 for the first nine months of 2016 (2015 – $211,818).

Administration and insurance costs were $21,024 in the third quarter of 2016 (2015 – $28,579) and $21,309 for the first nine months of 2016 (2015 – $35,534) and consist mainly of costs associated with managing the Company's mining claims.

Assays and analysis costs were $3,371 in the third quarter of 2016 (2015 – $6,390) and $12,490 for the first nine months of 2016 (2015 – $15,119) and consist of drill core storage costs.

Camp, freight and logistics costs were $890 in the third quarter of 2016 (2015 – $8,243) and $6,921 for the first nine months of 2016 (2015 – $12,277). The camp was opened briefly in the second quarters of both 2016 and 2015 and the third quarter of 2015.

Drilling costs were $1,082 in the third quarter of 2016 (2015 – $1,545) and $3,245 for the first nine months of 2016 (2015 – $4,636) and consist of depreciation of the Company's drilling equipment.

Engineering and other studies costs were nil in the third quarter of 2016 (2015 – $2,220) and $16,042 for the first nine months of 2016 (2015 – $50,947) and represent costs for the acid rock drainage study.

Geological costs were $4,779 in the third quarter of 2016 (2015 – $4,501) and $6,350 for the first nine months of 2016 (2015 – $3,142) and consist of the costs of geologists working on the project.

Reclamation costs were $7,500 in the third quarter of 2016 (2015 – nil) and $7,500 for the first nine months of 2016 (2015 – $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.

In US dollars

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 temporary 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 expenditures, including acquisition, after write-downs were $15,439,092 at September 30, 2016.

SUMMARY OF QUARTERLY RESULTS

For the quarters ended:

	Sep 30/16	Jun 30/16	Mar 31/16	Dec 31/15	Sep 30/15	Jun 30/15	Mar 31/15	Dec 31/14
Net loss	$ (89,582)	$ (77,863)	$ (76,916)	$ (216,968)	$ (246,857)	$ (270,580)	$ (341,679)	$ (386,238)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)	(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 30/16	Jun 30/16	Mar 31/16	Dec 31/15	Sep 30/15	Jun 30/15	Mar 31/15	Dec 31/14
$ (84,951)	$ (74,271)	$ (83,036)	$ (200,475)	$ (171,670)	$ (189,948)	$ (221,553)	$ (237,190)

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 from operations.

At September 30, 2016, the Company had cash and cash equivalents totalling $124,079 as compared to $459,458 at December 31, 2015. 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, 2016:

	Total	2016	2017 – 2019	2020 – 2021	2022 and beyond
Lik project agreements	$ 12,000	$ 12,000	-	-	-
Office operation leases	2,661	798	$ 1,862	-	-

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 cash reserves, the Company contracted with a surety bond agency to provide this bond on the Company's behalf. The bond fee was paid in July 2016 and is set for further renewal in June 2017. 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 January 2016, as part of its effort to preserve working capital, the Company entered into new employment agreements with its senior officers for an aggregate of $7,500 per month. These agreements can be terminated by the Group at any time, or by the officer within 120 days of a change of control of the Group, subject to the payment of the greater of (i) a lump sum amount ranging from $25,000 to $30,833, and (ii) the minimum payment prescribed by applicable employment standards legislation. At such time any outstanding stock options will immediately vest and, upon the officer's request, the Group will provide an interest free loan for up to six months to exercise any stock options, with the shares held by the Group as collateral. Salary amounts are reviewed annually by the Compensation Committee of the Board of Directors.

In October 2016, the Chief Executive Officer loaned the Company $70,000. The loan is unsecured and payable on demand, with interest calculated at 6% per year and paid monthly and is intended to provide working capital while a larger financing is pursued.

In order to operate beyond the first quarter of 2017, the Company will be required to obtain additional financing.

OFF-BALANCE SHEET ARRANGEMENTS

During 2016 and up to the date of this report, the Company had no off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Directors' fees were $7,624 for the first nine months of 2016 (2015 – $7,601) and $22,642 for the first nine months of 2016 (2015 – $39,678).

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.

As part of its effort to preserve working capital, the Company cut the fees payable to directors by 50% beginning in January 2016. An initial cut of 50% was done in the third quarter of 2015, but reversed in the fourth quarter of 2015.

Legal fees of $1,931 as part of a review of the Company's continuous disclosure practices and $3,026 as part of the process to delist the Company's shares from the TSX were paid to a legal firm whose partner is a director of the Company.

The total amount payable to related parties at September 30, 2016 was $7,039 (2015 – $6,711). The amounts due to related parties 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.

At November 10, 2016, the Company had 55,398,051 Common Shares issued and outstanding as well as stock options to purchase 4,990,000 Common Shares. 4,790,000 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 2016 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.
- 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 40% of the Company's total budgeted general and administrative costs for 2016. 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 $20,000 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. Based on regular reviews of its internal control procedures during and at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

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 2016 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, 2016 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 2016 with $0.5 million in cash and received an additional $70,000 in the fourth quarter of 2016 as proceeds of a loan from the Company's Chief Executive Officer. The Company believes it has sufficient funds to cover its general and administrative expenses and property holding costs through the first quarter of 2017. In order to carry on beyond that time and to continue the development work program at Lik, a further financing will be required.

Zazu initiated multiple multi-year studies prior to 2015 in advance preparation for the permitting process. These studies were nearing conclusion in 2015. However, in light of market conditions in early 2015, Zazu management determined to support only 'mission critical' studies with the remainder temporarily suspended. This step minimally impacted the timeline to development, and protected the financial integrity of the company.

Zazu intends to maintain this strategy of maximum conservation of the financial resources of the company while continuing essential studies. When market conditions improve, the suspension of the non-critical studies will be lifted. All studies can be re-initiated in a short timeframe.

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 $42.2 million (after adjustment for inflation indexing and escalations) of which $21.9 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

Forward-looking statement	Assumptions	Risk factors
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
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).