ZEPHYR MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2017 and 2016

INTRODUCTION

The following management's discussion and analysis of the financial position and results of operations of Zephyr Minerals Ltd. ("Zephyr" or the "Company"), prepared as of November 28, 2017, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2017 and 2016 and its audited consolidated financial statements for the year ended December 31, 2016 including the notes thereto. All amounts are expressed in Canadian dollars unless otherwise noted.

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "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. Examples of such statements include the Company's plans with respect to the Dawson project, including the plan to complete an initial resource estimate at Windy Point, proposed drilling and other exploration activity, the Company's expected cash and financing requirements and the expected impact if the Company is unable to raise additional capital. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Company to obtain necessary financing; the ability of the Company to satisfy conditions under any acquisition agreement; the exploration potential of its mining claims; anticipated costs; the results of the metallurgical test work on the Dawson Gold project ("Dawson project"); the results of a preliminary economic assessment; the results of a surface and ground water monitoring program for the Dawson project and compliance with state permitting requirements. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements unless required to do so under applicable securities law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These factors include risks such as: the Company's ability to raise additional capital on favourable terms; the Company's ability to obtain, renew or maintain the necessary authorisations and permits for the Dawson project; increases in costs affecting the

Dawson project; fluctuations in the price of gold; changes in environmental regulations and fluctuations in foreign currency values.

The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under "Risk Factors" in the Company's annual information form dated July 24, 2015, a copy of which may be obtained on the SEDAR website at [www.sedar.com.](http://www.sedar.com)

Any financial outlook or future-oriented financial information in this discussion, as defined by applicable securities legislation, has been approved by management of the Company as of the date hereof. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this discussion.

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol "ZFR", and on the OTC Markets under the symbol "ZPHYF". The Company's head office is in Halifax, Nova Scotia, Canada. The financial statements have been prepared by management and have not been audited by the Company's auditor, Wasserman Ramsay, Chartered Accountants.

OVERVIEW

Zephyr Minerals Ltd. was incorporated under the *Canada Business Corporations Act* (the "CBCA") on May 26, 2010. The head office of the Company is located at 1300 – 1959 Upper Water Street, Halifax, Nova Scotia. On March 23, 2011, the Company received a final receipt for a prospectus dated March 18, 2011 and became a reporting issuer in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia.

On October 31, 2012 the Company announced it had closed a gold property acquisition with Celtic Minerals Ltd. ("Celtic Minerals") to purchase a 100% interest in the Dawson project in Colorado, USA. The acquisition was done by way of a share purchase agreement, whereby Zephyr acquired 100% of Celtic Gold Ltd. (this company's name was subsequently changed to Zephyr Gold USA Ltd. ("Zephyr USA")), a Colorado company and subsidiary of Celtic Minerals, which holds title to the Dawson project.

The Company has been actively exploring and developing the project having completed two drill programs, filed an NI 43-101 report containing resource estimates for the Dawson and Windy Gulch segments, and completed and filed a Preliminary Economic Assessment report on developing the Dawson segment on March 22, 2017. The Company's objective is to expand resources and obtain a mining permit to support a potential production decision.

FINANCING

On September 19, 2017 the Company receive approval from the TSX Venture Exchange to amend the terms of an aggregate of 4,500,000 common share purchase warrants issued to subscribers (the "Subscriber Warrants") pursuant to the Company's private placement financing, which closed November 18, 2015.

The Subscriber Warrants issued pursuant to the private placement had an exercise price of $0.20 and an expiry date September 18, 2017. The amended Subscriber Warrants now have an exercise price of $0.30 and expire September 18, 2018. All other terms of the Subscriber Warrants remain unchanged.

On August 1, 2017 the Company closed the second and final tranche of a private placement through the issuance of 817,859 units at a price of $0.28 per unit raising a total of $229,001. Each unit consists of one common share and one-half transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.42 per common share at any time on or before August 1, 2019. On May 29, 2017 the Company closed the first tranche of the private placement through the issuance of 2,130,000 units at a price of $0.28 per unit raising a total of $596,400. Each unit consists of one common share and one-half transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.42 per common share at any time on or before May 29, 2019.

On February 28, 2017 the Company completed a private placement through the issuance of 675,000 units at a price of $0.32 per unit raising a total of $216,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.42 per common share at any time on or before February 28, 2019. There were no commissions or finder's fees in connection with the private placement.

On January 31, 2017 the Company completed a private placement through the issuance of 302,500 units at a price of $0.32 per unit raising a total of $96,800. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.38 per common share at any time on or before January 31, 2018. The Company paid cash finder's fees of $5,880 and issued 18,375 finder's fee warrants to a finder acting on behalf of the Company in connection with the placement. Each finder's fee warrant is exercisable into one common share of the Company at $0.38 per share until expiry on January 31, 2018.

Dawson Property, Colorado, USA

The Dawson project is comprised of five gold mineralized areas which are, from east to west: the Sentinel segment, the Dawson segment, the Copper King segment, the Windy Gulch segment and the Windy Point segment. The gold resources identified to date are confined to the Dawson and Windy Gulch segments with the remaining three segments representing gold prospective areas on the 2.6 km (1.6 miles) long geologically favourable trend. It is located in south-central Colorado, about 9.5 km southwest of Canon City in Fremont County. The Dawson project consists of 45 contiguous unpatented lode mining claims, and eight patented lode mining claims and one patented placer claim covering approximately 4 km^2 (400 hectares). Zephyr holds a 100% interest in the 45 contiguous unpatented claims, 50% interest in the eight patented claims, and a 50% interest in one patented placer claim. The 50% of the eight patented lode mining claims not held by Zephyr is leased by Zephyr through a "Mining Lease and Agreement" which effectively gives Zephyr 100% control of the these claims. Twenty-one of the 45 unpatented claims, the eight patented lode mining claims and the 50% interest in the one patented placer claim are subject to a sliding scale Net Smelter Return ("NSR") whereby Zephyr agrees to pay up to a 3% NSR on the aforementioned claims.

The gold mineralization at Dawson was discovered by U.S. Borax Ltd. in the early 1980's and last explored by Uranerz U.S.A. Inc. in the early 1990's. During this period a total of 142 diamond drill holes for 27,206 metres were drilled, from which several resource estimates were completed. In late March, 2013, Zephyr commenced a diamond drill program on the Windy Gulch segment of the Dawson property. The 13 hole diamond drill program of approximately 580 metres was designed to expand and better define the near-surface gold resource. The drill results have been incorporated with historical drill data to calculate the first independent NI 43-101 resource estimate on the Dawson segment and Windy Gulch segment of the Dawson property. The resource estimates were disclosed in the technical report on the Dawson project entitled "Resource Estimate Technical Report for the Dawson Property Fremont County, Colorado, USA" and prepared by Andrew Hilchey, P. Geo., of Mercator Geological Services Limited, Isobel Wolfson, M.Sc., P.Geo., and Mark Graves, P. Geo., with an effective date of July 19, 2013.

On November 17, 2015 Zephyr filed on SEDAR a technical report entitled "Updated National Instrument 43-101 Technical Report for the Dawson Property, located in Colorado, USA", with an effective date of August 26, 2015, which was prepared for Zephyr by Patrick Hannon, P.Eng., and Doug Roy, P.Eng. of MineTech International Limited, Andrew Hilchey, P.Geo., of Mercator Geological Services Limited, Matt Bolu, P.Eng., of BOMENCO Inc., and Mark Graves, P.Geo., vice president of exploration for the Company; who was an independent consultant at the time of the report.

The 2015 technical report addresses new work completed on the Dawson project since the initial 2013 resource estimate technical report. New work includes aspects pertaining to metallurgy, mine design, mine scheduling, mining method, proposed equipment, manpower, underground capital and operating cost, but does not include surface capital costs, processing, or the general and administrative costs of the proposed operation.

In 2016 the Company completed a 16 hole drilling program on the Windy Gulch segment of the Dawson project. The drill program was successful in further delineating the shape and trend of the deposit while demonstrating continued high grade gold mineralization defined in the current resource estimate. The program demonstrated that possible future plans of development would likely be by underground mining. The full text of releases regarding these drilling results can be found on the Company's website and on SEDAR in news releases dated August 9, 2016, September 27, 2016, and October 18, 2016.

In October 2016, the Company received a report by Stanley Keith, on detailed mapping and geochemical sampling conducted in the Windy Gulch area. Results of this work indicate gold mineralization at the Dawson Gold Project is hosted by northeast trending dilational structures within an east-west oriented shear zone separating two large peraluminous granites. Rocks hosting the gold mineralization are characterized as aluminum-rich and not only host the gold but are also direct sources of the gold. It should be noted that geologic revelations about the peraluminous intrusions and their associated gold metallogeny at Dawson have led to a new understanding of Proterozoic geology in Colorado. The recognition of peraluminous magmatism and the accompanying metallogeny and tectonics have led to an accretionary gold-deposit model at Dawson. The results of the study are incorporated in a technical report in support of a Preliminary Economic Assessment ("PEA") entitled "National Instrument

43-101 Technical Report for the Dawson Property, Colorado, USA", effective March 21, 2017.

On February 7, 2017, the Company announced the results of the PEA on a 100% ownership basis for the Dawson Gold Project. The PEA provides a base case assessment of developing the Dawson Segment mineral resource and does not include the Windy Gulch Segment or the Windy Point Segment. Following a successful 2016 drill campaign at Windy Gulch, the PEA also contains an updated resource estimate. The PEA was prepared by independent engineering firm, Golder Associates Ltd., with input from a number of other specialized and experienced consulting firms. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

Highlights of the PEA:

Base case parameters assume a gold price of US$1,250/oz and an exchange rate (US$ to C$) of 0.76.

- Pre-Tax IRR and $NPV_{5\%}$ of 66% and $46.7 million (US$35.5 million) and a 2.4 year payback of initial capital;
- After-Tax IRR and $NPV_{5\%}$ of 46% and $29.1 million (US$22.1 million) and a payback of 2.7 years;
- Low initial capital of $43.6 million (US$33.2 million) including contingency;
- Life of mine ("LOM") cash cost of US$563/oz(1);
- LOM cash cost including all in sustaining cost of US$692/oz(2);
- LOM diluted head grade 9.2 grams per tonne ("g/t") (0.27 ounces per short ton ("oz/st"));
- LOM gold combined gravity and float recovery of 92%.

(1) *Cash cost includes mining cost, mine-level G&A, mill and refining costs.*
(2) *Sustaining capital cost includes underground equipment and waste development costs after the mill has been commissioned.*

On March 22, 2017 the Company filed the report containing the PEA and updated resource estimate; entitled "National Instrument 43-101 Technical Report for the Dawson Property, Colorado, USA", effective March 21, 2017.

DAWSON SEGMENT MINERAL RESOURCE ESTIMATE EFFECTIVE JULY 19, 2013

Resource Category	**Au Cut-Off**	**Tonnes (Rounded)**	**Tons (Rounded)**	**Au Grade**	**Ounces****
Inferred	0.12 oz/tn (4 g/t)	371,000	409,000	0.29 oz/tn (10.09 g/t)	120,400
Inferred	**0.15 oz/tn* (5 g/t)**	**343,000**	**378,000**	**0.31 oz/tn (10.55 g/t)**	**116,300**
Inferred	0.18 oz/tn (6 g/t)	310,000	342,000	0.32 oz/tn (11.08 g/t)	110,400

*Resource statement cut-off value of 0.15 oz/tn (5 g/t) Au is highlighted by bolding
**Ounces may not sum due to rounding

Notes:

1) Tonnes and tons have been rounded to the nearest 1,000.

2) Ounces have been calculated from reported tonnes and g/t Au grade and are rounded to the nearest 100 ounces.
3) Contributing 5 ft (1.5 m) assay composites were capped at 1.17 oz/tn (40 g/t) Au.
4) The resource statement cut-off grade of 0.15 oz/tn (5.00 g/t) Au is highlighted in Table 14-8 above through bolding and reflects underground development potential based on a Au price of US$1,200/ounce.
5) A density value of 0.082 tn/ft^3 (2.63 g/cm^3) was used for the Dawson Segment.
6) Mineral resources were estimated in conformance with the Canadian Institute of Mining, Metallurgy and Petroleum – Standards on Mineral Resources and Reserves – Definitions and Guidelines, as referenced in NI 43-101.
7) The rounding of tonnes as required by NI 43-101 reporting guidelines may result in apparent differences between tonnes, grade and contained ounces.
8) Mineral resources are not mineral reserves and do not have demonstrated economic viability. This estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
9) The quantities and grades of reported Inferred Mineral Resources are uncertain in nature and further exploration may not result in their upgrading to Indicated or Measured status

WINDY GULCH OPEN PIT AND UNDERGROUND MINERALS RESOURCE ESTIMATE EFFECTIVE MARCH 21, 2017

Resource Classification	Tons	Au (oz/tn)	Au Ounces
Pit Constrained Resources (0.035 oz/ton cut-off)			
Indicated	67,000	0.11	7,300
Inferred	6,000	0.09	500
Underground Resources (0.093 oz/ton cut-off)			
Indicated	11,000	0.18	2,000
Inferred	14,000	0.19	2,700
Total Indicated	**78,000**	0.12	**9,300**
Total Inferred	**20,000**	0.16	**3,200**

Notes:

1) Pit constrained resources constrained to a pit shell and reported at a 0.035 oz/t Au cut-off.
2) All underground resources reported outside and below the pit shell at a 0.093 oz/t Au cut-off.
3) Resource tonnages have been rounded to the nearest 1,000 tons.
4) Grade estimates have been rounded to the nearest one hundredth of an ounce of gold.
5) Calculated Au ounces are rounded to the nearest 100 ounces.
6) Resource estimates do not include mining recovery or dilution factors.
7) Resource estimates have accounted for metallurgical recovery.
8) Calculated Au ounces may not add up correctly due to rounding.

Expenditures on the Dawson project for the three and nine months ended September 30, 2017 and 2016 are as follows:

	2017		2016	
Exploration Expenditures	**3 Months**	**9 Months**	**3 Months**	**9 Months**
Advanced Royalty Payment	$ -	$ -	$ -	$ 35,564
Assays and Metallurgy	12,138	21,833	25,577	53,376
Claims Fees	8,833	8,833	9,140	9,140
Consulting and Salaries	4,200	11,233	62,000	71,248
Drilling	-	-	158,681	326,591
Field Camp and Supplies	13,979	90,458	3,274	12,493
Mine Planning / PEA	-	74,183	113,875	189,005
Permitting	52,448	92,882	9,617	14,453
Other Exploration & Geology	129,311	257,893	50,230	189,005
Total Exploration Expenditures	$ 220,909	$ 557,315	$ 430,394	$ 879,709
Cumulative E&E Since Inception	$ 2,376,347	$ 2,376,347	$ 1,638,839	$ 1,638,839

OUTLOOK

The PEA results support the hypothesis that the gold resources at the Dawson Segment have potential for an economic near-term, low capital and high grade underground gold mine. The Company intends to further enhance the already robust economics by continuing exploration with the objective of identifying additional resources at the Dawson segment which is open down-plunge and up-plunge; and also by incorporating potential resources from the Windy Gulch segment which is open to the east and at depth, and the Windy Point segment which is open along strike and at depth.

The Company completed a trenching program at Windy Gulch during the quarter, which generated the best results to date from the Windy Gulch Segment including an interval of 6.4 m of 22.2 g/t gold, including 1.8 m of 63.0 g/t gold. The trenching took place during the course of a road building program to support a planned diamond drill program. Zephyr is targeting these areas in the western region of the property with the objective of identifying new gold mineralized shoots similar to those in the Dawson Main Zone in the east in an approximately 2.6 km long east-west trending shear zone.

Further information regarding the Dawson project and the Company is available on SEDAR at www.sedar.com and on the Company's website www.zephyrminerals.com.

RESULTS OF OPERATIONS

The loss for the three months ended September 30, 2017 was $132,609 compared to a loss of $75,560 in the same period for 2016. The change can largely be attributed to increases in investor relations costs, share based payments expense and foreign exchange losses.

Investor relations increased to $19,714 in 2017 from $7,878 in 2016 largely due to the Company entering into a marketing agreement with Mackie Capital with a cost of $9,000 for the quarter.

Stock options were issued to an officer of the Company resulting in a share based payments expense in 2017 of $36,600 compared to no expense in 2016.

A foreign exchange loss of $6,583 was recorded in 2017, compared to a loss of $129 in 2016. The Canadian Dollar increased in value throughout the quarter while the Company had US Dollar holdings in this quarter.

General and administrative, and other costs were generally consistent year over year.

Year to date exploration expenditures decreased from $820,709 in 2016 to $557,315 in 2017 as the 2016 activity included a drilling program that was concluded in that year.

The Company's working capital position at September 30, 2017 was $374,343 compared to $154,042 on December 31, 2016. Working capital position has improved with the Unit issues during the period. The position is normally fairly consistent as the Company manages exploration activities and optional administrative costs based on funds availability.

Selected Financial Data (Quarterly)

Quarter	Revenue $	Net Income (Loss) $	Income (Loss) Per Share $	Total Assets $	Shareholder Equity $
Q3/17	-	(132,609)	(0.004)	3,199,827	2,994,430
Q2/17	-	(155,386)	(0.004)	2,982,466	2,863,751
Q1/17	-	(98,960)	(0.003)	2,513,328	2,417,507
Q4/16	-	(78,579)	(0.002)	2,388,312	2,216,814
Q3/16	-	(75,560)	(0.002)	2,209,495	2,094,107
Q2/16	-	(86,224)	(0.003)	2,241,090	2,110,667
Q1/16	-	(106,207)	(0.003)	2,262,412	2,196,891
Q4/15	-	(136,471)	(0.005)	2,346,402	2,274,218

Expressed in Canadian dollars. All financial data has been prepared in accordance with IFRS.

The Company's losses are generally consistent quarter over quarter. The increase in loss in Q1 2016 and Q4 2015 is due to the Company issuing incentive stock options to officers and directors. The increase in Company's losses in 2017 compared to that of losses in the three most recent quarters of 2016 is due to the Company increasing its marketing and promotional activity and an increase in salaries and consulting fees as efforts continues to grow and further advance the Dawson deposit.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

Basis of Presentation and Critical Accounting Estimates

Statement of Compliance

The consolidated financial statements, to which this MD&A relates, have been prepared in accordance with IFRS, as issued by the IASB.

The significant accounting policies applied in the unaudited condensed consolidated financial statements are presented in note 3 of the audited financial statements for the year ended December 31, 2016 and are based on IFRS effective December 31, 2016.

Approval of the Financial Statements

The consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on November 28, 2017.

Basis of Presentation

These condensed consolidated financial statements, including comparatives, have been prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2016. These condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements have been set out in the Company's consolidated financial statements for the year ended December 31, 2016. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016 which are filed at www.sedar.com

Going Concern

The Company holds a 100% interest in the Dawson gold project ("Dawson") in Colorado, USA an advanced gold project with exploration potential. The Company's objective is to explore and evaluate these mineral claims to determine whether the property contains economic resources warranting a development program.

As at September 30, 2017, the Company has cash of $401,854, working capital of $374,343 and shareholders' equity of $2,994,430. The Company's financial statements as at September 30, 2017 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

Management has concluded that the Company does not have sufficient funds to meet its minimum corporate, administrative and property obligations for the next 12 months. Currently, the Company is required to make minimum annual payments of approximately US$33,000 to keep the Dawson project in good standing. The

Company’s 2017 obligation has been paid. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. In order to develop the Dawson project, the Company will need to raise additional capital. If the Company is unable to raise additional capital in the future, the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Cash Requirements

As at September 30, 2017, the Company has cash of $401,854, working capital of $374,343 and shareholders’ equity of $2,994,430.

The Company's principal requirements for cash in 2017 will relate to expenditures to advance the Dawson project including exploration and development, and permitting, plus general operating expenditures and settling accounts payable. The Company anticipates general operating expenditures of approximately $70,000 for the last quarter of 2017.

Contractual and Other Obligations

Zephyr USA is currently required to make annual advance royalty payments in terms of its Mining Lease and Agreement in the amount of US$25,000 per year. These advance royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2017 obligation in fiscal 2016. To date Zephyr USA has made advance royalty payments totalling US$404,000 which can be so applied. Zephyr USA is also obliged to make a payment of US$90,000 in the event of embarking on an underground program. Zephyr USA is also required to make annual payments of approximately US$6,975 to maintain the non-patent claims that form part of the Dawson project.

OUTSTANDING SHARE DATA

	November 28, 2017	**September 30, 2017**	**September 30, 2016**
Common Shares Outstanding	37,982,620	37,982,620	33,395,961
Fully Diluted Common Shares Outstanding	48,335,255	48,335,255	41,570,961

As at September 30, 2017, the Company had a total of 37,982,620 common shares issued.

As of September 30, 2017 there were a total of 3,525,000 incentive stock options outstanding exercisable for 3,525,000 Common Shares. In addition there were a total of 6,793,331 warrants exercisable for 6,793,331 Common Shares and 34,304 finder’s fee warrants exercisable for 34,304 Common Shares.

As of November 28, 2017, there were a total of 3,525,000 incentive stock options outstanding exercisable for 3,525,000 Common Shares. In addition there were a total of 6,793,331 warrants outstanding exercisable for 6,793,331 Common Shares and 34,304 finder's fee warrants outstanding exercisable for 34,304 Common Shares.

See "Overview" in this MD&A for information on issuances of Common Shares by the Company.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through income or loss; accounts receivable are classified as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

Management of capital risk

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be cash and cash equivalents. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds will be required to finance the Company's Exploration and Evaluation Assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Fair value

The book value of cash and cash equivalents and accounts payable and accrued liabilities all approximate their fair values at the balance sheet dates, due to the relative short-term maturity of the instruments.

Credit risk

The Company is exposed to credit risk with respect to its cash and accounts receivable. The credit risk associated with cash is minimal as cash has been placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The Company is not exposed to significant credit risk with respect to accounts receivable, as the entire amount due is from a government agency.

Liquidity risk

The Company's approach to managing liquidity risk is to arrange equity financings in a timely manner so as to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash balance of $401,854 to settle current liabilities of $205,397. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency risk and other price risk.

(a) Interest rate risk
The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency rate risk
Although the Company's principal exploration asset is based in the United States of America, the low annual maintenance costs have led the Company to conclude that it does not believe it is not exposed to any significant foreign currency risk at the present time.

(c) Other price risk
Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
Level 3 Inputs that are not based on observable market data

The Company has valued all of its financial instruments at Level 2.

RELATED PARTY TRANSACTIONS

Rent expense of $1,500 during the period was paid to an officer and director of the Company. The rental agreement is on a month to month basis.

The spouse of a director of the Company received US$5,000 in compensation for providing promotional services for the Company.

Transactions were in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed to by the related parties.

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2017 and 2016 were as follows:

		2017		2016
Salaries and consulting fees	$	125,850	$	106,910
Share-based payments		36,600		28,880
	$	162,450	$	135,790

(i) Share-based payments are the fair value of options granted to key personnel and directors.

OFF BALANCE SHEET ARRANGEMENTS

During the year the Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51-102.

QUALIFED PERSONS

Mr. H.M. Matt Bolu, Principal Metallurgical Engineer of BOMENCO Inc., is a P.Eng. registered with the Association of Professional Engineers and Geoscientists of BC (APEGBC). He is a Qualified Person as defined under National Instrument 43-101(QP) and has reviewed and approved the metallurgical information contained in this MD&A. Mr. Bolu is independent of the Company. Mr. Mark Graves, who is a P.Geo. registered with the Association of Professional Geoscientists of Nova Scotia (APNS), is also a QP. Mr. Graves, vice president of exploration for the Company, has reviewed and approved the balance of the technical information in this MD&A.

OTHER INFORMATION

The financial statements and additional information regarding the Company are available on SEDAR at www.sedar.com and on the Company's website www.zephyrminerals.com.