

ZEPHYR MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2020 and 2019

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the financial position and results of operations of Zephyr Minerals Ltd. ("Zephyr" or the "Company"), prepared as of November 26, 2020 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the notes thereto for the three months ended September 30, 2020 and 2019 and its audited consolidated financial statements for the year ended December 31, 2019 including the notes thereto. All amounts are expressed in Canadian dollars unless otherwise noted. The financial statements and additional information, including news releases and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis Retrieval (SEDAR) at www.sedar.com under the Company's name.

The common shares of Zephyr are traded on the TSX Venture Exchange ("TSXV") under the symbol **ZFR** and on the OTC 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.

Certain statements in this MD&A are forward-looking statements or information (collectively "forward-looking statements"). The Company (as defined herein) is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts, may be forward-looking, and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

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; anticipated costs; the exploration potential of its Dawson-Green Mountain property; the results of a preliminary economic assessment and compliance with state permitting requirements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Refer to the section titled "Other Risks and Uncertainties".

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 1301 – 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.

Through its 100% owned subsidiary, Zephyr Gold USA Ltd., the Company holds a 100% interest in mineral claims in Colorado, USA, collectively referred to as the Dawson-Green Mountain property (the "Property"). The Dawson section ("Dawson"), located at the eastern end of the Property comprises an advanced gold project with exploration potential. The Green Mountain section ("Green Mountain"), located at the western end of the Property, is prospective for copper and gold. The El Plomo section ("El Plomo") forms the central portion of the Property and is believed to be prospective for Broken Hill Type ("BHT") silver-lead-zinc mineralization despite a recent drill hole which failed to meet expectations. The Company's objective is to explore and evaluate these mineral claims to determine whether the properties contain economic resources warranting a development program.

HIGHLIGHTS

Dawson-Green Mountain Property, Colorado, USA

Drill testing (drill hole EP-20-01) of the El Plomo magnetic anomaly was completed on August 27, 2020 and was not successful in intercepting significant sulphide mineralization. The targeted mineralized zone which measured 30.5m (100 ft) in historic drill hole GC-9 had narrowed to 2.9m (9.5 ft) in drill hole EP-20-01. See news release August 28, 2020. Based on this result it was deemed that continuation of the drill program was unwarranted pending further review of geophysical data, final evaluation of the drill core and return of assays. Assays were received subsequent to the quarter end and returned low grade values. See news release November 16, 2020. Detailed geological (structural) mapping is proposed for the next exploration program at El Plomo.

A core hole was drilled to twin historic drill hole GC-44 at the Dawson section to obtain material for engineering and metallurgical test work. Favourable assay results should be supportive of moving a portion of the gold resources to the indicated category. The field geologist observed visible gold in this drill hole. See news release September 23, 2020. Assays are anticipated in late November or early December 2020.

In the quarter, a 129 acre parcel of land, the Judith Placer claim, was purchased which increased the Company's surface rights for proposed surface facilities for a potential mine.

The Company intends to complete an application for a mining permit for Dawson with the objective of filing in the first half of 2021.

Financing

On February 21, 2020, the Company completed a private placement through the issuance of 10,000,000 units at a price of \$0.21 per unit raising a total of \$2,100,000. 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 \$0.35 per common share at any time on or before August 21, 2021. Under the terms of the warrants, the expiration of the warrants may be accelerated if the volume-weighted trading average for the Company's shares on the TSXV is greater than or equal to \$0.70 for any 20 consecutive trading days. The Company paid cash finder's fees of \$115,740 and issued 551,145 finder's fee warrants to finders acting on behalf of the Company in connection with the placement. The finder's fee warrants are subject to the same terms as the unit warrants.

On August 12, 2020, the Company accelerated the expiry date of the February 2020 common share purchase warrants in accordance with the terms of the warrants and all unexercised warrants remaining at 5:00 p.m. Halifax Time on September 11, 2020 were cancelled.

On June 5, 2019, the Company completed a private placement through the issuance of 2,859,857 units at a price of \$0.21 per unit raising a total of \$600,570. 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 \$0.30 per common share at any time on or before June 5, 2020. The Company paid cash finder's fees of \$26,460 and issued 126,000 finder's fee warrants to finders 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 \$0.30 per share until expiry on June 5, 2020.

On June 8, 2020, the Company announced that 100% of the June 2019 common share purchases warrants have been exercised resulting in gross proceeds to the Company of \$466,778.

MINERAL PROPERTIES

The Dawson-Green Mountain Property comprises 140 unpatented mining claims, 11 patented lode mining claims, two patented placer mining claims and one state lease which, in aggregate cover an area of 1,446 hectares (3,574 acres), hosting a prospective mineralized trend over 12 km (7.5 miles) in an east-west direction. The Property is segregated into three distinct sections from east to west referred to as Dawson, El Plomo and Green Mountain.

El Plomo Section

In 2019, the Company entered into a mining lease agreement with the State of Colorado for a 259 hectare (640 acre) parcel of land ("State Lease") located in the central area of the Property and also staked six additional unpatented mining claims. In the first quarter of 2020, the Company purchased two patented lode mining claims in the El Plomo section in an arms-length transaction. The two patented claims are subject to a 3% NSR of which 2% may be purchased by the Company at its sole option at anytime for \$2,000,000. The El Plomo section is comprised of 27 unpatented lode mining claims, two patented lode mining claims, and the State Lease. The El Plomo section is contiguous with the Dawson and Green Mountain sections on the east and the west respectively.

In 2019, the Company conducted an airborne magnetic and electromagnetic geophysical survey over the Dawson-Green Mountain property because known BHT deposits are characterized by positive magnetic signatures. The survey successfully discovered a subtle but distinct 2.5 km long magnetic anomaly located approximately coincident with the mineralized trend. The survey results and subsequent 3D modelling has yielded targets worthy of drill testing, in particular the West Anomaly, which was the target of the recently completed drill program. The West Anomaly sits immediately below drill holes GC-8 and GC-9 and was interpreted to reflect a potential structurally thickened down dip extension of silver-lead-zinc mineralization intersected in these holes. See news releases April 16, May 5 and June 17, 2020 for additional information. Drill hole El-20-01 was recently drilled to test this target but did not meet expectations (news release August 28, 2020). Assays for the mineralized interval in drill hole EP-20-01 returned low grade values. See news release November 16, 2020. Core logging revealed that the well banded gneiss ("WBG") directly above the mineralized zone was strongly magnetic due to the presence of magnetite in these rocks. The anomalous magnetic rocks in the WBG is highly localized in the project area and was not anticipated at El Plomo. Although this finding adds a level of complexity to exploration in the El Plomo area, the numerous features characteristic of BHT deposits suggests potential remains for discovery of this type of deposit. The next phase of exploration planned for the spring of 2021 at El Plomo will entail detailed geological mapping with the goal of locating structural folds. A follow up ground geophysical survey will be predicated on the results of the structural mapping.

Dawson Section

Dawson is comprised of 51 contiguous unpatented lode mining claims, and eight patented lode mining claims and two patented placer claims covering approximately 505 hectares (1,249 acres). Dawson encompasses five gold mineralized areas which are, from east to west: Sentinel, Dawson, Copper King, Windy Gulch and the Windy Point zones. The gold resources identified to date at Dawson are confined to the Dawson and Windy Gulch zones with the remaining three zones representing gold prospective areas on the 3.8km (2.3 miles) long geologically favourable trend. The 50% of the eight patented lode mining claims not held by Zephyr is leased by Zephyr through a “Mining Lease and Agreement”, and the 50% interest in the placer claim not held by Zephyr is leased through a property lease agreement; which effectively gives Zephyr 100% control of these claims. Twenty-one of the 51 unpatented claims, the eight patented lode mining claims are subject to a sliding scale Net Smelter Return (“NSR”) whereby Zephyr agrees to pay up to a 3% NSR as contemplated in the Mining Lease and Agreement.

The gold mineralization at the Dawson section 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 m were drilled, from which several resource estimates were completed. In 2013 Zephyr completed a diamond drill program on the Windy Gulch zone. The 13 hole diamond drill program of approximately 580 m 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 and Windy Gulch zones at the Dawson section. The resource estimates were disclosed in the technical report on Dawson entitled: “Resource Estimate Technical Report for the Dawson Property Fremont County, Colorado, USA” 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. This report addressed aspects pertaining to metallurgy, mine design, mine scheduling, mining method, proposed equipment, manpower, underground capital and operating cost, but did 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 of approximately 745 m on the Windy Gulch zone. The drill program was successful in further delineating the shape and trend of the deposit as well as augmenting confidence in the continuity of high grade gold mineralization in the current resource. The program demonstrated that open cut mining would not be feasible and that possible future plans of development would likely be restricted to underground mining. The drill program also defined the near surface eastern extremity of the gold mineralization and that additional potential exists at depth at the Windy Gulch zone. Additional information 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.

On February 7, 2017, the Company announced the results of a Preliminary Economic Assessment (“PEA”) on the Dawson Gold project. The PEA report was filed on SEDAR on March 23, 2018 and is also available on the Company’s website. The PEA provides a base case assessment of developing the Dawson zone mineral resource only. The PEA is preliminary in nature and there is no guarantee that any part of the current inferred mineral resources will be converted into a mineral reserve in the future and developed into a mine.

In 2018 the Company completed a comprehensive exploration program at the Dawson section comprising:

1. detailed geological mapping and sampling, and magnetic geophysical surveying of the newly acquired Sentinel claims, and
2. a core drilling program focused on expanding resources at the Dawson and Windy Gulch zones and identifying potential new resources at the Copper King zone.

The magnetic surveying outlined a strong magnetic low anomaly that extends for 1,100 m (3,600 ft) east of the Dawson zone. This magnetic low anomaly is similar in strength to the magnetic low anomaly over the gold resource at the Dawson zone but is over double the size. The magnetic low anomaly at the Dawson zone

shows good correlation with the gold bearing biotite gneiss, one of the key gold host rocks of the gold resource on the Dawson zone. Reconnaissance mapping and sampling at the Sentinel zone yielded encouraging results. The continuation of potential gold mineralization east into the Sentinel zone was confirmed with the presence of both gossanous outcrops reflecting the massive sulphide horizon which is host to the gold-copper mineralization and located in the hanging wall to the gold resource, and biotite gneiss. In addition, an old historic shaft and several small prospect pits were discovered in the Sentinel zone that are believed to date circa 1890's. A grab sample of gossan from the massive sulphide horizon located 800 m east of the Dawson zone assayed 0.34 g/t gold and 0.18% copper. These grades are similar to those up dip from the high grade gold mineralization in the Dawson zone and as such lends support to the prospectivity for gold at the Sentinel zone. Zephyr is the first company to explore for gold in this area since the 1890's era. For additional information on exploration results at the Sentinel zone, please see news releases dated June 27 and October 23, 2018.

The Company completed a diamond drilling program in Q3-2018 totaling 11 holes for 1,853 m principally on the Dawson and Windy Gulch zones with the goal of expanding gold resources. One hole was also drilled on the Copper King zone. The best hole, DA-18-16 on the Dawson zone intercepted 3.4 m grading 17.6 g/t gold including 1.8 m of 29.3 g/t gold, 5.5 m of 7.6 g/t gold including 0.9 m of 29.4 g/t gold and 1.8 m of 9.0 g/t gold including 0.9 m of 17.4 g/t.* Additional potential for gold mineralization in the eastern area of the Dawson zone will be at depth.

The best drill intercept at the Windy Gulch zone was WG-18-40 which intersected 6.6 m grading 4.8 g/t gold, including an interval of 2.7 m grading 9.7 g/t gold.** Future drilling at Windy Gulch will be targeted to the west and at depth.

The single hole at the Copper King zone was unsuccessful, intercepting low grade gold mineralization. While the Copper King zone still has merit for further drill testing, this area will have a low priority given the higher quality targets available for testing elsewhere on the property – notably the Dawson, Sentinel, Windy Gulch and Windy Point zones. For additional information on the results of the drill program the reader is referred to news releases of July 17, September 10, October 23 and November 8, 2018.

The 2019 airborne geophysical program did not identify any new noteworthy geophysical features on the Dawson section, however it provided support for the existing geophysical database for this area. The Dawson section was a secondary level target for airborne program with the principal objective being the discovery of magnetic anomalies on the El Plomo section as part of the search for BHT silver-lead-zinc mineralization in this area.

During the quarter, one core hole, DDH DA-20-18, a twin of historic drill hole GC-44 was drilled at Dawson. The purpose of the hole was to collect material for engineering and metallurgical test work to provide information necessary for the mining permit application. In addition, favourable assays from this hole should be supportive of moving a portion of the inferred gold resources into the indicated category. The field geologist observed visible gold in this drill hole. Assays are anticipated in late November or early December 2020.

The potential for increasing resources at the Dawson section is considered very good with identified drill targets at the Dawson zone at depth, at the Sentinel zone to the east and the Windy Gulch and Windy Point zones to the west. The mineralized trend on the Dawson section measures approximately 3.8 km of strike length, much of which remains to be explored.

During the quarter the Company purchased the Judith Placer claim which added an additional 129 acres of land to the Companies holdings in the Dawson section. This acquisition increases land holdings for proposed surface facilities for potential development. See news release October 13, 2020.

Go forward programs in Q1-2021 include completing a mining application for the Dawson deposit and updating resource estimates for Windy Gulch and Dawson.

**True width approximately 80% of intercept width.*

*** True width approximately 80% of intercept width.*

Green Mountain Section

In 2018, the Company expanded its holdings in west-central Colorado by staking 62 unpatented lode mining claims and acquiring one patented lode mining claim located approximately 3.2 km west of Dawson, forming the Green Mountain section of the Dawson-Green Mountain project. The one patented claim was purchased in an arm-length transaction for a 100% ownership interest with no overriding royalties.

Green Mountain occupies a mineralized trend which is interpreted to be the faulted offset extension of the mineralized trend at Dawson, exhibiting similar geochemistry and rock types. As such, the Green Mountain section is considered to be highly prospective for gold. Discovered in ca. 1882, Green Mountain was mined for copper on a small scale from shallow shafts with a maximum depth 76.2 m (250 ft.) on a massive sulphide horizon, which forms the hangingwall portion of the mineralized trend. Historical records indicate a small tonnage (1,187 t) of high grade material (12.6% copper, 3.8g/t (0.11 oz/ton) gold and 47.6 g/t (1.39 oz/ton) silver), was shipped direct to a smelter early in the last century. Modern exploration programs targeting base metals were carried out by Phelps Dodge between 1979 and 1984 and by Inco Ltd. between 1992 and 1994. Phelps Dodge core hole GM-2B drilled below the old workings intersected 1.4m (4.5 ft.) grading 18% copper, 4.3% zinc and 181.6 g/t (5.3 oz/ton) silver at a drill hole depth of 123.5 m (405 ft.) and remains open at depth*. Zephyr's studies suggest this sulphide horizon is analogous to that at the hangingwall or southern contact of the mineralized trend at the Dawson section. Research of historical data in Company files suggests the footwall zone below the hangingwall massive sulphides has not been tested for gold. The footwall zone in the mineralized trend is host to the gold mineralization at the Dawson section.

In addition to the mineralized trend marked by historic shafts, the Phelps Dodge report* reports notes a mineralized "western trend", located northwest of the principal mineralized trend. Two drill holes targeting Electromagnetic (EM) geophysical anomalies on the western trend intersected disseminated sulphides (no assays reported) with the second hole (317.7 m total depth), believed to be 15-30 m (50-100 ft.) short of the target horizon.

In total, Phelps Dodge drilled 13 diamond core holes totaling 2,172.6 m (7,126 ft.), targeting the copper-gold sulphide zone and geophysical anomalies. With the exception of the two drill holes on the Western Trend, seven of the remaining holes were drilled to the southeast, two to the northeast and one vertical. Both the Main Trend and Western Trend at Green Mountain dip approximately 85° to the southeast to vertical as opposed to the 60° - 70° southeast dip at Dawson. It is believed that the footwall zone to the massive sulphide horizon remains largely untested. It is the footwall zone that is the host to gold resources at Dawson. In addition, the steepening of the shear zone dip at the Green Mountain section suggests possible structural thickening.

In 2018, the Company announced assay results of 17 grab samples collected on a reconnaissance traverse on the patented claim were very encouraging with five exceeding 1 g/t gold including one sample of garnetiferous biotite gneiss which assayed 13.6 g/t gold. This rock-type is one of the principal gold hosts at the Dawson Gold section and points to the gold prospectivity of the Green Mountain section. Grab samples are selected samples and are not representative of the mineralization hosted on the property.

While no new ground programs were completed on the Green Mountain section in 2019, this area was also covered in the airborne geophysical program as part of that encompassing the El Plomo and Dawson sections. Results were encouraging, in particular a 600 m long electromagnetic anomaly discovered at the northeastern end of the mineralized trend, coincident with a historic prospecting shaft discovered during the course of claim staking in 2018. The 4.8 km long mineralized trend at Green Mountain adds significant discovery potential for gold mineralization on the Dawson-Green Mountain property. See news release July 25, 2018.

** Exploration Report, Green Mountain Mine; J.M. Swallow, 1994.*

Mineral Property Expenditures

Expenditures on the Dawson-Green Mountain project for the three and nine months ended September 30, 2020 and 2019 are as follows:

Exploration Expenditures	2020		2019	
	3 Months	9 Months	3 Months	9 Months
	\$	\$	\$	\$
Assays and Metallurgy	27,000	27,000	7,299	16,050
Claims Fees	-	-	29,185	29,185
Consulting and Salaries	28,626	61,781	27,637	57,692
Drilling	830,346	830,346	-	-
Field Camp and Supplies	50,124	71,501	38,180	55,917
Permitting	8,373	34,298	5,126	20,446
Other Exploration & Geology	20,520	22,195	186,976	189,918
Total Exploration Expenditures	\$ 964,989	\$ 1,047,121	\$ 294,403	\$ 369,208
Cumulative E&E Since Inception	\$ 4,993,194	\$ 4,993,194	\$ 4,279,265	\$ 4,279,265

OUTLOOK

The El Plomo section continues to hold promise for the discovery of a BHT silver-lead-zinc deposit despite drill hole EP-20-01 failing to meet expectations. Drilling was terminated after completion of one drill hole with future drilling dependent upon new information warranting a re-evaluation of this decision. A detailed geological mapping program is planned for the 2021 field season with the goal of identifying structural folds, which if successful, and coupled with ground geophysics could lead to new drill targets. Drilling new targets will be dependent on strong technical results and subject to funding.

Management continues to hold the view that the Dawson section has the potential for an economic, near-term, low capex, low opex, high grade underground gold mine. Subject to funding, the Company intends to continue exploration drilling on the Dawson section with the objective of identifying additional resources to increase the proposed mill through-put as contemplated in the PEA (news release September 7, 2017) and extend the potential mine life. Areas on the Dawson section with current drill targets for potential resource expansion include the Dawson zone which is open down-plunge and to the west, the Windy Gulch zone which is open at depth, and the Windy Point zone where potential is indicated by near surface high grade gold mineralization. In addition, the Sentinel section immediately east of the Dawson section has added a significant extension to the Dawson mineralized trend in this direction and is considered gold prospective. Drill targets have been identified at Sentinel. Timing of the proposed drilling has not been fixed.

A principal focus at the present time is to complete a mining application with a view to filing in the first half of 2021 with the objective of receiving approval in the latter half of 2022.

The Company received assay results from a dump rock grab sample that had been located in an earlier prospecting program. The rock sample graded 13.6 g/t gold and the rock type is similar to the principal rock type hosting the Dawson gold mineralization in the Dawson section, hence pointing to the high gold prospectivity of the Green Mountain section. With the assimilation of the newly acquired geological data,

plans for 2021 include a geological mapping and sampling program focused on identifying gold in the footwall of the sulphide zone similar to that found in the Dawson Section. Special attention will be given to the area in the immediate vicinity of the historic Green Mountain copper mine. A drill program will be designed based on the results of field programs conducted in the 2021 field season. The timing of a drill program at Green Mountain has not been fixed.

RESULTS OF OPERATIONS

The loss for the three months ended September 30, 2020 was \$123,292 compared to a loss of \$89,148 in the same period for 2019. The loss for the nine months ended September 30, 2020 was \$539,531 compared to a loss of \$524,612 for the same period in 2019.

Investor relations expenses increased during the quarter from \$34,293 in 2019 to \$43,099 in 2020 as the Company undertook additional promotional initiatives to raise awareness of the El Plomo drill program.

Travel expenses for the nine months and three months ended 2020 were \$8,379 and \$157, compared to \$17,337 and \$5,181 for the same periods in 2019. The decrease is attributed to the outbreak of COVID 19 which resulted in travel bans and restrictions, and cancellation of in-person meetings and events.

Share based payments were nil during the quarter compared to \$5,300 in the same period in 2019 as the Company did not issue any stock options in the quarter.

Transfer agent fees increased from \$5,274 for the nine months ended September 2019 to \$15,784 for the same period in 2020 largely due to a private placement financing and share purchase warrants being exercised.

Rent increased from \$6,237 in 2019 to \$8,846 in 2020 as the Company moved into a new office space, and is no longer renting office space from a director.

The Company recognized a foreign exchange loss of \$24,782 in the third quarter as a result of an increased value on the Canadian dollar in the quarter on the US dollar funds held for the El Plomo drill program. The losses in the second and third quarters offset the gain of \$64,896 experienced on those funds in the first quarter to result in a net loss of \$504 year to date. During the same periods in 2019 the Company held relatively small US dollar deposits so the foreign exchange amounts are not comparable.

The Company had working capital of \$1,636,381 at September 30, 2020 compared to working capital of \$241,296 at September 30, 2019. In 2020 the Company completed a private placement for gross proceeds of \$2,100,000. In addition, 4,031,008 purchase warrants were exercised, and 100,000 stock options were exercised resulting in gross proceeds of \$1,240,282 and \$15,000 respectively. This has been offset by continued investment in the Dawson-Green Mountain project and the net loss incurred.

Selected Financial Data (Quarterly)

Quarter	Revenue \$	Net Income (Loss) \$	Income (Loss) Per Share \$	Total Assets \$	Shareholder Equity \$
Q3/20	-	(123,292)	(0.002)	7,567,803	7,442,636
Q2/20	-	(332,468)	(0.005)	7,000,601	6,901,125
Q1/20	-	(83,771)	(0.001)	6,717,013	6,583,064
Q4/19	-	(88,057)	(0.002)	4,657,792	4,551,171
Q3/19	-	(89,148)	(0.002)	4,575,265	4,487,903
Q2/19	-	(295,567)	(0.006)	4,654,432	4,561,750
Q1/19	-	(140,072)	(0.003)	4,255,114	4,133,478
Q4/18	-	(59,416)	(0.001)	4,128,504	4,001,023

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

The increase in loss in Q2 2020, Q2 2019 and Q1 2019 can be largely attributed to share based payments expenses of \$183,750, \$154,380 and \$57,465, respectively. The Company's increase in total assets in Q1 2020 is a result of a \$2,100,000 private placement completed by the Company, and the increase in Q2 2020 and in Q3 2020 is the result of share purchase warrants being exercised.

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, 2019 and are based on IFRS effective December 31, 2019.

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 26, 2020.

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, 2019. 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, 2019. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019 which are filed at www.sedar.com

Going Concern

The Company holds a 100% interest in mineral claims in Colorado, USA, collectively referred to as the Dawson-Green Mountain property. The Company's objective is to explore and evaluate these mineral claims to determine whether the properties contain economic resources warranting a development program.

As at September 30, 2020, the Company has cash of \$1,476,025, working capital of \$1,636,381, shareholders' equity of \$7,442,636 and an accumulated deficit of \$4,537,830. The Company's financial statements as at September 30, 2020 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 of the Company concluded that as at September 30, 2020, the Company has 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\$52,075 to keep the Property in good standing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about a period, which is at least, but not limited to, 12 months from the end of the current reporting period. In order to develop the Property, 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, 2020, the Company has cash of \$1,476,025 working capital of \$1,636,381 and shareholders' equity of \$7,442,636.

The Company's principal requirements for cash in 2020 will relate to expenditures, noted in more detail below, that are required to advance the Property plus administrative expenditures and settling accounts payable. The Company expects to spend approximately \$15,000 on exploration and evaluation activities before the end of 2020; primarily related to activities necessary to file a mining permit application in 2021.

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 2020 obligation in fiscal 2019. To date Zephyr USA has made advance royalty payments totalling US\$479,000 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 US\$165 for each of the unpatented claims that form part of Dawson-Green Mountain in order to keep them in good standing and pays approximately \$3,000 in property taxes for its patented mining claims. In 2019 Zephyr USA entered into a lease agreement with the State of Colorado for a 640 acre parcel of land whereby Zephyr is required to make annual payments of US\$3 per acre.

OUTSTANDING SHARE DATA

	November 26, 2020	September 30, 2020	September 30, 2019
Common Shares Outstanding	66,603,485	66,603,485	51,652,477
Fully Diluted Common Shares Outstanding	71,203,485	71,203,485	58,799,335

As at September 30, 2020, the Company had a total of 66,603,485 common shares issued.

As of September 30, 2020 there were a total of 4,600,000 incentive stock options outstanding exercisable for 4,600,000 Common Shares.

As of November 26, 2020, there were a total of 4,600,000 incentive stock options outstanding exercisable for 4,600,000 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, 2020, the Company had a cash balance of \$1,476,025 to settle current liabilities of \$69,636. 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

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.

Included in accounts payable and accrued liabilities at September 30, 2020 is \$821 (2019 - \$10,531) due to parties related to officers and directors.

The remuneration of directors and other members of key management personnel during the periods ended June 30, 2020 and 2019 were as follows:

	2020		2019	
Salaries and consulting fees	\$	110,333	\$	119,100
Share-based payments		183,750		102,920
	\$	294,083	\$	222,020

- (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.

QUALIFIED PERSONS

The qualified person for the MD&A for the purposes of National Instrument 43-101 is Terry Coughlan, P.Geo.. He has read and approved the scientific and technical information that forms the basis for the disclosure contained in this MD&A.

OTHER RISKS & UNCERTANTIES

Zephyr is in the business of exploring for minerals. This sector is by its nature, cyclical, competitive and risky. Many of these risks are beyond the Company's control. An investment in our securities should be considered highly speculative and involves a high degree of financial risk due to the nature of our activities and the current status of our operations. A prospective investor should carefully consider the risks summarized below and all other information contained in this MD&A and other documentation filed in the Company's name on SEDAR (www.sedar.com), before making an investment decision relating to our securities. The risks below do not necessarily comprise all of those faced by the Company.

Mineral Exploration, Development and Operating Risks

The business of mineral exploration and development is highly speculative in nature, generally involves a high degree of risk and is frequently non-productive. The Dawson-Green Mountain property is in the exploration and development stage, and there is no assurance that exploration efforts will be successful or that expenditures to be made by the Company will result in discoveries of commercial quantities of minerals or profitable commercial mining operations. Resource acquisition, exploration, development, and operation involves significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience, and knowledge may not eliminate. Significant expenses are required to locate and establish economically viable mineral deposits, to acquire equipment, and to fund construction, exploration and related operations, and few mining properties that are explored are ultimately developed into producing mines. Success in establishing an economically viable project is the result of a number of factors, including the quantity and quality of minerals discovered, proximity to infrastructure, metal and mineral prices, which are highly cyclical, costs and efficiencies of the recovery methods that can be employed, the quality of management, available technical expertise, taxes, royalties, environmental matters, government regulation (including land tenure, land use and import/export regulations) and other factors. Even in the event that mineralization is discovered on a given property, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change as a result of such factors. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its invested capital, and no assurance can be given that any exploration program of the Company will result in the establishment or expansion of resources or reserves. The Company's operations are subject to all the hazards and risks normally encountered in the exploration and development of mineral resource properties, including hazards relating to the discharge of pollutants or hazardous chemicals, unusual or unexpected adverse geological or geotechnical formations, unusual or unexpected adverse operating conditions, seismic activity, fire, explosions and natural phenomena and 'acts of God' such as inclement weather conditions, floods, earthquakes or other conditions, any of which could result in damage to, or destruction of, mineral properties, personal injury or death, damage to property, environmental damage, unexpected delays, monetary payments and possible legal liability, which could have a material adverse impact upon the Company. In addition, any future mining operations will be subject to the risks inherent in mining, including adverse fluctuations in fuel prices, commodity prices, exchange rates and metal prices, increases in the costs of constructing and operating mining and processing facilities, availability of energy and water supplies, access and transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment, and industrial accidents and labour actions or unrest. The occurrence of any of these risks could materially and adversely affect the development of a project or the operations of a facility, which could have a material adverse impact upon the Company.

Titles to Property

The acquisition of title to mineral properties is a detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although we believe that we have taken reasonable measures to ensure proper title to our interests in the Dawson-Green Mountain property, there is no guarantee that title to any such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interests, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects. In addition, we

may be unable to operate on such properties as permitted or to enforce our rights with respect to such properties. Rights to surface access and use held by others may impact the ability of Zephyr to develop the mine in an optimal manner.

Permits and Licenses

The Company is required to obtain and renew licenses and permits from various government authorities for existing operations and any ultimate development, construction and commencement of mining operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control. There can be no assurance that the Company will be able to maintain existing licenses and permits or obtain all necessary licenses and permits, that may be required to carry out exploration, development, and mining operations at its projects. Further, the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Infrastructure

Mineral resource development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could have a material adverse impact on the Company and its operations.

Opposition to Mining

In recent years, governmental and non-governmental agencies, individuals, communities and courts have become more vocal and active with respect to their opposition of certain mining and business activities. This opposition may take on forms such as road blockades, applications for injunctions seeking work stoppages, refusals to grant access to lands or to sell lands on commercially viable terms, lawsuits for damages, issuances of unfavourable laws and regulations, and rulings contrary to an entity's interest. These actions can occur in response to current activities or in respect of mines that are decades old. Any opposition to the Company's business activities may cause a disruption to such activities and may result in increased costs and could have a material adverse effect on Zephyr's business and financial condition.

Foreign Operations

The Dawson-Green Mountain property, is located in Colorado, USA. While we believe that the USA represents a favourable environment for mining companies to operate, there can be no assurance that changes in the laws of the USA or changes in the regulatory environment for mining companies or for non-domiciled companies in the USA will not be made that would adversely affect the Company.

Enforceability of Judgments

It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of the various Canadian provinces against the Company's assets located in the USA.

Litigation

Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. At any time, the Company is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The results of litigation or any other proceedings cannot be predicted with certainty. If the Company is unable to resolve these disputes

favourably, it could have a material adverse effect on the Company and its financial position, operations or development.

Competition

The Company will compete with many exploration companies that may have substantially greater financial and technical resources than the Company, as well as, for the recruitment and retention of qualified personnel.

Reliance on Key Individuals

The Company's success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in its growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Conflicts of Interest

Certain directors and officers of the Company are or may become associated with other mineral resource exploration companies which may give rise to conflicts of interest. In accordance with applicable Canadian corporate law, directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. Certain of the directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and, accordingly, the Company will not be the only business enterprise of these directors and officers.

Influence of Significant Shareholders

The Company has one significant shareholder of which the Company is aware, which controls approximately 15.75%, of the outstanding Common Shares (the "**Significant Shareholder**"). The Significant Shareholder could have significant influence in determining the outcome of any corporate transaction or other matter submitted to shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions. The concentration of ownership of the Common Shares by the Significant Shareholder may: (i) delay or deter a change of control of the Corporation; (ii) deprive shareholders of an opportunity to receive a premium for their common shares as part of a sale of the Corporation; and (iii) affect the market price and liquidity of our Common Shares. Additionally, the Significant Shareholder will have significant influence in determining the members of the Board. Without the consent of the Significant Shareholder, we could be prevented from entering into transactions that are otherwise beneficial to us. The interests of the Significant Shareholder may differ from or be adverse to the interests of our other shareholders. The effect of the Significant Shareholder's rights and influence may impact the price that investors are willing to pay for our securities. If the Significant Shareholder sells a substantial number of our Common Shares in the public market, the market price of our Common Shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the Common Shares.

No Dividend Record

As of the date hereof, Zephyr does not have a dividend policy and has never declared or paid any dividends to shareholders.

Limited Market for Securities

The common shares are currently listed on the TSXV, however there can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell securities of the Company.

Trading Price and Volatility of the Common Shares

The market price of the common shares experiences fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of the Company. It may be anticipated that any market for the common shares will be subject to market trends generally, and the value of the common shares on the TSXV or such other stock exchange as the common shares may be listed from time to time, may be negatively affected by such volatility.

Commodity Prices

Factors beyond the control of the Company may affect the marketability and price of minerals discovered, if any. Commodity and metal prices have fluctuated widely in recent years and months and are affected by numerous factors beyond the control of the Company, including international, economic and political trends, market intervention by state actors, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors cannot be accurately predicted. Periods of depressed metal prices may negatively affect the ability of the Company to obtain required financing, and have a material adverse effect on the Company.

Global Financial Volatility

Global financial conditions are volatile from time to time. Global economic volatility may impact domestic markets and the ability of the Company to obtain equity or debt financing to continue its operations and, if obtained, on terms favourable to the Company. Market volatility and turmoil could adversely impact the Company's operations and the value and the trading price of the Company's common shares.

COVID 19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.