



## **ZEPHYR MINERALS LTD.**

**Unaudited Condensed Consolidated Interim Financial Statements  
Nine Months ended September 30, 2021 and 2020  
(Expressed in Canadian dollars)**

**Notice of disclosure of non-auditor review of condensed consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.**

**The accompanying condensed consolidated interim financial statements of the Company for the period ended September 30, 2021, have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these condensed consolidated interim financial statements.**

**ZEPHYR MINERALS LTD.**  
**Unaudited Consolidated Interim Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 885,383	\$ 1,421,552
Accounts receivable (note 3)	30,765	16,652
Reclamation bonds (note 4)	97,977	83,934
Prepaid expenses and deposits	9,000	10,621
	1,023,125	1,532,759
Reclamation bonds (note 4)	37,977	53,005
<b>Exploration and evaluation assets (note 5)</b>	<b>6,185,390</b>	<b>5,865,145</b>
	\$ 7,246,492	\$ 7,450,909
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 6)	\$ 66,453	\$ 43,452
<b>Long Term</b>		
Reclamation obligation (Note 7)	37,977	53,005
	104,430	96,457
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 8)	9,960,539	9,771,109
<b>Share-based payments reserve</b>	2,313,732	2,209,357
<b>Deficit</b>	(5,132,209)	(4,626,014)
	7,142,062	7,354,452
	\$ 7,246,492	\$ 7,450,909

Approved on behalf of the Board:

**David Felderhof**  
David Felderhof, Director

**Loren Komperdo**  
Loren Komperdo, Director

The accompanying notes form an integral part of these consolidated financial statements

**ZEPHYR MINERALS LTD.****Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Loss****For the Three and Nine Months Ended September 30****(Expressed in Canadian dollars)**

	<b>2021</b>		<b>2020</b>	
	<b>3</b>	<b>9</b>	<b>3</b>	<b>9</b>
	<b>Months</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>
<b>Operating Expenses</b>				
Exploration expenses	\$ 6,961	15,388	\$ -	\$ -
Filing fees	904	13,074	2,310	17,887
Foreign exchange loss, net	(12,443)	(6,992)	24,782	504
Investor relations	9,642	28,186	43,099	152,441
Professional fees	7,413	24,584	6,295	28,118
General and administrative	5,692	9,947	2,147	5,210
Rent	2,144	6,371	2,940	8,846
Travel	28,724	30,405	157	8,379
Transfer agent	7,747	15,359	8,686	15,784
Salaries & Consulting	47,379	124,418	32,876	99,032
Share based payments	27,341	245,455	-	203,330
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>(131,504)</b>	<b>(506,195)</b>	<b>(123,292)</b>	<b>(539,531)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>67,086,985</b>	<b>66,927,589</b>	<b>65,624,937</b>	<b>62,116,728</b>
<b>Loss Per Share – Basic</b>	<b>\$ (0.002)</b>	<b>\$ (0.008)</b>	<b>\$ (0.002)</b>	<b>\$ (0.009)</b>

The accompanying notes form an integral part of these consolidated financial statements

**ZEPHYR MINERALS LTD.**  
**Unaudited Condensed Consolidated Interim Statements of Cash Flows**  
**For the Nine Months Ended September 30**  
**(Expressed in Canadian dollars)**

	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Net loss	\$ (506,195)	\$ (539,531)
Items not requiring an outlay of cash		
Share based payments	245,455	203,330
Net changes in non-cash working capital items		
Accounts receivable	(14,113)	(7,788)
Prepaid expenses	1,621	19,795
Reclamation bonds	(14,043)	(144,866)
Accounts payable and accrued liabilities	23,001	16,801
<b>Cash Used in Operating Activities</b>	<b>(264,274)</b>	<b>(452,258)</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(320,245)	(1,395,064)
Reclamation bonds		(2,949)
<b>Cash Used for Investing Activities</b>	<b>(320,245)</b>	<b>(1,398,013)</b>
<b>Financing Activities</b>		
Issue of common shares net of share issue costs	48,350	3,227,666
<b>Cash Provided by Financing Activities</b>	<b>48,350</b>	<b>3,227,666</b>
<b>Net Change in Cash and Cash Equivalents for the Period</b>	<b>(536,169)</b>	<b>1,377,395</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1,421,552</b>	<b>98,630</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 885,383</b>	<b>\$ 1,476,025</b>
<b>Non-cash financing and investing activities:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Value of brokers warrants issued	\$ -	\$ 34,116
Reclamation accrual	\$ 36,714	\$ 1,745

The accompanying notes form an integral part of these consolidated financial statements

**ZEPHYR MINERALS LTD.**  
**Unaudited Condensed Consolidated Interim Statements of Changes in**  
**Shareholders' Equity**  
**For the Nine Months Ended September 30**  
**(Expressed in Canadian dollars)**

	<b>Number of shares</b>	<b>Share capital</b>	<b>Share-based payments reserve</b>	<b>Deficit</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>January 1, 2020</b>	52,472,477	6,650,404	1,899,066	(3,998,299)	4,551,171
Share based payments		-	203,330	-	203,330
Shares issued in private placement (note 8)	10,000,000	1,790,500	343,616	-	2,134,116
Share issue costs		(142,924)	(18,808)	-	(161,732)
Warrants exercised	4,031,008	1,448,502	(208,220)	-	1,240,282
Options exercised	100,000	24,627	(9,627)	-	15,000
Loss for year		-	-	(627,715)	(627,715)
<b>December 31, 2020</b>	<b>66,603,485</b>	<b>9,771,109</b>	<b>2,209,357</b>	<b>(4,626,014)</b>	<b>7,354,452</b>
Share based payments (note 8)		-	245,455	-	245,455
Options exercised	483,500	189,430	(141,080)	-	48,350
Loss for period		-	-	(506,195)	(506,195)
<b>September 30, 2021</b>	<b>67,086,985</b>	<b>9,960,539</b>	<b>2,313,732</b>	<b>(5,132,209)</b>	<b>7,142,062</b>

The accompanying notes form an integral part of these consolidated financial statements

## **ZEPHYR MINERALS LTD.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(Expressed in Canadian dollars)**

**Nine Months Ended September 30, 2021**

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#### **1. NATURE OF OPERATIONS**

Zephyr Minerals Ltd. and its wholly owned subsidiaries, Zephyr Gold USA Ltd. and Sutter Mining (Private) Limited, (collectively, the "Company") is an exploration stage mining company. The Company is incorporated in Canada and is based in Nova Scotia, Canada. The Company's head office is located at 1301 - 1959 Upper Water St, Halifax, Nova Scotia Canada B3J 3N2.

The Company is a publicly listed company continued under the Canada Business Companies Act with limited liability under the laws of Canada. The Company's shares trade on the Toronto Stock Venture Exchange ("TSX-V").

#### **2. BASIS OF PRESENTATION AND GOING CONCERN**

##### **Statement of Compliance**

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, 2020. 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, 2020. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020 which are filed at [www.sedar.com](http://www.sedar.com)

##### **Approval of the financial statements**

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on November 26 2021.

## **ZEPHYR MINERALS LTD.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(Expressed in Canadian dollars)**

**Nine Months Ended September 30, 2021**

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#### **Basis of presentation**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(i) in the Company's consolidated financial statements for the year ended December 31, 2020 which are filed at [www.sedar.com](http://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 "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 Project, 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. 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, 2021, the Company has cash of \$885,383, working capital of \$956,672, shareholders' equity of \$7,142,062 and an accumulated deficit of \$5,132,209. The Company's financial statements as at September 30, 2021 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 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\$53,550 to keep the Property in good standing. The Company's 2021 obligation was paid and recorded in the 2020 fiscal year. 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 Property, the

## ZEPHYR MINERALS LTD.

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(Expressed in Canadian dollars)

Nine Months Ended September 30, 2021

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.

### 3. ACCOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020
HST receivable	\$ 30,765	\$ 16,652

### 4. RECLAMATION BONDS

The Colorado Department of Reclamation and Mining Safety, and the Colorado Bureau of Land Management hold bonds for estimated rehabilitation costs as noted below:

	2021	2020
Short term bonds related to drilling, geological work & temporary roads (as stated in US\$)	\$ 97,977 US\$ 77,397	\$ 83,934 US\$ 65,766
Long term bonds related to road reclamations (as stated in US\$)	\$ 37,977 US\$ \$30,000	\$ 53,005 US\$ 41,631

These funds are restricted for use as indicated above. The short term amounts are released following the completion of the associated reclamation. The long term bonds will be held until the roads built by the Company are no longer in use and the land has been rehabilitated. Refer to note 7.

**ZEPHYR MINERALS LTD.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Nine Months Ended September 30, 2021****5. EXPLORATION AND EVALUATION ASSETS**

	<b>Dawson-Green Mountain</b>
	<b>\$</b>
<b>Acquisition Costs</b>	
<b>Balance as at January 1, 2020</b>	462,167
Additions	349,957
Impairment	-
<b>Balance as at December 31, 2020</b>	812,124
Additions	65,827
Impairment	-
<b>Balance as at September 30, 2021</b>	877,951
<b>Exploration</b>	
<b>Balance January 1, 2020</b>	3,946,075
Expenditures	1,106,946
<b>Balance December 31, 2020</b>	5,053,021
Expenditures	254,418
<b>Balance September 30, 2021</b>	5,307,439
<b>Carrying amount</b>	
As at December 31, 2020	5,865,145
As at September 30, 2021	6,185,390

**Dawson-Green Mountain Property**

In 2021, the Company invested or provided for \$36,714 in additional access road rehabilitation funds.

In 2020, the Company added to the Dawson-Green Mountain Property with the acquisition of a 129 acre parcel of land, the Judith Placer claim, in an arms-length transaction. The Dawson-Green Mountain Property comprises 140 unpatented mining claims, 11 patented lode mining claims, two patented placer mining claim and one state lease which cover an area of 1,446 hectares (3,574 acres), hosting a

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### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(Expressed in Canadian dollars)**

**Nine Months Ended September 30, 2021**

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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.

Dawson comprises 51 contiguous unpatented lode mining claims, eight patented lode mining claims and two patented placer claims. Dawson encompasses five gold exploration areas which are, from east to west: the Sentinel zone, the Dawson zone, the Copper King zone, the Windy Gulch zone and the Windy Point zone. Dawson forms the eastern portion of the Property which is located in west-central Colorado, 9.5 km southwest of Canon City in Fremont County. Zephyr holds a 100% interest in the unpatented claims, a 100% interest in the Judith Placer claim, 50% interest in the eight patented claims, and a 50% interest in one patented placer claim, which constitute Dawson.

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 these claims. Twenty-one of the 51 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 as contemplated in the Mining Lease and Agreement.

Zephyr 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 2021 obligation in fiscal 2020. To date Zephyr has made advance royalty payments totalling US\$504,000 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.

In 2018, the Company expanded its holdings in west-central Colorado by acquiring 62 unpatented lode mining claims and one patented lode mining claim located approximately 3.2 km west of Dawson, forming the Green Mountain section of the Property. Zephyr holds a 100% ownership in these claims with no overriding royalties. Zephyr is required to make annual maintenance payments of US\$165 to the State, for each of the unpatented claims.

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.

## ZEPHYR MINERALS LTD.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended September 30, 2021

#### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Trade payables	\$ 49,821	\$ 21,808
Accrued liabilities	16,632	21,644
	\$ 66,453	\$ 43,452

#### 7. RECLAMATION OBLIGATION

The Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. At September 30, 2021 the Company has recognized an environmental rehabilitation obligation in the amount of \$37,977 (US\$30,000) related to the estimated rehabilitation costs of roads the Company had built to advance exploration work on the Dawson-Green Mountain project. This amount has been capitalized by increasing the carrying amount of its exploration and evaluation assets. At present the timing of the obligation is unknown and will depend primarily on the results of its future exploration program. As such the full amount of the estimated liability has been recognized and has not been discounted. Changes in the estimated timing of rehabilitation or changes to the estimated future costs will be dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates. The Company assesses its rehabilitation provision on an annual basis. Actual reclamation costs, when incurred, will be charged against the provision. As noted in note 4 above, the Company has \$97,977 (US\$77,397) in short term bonds held to cover any reclamation costs associated with its drill and geological program and temporary roads. No provision has been made for such reclamation costs as the Company does not believe these will be material.

#### 8. SHARE CAPITAL

Authorized capital consists of an unlimited number of common shares.

##### Issuances of common shares in 2021

During the second quarter 483,500 options to purchase 483,500 common shares were exercised for proceeds of \$48,350.

##### Issuances of common shares in 2020

During the year 100,000 options to purchase 100,000 common shares were exercised for proceeds of \$15,000 and 4,031,008 warrants to purchase 4,031,008 common shares were exercised for proceeds of \$1,240,282.

## **ZEPHYR MINERALS LTD.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(Expressed in Canadian dollars)**

**Nine Months Ended September 30, 2021**

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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. The Company valued the warrants and apportioned the share issue expenses incurred between the warrants value and the share value on a pro rata basis. In determining the value of the warrants, the fair value of the warrants issued were estimated using a Black-Scholes pricing model with the following weighted average assumptions used.

Risk-free interest rate	1.51%
Expected dividend yield	0.00%
Expected stock price volatility	72.94%
Expected life of warrants	1.5 years
Grant date fair value of warrant	\$0.0619

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. Each finder's fee warrant is exercisable into one common share of the Company at \$0.35 per share until expiry on August 21, 2021. 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. If this occurs, the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrants will expire on the 30<sup>th</sup> calendar day after the date of such press release. The finder's warrants are subject to the same acceleration clause as the unit warrants. On August 12, 2020, the Company accelerated the warrants as noted under 'Warrants'.

The finder's fee warrants were recorded at their fair value at time of issuance and shown as part of share issue costs netted against share capital. The terms and assumptions used were the same as those for the warrants above.

### **Warrants**

On August 12, 2020, the Company accelerated the expiry date of the common share purchase warrants issued on February 21, 2020 in accordance with the terms of the warrants. All unexercised warrants expired on September 22, 2020. A summary of the change in warrants for the period ended December 31, 2020 is provided below:

**ZEPHYR MINERALS LTD.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Nine Months Ended September 30, 2021**

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	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Years to Expiry</b>
<b>At January 1, 2020</b>	2,218,028	0.27	.35
Expired	(3,738,165)	0.35	
Exercised	(4,031,008)	0.31	
Issued	5,551,145	0.35	
<b>At December 31, 2020 and September 30, 2021</b>	-	-	-

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**Share-based compensation plan**

The Company has an incentive share-based compensation plan (the "Plan") which permits the Board of Directors to grant stock option to directors, officers, employees and consultants. The total number of options issued at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approval are obtained. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSXV at the time of the grant. Options granted under the Plan have a maximum term of ten years.

On April 1, 2021 the Company granted stock options to a consultant to purchase 200,000 common shares of Zephyr and fully vest only upon the successful completion of specific goals. The exercise price of the options is \$0.19 per share and the options expire 5 years from date of grant.

On March 9, 2021 the Company granted stock options to officers and directors to purchase 2,375,000 common shares of Zephyr. The exercise price of the stock options is \$0.19 per share. The options vest in three tranches, 1,325,000 on grant and 525,000 on each of the subsequent two anniversary dates. The options will expire 5 years from date of grant.

On March 9, 2021 the Company granted stock options to a consultant to purchase 100,000 common shares of Zephyr and fully vest only upon the successful completion of specific goals. The exercise price of the options is \$0.19 per share and the options expire 5 years from date of grant.

In determining the share-based payments expense the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following assumptions:

## ZEPHYR MINERALS LTD.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Nine Months Ended September 30, 2021

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Risk-free interest rate	.71%
Expected dividend yield	0.00%
Expected stock price volatility	98.1%
Expected life of options	5 years
Fair value at grant date	\$0.139

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A summary of the change in stock options for the periods ended June 30, 2021 and December 31, 2020 is provided below:

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	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Years to Expiry</b>
<b>At January 1, 2020</b>	3,700,000	0.20	2.0
Issued	1,075,000	0.26	
Exercised	(100,000)	0.15	
Expired	(725,000)	0.11	
<b>At December 31, 2020</b>	3,950,000	0.22	2.1
Issued	2,675,000	0.19	
Exercised	(483,500)	0.10	
Expired	(1,041,500)	0.13	
<b>At September 30, 2021</b>	5,100,000	0.23	3.4

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Note: 1,350,000 of the options outstanding have not yet vested.

## 9. RELATED PARTY TRANSACTIONS

Rent expense of \$1,500 (2020 – nil) during the period was paid to a director of 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.

Included in accounts payable and accrued liabilities is \$34,461 (2020 - \$821) due to parties related to officers and directors.

The remuneration of directors and other members of key management personnel during the periods ended September 30, 2021 and 2020 were as follows:

## ZEPHYR MINERALS LTD.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended September 30, 2021

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	2021	2020
Salaries and consulting fees	\$ 126,011	\$ 110,333
Share-based payments	267,166	183,750
	\$ 393,177	\$ 294,083

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

## 10. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through income or loss; accounts receivable and accounts payable and accrued liabilities are carried at amortized cost.

### *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, 2021, the Company had a cash balance of \$885,383

## ZEPHYR MINERALS LTD.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended September 30, 2021

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to settle current liabilities of \$66,453. 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 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.

## **11. SEGMENTED INFORMATION**

The Company's operating segments include an exploration and evaluation property in Colorado, USA and a corporate office in Halifax, Nova Scotia, Canada.

**ZEPHYR MINERALS LTD.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Nine Months Ended September 30, 2021****As at September 30, 2021:**

<b>Country</b>	<b>Cash and cash equivalents</b>	<b>Mineral properties</b>	<b>Receivables, bonds &amp; prepaids</b>	<b>Payables</b>	<b>Profit (Loss)</b>
Canada	\$ 827,670	\$ -	\$ 30,954	\$ 56,894	\$ (503,176)
USA	57,713	6,185,390	144,765	9,559	(3,019)
	<u>\$ 885,383</u>	<u>\$ 6,185,390</u>	<u>\$ 175,719</u>	<u>\$ 66,453</u>	<u>\$ (506,195)</u>

**As at December 31, 2020:**

<b>Country</b>	<b>Cash and cash equivalents</b>	<b>Mineral properties</b>	<b>Receivables, bonds &amp; prepaids</b>	<b>Payables</b>	<b>Profit (Loss)</b>
Canada	\$ 1,356,656	\$ -	\$ 27,273	\$ 34,630	\$ (609,257)
USA	64,916	5,865,145	136,939	8,822	(18,457)
	<u>\$ 1,421,552</u>	<u>\$ 5,865,145</u>	<u>\$ 164,212</u>	<u>\$ 43,452</u>	<u>\$ (627,714)</u>