



## **ZEPHYR MINERALS LTD.**

**Unaudited Condensed Consolidated Interim Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(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, 2022, 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, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 162,881	\$ 712,863
Accounts receivable (note 3)	18,239	35,483
Reclamation bonds (note 4)	46,759	97,907
Prepaid expenses and deposits	164	-
	228,043	846,253
Reclamation bonds (note 4)	101,432	37,950
<b>Exploration and evaluation assets (note 5)</b>	<b>6,374,948</b>	<b>6,297,275</b>
	<b>\$ 6,704,423</b>	<b>\$ 7,181,478</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 6)	\$ 47,880	\$ 93,346
<b>Long Term</b>		
Reclamation obligation (Note 7)	101,432	37,950
	149,312	131,296
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 8)	9,960,539	9,960,539
<b>Share-based payments reserve</b>	2,485,734	2,341,073
<b>Deficit</b>	(5,891,162)	(5,251,430)
	6,555,111	7,050,182
	<b>\$ 6,704,423</b>	<b>\$ 7,181,478</b>

**Basis of presentation and going concern – Note 2**

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>2022</b>		<b>2021</b>	
	<b><u>3</u></b>	<b><u>9</u></b>	<b><u>3</u></b>	<b><u>9</u></b>
	<b><u>Months</u></b>	<b><u>Months</u></b>	<b><u>Months</u></b>	<b><u>Months</u></b>
<b>Operating Expenses</b>				
Exploration and evaluation assets impairment	\$ 81,268	81,268	-	-
Exploration expenses	3,217	24,383	\$ 6,961	15,388
Filing fees	150	15,866	904	13,074
Foreign exchange loss (gain) net	(8,641)	(6,839)	(12,443)	(6,992)
Investor relations	9,708	44,668	9,642	28,186
Professional fees	18,582	59,868	7,413	24,584
General and administrative	1,861	15,184	5,692	9,947
Rent	2,325	7,159	2,144	6,371
Travel	13,172	67,437	28,724	30,405
Transfer agent	2,824	10,712	7,747	15,359
Salaries	25,484	87,260	33,519	85,538
Consulting fees	35,504	88,105	13,860	38,880
Share based payments	9,097	144,661	27,341	245,455
<b>Net Loss and Comprehensive Loss for the period</b>	<b>(194,551)</b>	<b>(639,732)</b>	<b>(131,504)</b>	<b>(506,195)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>67,086,985</b>	<b>67,086,985</b>	<b>67,086,985</b>	<b>66,927,589</b>
<b>Loss Per Share – Basic</b>	<b>\$ (0.003)</b>	<b>\$ (0.010)</b>	<b>\$ (0.002)</b>	<b>\$ (0.008)</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>2022</b>		<b>2021</b>
<b>Operating Activities</b>			
Net loss	\$ (639,732)	\$	(506,195)
Items not requiring an outlay of cash			
Share based payments	144,661		245,455
Impairment exploration and evaluation assets	81,268		-
Net changes in non-cash working capital items			
Accounts receivable	17,244		(14,113)
Prepaid expenses	(164)		1,621
Reclamation bonds	51,148		(14,043)
Accounts payable and accrued liabilities	(45,466)		23,001
<b>Cash Used in Operating Activities</b>	<b>(391,041)</b>		<b>(264,274)</b>
<b>Investing Activities</b>			
Expenditures on exploration and evaluation assets	(158,941)		(320,245)
<b>Cash Used for Investing Activities</b>	<b>(158,941)</b>		<b>(320,245)</b>
<b>Financing Activities</b>			
Issue of common shares net of share issue costs	-		48,350
<b>Cash Provided by Financing Activities</b>			<b>48,350</b>
<b>Net Change in Cash and Cash Equivalents for the Period</b>	<b>(549,982)</b>		<b>(536,169)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>712,863</b>		<b>1,421,552</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 162,881</b>	<b>\$</b>	<b>885,383</b>
<b>Non-cash financing and investing activities:</b>			
Cash paid for interest	\$ -	\$	-
Cash paid for income taxes	\$ -	\$	-
Value of brokers warrants issued	\$ -	\$	-
Reclamation accrual	\$ 60,002	\$	36,714

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, 2021</b>	66,603,485	9,771,109	2,209,357	(4,626,013)	7,354,453
Share based payments		-	272,796	-	272,796
Options exercised	483,500	189,430	(141,080)	-	48,350
Loss for period		-	-	(625,417)	(625,417)
<b>December 31, 2021</b>	67,086,985	9,960,539	2,341,073	(5,251,430)	7,050,182
Share based payments (note 8)		-	144,661	-	144,661
Loss for period		-	-	(639,732)	(639,732)
<b>September 30, 2022</b>	67,086,985	9,960,539	2,485,734	(5,891,162)	6,555,111

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, 2022**

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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, 2021. 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, 2021. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021 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 28, 2022.

## **ZEPHYR MINERALS LTD.**

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

**(Expressed in Canadian dollars)**

**Nine Months Ended September 30, 2022**

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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, 2021 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-El Plomo property (the "Property"); formerly referred to as Dawson-Green Mountain. 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") is located to the east of, and contiguous with the Dawson section and is believed to be prospective for Broken Hill Type ("BHT") silver-lead-zinc mineralization. The Company holds mineral claims (Special Blocks), in Zimbabwe totaling 201 hectares, referred to as Nyanga North ("Nyanga"), which are prospective for gold and base metals. 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, 2022, the Company has cash of \$162,881, working capital of \$180,163, shareholders' equity of \$6,555,111 and an accumulated deficit of \$5,891,162. The Company's financial statements as at September 30, 2022 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 at September 30, 2022, the Company did not have sufficient funds to meet its corporate, administrative and property obligations for the next 12 months. In order to alleviate the situation, the Company intends to raise additional capital (see note 12). The Company is required to make minimum annual payments of approximately US\$42,140 to keep the Property in good standing. 2022 Property obligations have been paid and recorded in 2021 and 2022. The Company is also required to pay annual inspection fees of approximately US\$6,030

**ZEPHYR MINERALS LTD.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Nine Months Ended September 30, 2022**

each December to keep Nyanga in good standing. 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 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, 2022	December 31, 2021
HST receivable	\$ 18,239	\$ 35,483

**4. RECLAMATION BONDS**

The Colorado Division of Reclamation, Mining and Safety, and the Colorado Bureau of Land Management (together, the "Departments") hold bonds for estimated rehabilitation costs as noted below:

	2022	2021
Short term bonds associated with project,		
Balance at beginning of period	\$ 97,907	\$ 83,934
Reallocate between short term and long term	(60,002)	14,713
Foreign currency movement	8,854	(740)
Balance at end of period	46,759	97,907
(as stated in US\$)	US\$ 33,851	US\$ 77,397
Long term bonds related to project reclamations		
Balance at beginning of period	\$ 37,950	\$ 53,005
Reallocate between short term and long term	60,002	(14,713)
Foreign currency movement	3,480	(342)
Balance at end of period	101,432	37,950
(as stated in US\$)	US\$ 73,439	US\$ 30,000

**ZEPHYR MINERALS LTD.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(Expressed in Canadian dollars)****Nine Months Ended September 30, 2022**

These funds are restricted for use as indicated above. The short-term amounts are available to be released as they are in excess of the amounts the Departments have determined are required for rehabilitation work. The long-term bonds will be held until the project has been rehabilitated. In 2021 the Company reclaimed certain roads and adjusted the short and long-term bonds accordingly. Refer to note 7.

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Zimbabwe</b>	<b>Dawson - El Plomo</b>	<b>Total</b>
	\$	\$	\$
<b><u>Acquisition Costs</u></b>			
<b>Balance as at January 1, 2021</b>		812,124	812,124
Additions	6,190	65,827	72,017
Impairment			
<b>Balance as at December 31, 2021</b>	6,190	877,951	884,141
Additions	2,400	77,558	79,958
Impairment		(54,806)	(54,806)
<b>Balance as at September 30, 2022</b>	8,590	900,703	909,293
<b><u>Exploration</u></b>			
<b>Balance January 1, 2021</b>		5,053,021	5,053,021
Expenditures		360,113	360,113
<b>Balance December 31, 2021</b>		5,413,134	5,413,134
Expenditures		78,983	78,983
Impairment		(26,462)	(26,462)
<b>Balance September 30, 2022</b>		5,465,655	5,465,655
<b><u>Carrying amount</u></b>			
As at December 31, 2021	6,190	6,291,084	6,297,275
As at September 30, 2022	8,590	6,366,358	6,374,948

## **ZEPHYR MINERALS LTD.**

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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### **Dawson-El Plomo Property**

In 2021, the Company invested or provided for \$36,714 in additional access road rehabilitation funds. The Company paid annual maintenance fees of US\$165 for each of its 140 unpatented lode mining claims in Colorado to the Bureau of Land Management in 2021. Following a review of relevant technical data, the Company elected to abandon low priority areas of the Property, thereby reducing its total number of unpatented claims from 140 to 78, and the acreage of the state lease has been reduced from 640 acres to 240 acres. The Dawson-El Plomo Property (formerly Dawson-Green Mountain) now comprises 78 unpatented mining claims, 11 patented lode mining claims, two patented placer mining claim and one state lease. The Property is segregated into three distinct sections from east to west referred to as Dawson, El Plomo and Green Mountain. However, with the decision to restrict future efforts to the more environmentally benign Dawson area and El Plomo the property henceforth will be referred to as the Dawson-El Plomo property.

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 2022 obligation in fiscal 2021. To date, advance royalty payments total US\$529,000 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.

The El Plomo section is comprised of 14 unpatented lode mining claims, two patented lode mining claims, and a 97 hectare (240 acre) parcel of land held through a mining lease agreement with the State of Colorado. 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.

Green Mountain, located approximately 3.2 km west of Dawson, comprises 13 unpatented lode mining claims and one patented lode mining claim. Re-evaluation of the Green

## **ZEPHYR MINERALS LTD.**

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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Mountain portion of the Company's holdings in the context of potential mine permitting in this area of the project has led to the conclusion that go forward gold exploration efforts are best restricted to the core, eastern Dawson section which is host to the inferred gold resource and the focus of potential future development. Mine permitting delays at the Dawson section which is a relatively environmentally benign mining proposition, points to an increasingly challenging permitting situation at Green Mountain which contains high sulphide polymetallic mineralization. As a result, subsequent to the quarter end, the Company entered into a sale agreement in the amount of \$40,440 (US\$30,000) with a third party with respect to the 10 acre patented claim in the area. The carrying value of the related claims and exploration has been revalued from \$121,708 to the anticipated sale agreed price of \$40,440. The \$81,268 reduction in carrying value has been reflected as an impairment on exploration and evaluation assets in the third quarter.

### **Zimbabwe**

In 2021 the Company launched a wholly owned subsidiary, Sutter Mining (Private) Limited ("Sutter"), in Zimbabwe, which is scouting out prospective gold properties in that country. This move by Zephyr into Zimbabwe was prompted by a recent amendment to the country's Indigenization and Economic Empowerment Act allowing 100% foreign ownership in mining properties, combined with the presence of geological environments prospective for gold. In 2021 two applications for Exclusive Prospecting Orders ("EPO") over areas prospective for gold mineralization were lodged with the Zimbabwe Ministry of Mines and Mine Development and have been processed by that agency. Both applications remain outstanding as at the date of this report, and are awaiting approval by the President of Zimbabwe. The two EPO applications combined cover approximately 124,000 hectares.

Sutter has staked two Special Blocks (Nyanga), totaling 201 hectares with potential for gold and base metals in the northeastern part of the Umkondo Basin of Zimbabwe. A Special Block is a mining claim up to 150 hectares in size and entitles the holder to explore for, and mine any minerals that may be discovered and deemed economic. In the event only gold is discovered, regulations require the Special Blocks to be converted into gold claims. This is a straight forward process that requires subdividing the Special Blocks into 10 hectare, surveyed gold claims. The Special Blocks are renewable annually by paying annual fees as gazetted by the government.

In the previous quarter, the Company entered into an option agreement to acquire a 75% interest in the 40 hectare Chikonga Gold Mine Property ("Chikonga Mine") from Hilltouch Investments (Pvt.) Ltd. ("Hilltouch") is a privately owned arms length Zimbabwe company. Under the terms of the option agreement, Zephyr through its wholly own Zimbabwean subsidiary, Sutter Mining (Private) Limited ("Sutter") can acquire 75% of the Chikonga Mine by paying US\$80,000 over four years and spending US\$1.175 million on exploration over five years. After earning 75%, further expenditures by Sutter on exploration and/or mine development will be paid back to Sutter prior to Hilltouch participating in mine profits. Hilltouch is permitted to continue small scale mining from areas currently being mined until Zephyr makes a decision to build a mine. See Company news release of May 9, 2022 for additional details. The agreement is subject to satisfactory due diligence which is ongoing at the date of these condensed consolidated financial statements. It is anticipated the due diligence will be concluded early in Q1-2023.

## ZEPHYR MINERALS LTD.

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

(Expressed in Canadian dollars)

Nine Months Ended September 30, 2022

#### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2022		December 31, 2021
Trade payables	\$	32,100	\$	71,771
Accrued liabilities		15,780		21,575
	\$	47,880	\$	93,346

#### 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, 2022 the Company has recognized an environmental rehabilitation obligation in the amount of \$101,432 (US\$73,439) to rehabilitate work the Company has done to advance exploration on the Dawson-El Plomo property. 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 \$46,759 (US\$33,851) in short term bonds held by the Departments that are not required to meet that Department's estimate of rehabilitation work. The Company expects to have these funds returned early in the first quarter of 2023.

## ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)  
Nine Months Ended September 30, 2022

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### 8. SHARE CAPITAL

Authorized capital consists of an unlimited number of common shares.

#### **Issuances of common shares in 2022**

There were no common shares issued during the period ended September 30, 2022.

#### **Issuances of common shares in 2021**

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

#### **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 January 13, 2022 the Company granted stock options to officers, directors and consultants to purchase 1,250,000 common shares of Zephyr. 1,025,000 of the stock options vest immediately and 225,000 vest on January 13, 2023. The exercise price of the stock options is \$0.16 per share and the options expire five years from date of grant.

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

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Risk-free interest rate	.52%
Expected dividend yield	0.00%
Expected stock price volatility	83.5%
Expected life of options	5 years
Fair value at grant date	\$0.101

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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

## ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
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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:

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

A summary of the change in stock options for the periods ended September 30, 2022 and December 31, 2021 is provided below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Years to Expiry</b>
<b>At January 1, 2021</b>	3,950,000	0.22	1.1
Issued	2,675,000	0.19	
Exercised	(483,500)	0.10	
Expired	(725,000)	0.11	
<b>At December 31, 2021</b>	5,100,000	0.22	2.2
Issued	1,250,000	0.16	
Expired	(850,000)	0.23	
<b>At September 30, 2022</b>	5,500,000	0.21	3.2

### 9. 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 is \$15,017 (2021 - \$9,572) due to parties related to officers and directors.

## ZEPHYR MINERALS LTD.

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

(Expressed in Canadian dollars)

Nine Months Ended September 30, 2022

The remuneration of directors and other members of key management personnel during the periods ended September 30, 2022 and 2021 were as follows:

	2022	2021
Salaries and consulting fees	\$ 151,425	\$ 97,618
Share-based payments	121,936	239,825
	\$ 273,361	\$ 337,443

- (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.

## ZEPHYR MINERALS LTD.

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#### *Liquidity risk*

The Company's approach to managing liquidity risk is to arrange equity financings in a timely manner so as to ensure at it will have sufficient liquidity to meet liabilities when due. As at September 30, 2022, the Company had a cash balance of \$162,881 to settle current liabilities of \$47,880. 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.

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### 11. SEGMENTED INFORMATION

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

#### As at September 30, 2022:

Country	Cash and cash equivalents	Mineral Properties	Receivables, bonds & prepaids	Payables	Profit (Loss)
Canada	\$ 142,132	\$ -	\$ 18,239	\$ 45,656	\$ (434,173)
USA	13,317	6,366,358	148,191	2,225	(81,481)
Zimbabwe	7,432	8,590	164	-	(124,078)
	<u>\$ 162,881</u>	<u>\$ 6,374,948</u>	<u>\$ 166,594</u>	<u>\$ 47,880</u>	<u>\$ (639,732)</u>

#### As at December 31, 2021:

Country	Cash and cash equivalents	Mineral Properties	Receivables, bonds & prepaids	Payables	Profit (Loss)
Canada	\$ 684,463	\$ -	\$ 35,483	\$ 71,722	\$ (571,016)
USA	28,400	6,291,085	135,857	20,405	(10,770)
Zimbabwe	-	6,190	-	1,219	(43,631)
	<u>\$ 712,863</u>	<u>\$ 6,297,275</u>	<u>\$ 171,340</u>	<u>\$ 93,346</u>	<u>\$ (625,417)</u>

### 12. SUBSEQUENT EVENTS

On November 28, 2022, the Company announced it had entered into a sale agreement in the amount of \$40,440 (US\$30,000) with an arm's length third party with respect to the 10 acre patented claim at the Green Mountain section of the Property. Re-evaluation of the Green Mountain portion of the Company's holdings in the context of potential mine permitting in this area of the project has led to the conclusion that go forward gold exploration efforts are best restricted to the core, eastern Dawson section which is host to the inferred gold resource and the focus of potential future development.

On November 28, 2022, the Company announced it intends to issue, by way of a non-brokered private placement financing, up to 4,000,000 units at a price of \$0.08 per unit for gross proceeds of up to \$320,000 (the "Financing"). Each Unit consists of one common share and one whole common share purchase warrant (a "Warrant") of the Company (the "Units"). Each Warrant will be exercisable to purchase one common

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share of the Company for \$0.12 for a period of twelve months from the closing date. The expiry date of the Warrants may be accelerated by Zephyr at any time if the volume weighted average trading price of the common shares is greater than or equal to \$0.24 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 30th calendar day after the date of such press release.