

ZEPHYR MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2019 and 2018

INTRODUCTION

The following management's discussion and analysis of the financial position and results of operations of Zephyr Minerals Ltd. ("Zephyr" or the "Company"), prepared as of November 28, 2019 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, 2019 and 2018 and its audited consolidated financial statements for the year ended December 31, 2018 including the notes thereto. All amounts are expressed in Canadian dollars unless otherwise noted.

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These factors include risks such as: the Company's ability to raise additional capital on favourable

terms; the Company's ability to obtain, renew or maintain the necessary authorisations and permits for the Dawson-Green Mountain property; increases in costs affecting the Dawson-Green Mountain property; fluctuations in the price of gold and other metals; changes in environmental regulations and fluctuations in foreign currency values.

The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under "Risk Factors" in the Company's annual information form dated July 24, 2015, a copy of which may be obtained on the SEDAR website at www.sedar.com. Included in the risk factors is one, "Influence of Significant Shareholders". In the AIF it is noted that the Company has one significant shareholder controlling 16.25% of its shares. This shareholder currently holds 22% of the Company's shares.

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

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

OVERVIEW

Zephyr Minerals Ltd. was incorporated under the *Canada Business Corporations Act* (the "CBCA") on May 26, 2010. The head office of the Company is located at 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 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.

HIGHLIGHTS

Dawson-Green Mountain Property, Colorado, USA

During the quarter an airborne geophysical survey (magnetic and electromagnetic) was undertaken on the Property (news release Sept. 10, 2019). The principal target was the 3.2 km (2.0 mi) long El Plomo Section where the survey was successful in delineated a 2.4 km (1.5 mi) long magnetic anomaly immediately south of, and paralleling the mineralized trend. This is an important development as it further confirmed the prospectivity of the El Plomo Section for BHT, silver-lead-zinc mineralization. Subsequent to quarter end, magnetic 3D geophysical modelling of the magnetic field was completed. The modelling shows the overall magnetic signature strengthens with depth and suggests the shallow, historical drilling (news release Apr. 15, 2019) did not test the strongest portions of the magnetic anomaly. Schematic cross sections and a 3D presentation through the 3D inversion model can be viewed on the Company's website at www.zephyrminerals.com. The 3D modelling will assist in designing a proposed drill program expected to commence in July 2020 subject to funding and equipment availability.

On the Dawson Section, the airborne geophysical survey augmented and supported the historical geophysical database which shows the gold mineralized host rocks correlating well with a magnetic low anomaly which stretches from the Windy Point zone in the west to the Sentinel zone in the east. The magnetic low extending for approximately 1.6 km west of the current inferred gold resource in the Dawson zone strongly supports the potential for gold mineralization in the Sentinel zone, which has not previously been drill tested.

The highlight of the survey results at Green Mountain was the discovery of two electromagnetic anomalies; a 600 m (2,000 ft.), northeast trending electromagnetic anomaly starting at the historic Green Mountain mine, and secondly, a similar size and trending but stronger anomaly ('Northeast Anomaly') coincident with the newly discovered prospect pit located 3.8 km (2.4 mi), northeast of the historic Green Mountain mine. The Northeast Anomaly represents an excellent drill target at Green Mountain.

Financing Activities

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 February 26, 2019 the Company completed a private placement through the issuance of 1,410,000 units at a price of \$0.15 per unit raising a total of \$211,500. 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 \$0.20 per common share at any time on or before February 26, 2020. The Company paid cash finder's fees of \$1,050 and issued 7,000 finder's fee warrants a finder acting on behalf of the Company in connection with the placement. Each finder's fee warrant is exercisable into one common share of the Company at \$0.20 per share until expiry on February 26, 2020.

OUTLOOK

Management continues to hold the view that Dawson has the potential for an economic, near-term, low capex, low opex, high grade underground gold mine. The Company intends to continue exploration with the objective of identifying additional resources to increase the proposed mill through-put as contemplated in the PEA and extend the potential mine life. Areas targeted for 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 newly staked Sentinel claims have added a considerable extension to the Dawson Shear Zone in the east and are considered gold prospective.

The El Plomo Section is considered to hold promise for the discovery of a BHT type silver-lead-zinc deposit. These types of deposits in Australia are typically large and high grade making the El Plomo Section a particularly exciting drill target for 2020. It is anticipated that drill testing will commence in July 2020 subject to funding and equipment availability.

Subject to financing, the Company also intends to geologically map the Green Mountain section. This is an area where a rock grab sample with only minor sulphides was located that contained 13.6 g/t gold. This rock type is similar to the rocks that contain the Dawson Gold deposit in the Dawson Gold section on the east side of the property. The geological mapping will help define the rocks types, define any structural features in the area, as well as explore for gold showings at surface. A drill program will be designed based the results of this work combined with the electromagnetic anomalies identified in the recently completed airborne geophysical survey.

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

MINERAL PROPERTIES

Dawson Section

Dawson comprises 57 contiguous unpatented lode mining claims, and eight patented lode mining claims and one patented placer claim. Dawson encompasses five gold mineralized 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. 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 4.2

km (2.6 miles) long geologically favourable trend, covering approximately 1,143 acres (463 hectares). 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 57 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.

The gold mineralization at Dawson was discovered by U.S. Borax Ltd. in the early 1980's and explored by Uranerz U.S.A. Inc. in the early 1990's. During this period a total of 142 diamond drill holes for 27,206 metres were drilled, from which several resource estimates were completed. In 2013 Zephyr commenced a diamond drill program on the Windy Gulch zone. The 13 hole diamond drill program of approximately 580 metres was designed to expand and better define the near-surface gold resource. The drill results were incorporated with historical drill data to calculate the first independent NI 43-101 resource estimate on the Dawson and Windy Gulch zones. 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 metres 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 possible future plans of development would likely be by underground mining. The drill program also defined the near surface eastern extremity of the gold mineralization at the Wind 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 Dawson 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 anomaly at the Dawson zone shows very good correlation with the gold bearing biotite aplite, 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 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 aplite. 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 strong 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, hence the keen anticipation to drill test these prospective targets in a future drill program. 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, 5.5 m of 7.6 g/t gold and 0.9 m of 17.4 g/t.*Drill holes DA-18-12 and DA-18-13 intercepted low grade values and essentially defined the east boundary of the gold mineralization at a relatively shallow depth. 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.

The three holes planned for the Windy Point zone have been postponed for a future drill program. 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.

**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 77 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 for US\$25,000 in an arm-length transaction for a 100% ownership interest.

Green Mountain occupies a shear zone which is interpreted to be the faulted offset extension of the shear zone at Dawson and exhibits similar geochemistry and rock types to Dawson and as a result is considered to be highly prospective for gold. Discovered in ca. 1882, Green Mountain was mined on a small scale from shallow shafts with a maximum depth 76.2 m (250 ft.) on a massive sulphide horizon. 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 feet) and remains open at depth*. Zephyr's studies suggest this sulphide horizon is analogous to that at the southern contact of the shear zone at the Dawson Gold section.

Geological studies by United States Geological Service ("USGS")** at Green Mountain report at least seven old shafts over a distance of 328 m (1,000 ft.) along the Main Trend of the shear zone; rock types identical to those hosting gold mineralization at the Dawson Gold section, including the garnetiferous biotite gneiss (aplite); and gold values from dump samples ranging from < 1 g/t to 9.24 g/t. The inferred strike length of the shear zone at the Green Mountain section is 2,440 m (8,000 ft.).

In addition to the Main Trend marked by historic shafts, the Phelps Dodge report* notes a mineralized "Western Trend", located northwest of the Main 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 which has positive implications for potential thickening of the zinc-lead-silver mineralization to the east into the El Plomo section. This is the area interpreted to have potential for a Broken Hill type deposit.

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 malachitic garnetiferous biotite aplite 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.

* *Exploration Report, Green Mountain Mine; J.M. Swallow, 1994.; true width approx.. 80% of intercept width*

** *USGS Open File Report 80-833, Raymond & Sheriden, 1980.*

El Plomo Section

On June 1, 2019, the Company entered into a mining lease agreement with the State of Colorado for a 259 hectare (640 acre) parcel of land referred to as the El Plomo section, located in the central area of the Property and contiguous with Dawson and Green Mountain. Geological data suggests that the genesis of the silver-lead-zinc mineralization at El Plomo is similar to the Broken Hill-type ("BHT") Silver-Lead-Zinc deposits.

On June 28, 2019 the Company entered into a service agreement with Balch Exploration Consulting Inc. to conduct an airborne magnetic and electromagnetic geophysical survey over the Dawson-Green Mountain property. BHT deposits can be highly magnetic while the surrounding rocks typically have a low magnetic susceptibility. This magnetic contrast can make these surveys an effective method for exploration of this deposit type.

Mineral Property Expenditures

Expenditures on the Dawson-Green Mountain property for the three and nine months ended September 30, 2019 and 2018 are as follows:

	2019		2018	
	3 Months	9 Months	3 Months	9 Months
Advanced Royalty Payment	\$ -	\$ -	\$ -	\$ -
Assays and Metallurgy	7,299	16,050	12,323	12,878
Claims Fees	29,185	29,185	-	-
Consulting and Salaries	27,637	57,692	11,133	14,133
Drilling	-	-	146,656	147,194
Field Camp and Supplies	38,180	55,917	67,523	72,809
Permitting	5,126	20,446	2,545	5,631
Other Exploration & Geology	186,976	189,918	83,962	91,998
Total Exploration Expenditures	\$ 294,403	\$ 369,208	\$ 324,142	\$ 344,642
Cumulative E&E Since Inception	\$ 4,279,265	\$ 4,279,265	\$ 2,917,077	\$ 2,917,077

RESULTS OF OPERATIONS

The loss for the nine months ended September 30, 2019 was \$524,612 compared to a loss of \$344,915 in the same period for 2018. The increase in loss can largely be attributed to share based payments of \$217,145 for the nine months ended September 30, 2019 compared to \$1,750 for the same period in 2018.

The loss for the three months ended September 30, 2019 was \$89,148 compared to a loss of \$62,844 for the same period in 2018. The increase in loss can largely be attributed to an increase in investor relations and travel.

Investor relations expenses increased from \$118,489 for the nine months ended September 30, 2018 to \$135,331 for the same period in 2019 and travel increased from \$9,890 to \$17,337 as the Company implemented new promotional activities including engaging a new investor relations company.

Stock options were issued to officers and directors and consultants resulting in a share based payments expense of \$217,145 in the nine months ended September 30, 2019 compared to \$1,750 for the same period in 2018.

The Company had working capital of \$241,296 at September 30, 2019 compared to working capital of \$239,181 at June 30, 2018. The Company completed two equity financings in 2019 for gross proceeds of \$812,070. This has been offset by continued investment in the Dawson-Green Mountain project and the net loss incurred for the period.

Selected Financial Data (Quarterly)

Quarter	Revenue \$	Net Income (Loss) \$	Income (Loss) Per Share \$	Total Assets \$	Shareholder Equity \$
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)	4,128,867	4,005,635
Q3/18	-	(62,844)	(0.001)	4,076,786	3,927,552
Q2/18	-	(198,087)	(0.004)	4,077,882	3,990,396
Q1/18	-	(83,984)	(0.002)	3,053,732	2,781,998
Q4/17	-	(128,383)	(0.004)	3,030,821	2,864,232

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

The increase in loss in Q2 2018, Q1 2019 and Q2 2019 is largely due to an increase in share based payments.

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, 2018 and are based on IFRS effective December 31, 2018.

Approval of the Financial Statements

The consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on November 28, 2019.

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, 2018. 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, 2018. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018 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, 2019, the Company has cash of \$120,782, working capital of \$241,296 and shareholders' equity of \$4,487,903. The Company's financial statements as at June 30, 2019 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, 2019, 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. Currently the Company is required to make minimum annual payments of approximately US\$52,075 to keep the Dawson-Green Mountain project 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 Dawson-Green Mountain project, the Company will need to raise additional capital. If the Company is unable to raise additional capital in the future, the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Cash Requirements

As at September 30, 2019, the Company has cash of \$120,782, working capital of \$241,296 and shareholders' equity of \$4,487,903.

The Company's principal requirements for cash in 2019 will relate to expenditures that are required to advance the Dawson-Green Mountain property, plus administrative expenditures and settling accounts payable. The Company expects to spend approximately \$50,000 before the end of 2019. These expenditures relate to the recently completed geophysical program; conducting modelling, developing a proposed drill program targeting gold on the Dawson and Green Mountain sections of the property, and designing a potential drill program on the El Plomo section targeting BHT silver-lead-zinc mineralization based on the results of the airborne survey.

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 2019 obligation in fiscal 2018. To date Zephyr USA has made advance royalty payments totalling US\$454,000 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 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. All payments for 2019 are up to date.

OUTSTANDING SHARE DATA

	November 28, 2019	September 30, 2019	September 30, 2018
Common Shares Outstanding	52,222,477	51,652,477	46,332,620
Fully Diluted Common Shares Outstanding	58,390,405	58,799,335	55,968,998

As at September 30, 2019, the Company had a total of 51,652,477 common shares issued.

As of September 30, 2019, there were a total of 3,950,000 incentive stock options outstanding exercisable for 3,950,000 Common Shares. In addition there were a total of 2,584,928 warrants exercisable for 22,584,298 Common Shares and 203,000 finder's fee warrants exercisable for 203,000 Common Shares.

As of November 28, 2019, there were a total of 3,950,000 incentive stock options outstanding exercisable for 3,950,000 Common Shares. In addition there were a total of 2,084,928 warrants outstanding exercisable for 2,084,928 Common Shares and 133,000 finder's fee warrants outstanding exercisable for 133,000 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, 2019, the Company had a cash balance of \$120,782 to settle current liabilities of \$54,745. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

Market risk

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

- (a) Interest rate risk
The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.
- (b) Foreign currency rate risk
Although the Company's principal exploration asset is based in the United States of America, the low annual maintenance costs have led

the Company to conclude that it does not believe it is not exposed to any significant foreign currency risk at the present time.

(c) Other price risk

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

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

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

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

RELATED PARTY TRANSACTIONS

Rent expense of \$1,500 (2018 - \$1,500) during the quarter was paid to an officer of the Company. The rental agreement is on a month to month basis.

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, 2019 is \$10,531 due to parties related to officers and directors.

The remuneration of directors and other members of key management personnel during the six months ended September 30, 2019 and 2018 were as follows:

	2019		2018	
Salaries and consulting fees	\$	119,100	\$	101,150
Share-based payments		102,920		-
	\$	222,020	\$	101,150

- (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.

SUBSEQUENT EVENTS

On October 30, 2019, 570,000 warrants were exercised to acquire 570,000 common shares at an exercise price of \$0.20 each, resulting in gross proceeds to the Company of \$114,000.

QUALIFIED PERSONS

Mr. Mark Graves, P.Geo., registered with the Association of Professional Geoscientists of Nova Scotia (APNS), is a qualified person as defined by National Instrument 43-101 and has reviewed and approved the scientific and technical information provided in this Management Discussion and Analysis for the period ended September 30, 2019. Mr. Graves, is vice president of exploration for the Company.

OTHER INFORMATION

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