



ZEPHYR MINERALS LTD.

Unaudited Condensed Consolidated Interim Financial Statements Three Months ended March 31, 2023 and 2022 (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 March 31, 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 Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)**

| | March 31, 2023 | December 31, 2022 |
|---|---------------------------|------------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 194,629 | \$ 402,953 |
| Accounts receivable (note 3) | 16,496 | 9,551 |
| Prepaid expenses and deposits | 6,445 | 11,347 |
| | 217,570 | 423,851 |
| Reclamation bonds (note 4) | 99,407 | 99,392 |
| Exploration and evaluation assets (note 5) | 6,424,613 | 6,390,718 |
| | \$ 6,741,590 | \$ 6,913,961 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (note 6) | \$ 38,396 | \$ 52,732 |
| Long Term | | |
| Reclamation obligation (Note 7) | 99,407 | 99,392 |
| | 137,803 | 152,124 |
| Equity | | |
| Share Capital (note 8) | 10,228,674 | 10,228,674 |
| Share-based payments reserve | 2,648,912 | 2,555,414 |
| Deficit | (6,273,799) | (6,022,251) |
| | 6,603,787 | 6,761,837 |
| | \$ 6,741,590 | \$ 6,913,961 |

Basis of presentation and going concern – Note 2

Approved by the Board of Directors

Signed "Loren Komperdo", Director

Signed "David Felderhof", Director

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZEPHYR MINERALS LTD.
Unaudited Condensed Consolidated Statements of
Operations and Comprehensive Loss for the Three
Months Ended March 31
(Expressed in Canadian dollars)

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Operating Expenses | | |
| Filing fees | \$ 7,107 | \$ 8,787 |
| Foreign exchange loss (gain) | 720 | 4,966 |
| Investor relations | 9,204 | 11,602 |
| Professional fees | 12,277 | 25,609 |
| General and administrative | 8,681 | 9,376 |
| Rent | 2,370 | 2,325 |
| Travel | 26,026 | 27,697 |
| Exploration | 1,605 | 17,530 |
| Transfer agent | 2,197 | 1,654 |
| Wages and consulting fees | 87,863 | 61,681 |
| Share based payments | 93,498 | 126,467 |
| Net Loss and Comprehensive Loss for Period | \$ (251,548) | \$ (297,694) |
| Loss Per Share – Basic | (0.004) | (0.004) |
| Weighted Average Number of Common Shares | 71,086,985 | 67,085,985 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZEPHYR MINERALS LTD.
Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31
(Expressed in Canadian dollars)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Operating Activities | | |
| Net loss | \$ (251,548) | \$ (297,694) |
| Items not requiring an outlay of cash | | |
| Share based payments | 93,498 | 126,467 |
| Net changes in non-cash working capital items | | |
| Accounts receivable | (6,945) | 23,641 |
| Prepaid expenses | 4,902 | - |
| Reclamation bonds | - | 1,300 |
| Accounts payable and accrued liabilities | (14,336) | (16,070) |
| Cash Used in Operating Activities | (174,429) | (162,356) |
| Investing Activities | | |
| Expenditures on exploration and evaluation assets | (33,895) | (40,276) |
| Cash Used for Investing Activities | (33,895) | (40,276) |
| Financing Activities | | |
| Issue of common shares net of share issue costs | - | - |
| Cash Provided by Financing Activities | - | - |
| Net Change in Cash and Cash Equivalents for the Year | (208,324) | (202,632) |
| Cash and Cash Equivalents, Beginning of Year | 402,953 | 712,863 |
| Cash and Cash Equivalents, End of Year | \$ 194,629 | \$ 510,231 |
| Non-cash financing and investing activities: | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for income taxes | \$ - | \$ - |
| Value of brokers warrants issued | \$ - | \$ - |
| Reclamation accrual | \$ - | \$ - |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZEPHYR MINERALS LTD.
Unaudited Condensed Consolidated Interim Statement of Changes
in Shareholders' Equity
For the Three Months Ended March 31, 2003
(Expressed in Canadian dollars)

| | Number of shares | Share capital | Share-based payments reserve | Deficit | Total |
|------------------------------------|---------------------|------------------|------------------------------------|-------------|-----------|
| | | \$ | \$ | \$ | \$ |
| January 1, 2022 | 67,086,985 | 9,960,539 | 2,341,073 | (5,251,430) | 7,050,182 |
| Share based payments | | | 178,683 | | 178,683 |
| Shares issued in private placement | 4,000,000 | 282,519 | 37,481 | | 320,000 |
| Share issue costs | | (14,384) | (1,823) | | (16,207) |
| Loss for year | | | | (770,821) | (770,821) |
| December 31, 2022 | 71,086,985 | 10,228,674 | 2,555,414 | (6,022,251) | 6,761,837 |
| Share based payments (note 9) | | | 93,498 | | 93,498 |
| Loss for period | | | | (251,548) | (251,548) |
| March 31, 2023 | 71,086,985 | 10,228,674 | 2,648,912 | (6,273,799) | 6,603,787 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

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 & 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, 2022. 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, 2022. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022 which are filed at 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 May 26, 2023.

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.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

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(h).

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 El Plomo section ("El Plomo") is located to the west 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, which are prospective for gold and base metals. The Company's objective is to explore and evaluate its mineral claims to determine whether the properties contain economic resources warranting a development program.

As at March 31, 2023, the Company has cash of \$194,629, working capital of \$179,174, shareholders' equity of \$6,603,787 and an accumulated deficit of \$6,273,799. The Company's financial statements as at March 31, 2023 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 March 31, 2023, the Company did not have sufficient funds to meet its minimum 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 totaling approximately US\$42,400 to keep the Property in good standing. US\$37,870 of the 2023 Property obligations have been paid and recorded in 2022. The Company is also required to pay annual inspection fees of approximately US\$6,030 to keep Nyanga North 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. 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.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

3. ACCOUNTS RECEIVABLE

| | March 31, 2023 | December 31, 2022 |
|----------------|-------------------|----------------------|
| HST receivable | \$ 16,496 | \$ 9,551 |

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:

| | March 31, 2023 | December 31, 2022 |
|--|-------------------|----------------------|
| Short term bonds related to project reclamations | | |
| Balance at beginning of period | \$ - | \$ 97,907 |
| Reallocate between short term and long term | - | (60,002) |
| Foreign currency movement | - | 8,853 |
| Return of bond | - | (46,758) |
| Balance at end of period | - | - |
| (as stated in US\$) | US\$ - | US\$ - |
| Long term bonds related to project reclamations | | |
| Balance at beginning of period | \$ 99,392 | \$ 37,950 |
| Reallocate between short term and long term | - | 60,002 |
| Foreign currency movement | 15 | 1,440 |
| Balance at end of period | 99,407 | 99,392 |
| (as stated in US\$) | US\$ 73,439 | US\$ 73,439 |

These funds are restricted for use as indicated above. The short-term amounts were released during the prior year. The long-term bonds will be held until the project has been rehabilitated. In 2022 the Company reclaimed certain roads and adjusted the short and long-term bonds accordingly.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Three Months Ended March 31, 2023

5. EXPLORATION AND EVALUATION ASSETS

| | March 31, 2023 | | | December 31, 2022 |
|-----------------|----------------------------|------------|----------------------------|----------------------------|
| | Expenditures in the period | Impairment | Cumulative since inception | Cumulative since inception |
| USA | | | | |
| Dawson-El Plomo | \$9,158 | - | \$6,376,094 | \$6,366,936 |
| Zimbabwe | | | | |
| Nyanga North | 4,576 | - | 28,358 | 23,782 |
| MC Gold | 6,711 | - | 6,711 | - |
| MAP Gold | 13,450 | - | 13,450 | - |
| | \$33,895 | - | \$6,424,613 | \$6,390,718 |

USA

Dawson – El Plomo

Following a review of relevant technical data, the Company elected to abandon low priority areas of the Dawson-El Plomo 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 now comprises 78 unpatented mining claims, 11 patented lode mining claims, two patented placer mining claim and one state lease.

The Dawson section 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

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2023 obligation in fiscal 2022, and the 2022 obligation in fiscal 2021. To date, advance royalty payments total US\$554,000 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. 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 to be restricted to the core, eastern Dawson section. As a result, in 2022 the Company entered into a sale agreement in the amount of \$40,602 (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 \$121,870 to the sale price of \$40,602. The \$81,268 reduction in carrying value has been reflected as an impairment on exploration and evaluation assets.

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.

Nyanga North

Zephyr has staked two Special Blocks 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.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

MC Gold

On January 12, 2023, the Company entered into an option agreement to acquire up to a 75% interest in the shear hosted MC Gold property (80 hectare) in Mashonaland Central from an arm's length citizen of Zimbabwe. Under the terms of the option agreement, Zephyr can acquire 75% of MC Gold by paying the optionor US\$75,000 over four years. In addition, in the event a mine is built, the Company will pay the optionor US\$250,000 upon a declaration by the Company of commercial production. The optionor is permitted to continue small-scale mining within prescribed parameters from areas currently being mined until Zephyr makes a decision to transfer the claims into a new operating company owned as to Zephyr 75% and the optionor 25%.

MAP Gold

On February 7, 2023, the Company entered into an option agreement to acquire up to an 80% interest in the MAP Gold property (65 hectare) in Mashonaland Central from an arm's length citizen of Zimbabwe. Under the terms of the option agreement, Zephyr can acquire 75% of MAP Gold by paying US\$165,000 over two years as well as certain cash payments based on the quantity of gold discovered. In addition, in the event a mine is built, Zephyr will pay the optionor US\$250,000 upon declaration of commercial production. At Zephyr's discretion, it has the right to buy 20% of the optionor's 25% interest, hereby increasing Zephyr's interest in the property to 80%. The optionor is permitted to continue small scale mining within prescribed parameters from areas currently being mined until Zephyr makes a decision to transfer the claims into a new operating company, owned as to Zephyr 75% (with option to go to 80%) and the optionor 25% (potentially decreased to 20%). Certain conditions need to be met before exploration can begin including acquiring four additional claims which are included in the agreement.

Chikonga Gold Mine

In the second quarter of 2022 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"), a privately owned arm's length Zimbabwe company. Under the terms of the option agreement, Zephyr 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 Zephyr on exploration and/or mine development will be paid back to Zephyr 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. The agreement is subject to satisfactory due diligence which remains underway while efforts continue by Hilltouch to resolve certain issues centered on delivery of clear title necessary to finalize the transaction.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Three Months Ended March 31, 2023

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2023 | December 31, 2022 |
|---------------------|-------------------|----------------------|
| Trade payables | \$ 20,139 | \$ 26,640 |
| Accrued liabilities | 18,257 | 26,092 |
| | <u>\$ 38,396</u> | <u>\$ 52,732</u> |

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 March 31, 2023 the Company has recognized an environmental rehabilitation obligation in the amount of \$99,407 (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 5 above, the Company has \$99,407 (US\$73,439) in bonds held to cover the reclamation obligation.

8. SHARE CAPITAL

Authorized capital consists of an unlimited number of common shares.

Issuance of common shares issued in 2023

There were no common shares issued in the first quarter of 2023.

Issuances of common shares in 2022

On December 5, 2022 the Company completed a private placement through the issuance of 4,000,000 units at a price of \$0.08 per unit raising a total of \$320,000. Each unit consists of one common share and one whole common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.12 per common share at any time on or before December 5, 2023. 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.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

| | |
|----------------------------------|-----------|
| Risk-free interest rate | 2.0% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 38.54% |
| Expected life of warrants | 1.0 years |
| Grant date fair value of warrant | \$0.009 |

The Company paid cash finder's fees of \$13,160 and issued 164,500 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 \$0.12 per share until expiry on December 5, 2023. 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 \$0.24 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. The finder's warrants are subject to the same acceleration clause as the unit 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.

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 17, 2023 the Company granted stock options to a officers, directors and consultants to purchase 1,200,000 common shares of Zephyr. The exercise price of the stock options is \$0.11 per share and the options expire five years from the 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 | 3.76% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 86.54% |
| Expected life of options | 5 years |
| Fair value at grant date | \$0.072 |

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

On December 1, 2022 the Company granted stock options to a consultant to purchase 200,000 common shares of Zephyr. The exercise price of the stock options is \$0.12 per share and the options expire two years from the 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 | 2.00% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 45.28% |
| Expected life of options | 2 years |
| Fair value at grant date | \$0.011 |

On January 13, 2022 the Company granted stock options to a 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 the 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 | 0.52% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 83.50% |
| Expected life of options | 5 years |
| Fair value at grant date | \$0.101 |

A summary of the change in stock options for the periods ended March 31, 2023 and December 31, 2022 is provided below:

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Three Months Ended March 31, 2023

| | Number of Options | Weighted Average Exercise Price | Weighted Average Years to Expiry |
|-----------------------------|----------------------|--|---|
| At January 1, 2022 | 5,100,000 | 0.22 | 3.2 |
| Issued | 1,450,000 | 0.12 | |
| Expired | (850,000) | 0.25 | |
| At December 31, 2022 | 5,700,000 | 0.21 | 2.9 |
| Issued | 1,200,000 | 0.11 | |
| At March 31, 2022 | 6,900,000 | 0.19 | 3.1 |

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 \$22,971 (2022 - \$43,517) due to parties related to officers and directors.

The remuneration of directors and other members of key management personnel during the periods ended March 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|------------------------------|------------|------------|
| Salaries and consulting fees | \$ 53,025 | \$ 50,475 |
| Share-based payments | 93,498 | 103,742 |
| | \$ 146,523 | \$ 154,217 |

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

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

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 March 31, 2023, the Company had a cash balance of \$194,629 to settle current liabilities of \$38,396. 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. In addition, the Company has incurred some nominal cost on its operations in Zimbabwe. Transactions in both countries are predominantly in US\$. However, as the foreign currency expenditures to date have been minimal, the Company has concluded that it is not exposed to any significant foreign currency risk at the present time.

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian dollars) Three Months Ended March 31, 2023

(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, an evaluation property in Zimbabwe and a corporate office in Halifax, Nova Scotia, Canada.

As at March 31, 2023:

| Country | Cash and cash equivalents | Mineral Properties | Receivables, bonds & prepaids | Payables | Profit (Loss) |
|----------------|----------------------------------|---------------------------|--|------------------|----------------------|
| Canada | \$82,847 | \$ - | \$ 22,941 | \$ 35,095 | \$ (209,549) |
| USA | 111,782 | 6,376,095 | 99,407 | 3,301 | 352 |
| Zimbabwe | - | 48,518 | - | - | (42,351) |
| | <u>\$ 194,629</u> | <u>\$ 6,424,613</u> | <u>\$ 122,348</u> | <u>\$ 38,396</u> | <u>\$ (251,548)</u> |

ZEPHYR MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Three Months Ended March 31, 2023

As at December 31, 2022:

| Country | Cash and cash equivalents | Mineral Properties | Receivables, bonds & prepaids | Payables | Profit (Loss) |
|----------------|----------------------------------|---------------------------|--|------------------|----------------------|
| Canada | \$309,577 | \$ - | \$ 20,898 | \$ 51,514 | \$ (543,178) |
| USA | 92,137 | 6,355,406 | 99,392 | 1,218 | (143,498) |
| Zimbabwe | 1,239 | 35,312 | | - | (84,145) |
| | <u>\$ 402,953</u> | <u>\$ 6,390,718</u> | <u>\$ 120,290</u> | <u>\$ 52,732</u> | <u>\$ (770,821)</u> |

12. SUBSEQUENT EVENTS

On April 20, 2023, the Company announced it has entered into an option agreement to acquire up to a 75% interest in the MC-2 Property. This property comprises five mining claims totaling approximately 50 hectares and are strategically located within approximately 2 kilometers of the Company's optioned MC Gold Property. The two properties are on trend, sharing many of the same geological characteristics and excellent exploration potential for large scale, shear zone hosted gold deposits. The proximity of the two claim groups with each other is a synergistic feature from a development perspective in the event of a discovery.

Zephyr can acquire 75% of the MC-2 Property by incurring US\$665,000 in exploration expenditures and making cash payments to the optionors totaling US\$65,000 over five years. The optionors are permitted to continue small scale mining within prescribed parameters from areas currently being mined until Sutter makes a decision to transfer the claims into a new operating company, owned as to Zephyr 75% and the optionors 25%.