ZEPHYR MINERALS LTD.

Consolidated Financial Statements
Year ended December 31, 2020 and 2021
(Expressed in Canadian dollars)

Wasserman
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Zephyr Minerals Ltd.:

Opinion
We have audited the consolidated financial statements of Zephyr Minerals Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 2 in the consolidated financial statements, which indicates that as of December 31, 2020 the Company has incurred losses resulting in an accumulated deficit of $4,626,014. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

<u>Auditor's Responsibilities for the Audit of the consolidated Financial Statements</u>

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Florence Chee.

Wasserman Ramsay

Chartered Professional Accountants
Licensed Public Accountants

Markham, Ontario
April 26, 2021

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

		December 31, 2020		December 31, 2019
Assets				
Current				
Cash and cash equivalents	$	1,421,552	$	98,630
Accounts receivable (note 4)		16,652		5,142
Reclamation bonds (note 5)		83,934		66,973
Prepaid expenses and deposits		10,621		25,019
		1,532,759		195,764
Reclamation bonds (note 5)		53,005		53,786
Exploration and evaluation assets (note 6)		5,865,145		4,408,242
	$	7,450,909	$	4,657,792
Liabilities				
Current				
Accounts payable and accrued liabilities (note 7)	$	43,452	$	52,835
Long Term				
Reclamation obligation (Note 8)		53,005		53,786
		96,457		106,621
Shareholders' Equity				
Share Capital (note 9)		9,771,109		6,650,404
Share-based payments reserve		2,209,357		1,899,066
Deficit		(4,626,014)		(3,998,299)
		7,354,452		4,551,171
	$	7,450,909	$	4,657,792

Basis of presentation and going concern – Note 2
Subsequent event – Note 14

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.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31
(Expressed in Canadian dollars)

		2020		2019
Operating Expenses				
Filing fees	$	20,238	$	21,947
Foreign exchange loss		14,476		5,403
Investor relations		161,690		167,429
Professional fees		35,505		27,448
General and administrative		16,312		11,646
Rent		10,810		8,116
Travel		8,670		21,618
Transfer agent		17,852		9,623
Salaries and consulting fees		138,832		122,469
Share based payments		203,330		217,145
Net Loss and Comprehensive Loss for Period	$	(627,715)	$	(612,844)
Loss Per Share – Basic		(0.010)		(0.012)
Weighted Average Number of Common Shares Outstanding – basic and diluted		63,427,431		50,315,441

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

ZEPHYR MINERALS LTD.
Consolidated Statements of Cash Flows
For the Years Ended December 31
(Expressed in Canadian dollars)

		2020		2019
Operating Activities				
Net loss	$	(627,715)	$	(612,844)
Items not requiring an outlay of cash				
Share based payments		203,330		217,145
Net changes in non-cash working capital items				
Accounts receivable		(11,510)		13,230
Prepaid expenses		14,398		(22,439)
Reclamation bonds		(16,961)		5,000
Accounts payable and accrued liabilities		(9,383)		(37,781)
Cash Used in Operating Activities		(447,841)		(437,689)
Investing Activities				
Expenditures on exploration and evaluation assets		(1,456,903)		(506,208)
Cash Used for Investing Activities		(1,456,903)		(506,208)
Financing Activities				
Issue of common shares net of share issue costs		3,227,666		941,236
Cash Provided by Financing Activities		3,227,666		941,236
Net Change in Cash and Cash Equivalents for the Year		1,322,922		(2,661)
Cash and Cash Equivalents, Beginning of Year		98,630		101,291
Cash and Cash Equivalents, End of Year	$	1,421,552	$	98,630
Non-cash financing and investing activities:				
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-
Value of brokers warrants issued	$	34,116	$	6,041
Reclamation accrual	$	781	$	21,169

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

ZEPHYR MINERALS LTD.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31
(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Deficit	Total
		$	$	$	$
January 1, 2019	47,332,620	5,763,288	1,627,802	(3,385,455)	4,005,635
Share based payments		-	217,145		217,145
Shares issued in private placement (note 9)	4,269,857	709,162	108,950	-	818,112
Share issue costs		(34,106)	(4,271)	-	(38,377)
Warrants exercised	620,000	148,710	(24,710)		124,000
Options exercised	250,000	63,350	(25,850)		37,500
Loss for year		-	-	(612,844)	(612,844)
December 31, 2019	52,472,477	6,650,404	1,899,066	(3,998,299)	4,551,171
Share based payments (note 9)		-	203,330	-	203,330
Shares issued in private placement (note 9)	10,000,000	1,790,500	343,616	-	2,134,116
Share issue costs		(142,924)	(18,808)	-	(161,732)
Warrants exercised	4,031,008	1,448,502	(208,220)		1,240,282
Options exercised	100,000	24,627	(9,627)		15,000
Loss for year		-	-	(627,715)	(627,715)
December 31, 2020	66,603,485	9,771,109	2,209,357	(4,626,014)	7,354,452

1. NATURE OF OPERATIONS

Zephyr Minerals Ltd. and its wholly owned subsidiary, Zephyr Gold USA Ltd., (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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies applied in these consolidated financial statements are presented in Note 3 and are based on IFRS effective December 31, 2020

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 April 26, 2021.

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).

Going Concern

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

As at December 31, 2020, the Company has cash of $1,421,552, working capital of $1,489,307, shareholders' equity of $7,354,452 and an accumulated deficit of $4,626,014. The Company's financial statements as at December 31, 2020 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

Management has concluded that the Company has sufficient funds to meet its minimum corporate, administrative and property obligations for the next 12 months. Currently, the Company is required to make minimum annual payments of approximately US$53,550 to keep the Property in good standing. The Company's 2021 obligation was paid and recorded in the 2020 fiscal year. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. In order to develop the Property, the 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented.

(a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The Companies current year accounts have been consolidated with its wholly owned subsidiary Zephyr Gold USA Ltd.

(b) Functional currency and presentation currency

The functional currency of the parent, and its subsidiaries is the Canadian dollar.

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash, demand deposits and highly liquid short-term investments with an initial term of 90 days or less. Cash and cash equivalents have been designated as held-for-trading.

(d) Share issuance costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs.

(e) Share-based payments

The Company has a stock option plan that is described in note 7. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

(f) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(g) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the statements of comprehensive income (loss) and the statements of changes in equity.

(h) Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carry forwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, the Company's results of operations and financial position could be materially impacted.

(i) Critical accounting estimates and judgements

Critical accounting estimates

The following are critical accounting estimates made by management:

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

The amount provided for reclamation obligation is management's best estimate of restoration, rehabilitation and environmental obligation that exist at the balance sheet date.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry- forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units;
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage; and
- The determination of the timing of the estimated rehabilitation costs to the road the Company has built to further exploration.

(j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

(k) Segmented information

The Company's operation consists of a single segment with operations located in Canada and the USA.

(l) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined by a feasibility study and a decision to proceed with development, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to resource property and development assets.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash generating unit level, when there are indicators that the carrying amount of these assets may exceed their recoverable amounts. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined. Exploration and evaluation assets are assessed on an annual basis and these costs are carried forward provided at least one of the following conditions is met:

- Such costs are expected to be recovered through successful exploration and development of the area of interest or by its sale; or
- Exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing, or planned in the future.

(m) Financial Instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

(i) Financial assets at Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in income (losses) in the period in which they arise.

(ii) Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

(iii) Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

(n) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to income (loss) for the period.
The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of operations in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against income (loss) as incurred.

(o) Foreign currency translation

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and its wholly-owned subsidiary is the Canadian dollar. The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

(p) Accounting policies adopted

IFRS 16, Leases was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard was adopted by the Company on January 1, 2019. The adoption of this standard had no impact on the Company as presently the Company has no leases subject to the new standard.

4. ACCOUNTS RECEIVABLE

		December 31, 2020		December 31, 2019
HST receivable	$	16,652	$	5,142

5. 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:

		2020		2019
Short term bonds related to drilling & geological work	$	83,934	$	66,973
(as stated in US$)	US$	$65,766	US$	51,522
Long term bonds related to road reclamations	$	53,005	$	53,786
(as stated in US$)	US$	$41,631	US$	41,631

These funds are restricted for use as indicated above. The short term amounts are released following the completion of the associated reclamation. The long term bonds will be held until the roads built by the Company are no longer in use and the land has been rehabilitated. See note 8 for further details.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Dawson-Green Mountain $
Acquisition Costs	
Balance as at January 1, 2019	378,284
Additions	83,883
Impairment	-
Balance as at December 31, 2019	462,167
Additions	349,957
Impairment	-
Balance as at December 31, 2020	812,124
Exploration	
Balance January 1, 2019	3,502,581
Expenditures	443,494
Balance December 31, 2019	3,946,075
Expenditures	1,106,946
Balance December 31, 2020	5,053,021
Carrying amount	
As at December 31, 2019	4,408,242
As at December 31, 2020	5,865,145

Dawson-Green Mountain Property

In 2020, the Company added to the El plomo section of the Dawson-Green Mountain Property with the acquisition two patented lode mining claims in an arm's length transaction. The Company also acquired a 129 acre parcel of land, the Judith Placer claim, in an arms-length transaction, in the Dawson section. The Dawson-Green Mountain Property comprises 140 unpatented mining claims, 11 patented lode mining claims, two patented placer mining claim and one state lease which cover an area of 1,446 hectares (3,574 acres), hosting a prospective mineralized trend over 12 km (7.5 miles) in an east-west direction. The Property is segregated into three distinct sections from east to west referred to as Dawson, El Plomo and Green Mountain.

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

The 50% of the eight patented lode mining claims not held by Zephyr is leased by Zephyr through a "Mining Lease and Agreement" which effectively gives Zephyr 100% control of the these claims. Twenty-one of the 51 unpatented claims, the eight patented lode mining claims and the 50% interest in the one patented placer claim are subject to a sliding scale Net Smelter Return ("NSR") whereby Zephyr agrees to pay up to a 3% NSR as contemplated in the Mining Lease and Agreement.

Zephyr is currently required to make annual advance royalty payments in terms of its Mining Lease and Agreement in the amount of US$25,000 per year. These advance royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2021 obligation in fiscal 2020. To date Zephyr has made advance royalty payments totalling US$504,000 which can be so applied. Zephyr USA is also obliged to make a payment of US$90,000 in the event of embarking on an underground program.

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

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

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2020		December 31, 2019
Trade payables	$	21,807	$	28,606
Accrued liabilities		21,645		24,229
	$	43,452	$	52,835

8. 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 December 31, 2020 the Company has recognized an environmental rehabilitation obligation in the amount of $55,531 (US$41,631) related to the estimated rehabilitation costs of roads the Company had built to advance exploration work on the Dawson-Green Mountain project. This amount has been capitalized by increasing the carrying amount of its exploration and evaluation assets. At present the timing of the obligation is unknown and will depend primarily on the results of its future exploration program. As such the full amount of the estimated liability has been recognized and has not been discounted. Changes in the estimated timing of rehabilitation or changes to the estimated future costs will be dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates. The Company assesses its rehabilitation provision on an annual basis. Actual reclamation costs, when incurred, will be charged against the provision. As noted in note 5 above, the Company has $83,934 (US$65,766) in short term bonds held to cover any reclamation costs associated with its drill and geological program at El Plomo. No provision has been made for such reclamation costs as the Company does not believe these will be material.

9. SHARE CAPITAL

Authorized capital consists of an unlimited number of common shares.

<u>Issuances of common shares in 2020</u>

On February 21, 2020 the Company completed a private placement through the issuance of 10,000,000 units at a price of $0.21 per unit raising a total of $2,100,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.35 per common share at any time on or before August 21, 2021. The Company valued the warrants and apportioned the share issue expenses incurred between the warrants value and the share value on a pro rata basis. In determining the value of the warrants, the fair value of the warrants issued were estimated using a Black-Scholes pricing model with the following weighted average assumptions used.

(Expressed in Canadian dollars)

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

The Company paid cash finder's fees of $115,740 and issued 551,145 finder's fee warrants to finders acting on behalf of the Company in connection with the placement. Each finder's fee warrant is exercisable into one common share of the Company at $0.35 per share until expiry on August 21, 2021. The expiration of the warrants may be accelerated if the volume-weighted trading average for the Company's shares on the TSXV is greater than or equal to $0.70 for any 20 consecutive trading days. If this occurs, the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrants will expire on the 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. On August 12, 2020, the Company accelerated the warrants as noted under 'Warrants'.

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

Issuances of common shares in 2019

During the year 250,000 options to purchase 250,000 common shares were exercised for proceeds of $37,500 and 620,000 warrants to purchase 620,000 common shares were exercised for proceeds of $124,000.

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

Risk-free interest rate	1.71%
Expected dividend yield	0.00%
Expected stock price volatility	53.21%
Expected life of warrants	1 year
Grant date fair value of warrant	$0.045

(Expressed in Canadian dollars)

The Company paid cash finder's fees of $26,460 and issued 126,100 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.

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.

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

Risk-free interest rate	1.68%
Expected dividend yield	0.00%
Expected stock price volatility	68.68%
Expected life of warrants	1 year
Grant date fair value of warrant	$0.055

The Company paid cash finder's fees of $1,050 and issued 7,000 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 $0.20 per share until expiry on February 26, 2020.

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

Warrants

During the year 4,031,008 warrants to purchase 4,031,008 common shares were exercised for proceeds of $1,240,282.

On August 12, 2020, the Company accelerated the expiry date of the common share purchase warrants issued on February 21, 2020 in accordance with the terms of the warrants. All unexercised warrants expired on September 22, 2020. A summary of the change in warrants for the periods ended December 31, 2020 and December 31, 2019 is provided below:

(Expressed in Canadian dollars)

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Years to Expiry
At January 1, 2019	7,031,378	0.31	0.36
Expired	(6,461,378)	0.33	
Exercised	(620,000)	0.20	
Issued	2,268,028	0.27	
At December 31, 2019	2,218,028	0.27	.35
Expired	(3,738,165)	0.35	
Exercised	(4,031,008)	0.31	
Issued	5,551,145	0.35	
At December 31, 2020	-	-	-

The following table summarizes information about the warrants outstanding at December 31, 2020 and 2019:

Expiry Dates	Exercise Price	Number of Warrants 2020	Number of Warrants 2019
February 26, 2020	$0.20	-	662,000
June 5, 2020	$0.30	-	1,556,028
		nil	2,218,028

Share-based compensation plan

During the year 100,000 options to purchase 100,000 common shares were exercised for proceeds of $15,000.

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%

(Expressed in Canadian dollars)

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 May 8, 2020 the Company granted stock options to officers and directors to purchase 875,000 common shares of Zephyr. The exercise price of the stock options is $0.26 per share. The options vest upon grant and will 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	.40%
Expected dividend yield	0.00%
Expected stock price volatility	113.8%
Expected life of options	5 years
Fair value at grant date	$0.26

On January 28, 2020 the Company granted stock options to a consultant to purchase 200,000 common shares of Zephyr. The exercise price of the stock options is $0.28 per share. The options vest upon grant and will expire 2 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	1.62%
Expected dividend yield	0.00%
Expected stock price volatility	64.42%
Expected life of options	2 years
Fair value at grant date	$0.28

A summary of the change in stock options for the periods ended December 31, 2020 and December 31, 2019 is provided below:

(Expressed in Canadian dollars)

	Number of Options	Weighted Average Exercise Price	Weighted Average Years to Expiry
At January 1, 2019	3,175,000	0.17	2.0
Issued	1,100,000	0.27	
Exercised	(250,000)	0.15	
Expired	(325,000)	0.27	
At December 31, 2019	3,700,000	0.20	2.1
Issued	1,075,000	0.26	
Exercised	(100,000)	0.15	
Expired	(725,000)	0.11	
At December 31, 2020	3,950,000	0.22	2.1

10. 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 $12,316 (2019 - $8,291) due to parties related to officers and directors.

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2020 and 2019 were as follows:

	2020	2019
Salaries and consulting fees	$ 140,200	$ 144,065
Share-based payments	183,750	154,380
	$ 323,950	$ 298,445

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

11. FINANCIAL INSTRUMENTS

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

Management of capital risk

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be cash and cash equivalents. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds will be required to finance the Company's Exploration and Evaluation Assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Fair value

The book value of cash and cash equivalents and accounts payable and accrued liabilities all approximate their fair values at the balance sheet dates, due to the relative short-term maturity of the instruments.

Credit risk

The Company is exposed to credit risk with respect to its cash and accounts receivable. The credit risk associated with cash is minimal as cash has been placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The Company is not exposed to significant credit risk with respect to accounts receivable, as the entire amount due is from a government agency.

Liquidity risk

The Company's approach to managing liquidity risk is to arrange equity financings in a timely manner so as to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of $1,421,552 to settle current liabilities of $43,452. 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.

COVID-19

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

(Expressed in Canadian dollars)

12. INCOME TAXES

The Company has non-capital losses of approximately $4,004,000 (2019 - $3,564,000 available that may be carried forward and applied against future income for Canadian income tax purposes. The tax effect has not been recorded in the consolidated financial statements. The non-capital losses expire, if unused, as follows:

2030	$	61,000
2031		309,000
2032		458,000
2033		365,000
2034		272,000
2035		376,000
2036		504,000
2037		369,000
2038		429,000
2039		421,000
2040		440,000
	$	4,004,000

In addition to the above non-capital loss carry-forwards the Company has approximately $3,900,000 (2019 - $4,123,000) in exploration expenditures deductible from future taxable income.

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets has been met. Consequently, the Company has tax assets relating to deductible temporary differences and unused tax losses of $4,004,000 (2019 $3,781,000) for which no deferred tax asset is recognized, as it is not probable that the deferred tax assets will be realized in the future.

The following are the deductible temporary differences for which no deferred tax assets are recognized in the consolidated financial statements:

(Expressed in Canadian dollars)

	2020	2019
Mineral resource properties	$ (212,000)	$ 307,000
Share issue costs	108,000	35,000
Non-capital losses carried forward	4,004,000	3,781,000
	$ 3,900,000	$ 4,123,000

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 31% (2019 – 31%) to income before income taxes. The reasons for the differences are as follows:

	2020	2019
Statutory tax rate	31%	31%
Expected income tax expense (recovery)	$ (195,000)	$ (188,000)
Items non-deductible (deductible) for tax purposes, net	52,000	(9,500)
Unused tax losses and tax offset not recognized in tax assets	143,000	197,500
	$ -	$ -

13. SEGMENTED INFORMATION

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

As at December 31, 2020:

Country	Cash and cash equivalents	Mineral Properties	Receivables and prepaid	Payables	Loss
Canada	$ 1,356,656	$ -	$ 27,273	$ 34,630	$ (609,257)
USA	64,916	5,865,145	136,939	8,822	(18,457)
	$ 1,421,552	$ 5,865,145	$ 164,212	$ 43,452	$ (627,714)

(Expressed in Canadian dollars)

As at December 31, 2019:

Country	Cash and cash equivalents	Mineral Properties	Receivables, bonds & prepaids	Payables	Profit (Loss)
Canada	$ 103,795	$ -	$ 21,699	$ 39,935	$ (610,730)
USA	(5,165)	4,408,242	120,759	12,900	(2,114)
	$ 98,630	$ 4,408,242	$ 142,458	$ 52,835	$ (612,844)

14. SUBSEQUENT EVENTS

On March 9, 2021 and April 1, 2021, the Company granted stock options to purchase 2,475,000 common shares and 200,000 common shares respectively, at a price of $0.19 for a period of 5 years. Also, subsequent to year end, 483,500 stock options were exercised for gross proceeds of $48,350 and 791,500 stock options expired unexercised at prices ranging from $0.10 to $0.25.