



Zephyr Minerals Ltd

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Trading Symbol: ZFR.P: TSX-V
Shares Outstanding: 13,024,500

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NEWS RELEASE

ZEPHYR MINERALS LTD. ANNOUNCES PRIVATE PLACEMENT AND CONCLUDES DEFINITIVE AGREEMENT FOR QUALIFYING TRANSACTION

August 16, 2011 HALIFAX, NOVA SCOTIA – Zephyr Minerals Ltd. ("**Zephyr**" or the "**Company**") (TSX-V:ZFR.P) is pleased to announce that it has signed a definitive option agreement for its Qualifying Transaction and has arranged a private placement of common shares.

Qualifying Transaction

On June 8, 2011, Zephyr announced that it entered into a letter of intent with SLAM Exploration Ltd. ("**SLAM**") (TSX-V: SXL) (US-OTC: SLMXF) which set out the general terms and conditions of the agreement between the Company and SLAM whereby the Company would have the option to acquire up to a 70% interest in 12 contiguous mining claims ("**Keezhik Claims**") situated in the Pickle Lake region, Ontario, Canada.

Zephyr is pleased to announce that on August 10, 2011, the Company entered an arm's length definitive agreement (the "**Definitive Agreement**") with SLAM for the right to earn up to a 70% interest in the Keezhik Claims covering approximately 2,704 hectares (the "**Transaction**").

The Transaction is subject to the approval of the TSX Venture Exchange (the "**Exchange**") and is intended to constitute Zephyr's Qualifying Transaction, as defined under the Exchange Policy 2.4, *Capital Pool Companies*.

Under the terms of the Definitive Agreement, Zephyr has the exclusive right to earn up to a 70% interest in the Keezhik Claims by making cash payments, issuing common shares of Zephyr, and conducting work programs on the Keezhik Claims over two phases. In phase one, Zephyr may earn a 50% interest in the Keezhik Claims by making cash payments totaling \$104,500, issuing 594,000 common shares, and completing work programs on the Keezhik Claims with a total value of a minimum of \$650,000 over a three year period.

If Zephyr completes phase one and earns a 50% interest, Zephyr has the right to earn a further 20% in the Keezhik Claims by competing phase two and making cash payments totaling \$121,000, issuing 880,000 common shares, and completing work programs on the Keezhik Claims with a total value of a minimum of \$900,000 over a two year period.

Zephyr may accelerate the cash payments, delivery of common shares and work programs in order to exercise the option at any time. Zephyr may terminate its obligations and forfeit its rights under the Definitive Agreement at its sole discretion at any time on 30 days notice after completing the initial requirements of making a cash payment of an aggregate of \$27,500, the delivery of 132,000 common shares and the

completion of a work program of a minimum of \$150,000, provided that the Keezhik Claims have sufficient assessment work for one year at the time of notification.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Exchange's acceptance. The Exchange has in no way passed on the merits of the proposed Transaction and has neither approved or disapproved the contents of this news release.

Trading of the common shares of Zephyr was halted at Zephyr's request when it announced its proposed Qualifying Transaction on June 8th, 2011 and will remain halted pending the completion of the Qualifying Transaction and until the Exchange authorizes a reinstatement of trading.

Keezhik Gold Property

Zephyr engaged R.T. Chataway, P. Geo, for the purpose of preparing a report in accordance with National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") with respect to the Keezhik Claims. The Company received Mr. Chataway's report entitled "Technical Report On the Keezhik Gold Project, Thunder Bay Mining Division, Northwestern Ontario" on August 2, 2011. The report included a proposed work program and budget for the exploration of the Keezhik Claims ("**the Property**").

The Property is approximately 11 km by 5 km and covers an 11 km strike length of volcano-sedimentary stratigraphy that includes a large gold mineralized system encompassing 7 known gold occurrences. It is situated within the same greenstone belt (Uchi Subprovince) that hosts the world-famous Red Lake gold mine of Goldcorp Inc., as well as the Pickle Lake and Rice Lake mining camps

To date work on the Property has included line cutting, humus sampling, an airborne magnetic, electromagnetic and radiometric survey, and 2,000 metres of diamond drilling. Five holes were drilled in 2004, four in 2008, and one hole in 2010 to follow up on Hole KL0818 from 2008, which encountered several mineralized intervals of gold including 6.04 g/t over 1.5 metres and 4.69 g/t over 1.0 metre. The follow up hole was located 50 metres ahead and parallel to Hole KL0818 and also contained several gold-bearing intercepts including 22.0 g/t over 1.5 metres.

Based on Mr. Chataway's recommendation, it is Zephyr's intention to conduct a comprehensive compilation of all previous work, geochemical sampling, geophysical surveying and structural mapping to produce a database to assist in identifying and prioritizing diamond drill targets on the Property.

This press release was prepared under the supervision of R.T. Chataway, P. Geo., who is a Qualified Person as defined under National Instrument 43-101. Mr. Chataway has reviewed the scientific and technical information in this press release.

Private Placement

Following conditional acceptance of the Qualifying Transaction by the Exchange, Zephyr intends to complete a private placement offering (the "**Offering**") of up to 3,000,000

common shares at a price of \$0.35 per common share for aggregate gross proceeds of up to \$1,050,000.

Zephyr has retained Macquarie Private Wealth Inc. (“**Macquarie**”) to act as its agent on a "commercially reasonable efforts" basis in respect of the Offering. Macquarie will receive as compensation for services a cash commission of 7% of the gross proceeds of the Offering. In addition, the Company will grant to Macquarie compensation options which will entitle Macquarie to acquire such number of common shares as is equal to 7% of the number of common shares sold under the Offering at a price of \$0.35 per common share and exercisable for a period of 24 months from the closing of the Offering. Macquarie will also receive from the Company a cash corporate finance. In addition, Zephyr will be responsible for payment of all reasonable out-of-pocket expenses incurred by Macquarie in connection with the Offering.

The gross proceeds of the Offering will be used to pay for costs and expenses associated with the Qualifying Transaction and the Offering, to fund the payment to SLAM Exploration Ltd. due on the conditional acceptance of the Qualifying Transaction by the Exchange, to fund phase one of the exploration program on the Keezhik Claims and for general working capital purposes.

The Offering is subject to certain conditions, including but not limited to the receipt of all required regulatory approvals and consents, including the approval of the Exchange. The securities issued pursuant to the Offering will be legended with a hold period expiring four months and one day after the closing of the Offering in accordance with applicable securities laws and, if required, the policies of the Exchange.

Forward Looking Statement

Certain information in this press release may contain forward-looking statements. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results might differ materially from results suggested in any forward-looking statements. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward looking statements unless and until required by securities laws applicable to the Company. Additional information identifying risks and uncertainties is contained in the Company's filings with the Canadian securities regulators, which filings are available at www.sedar.com.

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The Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.