ZEPHYR MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

INTRODUCTION

The following management's discussion and analysis of the financial position and results of operations of Zephyr Minerals Ltd. ("Zephyr" or the "Company"), prepared as of April 26 2018 should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2017 and December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These factors include risks such as: the Company's ability to raise additional capital on favourable terms; the Company's ability to obtain, renew or maintain the necessary authorisations and permits for the Dawson project; increases in costs affecting the Dawson project; fluctuations in the price of gold; changes in environmental regulations and fluctuations in foreign currency values.

The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under "Risk Factors" in the Company's annual information form dated July 24, 2015, a copy of which may be obtained on the SEDAR website at www.sedar.com.

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

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol "ZFR". The Company's head office is in Halifax, Nova Scotia, Canada. The financial statements as at December 31, 2017 and 2016 and for the years then ended have been prepared by management and have been audited by the Company's auditor, Wasserman Ramsay, Chartered Accountants.

OVERVIEW

Zephyr Minerals Ltd. was incorporated under the *Canada Business Corporations Act* (the "CBCA") on May 26, 2010. The head office of the Company is located at 1300 – 1959 Upper Water Street, Halifax, Nova Scotia. On March 23, 2011, the Company received a final receipt for a prospectus dated March 18, 2011 and became a reporting issuer in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia.

On October 31, 2012 the Company announced it had closed a gold property acquisition with Celtic Minerals Ltd. ("Celtic Minerals") to purchase a 100% interest in the Dawson project in Colorado, USA. The acquisition was done by way of a share purchase agreement, whereby Zephyr acquired 100% of Celtic Gold Ltd. (this company's name was subsequently changed to Zephyr Gold USA Ltd. ("Zephyr USA")), a Colorado company and subsidiary of Celtic Minerals, which holds title to the Dawson project.

The Company has been actively exploring and developing the project having completed two drill programs, filed an NI 43-101 report containing resource estimates for the Dawson and Windy Gulch zones, and completed and filed a Preliminary Economic Assessment report on developing the Dawson zone on March 22, 2017. The Company's objective is to expand resources and obtain a mining permit to support a potential production decision.

FINANCING

On April 11, 2018 the Company completed a private placement through the issuance of 8,350,000 units at a price of $0.18 per unit raising a total of $1,503,000. 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 $0.30 per common share at any time on or before April 10, 2019. The expiry date of the warrants may be accelerated by Zephyr at any time if the volume-weighted average trading price of the common shares is greater than or equal to $0.375 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 20th calendar day after the date of such press release. The Company paid cash finder's fees of $85,490 and issued 474,950 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 April 10, 2019. The expiry date of the finder's warrants are subject to the same acceleration clause as the unit warrants.

On September 19, 2017 the Company receive approval from the TSX Venture Exchange to amend the terms of an aggregate of 4,500,000 common share purchase warrants issued to subscribers (the "Subscriber Warrants") pursuant to the Company's private placement financing, which closed November 18, 2015.

The Subscriber Warrants issued pursuant to the private placement had an exercise price of $0.20 and an expiry date September 18, 2017. The amended Subscriber Warrants now have an exercise price of $0.30 and expire September 18, 2018. All other terms of the Subscriber Warrants remain unchanged.

On August 1, 2017 the Company closed the second and final tranche of a private placement through the issuance of 817,859 units at a price of $0.28 per unit raising a total of $229,001. Each unit consists of one common share and one-half transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.42 per common share at any time on or before August 1, 2019.

On May 29, 2017 the Company closed the first tranche of the private placement through the issuance of 2,130,000 units at a price of $0.28 per unit raising a total of $596,400. Each unit consists of one common share and one-half transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.42 per common share at any time on or before May 29, 2019.

On February 28, 2017 the Company completed a private placement through the issuance of 675,000 units at a price of $0.32 per unit raising a total of $216,000. 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 $0.42 per common share at any time on or before February 28, 2019. There were no commissions or finder's fees in connection with the private placement.

On January 31, 2017 the Company completed a private placement through the issuance of 302,500 units at a price of $0.32 per unit raising a total of $96,800. 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 $0.38 per common share at any time on or before January 31, 2018. The Company paid cash finder's fees of $5,880 and issued 18,375 finder's fee warrants to a finder acting on behalf of the Company in connection with the placement. Each finder's fee warrant is exercisable into one common share of the Company at $0.38 per share until expiry on January 31, 2018.

DAWSON PROPERTY, COLORADO, USA

The Dawson project is comprised of five gold mineralized areas which are, from east to west: the Sentinel zone, the Dawson zone, the Copper King zone, the Windy Gulch zone and the Windy Point zone. The gold resources identified to date are confined to the Dawson and Windy Gulch zones with the remaining three zones representing gold prospective areas on the 4.2 km (2.6 miles) long geologically favourable trend. It is located in south-central Colorado, about 9.5 km southwest of Canon City in Fremont County. On January 30, 2018, the Company announced the staking of 10 additional claims covering an area directly east of the Sentinel zone (See Subsequent Events). The Dawson project now consists of 55 contiguous unpatented lode mining claims, and eight patented lode mining claims and one patented placer claim covering approximately 1,143 acres (463 hectares). Zephyr holds a 100% interest in the 55 contiguous unpatented claims, 50% interest in the eight patented claims, and a 50% interest in one patented placer claim. 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 55 unpatented claims, the eight patented lode mining claims and the 50% interest in the one patented placer claim are subject to a sliding scale Net Smelter Return ("NSR") whereby Zephyr agrees to pay up to a 3% NSR as contemplated in the Mining Lease and Agreement.

The gold mineralization at Dawson was discovered by U.S. Borax Ltd. in the early 1980's and last explored by Uranerz U.S.A. Inc. in the early 1990's. During this period a total of 142 diamond drill holes for 27,206 metres were drilled, from which several resource estimates were completed. In late March, 2013, Zephyr commenced a diamond drill program on the Windy Gulch zone of the Dawson property. The 13 hole diamond drill program of approximately 580 metres was designed to expand and better define the near-surface gold resource. The drill results have been incorporated with historical drill data to calculate the first independent NI 43-101 resource estimate on the Dawson zone and Windy Gulch zone of the Dawson property. The resource estimates were disclosed in the technical report on the Dawson project entitled "Resource Estimate Technical Report for the Dawson Property Fremont County, Colorado, USA" and prepared by Andrew Hilchey, P. Geo., of Mercator Geological Services Limited, Isobel Wolfson, M.Sc., P.Geo., and Mark Graves, P. Geo., with an effective date of July 19, 2013.

On November 17, 2015 Zephyr filed on SEDAR a technical report entitled "Updated National Instrument 43-101 Technical Report for the Dawson Property, located in Colorado, USA", with an effective date of August 26, 2015, which was prepared for Zephyr by Patrick Hannon, P.Eng., and Doug Roy, P.Eng. of MineTech International Limited, Andrew Hilchey, P.Geo., of Mercator Geological Services Limited, Matt Bolu, P.Eng., of BOMENCO Inc., and Mark Graves, P.Geo., vice president of exploration for the Company; who was an independent consultant at the time of the report.

The 2015 technical report addresses new work completed on the Dawson project since the initial 2013 resource estimate technical report. New work includes aspects pertaining to metallurgy, mine design, mine scheduling, mining method, proposed equipment, manpower, underground capital and operating cost, but does not include surface capital costs, processing, or the general and administrative costs of the proposed operation.

In 2016 the Company completed a 16 hole drilling program of approximately 745 metres on the Windy Gulch zone of the Dawson project. The drill program was successful in further delineating the shape and trend of the deposit while demonstrating continued high grade gold mineralization defined in the current resource estimate. The program demonstrated that possible future plans of development would likely be by underground mining. The drill program also defined the near surface eastern extremity of the gold mineralization at Wind Gulch. The full text of releases regarding these drilling results can be found on the Company's website and on SEDAR in news releases dated August 9, 2016, September 27, 2016, and October 18, 2016.

In October 2016, the Company received a report by Stanley Keith, on detailed mapping and geochemical sampling conducted in the Windy Gulch area. Results of this work indicate gold mineralization at the Dawson Gold Project is hosted by northeast trending dilational structures within an east-west oriented shear zone separating two large peraluminous granites. Rocks hosting the gold mineralization are characterized as aluminum rich and are also interpreted to be the direct source of the gold.

On February 7, 2017, the Company announced the results of the PEA on a 100% ownership basis for the Dawson Gold Project. The PEA provides a base case assessment of developing the Dawson zone mineral resource and does not include the Windy Gulch zone or the Windy Point zone. Following a successful 2016 drill campaign at Windy Gulch, the PEA also contains an updated resource estimate. The PEA is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There has been insufficient drilling to define the inferred resources as indicted or measured mineral resource; however, it is reasonable to expect that the inferred mineral resources could be upgraded to indicated and possibly measured resources with continued drilling. There is no guarantee that any part of the mineral resources discussed herein will be converted into a mineral reserve in the future.

Highlights of the PEA:

Base case parameters assume a gold price of US$1,250/oz and an exchange rate (US$ to C$) of 0.76.

- Pre-Tax IRR and $NPV_{5\%}$ of 66% and $46.7 million (US$35.5 million) and a 2.4 year payback of initial capital;
- After-Tax IRR and $NPV_{5\%}$ of 46% and $29.1 million (US$22.1 million) and a payback of 2.7 years;
- Low initial capital of $43.6 million (US$33.2 million) including contingency;
- Life of mine ("LOM") cash cost of US$563/oz[(1)];
- LOM cash cost including all in sustaining cost of US$692/oz[(2)];
- LOM diluted head grade 9.2 grams per tonne ("g/t") (0.27 ounces per short ton ("oz/st"));
- LOM gold combined gravity and float recovery of 92%.

(1) Cash cost includes mining cost, mine-level G&A, mill and refining costs.
(2) Sustaining capital cost includes underground equipment and waste development costs after the mill has been commissioned.

On March 22, 2017 the Company filed the report containing the PEA and updated resource estimate; entitled "National Instrument 43-101 Technical Report for the Dawson Property, Colorado, USA", effective March 21, 2017.

DAWSON ZONE MINERAL RESOURCE ESTIMATE EFFECTIVE JULY 19, 2013

Resource Category	Au Cut-Off	Tonnes (Rounded)	Tons (Rounded)	Au Grade	Ounces**
Inferred	0.12 oz/tn (4 g/t)	371,000	409,000	0.29 oz/tn (10.09 g/t)	120,400
Inferred	**0.15 oz/tn* (5 g/t)**	**343,000**	**378,000**	**0.31 oz/tn (10.55 g/t)**	**116,300**
Inferred	0.18 oz/tn (6 g/t)	310,000	342,000	0.32 oz/tn (11.08 g/t)	110,400

*Resource statement cut-off value of 0.15 oz/tn (5 g/t) Au is highlighted by bolding
**Ounces may not sum due to rounding
Notes:

1) Tonnes and tons have been rounded to the nearest 1,000.
2) Ounces have been calculated from reported tonnes and g/t Au grade and are rounded to the nearest 100 ounces.
3) Contributing 5 ft (1.5 m) assay composites were capped at 1.17 oz/tn (40 g/t) Au.
4) The resource statement cut-off grade of 0.15 oz/tn (5.00 g/t) Au is highlighted in Table 14-8 above through bolding and reflects underground development potential based on a Au price of US$1,200/ounce.
5) A density value of 0.082 tn/ft^3 (2.63 g/cm^3) was used for the Dawson zone.
6) Mineral resources were estimated in conformance with the Canadian Institute of Mining, Metallurgy and Petroleum – Standards on Mineral Resources and Reserves – Definitions and Guidelines, as referenced in NI 43-101.
7) The rounding of tonnes as required by NI 43-101 reporting guidelines may result in apparent differences between tonnes, grade and contained ounces.
8) Mineral resources are not mineral reserves and do not have demonstrated economic viability. This estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
9) The quantities and grades of reported Inferred Mineral Resources are uncertain in nature and further exploration may not result in their upgrading to Indicated or Measured status

WINDY GULCH ZONE OPEN PIT AND UNDERGROUND MINERALS RESOURCE ESTIMATE EFFECTIVE MARCH 21, 2017

Resource Classification	Tons	Au (oz/tn)	Au Ounces
Pit Constrained Resources (0.035 oz/ton cut-off)			
Indicated	67,000	0.11	7,300
Inferred	6,000	0.09	500
Underground Resources (0.093 oz/ton cut-off)			
Indicated	11,000	0.18	2,000
Inferred	14,000	0.19	2,700
Total Indicated	**78,000**	0.12	**9,300**
Total Inferred	**20,000**	0.16	**3,200**

Notes:

1) Pit constrained resources constrained to a pit shell and reported at a 0.035 oz/t Au cut-off.
2) All underground resources reported outside and below the pit shell at a 0.093 oz/t Au cut-off.
3) Resource tonnages have been rounded to the nearest 1,000 tons.
4) Grade estimates have been rounded to the nearest one hundredth of an ounce of gold.
5) Calculated Au ounces are rounded to the nearest 100 ounces.
6) Resource estimates do not include mining recovery or dilution factors.
7) Resource estimates have accounted for metallurgical recovery.

8) Calculated Au ounces may not add up correctly due to rounding.

Expenditures on the Dawson project for the three months and years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
Exploration Expenditures	**3 Months**	**12 Months**	**3 Months**	**12 Months**
Advanced Royalty Payment	$ 31,927	$ 31,927	$ 33,340	$ 68,904
Assays and Metallurgy	15,379	37,213	1,972	55,348
Field Camp and Supplies	62,645	153,103	7,950	20,443
Claims Fees	-	8,833	-	9,140
Consulting and Salaries	4,852	16,085	4,250	75,498
Drilling	-	-	-	326,591
Mine Planning / PEA	-	74,183	102,736	270,575
Other Exploration & Geology	76,171	334,063	19,014	208,019
Permitting	5,114	97,996	10,931	25,384
Total Exploration Expenditures	$ 196,088	$ 753,403	$ 180,193	$ 1,059,902
Cumulative E&E Since Inception	$ 2,572,435	$ 2,572,435	$ 1,819,032	$ 1,819,032

OUTLOOK

The PEA results support managements view that the gold resources at the Dawson zone have potential for an economic, near-term, low capex, low opex, high grade underground gold mine. The Company intends to further enhance the already robust economics by continuing exploration with the objective of identifying additional resources to increase the proposed mill through-put and extend the potential mine life. Areas targeted for resource expansion include the Dawson zone which is open down-plunge and up-plunge, the Windy Gulch zone which is open at depth, and the Windy Point zone where potential is indicated by near surface high grade gold mineralization.

In 2017, the Company completed a trenching program at Windy Gulch, which generated the best results to date from the Windy Gulch zone; an interval of 6.4 m of 22.2 g/t gold, including 1.8 m of 63.0 g/t gold. The trenching took place during the course of a road building program to support a diamond drill program planned for Q2 2018. Subsequent to the year end, the Dawson Property was expanded to include the newly staked Sentinel East zone which is interpreted to be the eastern extension of the of the Dawson Shear zone. This has increased the property length from 3.2 km to 4.2 km of gold prospective geology.

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

RESULTS OF OPERATIONS

The loss for the year ended December 31, 2017 was $515,338 compared to a loss of $346,570 in the same period for 2016. The increase can largely be attributed to an increase in investor relations and consulting fees.

Investor relations increased to $146,065 in 2017 from $80,417 in 2016 due to a significant increase in promotional and marketing efforts, which coincides with efforts to raise funds to continue the exploration and development programs on the Dawson gold project. Travel also increased from $4,373 in 2016 to $22,307 in 2017.

Filing fees, professional fees, rent and transfer agent fees were generally consistent year over year.

Salaries and consulting fees were $207,136 in 2017 compared to $144,910 in 2016 as the Company engaged consultants to assist with various corporate activities including capital market advisory services.

Stock options were issued to a consultant and a newly appointed vice president of exploration, resulting in an increased share based payments expense of $43,425 in 2017 compared to $28,800 in 2016.

The Company's working capital position at December 31, 2017 was $48,057 compared to $154,042 on December 31, 2016. In 2017, the Company closed private placements for aggregate gross proceeds of $1,141,251. The reduced working capital in 2017 was due to continued investment in the Dawson project and the net loss incurred for the period. To enhance the working capital position and continue exploration activities the Company raised funds though an equity financing subsequent to year end (see Subsequent Events below).

Selected Financial Data (Annual)

Annual	Revenue $	Net Income (Loss) $	Income (Loss) Per Share $	Total Assets $	Shareholder Equity $
2017	-	(515,338)	(0.014)	3,030,821	2,864,232
2016	-	(346,570)	(0.010)	2,388,312	2,216,814
2015	-	(284,432)	(0.011)	2,346,402	2,274,218

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

Selected Financial Data (Quarterly)

Quarter	Revenue $	Net Income (Loss) $	Income (Loss) Per Share $	Total Assets $	Shareholder Equity $
Q4/17	-	(128,383)	(0.004)	3,030,821	2,864,232
Q3/17	-	(132,609)	(0.004)	3,199,827	2,994,430
Q2/17	-	(155,386)	(0.004)	2,982,466	2,863,751
Q1/17	-	(98,960)	(0.003)	2,513,328	2,417,507
Q4/16	-	(78,579)	(0.002)	2,388,312	2,216,814
Q3/16	-	(75,560)	(0.002)	2,209,495	2,094,107
Q2/16	-	(86,224)	(0.003)	2,241,090	2,110,667
Q1/16	-	(106,207)	(0.003)	2,262,412	2,196,891

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

The Company's losses are generally consistent quarter over quarter. The Company's increase in loss in 2017 compared to that of 2016 is largely due to the Company increasing its marketing and promotional activity, and an increase in salaries and consulting fees, as the Company continues to grow and further advance the Dawson deposit.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

Statement of Compliance

The consolidated financial statements, to which this MD&A relates, 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 the audited consolidated financial statements are presented in note 3 of the financial statements and are based on IFRS effective December 31, 2017

Approval of the Financial Statements

The consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on April 26, 2018.

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(h).

Going Concern

The Company holds a 100% interest in the Dawson gold project ("Dawson") in Colorado, USA an advanced gold project with exploration potential. The Company's objective is to explore and evaluate these mineral claims to determine whether the property contains economic resources warranting a development program.

As at December 31, 2017, the Company has cash of $14,211, working capital of $48,057 and shareholders' equity of $2,864,232. The Company's financial statements as at December 31, 2017 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.

Subsequent to year end, the Company closed a private placement financing wherein it raised gross proceeds of $1,503,000 through a unit offering. Considering this unit offering, management 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$33,000 to keep the Dawson project in good standing. The Company's 2018 obligation was paid and recorded in the 2017 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 Dawson project, the Company will need to raise additional capital. If the Company is unable to raise additional capital in the future, the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Cash Requirements

As at December 31, 2017, the Company has cash of $14,211, working capital of $48,057 and shareholders' equity of $2,864,232.

The Company's principal requirements for cash in 2018 will relate to expenditures, noted in more detail below, that are required to advance the Dawson project, plus administrative expenditures and settling accounts payable. The Company expects to spend approximately $700,000 before the end of 2018 to complete further exploration and development activities including sampling, trenching and drilling.

Contractual and Other Obligations

Zephyr USA is currently required to make annual advance royalty payments in terms of its Mining Lease and Agreement in the amount of US$25,000 per year. These advance royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2018 obligation in fiscal 2017. To date Zephyr USA has made advance royalty payments totalling US$429,000 which can be so applied. Zephyr USA is also obliged to make a payment of US$90,000 in the event of embarking on an underground program. Zephyr USA is also required to make annual payments of approximately US$8,525 to maintain the non-patent claims that form part of the Dawson project.

OUTSTANDING SHARE DATA

	April 26, 2018	**December 31, 2017**	**December 31, 2016**
Common Shares Outstanding	46,332,620	37,982,620	34,057,261
Fully Diluted Common Shares Outstanding	60,859,927	48,004,604	42,578,841

As at December 31, 2017, the Company had a total of 37,982,620 Common Shares outstanding.

As of December 31, 2017, there were a total of 3,525,000 incentive stock options outstanding exercisable for 3,525,000 Common Shares. In addition there were a total of 6,462,680 warrants exercisable for 46,462,680 Common Shares and 34,304 finder's fee warrants exercisable for 34,304 Common Shares.

As of April 26, 2018, there were a total of 3,550,000 incentive stock options outstanding exercisable for 3,550,000 Common Shares. In addition there were a total of 10,486,428 warrants outstanding exercisable for 10,486,428 Common Shares and 490,879 finder's fee warrants outstanding exercisable for 490,879 Common Shares.

See "Financing" in this MD&A for information on issuances of Common Shares by the Company.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through income or loss; accounts receivable are classified as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. In 2017 the Company recognized a foreign exchange loss on cash holdings in the amount of $13,303.

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, 2017, the Company had a cash balance of $14,211 to settle current liabilities of $133,972. As noted in Note 12, subsequent to the year end the Company has raised an additional $1,503,000. 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 risk, 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.

RELATED PARTY TRANSACTIONS

Rent expense of $6,000 (2016 - $6,000) during the year was paid to a director of the Company.

The spouse of a director of the Company received US$11,000 (2016 – US$5,000) in compensation for providing promotional services to the Company.

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 $21,834 (2016 - $18,622) 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, 2017 and 2016 were as follows:

		2017		2016
Salaries	$	246,400	$	163,750
Share-based payments		36,600		28,880
	$	283,000	$	192,630

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

OFF BALANCE SHEET ARRANGEMENTS

During the year the Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51-102.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Significant accounting policies used by the Company are disclosed in Note 3 of the Financial Statements for the year ended December 31, 2017. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued liabilities, the variables used in the determination of the fair value of stock options granted and warrants issued, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

New Accounting Policies Adopted During the Year

No new accounting policies were adopted during the current fiscal year.

Accounting Standards Issued But Not Yet Effective

IFRS 9 Financial Instruments

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after January 1, 2018 and supersedes the current IFRS 9.

The Company has not early-adopted this revised standard and is currently assessing the impact that this standard will have on the consolidated financial statements and disclosures.

SUBSEQUENT EVENTS

On April 11, 2018 the Company completed a private placement through the issuance of 8,350,000 units at a price of $0.18 per unit raising a total of $1,503,000. 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 $0.30 per common share at any time on or before April 10, 2019. The expiry date of the warrants may be accelerated by Zephyr at any time if the volume-weighted average trading price of the common shares is greater than or equal to $0.375 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 20th calendar day after the date of such press release. The Company paid cash finder’s fees of $85,490 and issued 474,950 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 April 10, 2019. The expiry date of the finder’s warrants are subject to the same acceleration clause as the unit warrants.

On January 30, 2018 the Company announced the staking of 10 additional claims on the eastern boundary of the Dawson property. These new claims cover an area directly east of the Sentinel Zone and expands the property to a length of 4.2 km (2.6 miles). Geological mapping, trenching, sampling and geophysics have demonstrated the Dawson Shear Structure continues easterly into the Sentinel Zone and remains open in this direction. This new staking expands the potential length of the Sentinel Zone to 1500 m (5,000 feet).

QUALIFED PERSONS

Mr. H.M. Matt Bolu, Principal Metallurgical Engineer of BOMENCO Inc., is a P.Eng. registered with the Association of Professional Engineers and Geoscientists of BC (APEGBC). He is a Qualified Person as defined under National Instrument 43-101(QP) and has reviewed and approved the metallurgical information contained in this MD&A. Mr. Bolu is independent of the Company. Mr. Mark Graves, who is a P.Geo. registered with the Association of Professional Geoscientists of Nova Scotia (APNS), is also a QP. Mr. Graves, vice president of exploration for the Company, has reviewed and approved the balance of the technical information in this MD&A.

OTHER INFORMATION

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