

ZEPHYR MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

INTRODUCTION

The following management's discussion and analysis of the financial position and results of operations of Zephyr Minerals Ltd. ("Zephyr" or the "Company"), prepared as of April 26 2019 should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2018 and December 31, 2017, 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-Green Mountain 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, complete airborne geophysical surveys over the Green Mountain section 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 zone; the results of a preliminary economic assessment; the results of a surface and ground water monitoring program and compliance with state permitting requirements. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements unless required to do so under applicable securities law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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

The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under "Risk Factors" in the Company's annual information form dated July 24, 2015, a copy of which may be obtained on the SEDAR website at www.sedar.com. Included in the risk factors is one, "Influence of Significant Shareholders". In the AIF it is noted that the Company has one significant shareholder controlling 16.25% of its shares. This shareholder currently holds 23.33% of the Company's shares.

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

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol "ZFR". The Company's head office is in Halifax, Nova Scotia, Canada. The financial statements as at December 31, 2018 and 2017 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 1301 – 1959 Upper Water Street, Halifax, Nova Scotia. On March 23, 2011, the Company received a final receipt for a prospectus dated March 18, 2011 and became a reporting issuer in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia.

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 Gold project in Colorado, USA. The acquisition was done by way of a share purchase agreement, whereby Zephyr acquired 100% of Celtic Gold Ltd. ("Celtic Gold"), a Colorado company which holds title to the Dawson Gold project. Celtic gold was subsequently renamed Zephyr Gold USA Ltd. ("Zephyr USA").

The Company significantly expanded its holdings in west-central Colorado with the addition of the Green Mountain project. Combined with the Dawson Gold project, the Dawson-Green Mountain project ("Dawson-Green Mountain") covers a mineralized trend over 12 kilometers (7.5 miles) long, encompassing 1,385 hectares (3,430 acres).

The eastern claims ("Dawson Gold") of Dawson-Green Mountain include an advanced gold project with exploration potential, and the west-central claims ("Green Mountain") host potential for a Broken Hill-type zinc, lead and silver discovery. The Company's objective is to explore and evaluate these mineral claims to determine whether the property contains economic resources warranting a development program.

FINANCING

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

On November 2, 2018 the Company completed a private placement through the issuance of 1,000,000 units at a price of \$0.15 per unit raising a total of \$150,000. 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 \$0.20 per common share at any time on or before November 2, 2019. The Company paid cash finder's fees of \$10,500 and issued 70,000 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 November 2, 2019.

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 11, 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 received 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 had an exercise price of \$0.30 and expired September 18, 2018. All other terms of the Subscriber Warrants remained 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. 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. The warrants and the finder's fee warrants expired on January 31, 2018, unexercised.

DAWSON-GREEN MOUNTAIN PROPERTY, COLORADO, USA

The Company holds a 100% interest in the Dawson-Green Mountain project in Colorado, USA, approximately 9.5 km southwest of Canon City in Fremont County. The eastern claims, which form the Dawson Gold section of Dawson-Green Mountain include an advanced gold project with exploration potential, and the west-central claims, which form the Green Mountain section, host potential for a Broken Hill-type zinc, lead and silver discovery.

Dawson Gold Section

The Dawson Gold section consists 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 at the Dawson Gold section 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. In 2018, the Company added 12 additional claims covering an area directly east of the Sentinel zone. The Dawson Gold section now consists of 57 contiguous unpatented lode mining claims, and eight patented lode mining claims and one patented placer claim covering approximately 1,143 acres (463 hectares). The 50% of the eight patented lode mining claims not held by Zephyr is leased by Zephyr through a "Mining Lease and Agreement" which effectively gives Zephyr 100% control of these claims. Twenty-one of the 57 unpatented claims, the eight patented lode mining claims and the 50% interest in the one patented placer claim are subject to a sliding scale Net Smelter Return ("NSR") whereby Zephyr agrees to pay up to a 3% NSR as contemplated in the Mining Lease and Agreement.

The gold mineralization at the Dawson Gold section 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 Gold section. 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 and Windy Gulch zones at the Dawson Gold section. The resource estimates were disclosed in the technical report on Dawson entitled: "Resource Estimate Technical Report for the Dawson Property Fremont County, Colorado, USA" with an effective date of July 19, 2013.

On November 17, 2015 Zephyr filed on SEDAR a technical report entitled "Updated National Instrument 43-101 Technical Report for the Dawson Property, located in Colorado, USA", with an effective date of August 26, 2015. This report addressed aspects pertaining to metallurgy, mine design, mine scheduling, mining method, proposed equipment, manpower, underground capital and operating cost, but did not include surface capital costs, processing, or the general and administrative costs of the proposed operation.

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

On February 7, 2017, the Company announced the results of a Preliminary Economic Assessment ("PEA") on the Dawson Gold project. The PEA report was filed on SEDAR on March 23, 2018 and is also available on the Company's website. The PEA provides a base case assessment of developing the Dawson zone mineral resource only. The PEA is preliminary in nature and there is no guarantee that any part of the current inferred mineral resources will be converted into a mineral reserve in the future and developed into a mine.

In 2018 the Company completed a comprehensive exploration program at the Dawson Gold section comprising:

1. detailed geological mapping and sampling, and magnetic geophysical surveying of the newly acquired Sentinel claims, and
2. a core drilling program focused on expanding resources at the Dawson and Windy Gulch zones and identifying potential new resources at the Copper King zone.

The magnetic surveying outlined a strong magnetic low anomaly that extends for 1,100 m (3,600 ft) east of the Dawson zone. This magnetic low anomaly is similar in strength to the magnetic low anomaly over the gold resource at the Dawson zone but is over double the size. The magnetic anomaly at the Dawson zone shows very good correlation with the gold bearing biotite aplite, one of the key gold host rocks of the gold resource on the Dawson zone. Reconnaissance mapping and sampling at the Sentinel zone yielded encouraging results. The continuation of gold mineralization east into the Sentinel zone was confirmed with the presence of both gossanous outcrops reflecting the massive sulphide horizon which is host to the gold-copper mineralization and located in the hanging wall to the gold resource, and biotite aplite. In addition, an old historic shaft and several small prospect pits were discovered in the Sentinel zone that are believed to date circa 1890's. A grab sample of gossan from the massive sulphide horizon located 800 m east of the Dawson zone assayed 0.34 g/t gold and 0.18% copper. These grades are similar to those up dip from the high grade gold mineralization in the Dawson zone and as such lends strong support to the prospectivity for gold at the Sentinel zone. Zephyr is the first company to explore for gold in this area since the 1890's era, hence the keen anticipation to drill test these prospective targets in a future drill program. For additional information on exploration results at the Sentinel zone, please see news releases dated June 27 and October 23, 2018.

The Company completed a diamond drilling program in Q3-2018 totaling 11 holes for 1,853 m principally on the Dawson and Windy Gulch zones with the goal of expanding gold resources. One hole was also drilled on the Copper

King zone. The best hole, DA-18-16 on the Dawson zone intercepted 3.4 m grading 17.6 g/t gold, 5.5 m of 7.6 g/t gold and 0.9 m of 17.4 g/t. Drill holes DA-18-12 and DA-18-13 intercepted low grade values and essentially defined the east boundary of the gold mineralization at a relatively shallow depth. Additional potential for gold mineralization in the eastern area of the Dawson zone will be at depth.

The best drill intercept at the Windy Gulch zone was WG-18-40 which intersected 6.6 m grading 4.8 g/t gold, including an interval of 2.7 m grading 9.7 g/t gold. Future drilling at Windy Gulch will be targeted to the west and at depth.

The single hole at the Copper King zone was unsuccessful, intercepting low grade gold mineralization. While the Copper King zone still has merit for further drill testing, this area will have a low priority given the higher quality targets available for testing elsewhere on the property – notably the Dawson, Sentinel, Windy Gulch and Windy Point zones.

The three holes planned for the Windy Point zone have been postponed to the next drill program. For additional information on the results of the drill program the reader is referred to news releases of July 17, September 10, October 23 and November 8, 2018.

Green Mountain Section

In 2018, the Company expanded its holdings in west-central Colorado by staking 77 unpatented lode mining claims and acquiring one patented lode mining claim located to the west of the Dawson Gold section which collectively form the Green Mountain section of the Dawson-Green Mountain project. The one patented claim was purchased for US\$25,000 in an arm-length transaction for a 100% ownership interest. Subsequent to year end, the Company entered into a mining lease agreement with the State of Colorado for a 259 hectare (640 acre) parcel of land, resulting in Zephyr controlling a mineralized trend that is over 12 km (7.5 miles) long. The Dawson-Green Mountain project now totals 1,388 hectares (3,430 acres).

The Green Mountain section occupies a shear zone which is interpreted to be the faulted offset extension of the Dawson Gold Shear Zone and exhibits similar geochemistry and rock types to the Dawson Gold section, thus is considered to be highly prospective for gold. Discovered in ca. 1882, Green Mountain was mined on a small scale from shallow shafts with a maximum depth 76.2 m (250 ft.) on a massive sulphide horizon. Historical records indicate a small tonnage (1,187 t) of high grade material (12.6% copper, 3.8g/t (0.11 oz/ton) gold and 47.6 g/t (1.39 oz/ton) silver), was shipped direct to a smelter early in the last century. Modern exploration programs targeting base metals were carried out by Phelps Dodge between 1979 and 1984 and by Inco Ltd. between 1992 and 1994. A drill hole below the old workings by Phelps Dodge intersected 18% copper, 4.3% zinc and 181.6 g/t (5.3 oz/ton) silver at a drill hole depth of 123.5 m (405 feet) and remains open at depth*. Zephyr's studies suggest this sulphide horizon is analogous to that at the southern contact of the shear zone at the Dawson Gold section.

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

In addition to the Main Trend marked by historic shafts, the Phelps Dodge report* notes a mineralized “Western Trend”, located northwest of the Main Trend. Two drill holes targeting Electromagnetic (EM) geophysical anomalies on the Western Trend intersected disseminated sulphides (no assays reported) with the second hole (317.7 m total depth), believed to be 15-30 m (50-100 ft.) short of the target horizon.

In total, Phelps Dodge drilled 13 diamond core holes totaling 2,172.6 m (7,126 ft.), targeting the copper-gold sulphide zone and geophysical anomalies. With the exception of the two drill holes on the Western Trend, seven of the remaining holes were drilled to the southeast, two to the northeast and one vertical. Both the Main Trend and Western Trend at Green Mountain dip approximately 85° to the southeast to vertical as opposed to the 60° - 70° southeast dip at the Dawson Gold section. It is believed that the footwall zone to the massive sulphide horizon remains largely untested. It is the footwall zone that is the host to gold resources at the Dawson Gold section. In

addition, the steepening of the shear zone dip at the Green Mountain section suggests possible structural thickening which has positive implications for potential thickening of the zinc-lead-silver mineralization to the east into the El Plomo section. This is the area interpreted to have potential for a Broken Hill type deposit.

* *Exploration Report, Green Mountain Mine; J.M. Swallow, 1994.*

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

In 2018 the Company announced assay results of 17 grab samples collected on a reconnaissance traverse on the patented claim were very encouraging with five exceeding 1 g/t gold including one sample of malachitic garnetiferous biotite aplite which assayed 13.6 g/t gold. This rock-type is one of the principal gold hosts at the Dawson Gold section and points to the gold prospectivity of the Green Mountain section. Grab samples are selected samples and are not representative of the mineralization hosted on the property.

Zephyr intends, subject to funding, to complete additional exploration work on this highly prospective project with strong synergies to the Dawson Gold section and potential for a Broken Hill type discovery.

Expenditures on the Dawson-Green Mountain project for the three months and years ended December 31, 2018 and 2017 are as follows:

| Exploration Expenditures | 2018 | | 2017 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 3 Months | 12 Months | 3 Months | 12 Months |
| Advanced Royalty Payment | \$ 33,580 | \$ 33,580 | \$ 31,927 | \$ 31,927 |
| Assays and Metallurgy | 8,162 | 40,481 | 15,379 | 37,213 |
| Field Camp and Supplies | 21,354 | 165,310 | 62,645 | 153,103 |
| Claims Fees | 10,900 | 10,900 | - | 8,833 |
| Consulting and Salaries | 11,771 | 32,704 | 4,852 | 16,085 |
| Drilling | 40,424 | 514,769 | - | - |
| Mine Planning / PEA | - | - | - | 74,183 |
| Other Exploration & Geology | 15,420 | 119,698 | 76,171 | 334,063 |
| Permitting | 1,399 | 12,704 | 5,114 | 97,996 |
| Total Exploration Expenditures | \$ 143,010 | \$ 930,146 | \$ 196,088 | \$ 753,403 |
| Cumulative E&E Since Inception | \$ 3,502,582 | \$ 3,502,582 | \$ 2,572,435 | \$ 2,572,435 |

OUTLOOK

Management continues to hold the view that Dawson-Green Mountain has the potential for an economic, near-term, low capex, low opex, high grade underground gold mine. The Company intends to continue exploration with the objective of identifying additional resources to increase the proposed mill through-put as contemplated in the PEA and extend the potential mine life. Areas targeted for resource expansion include the Dawson zone which is open down-plunge and to the west, the Windy Gulch zone which is open at depth, and the Windy Point zone where potential is indicated by near surface high grade gold mineralization. In addition, the newly staked Sentinel claims have added a considerable extension to the Dawson Shear Zone in the east and are considered highly gold prospective.

Subject to funding, the Company is planning an airborne geophysical program consisting of magnetic and electromagnetic surveys over the Green Mountain section. Broken Hill-type deposits are highly magnetic while the

surrounding rocks have a low magnetic susceptibility; making a magnetic survey an ideal instrument for exploration of this deposit type. In the event of a successful airborne geophysical survey, and subject to funding and permitting, the company intends to drill test targets in late Q3-2019.

Concurrent with the airborne geophysical program the Company plans to geologically map the Green Mountain section. This is an area where a rock grab sample with only minor sulphides was located that contained 13.6 g/t gold. This rock type is similar to the rocks that contain the Dawson Gold deposit in the Dawson Gold section on the east side of the property. The geological mapping will help define the rocks types, define any structural features in the area, as well as explore for gold showing at surface.

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

RESULTS OF OPERATIONS

The loss for the year ended December 31, 2018 was \$404,331 compared to a loss of \$515,338 in the same period for 2017. The decrease can largely be attributed to a decrease in investor relations, travel, salaries and consulting fees and share based payments. The Company recognized a foreign exchange gain of \$3,798 compared to a loss of \$13,303 in 2017.

Larger equity financings completed in 2018 resulted in an increase in in filing fees from \$17,337 in 2017 to \$31,691 in 2018.

Investor relations decreased from \$146,065 in 2017 to \$128,074 in 2018 and travel decreased from \$22,307 in 2017 to \$9,912 in 2018, as the Company eliminated certain investor relations activities and reduced discretionary expenditures.

Professional fees, rent and general and administrative fees were generally consistent year over year.

In 2017 the Company engaged consultants to assist with various corporate activities including capital market advisory services, resulting in salaries and consulting fees of \$207,136 in 2017, compared to \$173,255 in 2018.

Stock options were issued to a consultant and a newly appointed vice president of exploration, resulting in share based payments expense of \$43,425 in 2017 compared to \$1,750 in 2018.

The Company's working capital position at December 31, 2018 was \$157,387 compared to \$48,057 on December 31, 2017. In 2018, the Company closed private placements for aggregate gross proceeds of \$1,653,000. This has been offset by continued investment in the Dawson-Green Mountain project and the net loss incurred for the period. To enhance the working capital position and continue exploration activities the Company raised funds through 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 \$ |
|--------|---------------|----------------------------|----------------------------------|--------------------|-----------------------------|
| 2018 | - | (404,331) | (0.009) | 4,128,504 | 4,005,635 |
| 2017 | - | (515,338) | (0.014) | 3,030,821 | 2,864,232 |
| 2016 | - | (346,570) | (0.010) | 2,388,312 | 2,216,814 |

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

The Company's increase in loss in 2017 compared to that of 2018 and 2016 is largely attributed to an increase in marketing and promotional activity, and an increase in salaries and consulting fees.

Selected Financial Data (Quarterly)

| Quarter | Revenue \$ | Net Income (Loss) \$ | Income (Loss) Per Share \$ | Total Assets \$ | Shareholder Equity \$ |
|---------|---------------|----------------------------|----------------------------------|--------------------|-----------------------------|
| Q4/18 | - | (59,416) | (0.001) | 4,128,504 | 4,001,023 |
| Q3/18 | - | (62,844) | (0.001) | 4,076,786 | 3,927,552 |
| Q2/18 | - | (198,087) | (0.004) | 4,077,882 | 3,990,396 |
| Q1/18 | - | (83,984) | (0.002) | 3,053,732 | 2,781,998 |
| Q4/17 | - | (128,383) | (0.004) | 3,030,821 | 2,864,232 |
| 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 |

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

The decrease in loss in Q1 in 2018 relates to a decrease in discretionary expenditures due to a decrease in working capital in the quarter. The increase in loss in Q2 2018 is primarily the result of new investor relations activities. The decrease in Q3 and Q4 2018 is primarily due to a reduction in consulting expenses as well as a reduction in travel and marketing.

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, 2018.

Approval of the Financial Statements

The consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on April 26, 2019.

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-Green Mountain project in Colorado, USA. The eastern claims of Dawson-Green Mountain include an advanced gold project with exploration potential, and the west-central claims host potential for a Broken Hill type zinc, lead and silver discovery. 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, 2018, the Company has cash of \$101,291, working capital of \$157,387 and shareholders' equity of \$4,005,635. The Company's financial statements as at December 31, 2018 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, management of the Company raised gross proceeds of \$211,500 through a unit offering which closed in February 2019, as described in Subsequent Events. Management has concluded that, including this offering, the Company has insufficient funds to meet its minimum corporate, administrative and property obligations for the next 12 months and will be required to raise funds through debt, loans or equity financing during fiscal 2019. Currently, the Company is required to make minimum annual payments of approximately US\$45,770 to keep the Dawson-Green Mountain project in good standing. The Company's 2019 obligation was paid and recorded in the 2018 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-Green Mountain project, the Company will need to raise additional capital. If the Company is unable to raise additional capital in the future, the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Cash Requirements

As at December 31, 2018, the Company has cash of \$101,291, working capital of \$157,387 and shareholders' equity of \$4,005,635.

The Company's principal requirements for cash in 2019 will relate to expenditures, noted in more detail below, that are required to advance the Dawson-Green Mountain project, plus administrative expenditures and settling accounts payable. Subject to funding, the Company expects to spend approximately \$700,000 before the end of 2019 to complete further exploration and development activities including an airborne geophysical program consisting of magnetic and electromagnetic surveys, geological mapping and sampling.

Contractual and Other Obligations

Zephyr USA is currently required to make annual advance royalty payments in terms of its Mining Lease and Agreement in the amount of US\$25,000 per year. These advance royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2019 obligation in fiscal 2018. To date Zephyr USA has made advance royalty payments totalling US\$454,000 which can be so applied. Zephyr USA is also obliged to make a payment of US\$90,000 in the event of embarking on an underground program. Zephyr USA is also required to make annual payments of US\$155 for each of the unpatented claims that form part of Dawson-Green Mountain in order to keep them in good standing.

OUTSTANDING SHARE DATA

| | April 26, 2019 | December 31, 2018 | December 31, 2017 |
|---|---------------------------|------------------------------|------------------------------|
| Common Shares Outstanding | 48,742,620 | 47,332,620 | 37,982,620 |
| Fully Diluted Common Shares Outstanding | 54,923,550 | 57,538,998 | 48,004,604 |

As at December 31, 2018, the Company had a total of 47,332,620 Common Shares outstanding.

As of December 31, 2018, there were a total of 3,175,000 incentive stock options outstanding exercisable for 3,175,000 Common Shares. In addition there were a total of 6,486,428 warrants exercisable for 6,486,428 Common Shares and 544,950 finder's fee warrants exercisable for 544,950 Common Shares.

As of April 26, 2019, there were a total of 3,425,000 incentive stock options outstanding exercisable for 3,425,000 Common Shares. In addition there were a total of 2,678,930 warrants outstanding exercisable for 2,678,930 Common Shares and 77,000 finder's fee warrants outstanding exercisable for 77,000 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 2018 the Company recognized a foreign exchange gain on cash holdings in the amount of \$3,798.

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, 2018, the Company had a cash balance of \$101,291 to settle current liabilities of \$90,615. Subsequent to the year end the Company has raised an additional \$211,500. 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 (2017 - \$6,000) during the year was paid to a director of 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 \$29,576 (2017 - \$21,834) 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, 2018 and 2017 were as follows:

| | 2018 | | 2017 | |
|----------------------|-------------|---------|-------------|---------|
| Salaries | \$ | 245,200 | \$ | 246,400 |
| Share-based payments | | - | | 36,600 |
| | \$ | 245,200 | \$ | 283,000 |

- (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, 2018. 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

IFRS 9, Financial instruments was adopted by the Company on January 1, 2018 and addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this policy did not have any major impact on the Company.

Accounting Standards Issued But Not Yet Effective

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 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. Management does not expect the adoption of this standard to have any significant impact on the Company's financial position.

SUBSEQUENT EVENTS

On February 26, 2019 the Company completed a private placement through the issuance of 1,410,000 units at a price of \$0.15 per unit raising a total of \$211,500. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.20 per common share at any time on or before February 26, 2020. The Company paid cash finder's fees of \$1,050 and issued 7,000 finder's fee warrants 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 \$0.20 per share until expiry on February 26, 2020.

On April 11, 2019 the Company entered into a mining lease agreement with the State of Colorado for a 259 hectare (640 acre) parcel of land, resulting in Zephyr controlling a mineralized trend that is over 12 km (7.5 miles) long. The Dawson-Green Mountain project now totals 1,388 hectares (3,430 acres). Under the terms of the mining lease agreement with the State of Colorado Zephyr USA is required to make annual payments of US\$1,920.

QUALIFIED 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.