ZEPHYR MINERALS LTD.

Consolidated Financial Statements
December 31, 2023 and 2022
(Expressed in Canadian dollars)

Wasserman
Ramsay

Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Zephyr Minerals Ltd.:

Opinion

We have audited the consolidated financial statements of Zephyr Minerals Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as of December 31, 2023 the Company has incurred losses resulting in an accumulated deficit of $8,102,521. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

- Management's Discussion and Analysis

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

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

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Ramsay.

Wasserman Ramsay

Markham, Ontario
April 25, 2024

Chartered Professional Accountants
Licensed Public Accountants

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

		December 31, 2023		December 31, 2022
Assets				
Current				
Cash and cash equivalents	$	116,800	$	402,953
Accounts receivable (note 4)		14,500		9,551
Prepaid expenses and deposits		5,986		11,347
		137,286		423,851
Reclamation bonds (note 5)		99,121		99,392
Exploration and evaluation assets (note 6)		5,040,318		6,390,718
	$	5,276,725	$	6,913,961
Liabilities				
Current				
Accounts payable and accrued liabilities (note 7,10)	$	64,022	$	52,732
Long Term				
Reclamation obligation (Note 8)		99,121		99,392
		163,143		152,124
Shareholders' Equity				
Share Capital (note 9)		10,500,024		10,228,674
Share-based payments reserve		2,716,079		2,555,414
Deficit		(8,102,521)		(6,022,251)
		5,113,582		6,761,837
	$	5,276,725	$	6,913,961

Basis of presentation and going concern – Note 2

Approved on behalf of the Board:

David Felderhof
David Felderhof, Director

Loren Komperdo
Loren Komperdo, Director

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

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

		2023		2022
Operating Expenses				
Filing fees	$	17,820	$	17,434
Exploration and evaluation assets impairment		1,507,618		81,268
Foreign exchange loss (gain)		4,413		(21,115)
Investor relations		41,021		54,729
Professional fees		48,430		69,755
General and administrative		24,928		27,939
Rent		9,710		9,514
Travel		53,139		71,733
Exploration		4,009		24,043
Transfer agent		15,214		13,040
Salaries and consulting fees		260,470		243,798
Share based payments		93,498		178,683
Net Loss and Comprehensive Loss for Period	$	(2,080,270)	$	(770,821)
Loss Per Share – Basic		(0.029)		(0.011)
Weighted Average Number of Common Shares Outstanding – basic and diluted		72,720,295		67,382,875

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

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

		2023		2022
Operating Activities				
Net loss	$	(2,080,270)	$	(770,821)
Items not requiring an outlay of cash				
Share based payments		93,498		178,683
Impairment on exploration and evaluation assets		1,507,618		81,268
Net changes in non-cash working capital items				
Accounts receivable		(4,949)		25,932
Prepaid expenses		5,361		(11,347)
Reclamation bonds		-		36,465
Accounts payable and accrued liabilities		11,290		(40,614)
Cash Used in Operating Activities		(467,452)		(500,434)
Investing Activities				
Expenditures on exploration and evaluation assets		(157,218)		(153,871)
Proceeds from sale of exploration and evaluation assets		-		40,602
Cash Used for Investing Activities		(157,218)		(113,269)
Financing Activities				
Issue of common shares net of share issue costs		338,517		303,793
Cash Provided by Financing Activities		338,517		303,793
Net Change in Cash and Cash Equivalents for the Year		(286,153)		(309,910)
Cash and Cash Equivalents, Beginning of Year		402,953		712,863
Cash and Cash Equivalents, End of Year	$	116,800	$	402,953
Non-cash financing and investing activities:				
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-
Value of brokers warrants issued	$	3,225	$	1,481
Reclamation accrual	$	-	$	61,442

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

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

	Number of shares	Share capital	Share-based payments reserve	Deficit	Total
		$	$	$	$
January 1, 2022	67,086,985	9,960,539	2,341,073	(5,251,430)	7,050,182
Share based payments			178,683		178,683
Shares issued in private placement	4,000,000	282,519	37,481		320,000
Share issue costs		(14,384)	(1,823)		(16,207)
Loss for year				(770,821)	(770,821)
December 31, 2022	71,086,985	10,228,674	2,555,414	(6,022,251)	6,761,837
Share based payments (note 9)			93,498		93,498
Shares issued in private placement (note 9)	4,000,000	288,775	71,225		360,000
Share issue costs		(17,425)	(4,058)		(21,483)
Loss for year				(2,080,270)	(2,080,270)
December 31, 2023	75,086,985	10,500,024	2,716,079	(8,102,521)	5,113,582

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

1. NATURE OF OPERATIONS

Zephyr Minerals Ltd. and its wholly owned subsidiaries, Zephyr Gold USA Ltd., and Sutter Mining (Private) Limited (collectively, the "Company") is an exploration stage mining company. The Company is incorporated in Canada and is based in Nova Scotia, Canada. The Company's head office is located at 1301 - 1959 Upper Water St, Halifax, Nova Scotia Canada B3J 3N2.

The Company is a publicly listed company continued under the Canada Business Companies Act with limited liability under the laws of Canada. The Company's shares trade on the Toronto Stock Venture Exchange ("TSX-V").

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies applied in these consolidated financial statements are presented in Note 3 and are based on IFRS effective December 31, 2023.

Approval of the financial statements

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on April 25, 2024.

Basis of presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3(i).

Going Concern

The Company holds a 100% interest in mineral claims in Colorado, USA, collectively referred to as the Dawson property (the "Property"), formerly referred to as Dawson-El Plomo. The Company has also signed multiple joint venture agreements on properties in Zimbabwe and has applied for two Exclusive Prospecting Orders covering 124,000 hectares. The Company's objective is to explore and evaluate mineral claims to determine whether the properties contain economic resources warranting a development program.

As at December 31, 2023, the Company has cash of $116,800 working capital of $73,264, shareholders' equity of $5,113,582 and an accumulated deficit of $8,102,521. The Company's financial statements as at December 31, 2023 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

The Company incurred a net loss of $2,080,270 for the year ended December 31, 2023 (net loss of $770,821 for the year ended December 31, 2022) and has no operations at this time which will generate revenue. Management estimates current working capital is not sufficient to fund all of the company's planned expenditures. In order to alleviate the situation, the Company intends to raise additional capital. Currently, the Company is required to make minimum annual payments totaling approximately US$38,000 to keep the Property in good standing. The 2023 Property obligations have been paid. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. If the Company is unable to raise additional capital in the future, the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

The Companies current year accounts have been consolidated with its wholly owned subsidiary Zephyr Gold USA Ltd., and Sutter Mining (Private) Limited.

(b) Functional currency and presentation currency

The functional currency of the parent is the Canadian dollar. The functional currency of the Company's subsidiaries is the $US dollar.

(c) Cash and cash equivalents

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

(d) Share issuance costs

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

(e) Share-based payments

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

(f) Earnings (loss) per share

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

(g) Comprehensive income (loss)

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

(h) Income taxes

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

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

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

(i) Critical accounting estimates and judgements

Critical accounting estimates

The following are critical accounting estimates made by management:

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

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company

to obtain financing to complete development of the properties and on future production or proceeds of disposition.
The amount provided for reclamation obligation is management's best estimate of restoration, rehabilitation and environmental obligation that exist at the balance sheet date.

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

Critical accounting judgments

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

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

(j) Provisions

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

(k) Segmented information

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

(l) Exploration and evaluation assets

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

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

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

(m) Financial Instruments

Financial assets

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

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

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

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

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

(iii) Financial assets at amortized cost

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

Financial liabilities

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

Impairment

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

(n) Environmental rehabilitation

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

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

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

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

(o) Foreign currency translation

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries is the US dollar. The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

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

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

4. ACCOUNTS RECEIVABLE

		December 31, 2023		December 31, 2022
HST receivable	$	14,500	$	9,551

5. RECLAMATION BONDS

The Colorado Department of Reclamation and Mining Safety, and the Colorado Bureau of Land Management hold bonds for estimated rehabilitation costs as noted below:

		2023		2022
Short term bonds related to project reclamations				
Balance at beginning of period	$	-	$	97,907
Reallocate between short term and long term		-		(60,002)
Foreign currency movement		-		8,853
Return of bond		-		(46,758)
Balance at end of period		-		-
(as stated in US$)	US$	-	US$	-
Long term bonds related to project reclamations				
Balance at beginning of period	$	99,392	$	37,950
Reallocate between short term and long term		-		60,002
Foreign currency movement		(271)		1,440
Balance at end of period		99,121		99,392
(as stated in US$)	US$	$73,439	US$	$73,439

These funds are restricted for use as indicated above. The short-term amounts were released during the prior year. The long-term bonds will be held until the project has been rehabilitated. In 2021 and 2022 the Company reclaimed certain roads and adjusted the short and long-term bonds accordingly.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	December 31, 2022	December 31, 2023		
	Cumulative since inception	Expenditures in the year	Impairment in the year	Cumulative since inception
USA				
Dawson	$6,366,936	$77,231	1,417,891	$5,026,276
Zimbabwe				
Nyanga North	23,782	8,909	32,691	-
MC Gold	-	32,888	32,888	-
MAP Gold	-	14,042	-	14,042
MC-2 Gold	-	24,148	24,148	-
	$6,390,718	$157,218	1,507,618	$5,040,318

Zimbabwe

In 2021 the Company launched a wholly owned subsidiary, Sutter Mining (Private) Limited ("Sutter"), in Zimbabwe, which is scouting out prospective gold properties in that country. This move by Zephyr into Zimbabwe was prompted by a recent amendment to the country's Indigenization and Economic Empowerment Act allowing 100% foreign ownership in mining properties, combined with the presence of geological environments prospective for gold, lithium and base metals. In 2021 two applications for Exclusive Prospecting Orders ("EPO") over areas prospective for gold mineralization were lodged with the Zimbabwe Ministry of Mines and Mine Development and have been processed by that agency. Both applications remain outstanding as at the date of this report, and are awaiting approval by the President of Zimbabwe. The two EPO applications combined cover approximately 124,000 hectares.

Nyanga North
Initial field investigations conducted in 2023 did not yield results that met expectations and as a result the two Special Blocks were allowed to elapse and abandoned.

MC Gold
Exploration including extensive trenching sand sampling conducted in the second half of 2023 did not meet expectations and as a result the planned drilling program could not be justified and the contract on this property was terminated.

MAP Gold
On February 7, 2023, the Company entered into an option agreement to acquire up to an 80% interest in the MAP Gold property (65 hectare) in Mashonaland Central from

an arm's length citizen of Zimbabwe. Under the terms of the option agreement, Zephyr can acquire 75% of MAP Gold by paying US$165,000 over two years as well as certain cash payments based on the quantity of gold discovered. In addition, in the event a mine is built, Zephyr will pay the optionor US$250,000 upon declaration of commercial production. At Zephyr's discretion, it has the right to buy 20% of the optionor's 25% interest, hereby increasing Zephyr's interest in the property to 80%. The optionor is permitted to continue small scale mining within prescribed parameters from areas currently being mined until Zephyr makes a decision to transfer the claims into a new operating company, owned as to Zephyr 75% (with option to go to 80%) and the optionor 25% (potentially decreased to 20%). Certain conditions need to be met before exploration can begin including acquiring four additional claims which are included in the agreement. These conditions remain outstanding, and as a result no exploration work has been conducted on this property in 2023. Efforts continue to resolve this final issue prior to commencing exploration on the property.

<u>Chikonga Gold Mine</u>
In the second quarter of 2022 the Company entered into an option agreement to acquire a 75% interest in the 40 hectare Chikonga Gold Mine Property ("Chikonga Mine") from Hilltouch Investments (Pvt.) Ltd. ("Hilltouch"), a privately owned arm's length Zimbabwe company. Under the terms of the option agreement, Zephyr can acquire 75% of the Chikonga Mine by paying US$80,000 over four years and spending US$1.175 million on exploration over five years. After earning 75%, further expenditures by Zephyr on exploration and/or mine development will be paid back to Zephyr prior to Hilltouch participating in mine profits. Hilltouch is permitted to continue small scale mining from areas currently being mined until Zephyr makes a decision to build a mine. The agreement was subject to satisfactory due diligence to resolve certain issues centered on delivery of clear title necessary to finalize the transaction. This issue remained unresolved at year end and as a result, given the passage of time, the Company is not optimistic a satisfactory resolution will be achieved in 2024. In this event the contract for this project will be allowed to lapse.

<u>MC-2 Gold</u>
Exploration including extensive trenching sand sampling conducted in the second half of 2023 did not meet expectations and as a result the planned drilling program could not be justified and the contract on this property was terminated (News release December 28, 2023.

<u>USA</u>

<u>Dawson</u>
The Dawson property comprises 57 contiguous unpatented lode mining claims, eight patented lode mining claims and two patented placer claims. Dawson encompasses five gold exploration areas which are, from east to west: the Sentinel zone, the Dawson zone, the Copper King zone, the Windy Gulch zone and the Windy Point zone. Dawson forms the eastern portion of the Property which is located in west-central Colorado, 9.5 km southwest of Canon City in Fremont County. Zephyr holds a 100% interest in the unpatented claims, a 100% interest in the Judith Placer claim, 50% interest in the eight

patented claims, and a 50% interest in one patented placer claim, which constitute Dawson.

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

Zephyr is currently required to make annual advance royalty payments in terms of its Mining Lease and Agreement in the amount of US$ 25,000 per year. These advance royalties can be applied in the future to reduce the actual production royalty expense incurred. The Company paid and recorded the 2024 obligation in fiscal 2023, and the 2023 obligation in fiscal 2022. To date, advance royalty payments total US$579,000 which can be so applied. Zephyr USA is also obliged to make a payment of US$90,000 in the event of embarking on an underground program.

The Company intends to seek funding to undertake drilling of the additional water monitoring wells and 15 months of well water data collection required by DRMS to satisfy this deficiency in the first submitted mining permit application. Upon completion of this program and satisfactorily addressing certain other identified deficiencies, a new mining application will be submitted to DRMS. There is no assurance the Company will be successful in raising the required funds to undertake this program. While there is no certainty Zephyr will receive a mining permit to develop the Dawson gold deposit, based on the benign environmental characteristics of the project, the Company remains optimistic of ultimate success in this regard.

<u>El Plomo & Green Mountain</u>
The Company elected not to renew a mining lease agreement with the State of Colorado for a 240 acre parcel of land and the Company elected not to renew the unpatented claims which formed the El Plomo project. High exploration costs due to the remoteness of the area, environmental restrictions and funding difficulties downgraded this project to a low priority. As such the Company decided to abandon this project and redirect available capital to its efforts in Zimbabwe. As a result, the carrying value of the related claims and exploration has been reduced by $1,417,890. The company has retained the two patented lode mining claims at El Plomo, which are subject to a 3% NSR of which 2% may be purchased by the Company at its sole option at anytime for $2,000,000. Subsequent to year end the two patented lode claims were deemed to be non-core assets with respect to the Dawson Gold project and as such these are listed for sale with a Canon City, Colorado realtor. Further to the Company news release of November 28, 2022, Green Mountain has been abandoned and all unpatented claims were allowed to lapse and the patented claim was sold to an arm's length party.

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2023		December 31, 2022
Trade payables	$	42,057	$	26,640
Accrued liabilities		21,965		26,092
	$	64,022	$	52,732

8. RECLAMATION OBLIGATION

At Dawson, the Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. At December 31, 2023 the Company has recognized an environmental rehabilitation obligation in the amount of $99,121 (US$73,439) to rehabilitate work the Company has done to advance exploration on the Dawson property. This amount has been capitalized by increasing the carrying amount of its exploration and evaluation assets. At present the timing of the obligation is unknown and will depend primarily on the results of its future exploration program. As such the full amount of the estimated liability has been recognized and has not been discounted. Changes in the estimated timing of rehabilitation or changes to the estimated future costs will be dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates. The Company assesses its rehabilitation provision on an annual basis. Actual reclamation costs, when incurred, will be charged against the provision. As noted in note 5 above, the Company has $99,121 (US$73,439) in bonds held to cover the reclamation obligation.

9. SHARE CAPITAL

Authorized capital consists of an unlimited number of common shares.

Issuance of common shares issued in 2023

On July 31, 2023, the Company completed a first tranche of a private placement through the issuance of 3,210,000 units at a price of $0.09 per unit raising $288,900 and on August 15, 2023 the Company completed a second tranche through the issuance of 494,000 units for gross proceeds of $44,460, and on September 11, 2023 the Company completed the final tranche through the issuance of 296,000 units for gross proceeds of $26,640. Each unit consists of one common share and one whole common share purchase warrant of the Company. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.13 per share for a period of twelve months from the closing dates. The expiry dates 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 $0.26 for any 20 consecutive trading days. If this occurs, the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrants will expire on the 30th calendar day after the date of such press release. The Company paid cash finder's fees of $17,073 and issued 189,700 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 $0.13 per share for twelve months from the closing dates. The finder's warrants are subject to the same acceleration clause as the unit warrants. In determining the value of the warrants, the fair value of the warrants issued were estimated using a Black-Scholes pricing model with the following weighted average assumptions used.

(Expressed in Canadian dollars)

Risk-free interest rate	4.9%
Expected dividend yield	0.00%
Expected stock price volatility	74.13%
Expected life of warrants	1.0 years
Grant date fair value of warrant	$0.017

Issuances of common shares in 2022

On December 5, 2022 the Company completed a private placement through the issuance of 4,000,000 units at a price of $0.08 per unit raising a total of $320,000. Each unit consists of one common share and one whole common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.12 per common share at any time on or before December 5, 2023. The Company valued the warrants and apportioned the share issue expenses incurred between the warrants value and the share value on a pro rata basis. In determining the value of the warrants, the fair value of the warrants issued were estimated using a Black-Scholes pricing model with the following weighted average assumptions used.

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

(Expressed in Canadian dollars)

The Company paid cash finder's fees of $13,160 and issued 164,500 finder's fee warrants to finders acting on behalf of the Company in connection with the placement. Each finder's fee warrant is exercisable into one common share of the Company at $0.12 per share until expiry on December 5, 2023. The expiration of the warrants may be accelerated if the volume-weighted trading average for the Company's shares on the TSXV is greater than or equal to $0.24 for any 20 consecutive trading days. If this occurs, the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrants will expire on the 30th calendar day after the date of such press release. The finder's warrants are subject to the same acceleration clause as the unit warrants.

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

Warrants

On July 31, 2023, August 15, 2023 and September 11, 2023 the Company issued warrants as part of the private placement as described above. A summary of the change in warrants for the year ended December 31, 2023 is provided below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Years to Expiry
At January 1, 2022	-	-	-
Issued	4,164,500	0.12	
At December 31, 2022	4,164,500	0.12	0.93
Issued	4,189,700	0.13	
Expired	4,164,500	0.12	
At December 31, 2023	4,189,700	0.13	0.60

The following table summarizes information about the warrants outstanding at December 31, 2023 and 2022:

(Expressed in Canadian dollars)

Expiry Dates	Exercise Price	Number of Warrants 2023	Number of Warrants 2022
December 5, 2023	0.12	-	4,164,500
July 31, 2024	0.13	3,382,200	-
August 15, 2024	0.13	511,500	-
September 11, 2024	0.13	296,000	-
		4,189,700	4,164,500

Share-based compensation plan

The Company has an incentive share-based compensation plan (the "Plan") which permits the Board of Directors to grant stock option to directors, officers, employees and consultants. The total number of options issued at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approval are obtained. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSXV at the time of the grant. Options granted under the Plan have a maximum term of ten years.

On January 17, 2023 the Company granted stock options to officers, directors and consultants to purchase 1,200,000 common shares of Zephyr. The exercise price of the stock options is $0.11 per share and the options expire five years from the date of grant.

In determining the share-based payments expense the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.76%
Expected dividend yield	0.00%
Expected stock price volatility	86.54%
Expected life of options	5 years
Fair value at grant date	$0.072

On December 1, 2022 the Company granted stock options to a consultant to purchase 200,000 common shares of Zephyr. The exercise price of the stock options is $0.12 per share and the options expire two years from the date of grant.

In determining the share-based payments expense the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following assumptions:

(Expressed in Canadian dollars)

Risk-free interest rate	2.00%
Expected dividend yield	0.00%
Expected stock price volatility	45.28%
Expected life of options	2 years
Fair value at grant date	$0.011

On January 13, 2022 the Company granted stock options to officers, directors and consultants to purchase 1,250,000 common shares of Zephyr. 1,025,000 of the stock options vest immediately and 225,000 vest on January 13, 2023. The exercise price of the stock options is $0.16 per share and the options expire five years from the date of grant.

In determining the share-based payments expense the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.52%
Expected dividend yield	0.00%
Expected stock price volatility	83.50%
Expected life of options	5 years
Fair value at grant date	$0.101

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

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Years to Expiry**
At January 1, 2022	5,100,000	0.22	3.2
Issued	1,450,000	0.12	
Expired	(850,000)	0.25	
At December 31, 2022	5,700,000	0.21	2.9
Issued	1,200,000	0.11	
At December 31, 2023	6,900,000	0.19	2.3

10. RELATED PARTY TRANSACTIONS

Transactions were in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed to by the related parties.

(Expressed in Canadian dollars)

Included in accounts payable and accrued liabilities is $27,470 (2022 - $20,954) 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, 2023 and 2022 were as follows:

		2023		2022
Salaries and consulting fees	$	184,680	$	201,900
Share-based payments		93,498		174,753
	$	278,178	$	376,653

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

11. FINANCIAL INSTRUMENTS

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

Management of capital risk

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

Fair value

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

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to arrange equity financings in a timely manner so as to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2023, the Company had a cash balance of $116,800 to settle current liabilities of $64,022. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency risk and other price risk.

(a) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency rate risk

Although the Company's principal exploration asset is based in the United States of America, the low annual maintenance costs have led the Company to conclude that it does not believe it is exposed to any significant foreign currency risk at the present time.

(c) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
Level 3 Inputs that are not based on observable market data

The Company has valued all of its financial instruments at Level 2.

(Expressed in Canadian dollars)

12. INCOME TAXES

The Company has non-capital losses of approximately $5,623,000 (2022 - $5,112,000 available that may be carried forward and applied against future income for Canadian income tax purposes. The tax effect has not been recorded in the consolidated financial statements. The non-capital losses expire, if unused, as follows:

2030	$	293,000
2031		309,000
2032		458,000
2033		365,000
2034		272,000
2035		376,000
2036		504,000
2037		369,000
2038		429,000
2039		421,000
2040		447,000
2041		344,000
2042		525,000
2043		511,000
	$	5,623,000

In addition to the above non-capital loss carry-forwards the Company has approximately $4,567,000 (2022- $4,676,000) in exploration expenditures deductible from future taxable income.

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets has been met. Consequently, the Company has tax assets relating to deductible temporary differences and unused tax losses of $5,623.000 (2022 $5,112,000) for which no deferred tax asset is recognized, as it is not probable that the deferred tax assets will be realized in the future.

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

		2023		2022
Mineral resource properties	$	474,000	$	(1,714,000)
Share issue costs		40,000		58,000
Non-capital losses carried forward		5,623,000		5,112,000
	$	6,137,000	$	3,456,000

(Expressed in Canadian dollars)

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 31% (2022 – 31%) to income before income taxes. The reasons for the differences are as follows:

	2023	2022
Statutory tax rate	31%	31%
Expected income tax expense (recovery)	$ (645,000)	$ (239,000)
Items non-deductible (deductible) for tax purposes, net	486,000	70,000
Unused tax losses and tax offset not recognized in tax assets	(159,000)	169,000
	$ -	$ -

13. SEGMENTED INFORMATION

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

As at December 31, 2023:

Country	Cash and cash equivalents	Mineral properties	Receivables, bonds & prepaids	Payables & accruals	Profit (Loss)
Canada	$108,650	$ -	$ 20,486	$ 61,543	$ (463,093)
USA	7,421	5,026,276	99,121	1,136	(1,419,359)
Zimbabwe	729	14,042	-	1,343	(197,818)
	$ 116,800	$ 5,040,318	$ 119,607	$ 64,022	$ (2,080,270)

(Expressed in Canadian dollars)

As at December 31, 2022:

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