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HEADWATER GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2021

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between February 28, 2021 and February 29, 2020 and results of operations for the years ended February 28, 2021 and 2020, as well as forward-looking statements relating to the potential future performance. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below. This Management's Discussion and Analysis has been prepared as of June 28, 2021 ("Report Date"). This Management's Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto for the year ended February 28, 2021 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

1. CORE BUSINESS

Headwater Gold Inc. ("Headwater" or the "Company") was incorporated on January 14, 2019 under the laws of British Columbia and is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading on June 8, 2021 under the symbol "HWG". The Company's principal business activities include the acquisition and exploration of mineral property assets in the United States. The address of the Company's corporate office and its principal place of business is Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada.

The Company has one wholly owned subsidiary: CP Holdings Corporation. The accounts of the subsidiary are consolidated with the Company.

The Company is focused on high-grade precious metal exploration in the mining-friendly western United States. The Company has access to a proprietary target generation software combined with extensive local knowledge to generate new projects. Through its wholly owned subsidiary, CP Holdings Corporation, the Company has acquired a 100% interest, royalty free, in a portfolio of mineral projects in Idaho, Nevada and Oregon that it has staked on federal land. The Company has acquired additional mineral projects through third party agreements.

The Company's principal projects are the 100% owned **Katey** and **Mahogany** properties located in Malheur County, Oregon, United States (the "Properties"). The Properties are composed of 224 unpatented lode claims totalling 1,842 hectares (4,551 acres) in two separate blocks that are 30 km apart from each other. See Section 7.1 "Exploration and Evaluation Activities" below for a description of the Properties and the work program that has been undertaken to date.

As at February 28, 2021, the Company's mineral resource properties include the following:

- Idaho – **Matador** (Owyhee County), **Opaline Gulch** (Owyhee County) and **Crane Creek** (Washington County);

- Nevada – **Agate Point** (Humboldt County), **Castle Ridge** (Elko County), **Dome Hill** (Mineral County, NV and Mono County, CA) and **Long Valley** (Mineral County); and

- Oregon – **Katey** (Malheur County), **Mahogany** (Malheur County), **Birch Creek** (Malheur County) and **Hot Tub** (Malheur County).

1.1 Headwater Gold Inc. Commences Trading on the Canadian Securities Exchange

On May 31, 2021, the Company filed a final prospectus with the British Columbia Securities Commission qualifying the distribution of common shares in the capital of the Company issuable for no additional consideration upon deemed exercise of the 11,629,212 subscription receipts of the Company issued on February 11, 2021 (the "Subscription Receipts"). On June 3, 2021, the CSE confirmed that the Company had met all CSE requirements for listing, subject to the conversion of the Subscription Receipts. The Subscription Receipts were converted into common shares of the Company on June 3, 2021 and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $4,070,424 have been released to the Company. The funds will be used by Headwater to fund the advancement of its mineral properties and the operation of the Company. The Company's common shares commenced trading on the CSE at the open of market on June 8, 2021 under the symbol "HWG".

The outbreak and spread of a novel coronavirus (COVID-19), declared a pandemic by the World Health Organization, has already had significant human, political, and economic consequences around the world. The coronavirus is still evolving, and its full impact remains to be determined. However, its wide-ranging effects include financial market volatility, interest rate cuts, disrupted movement of people and goods, and diminished consumer confidence. The effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and as an industry or issuer-specific basis. This is an uncertain issue where actual effects will depend on many factors beyond the control and knowledge of the Company.

2. FINANCIAL CONDITION

As at February 28, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had net income of $1,186,599 for the year ended February 28, 2021 and, as of that date, the Company had a retained earnings of $766,581. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company had a working capital surplus of $7,145,799 at February 28, 2021 (February 29, 2020: $296,206).

Cash was $326,410 at February 28, 2021 (February 29, 2020: $363,309). Restricted cash was $4,075,342 at February 28, 2021 (February 29, 2020: $5,000) and consists of $4,070,317 in gross proceeds and interest from the Company's subscription receipts financing that was released from escrow on June 3, 2021, and a term deposit of $5,025 held at a financial institution as security against a company credit card. The Company's sources and uses of cash are discussed in Section 4 "Cash Flows" below.

Short-term investments of $3,024,625 consist of $750,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $2,274,625 which consist of 500,000 common shares of Eclipse Gold Mining Corporation valued at $204,375 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $2,070,250.

Amounts and other receivable of $3,050 at February 28, 2021 (February 29, 2020: $1,294) consist of GST input tax credits and interest receivable on term deposit.

Prepaid expenses of $3,782 at February 28, 2021 (February 29, 2020: $2,847) relate to ordinary operating expenses.

Deferred share issuance costs of $183,616 relate to the private placement financing of 11,629,212 subscription receipts priced at $0.35 issued on February 11, 2021 and that were converted into common shares on June 3, 2021.

Exploration and evaluation assets of $1,451,151 at February 28, 2021 (February 29, 2020: $708,853) consist of acquisition and exploration expenditures on the Company's mineral properties and are discussed in Section 7 "Exploration and Evaluation Activities" below.

Trade and other payables were $283,288 at February 28, 2021 (February 29, 2020: $76,244). Trade and other payables are unsecured and are usually paid within 30 days of recognition. Included in trade and other payables is $182,204 in accrued finder's fees from the subscription receipts financing that were paid subsequent to yearend on June 3, 2021. Also included in trade and other payables is $22,910 (February 29, 2020: $33,659) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements.

Income taxes payable were $187,738 at February 28, 2021. Deferred tax liability increased to $208,331 during the year to reflect the difference between the carrying value of the common shares under IFRS and the cost basis for US Tax purposes for the Huntsman shares received on the sale of the Flint property.

3. FINANCIAL PERFORMANCE

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States.

Because the Company is in the exploration stage, it did not earn any significant revenue from production and its expenses relate to the costs of operating a private company of its size. Net income for the year ended February 28, 2021 was $1,186,599 and comprehensive income after cumulative translation adjustment was $1,123,674 or $0.04 per share basic ($0.03 per share diluted), compared to a net loss of $415,120 and comprehensive loss of $420,438 for the year ended February 29, 2020 or $0.02 per share. Net income for the three months ended February 28, 2021 was $1,280,554 and comprehensive income after cumulative translation adjustment was $1,213,484 or $0.03 per share, compared to a net loss of $125,387 and comprehensive loss of $118,974 for three months ended February 29, 2020 or $0.01 per share.

The following is select information from the Company's consolidated statements of comprehensive income (loss) for the years ended February 28, 2021 and 2020.

	Three months ended February 28, 2021 $	Three months ended February 29, 2020 $	Year ended February 28, 2021 $	Year ended February 29, 2020 $
Expenses				
Accounting and audit	24,936	27,649	69,936	34,102
Consulting	31,080	10,070	45,929	48,070
Filing fees	1,464	253	7,176	1,519
General exploration	30,750	7,524	73,183	93,105
Investor communication	4,231	8,468	22,003	15,242
Legal	1,517	1,766	9,056	5,247
Management	47,851	4,703	91,157	7,402
Office	26,374	16,934	83,686	45,866
Salaries and benefits	6,623	1,570	17,546	6,005
Share-based payments	100,538	-	191,860	72,449
Travel	91	6,750	18,604	15,506
Total expenses	(275,455)	(85,687)	(630,136)	(344,513)
Other income (expenses)				
Finance income	1,460	997	2,783	997
Foreign exchange gain (loss)	(13,544)	9,811	(78,195)	9,280
Impairment of E&E assets	94	(50,508)	(6,605)	(80,251)
Gain on sale of E&E assets	2,104,843	-	2,426,296	-
Unrealized loss on investments	(120,231)	-	(110,931)	-
Loss on disposal of equipment	-	-	-	(633)
	1,972,622	(39,700)	2,233,348	(70,607)
Net income (loss) before tax	1,697,167	(125,387)	1,603,212	(415,120)
Income tax expense	(197,476)	-	(197,476)	-
Deferred income tax expense	(219,137)		(219,137)	
Net income (loss)	1,280,554	(125,387)	1,186,599	(415,120)
Other comprehensive loss				
Cumulative translation adjustment	(67,070)	(4,223)	(62,925)	(5,318)
Comprehensive income (loss)	1,213,484	(129,610)	1,123,674	(420,438)

3.1 Total expenses for the year ended February 28, 2021

Total expenses for the year ended February 28, 2021 were $630,136 compared to total expenses of $344,513 for the year ended February 29, 2020.

Accounting and audit fees were $69,936 for the year ended February 28, 2021 compared to $34,102 in expenses recorded in the 2020 comparative period. During the year ended February 28, 2021, accounting fees of $44,000 were charged by a company controlled by the former CFO, $22,000 was recorded for audit related services, and $3,936 was recorded for preparation of income tax returns. During the year ended February 29, 2020, accounting and audit fees totalled $34,102 and consist of $4,000 charged by a company controlled by the former CFO, $19,750 was recorded for audit related services, and 7,058 was paid for book-keeping services.

Employee costs were $346,492 for the year ended February 28, 2021 compared to $133,926 in employee costs recorded in the 2020 comparative year. Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the years ended February 28, 2021 and 2020.

	Year ended February 28, 2021 $	Year ended February 29, 2020 $
Consulting fees	45,929	48,070
Management fees	91,157	7,402
Salaries and benefits	17,546	6,005
Share-based payments	191,860	72,449
	346,492	133,926

Consulting fees were $45,929 for the year ended February 28, 2021 compared to $48,070 recorded in the 2020 comparative year. During the current year, $15,000 was paid for business consulting fees, $3,524 for a property valuation report and $27,405 for administrative services. During the 2020 comparative year, $40,000 was paid for strategic consulting fees, and $6,000 was paid for administrative services and $2,070 was recorded for capital markets consulting (see Section 12 "Transactions with Related Parties" below).

Management fees of $91,157 for the year ended February 28, 2021 were paid to the President, Exploration Manager and current CFO/Corporate Secretary of the Company. Management fees of $7,402 for the 2020 comparative year were paid to the President and Corporate Secretary. During the year ended February 28, 2021, the President was paid a salary of US $10,000 per month which was allocated to management fees for corporate development work and to deferred exploration for geological work. The current CFO / Corporate Secretary's compensation is allocated to management fees for services relating to the Company's subsidiary and to salaries and benefits for services relating to the parent company.

Salaries and benefits of $17,546 for the year ended February 28, 2021 consist of salaries and group health benefits paid to the Chairman, current CFO/Corporate Secretary and three employees. Salaries and benefits of $6,005 for the 2020 comparative year were paid to the Chairman and Corporate Secretary.

Share-based payments of $191,860 for the year ended February 28, 2021 represent the fair value of 1,780,000 stock options granted to directors, officers and an employee of the Company. A further 355,000 stock options were granted to the Company's Exploration Manager and a geological consultant. The $34,600 fair value of these options were capitalized to mineral properties.

Legal fees were $9,056 for the year ended February 28, 2021 compared to $5,247 in legal fees recorded for the 2020 comparative year and relate to general corporate matters, Form D filings, the Company's listing application, a property option agreement and annual corporate services.

Filing fees were $7,176 for the year ended February 28, 2021 compared to $1,519 in filing fees recorded for the 2020 comparative year and relate to reports of exempt distribution, Form D filings and annual corporate filings.

General exploration expenses were $73,183 for the year ended February 28, 2021 compared to $93,105 in general exploration expenses recorded for the 2020 comparative year. General exploration expenses include project reconnaissance costs of $18,042 (2020: $6,881) and expenditures on data acquisition and development of proprietary target generation software of $55,141 (2020: $86,224).

Investor communication expenses were $22,003 for the year ended February 28, 2021 compared to $15,242 in expenses incurred during the 2020 comparative year. The increase is attributable to marketing activities designed to increase the profile of the Company. The following is a breakdown of the material components of the Company's investor communication expenses for the years ended February 28, 2021 and 2020.

	Year ended February 28, 2021 $	**Year ended February 29, 2020 $**
Advertising	4,558	3,500
Promotional materials	9,920	3,597
Trade shows and conferences	-	4,845
Website	7,525	3,300
	22,003	15,242

Office expenses were $83,686 for the year ended February 28, 2021 compared to $45,866 in expenses recorded for the 2020 comparative year. The increase reflects the Company's growing operations and level of activity. The following is a breakdown of the Company's office expenses for the years ended February 28, 2021 and 2020.

	Year ended February 28, 2021 $	**Year ended February 29, 2020 $**
Bank charges and interest	3,945	2,621
Charitable contributions	-	2,635
Information technology	14,207	916
Insurance	734	785
Meals and entertainment	3,357	6,475
Office supplies and expenses	23,277	13,616
Rent expense	38,019	18,181
Telephone	147	637
	83,686	45,866

Travel expenses were $18,604 for the year ended February 28, 2021 compared to $15,506 in expenses recorded for the 2020 comparative year.

3.2 Total other income and expenses for the year ended February 28, 2021

Finance income was $2,783 for the year ended February 28, 2021 compared to $997 recorded for the 2020 comparative year and consists of cashback rewards on the Company's credit card and bank interest earned.

Foreign exchange loss of $78,195 was recorded during the year ended February 28, 2021 compared to a gain of $9,280 recorded in the 2020 comparative year. Foreign exchange gains and losses arise from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Gain on sale of exploration and evaluation assets of $2,426,296 recorded during the year ended February 28, 2021 was realized on the sale of the Como, Flint, Bob Creek, Danny Boy, Ziggurat and Keg properties.

Impairment of exploration and evaluation assets of $6,605 recorded during the year ended February 28, 2021 relates to certain Bob Creek mineral claims that were abandoned. During the 2020 comparative year, the Company abandoned certain mineral claims and accordingly acquisition costs of $8,000 for Flint, $7,408 for Matador, $14,223 for Opaline Gulch and $50,508 for Kamma were written off.

Unrealized loss on investments of $110,931 recorded during the year ended February 28, 2021 relate to the 500,000 common shares of Eclipse received for the sale of Como.

3.3 Total expenses for the three months ended February 28, 2021

Total expenses for the three months ended February 28, 2021 were $275,455 compared to total expenses of $85,687 for the 2020 comparative year.

Accounting and audit fees were $24,936 for the three months ended February 28, 2021 compared to $27,649 in expenses recorded in the 2020 comparative period. Accounting fees of $8,000 were charged by a company controlled by the former CFO during the three months ended February 28, 2021 (2020: $4,000). A provision for audit related fees of $13,000 was recorded (2020: $19,750) and fees for the preparation of the Company's income tax returns was $3,936 (2020: $3,294). During the 2020 comparative period, $605 was paid for book keeping services.

Employee costs were $186,092 for the three months ended February 28, 2021 compared to $16,343 in employee costs recorded in the 2020 comparative period. Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the three month periods ended February 28, 2021 and 2020.

	Three months ended February 28, 2021 $	**Three months ended February 29, 2020 $**
Consulting fees	31,080	10,070
Management fees	47,851	4,703
Salaries and benefits	6,623	1,570
Share-based payments	100,538	-
	186,092	16,343

Consulting fees of $31,080 for the three months ended February 28, 2021 consist of $7,500 for business consulting fees and $23,580 for administrative services. Consulting fees of $10,070 for the 2020 comparative period consist of $5,000 for strategic consulting fees, $3,000 for administrative services and $2,070 for capital market advisory services (see Section 12 "Transactions with Related Parties" below).

Management fees of $47,851 for the three months ended February 28, 2021 were paid to the President, Exploration Manager and CFO/Corporate Secretary of the Company. Management fees of $4,703 for the 2020 comparative period were paid to the President and Corporate Secretary. During the three months ended February 28, 2021, the President was paid a salary of US $10,000 per month which is allocated to management fees for corporate development work and to deferred exploration for geological work. The current CFO / Corporate Secretary's compensation is allocated to management fees for services relating to the Company's subsidiary and to salaries and benefits for services relating to the parent company.

Salaries and benefits of $6,623 for the three months ended February 28, 2021 consist of salaries and group health benefits paid to the Chairman, Corporate Secretary and two employees (2020 - $1,570).

Share-based payments of $100,538 for the three months ended February 28, 2021 represent the fair value of 1,780,000 stock options granted to directors, officers and an employee of the Company. A further 355,000 stock options were granted to the Company's Exploration Manager and a geological consultant. The $26,335 fair value of these options were capitalized to mineral properties.

Legal fees were $1,517 for the three months ended February 28, 2021 compared to $1,766 in legal fees recorded for the 2020 comparative period and relate to general corporate matters, Form D filings, the Company's listing application, a property option agreement and annual corporate filings.

Filing fees were $1,464 for the three months ended February 28, 2021 compared to $253 in filing fees recorded for the 2020 comparative period and relate to annual corporate services and reports of exempt distribution.

General exploration expenses were $30,750 for the three months ended February 28, 2021 compared to $7,524 in general expenses recorded for the 2020 comparative period. General exploration expenses consist of expenditures on data acquisition and development of proprietary target generation software.

Investor communication expenses were $4,231 for the three months ended February 28, 2021 compared to $8,468 in expenses incurred during the 2020 comparative period. The following is a breakdown of the material components of the Company's investor communication expenses for the three month periods ended February 28, 2021 and 2020.

	Three months ended February 28, 2021 $	**Three months ended February 29, 2020 $**
Advertising	3,558	-
Promotional materials	573	709
Trade shows and conferences	-	4,759
Website	100	3,000
	4,231	8,468

Office expenses were $26,374 for the three months ended February 28, 2021 compared to $16,934 in expenses recorded for the 2020 comparative period. The following is a breakdown of the Company's office expenses for the three month periods ended February 28, 2021 and 2020.

	Three months ended February 28, 2021 $	Three months ended February 29, 2020 $
Bank charges and interest	1,096	1,018
Charitable contributions	-	2,635
Information technology	5,740	303
Insurance	(10)	-
Meals and entertainment	491	2,320
Office supplies and expenses	6,355	2,366
Rent expense	12,677	8,028
Telephone	25	264
	26,374	16,934

3.4 Total other income and expenses for the three months ended February 28, 2021

Finance income was $1,460 for the three months ended February 28, 2021 compared to $997 recorded for the 2020 comparative period and consists of cashback rewards on the Company's credit card and bank interest earned.

Foreign exchange loss of $13,544 was recorded during the three months ended February 28, 2021 compared to a gain of $9,811 recorded in the 2020 comparative period. Foreign exchange gains and losses arise from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Gain on sale of exploration and evaluation assets of $2,104,843 recorded during the three months ended February 28, 2021 was realized on the sale of the Flint, Bob Creek, Danny Boy, Ziggurat and Alpha properties.

Unrealized loss on investments of $120,231 recorded during the three months ended February 28, 2021 relate to the common shares of Eclipse.

Impairment of exploration and evaluation assets of $50,508 recorded during the three months ended February 29, 2020 relates to the Kamma project that was abandoned.

4. CASH FLOWS

The Company is still in the exploration and development stage and as such does not earn any significant revenue from production. Total cash used in operating activities was $438,342 for the year ended February 28, 2021 compared to cash used of $267,462 during the 2020 comparative year. The Company incurred net income of $1,186,599 with adjustments to add back items not involving cash (foreign exchange, gain on sale of exploration and evaluation assets, impairment of exploration and evaluation assets, unrealized loss on short-term investments and share-based payments) and adjustments for non-cash working capital items (amounts receivable, prepaid expenses, trade and other payables, taxes payable) to calculate the cash used in operating activities.

Total cash flows used in investing activities was $1,501,657 during the year ended February 28, 2021 and consist of $1,218,662 in expenditures on exploration and evaluation assets, $467,005 in proceeds from sale of mineral properties and $750,000 spent on the purchase of term deposits. Cash flows used in investing activities for the 2020 comparative year consisted of $462,943 in expenditures on exploration and evaluation assets.

Total cash flows provided by financing activities was $5,988,012 during the year ended February 28, 2021 and consist of $1,971,350 in proceeds from share issuances and $4,070,224 in proceeds from the subscription receipt financing, less $53,562 in share issuance costs. Cash flows provided by financing activities was $1,055,026 for the 2020 comparative year and consisted of $1,000,026 in proceeds from share issuances and $55,000 in share subscriptions received.

5. SELECTED ANNUAL INFORMATION

The table below presents selected financial data for the Company's annual financial statements for each of the three most recently completed financial periods. The financial data provided is prepared in accordance with IFRS and is presented in Canadian dollars.

	February 28, 2021 $	**February 29, 2020 $**	**February 28, 2019 $**
Total revenue	-	-	-
Net income (loss) for the period	1,186,599	(415,120)	(4,898)
Comprehensive income (loss) for the period	1,123,674	(420,438)	(4,898)
Income (loss) per share, basic	0.04	(0.02)	(0.01)
Income (loss) per share, diluted	0.03	(0.02)	(0.01)
Total assets	9,067,976	1,081,303	335,256
Total long term liabilities	208,331	-	-
Cash dividend declared per share	-	-	-

Various factors contribute to the period to period variations in financial position and financial performance. The Company was incorporated on January 14, 2019 so accordingly the first financial period from January 14, 2019 to February 28, 2019 consisted of only 45 days. Net loss of $4,898 recorded during the period ended February 28, 2019 relate to ordinary operating expenses.

During the Company's first full financial year ended February 29, 2020, the Company realized a net loss of $415,120. Included in the loss is $93,105 in general exploration expenditures that consisted of mineral exploration costs incurred prior to staking a property and expenditures on data acquisition and development of proprietary target generation software that are recorded through the statement of profit and loss. The Company also recorded $72,449 in share-based payments expense for the grant of 1,200,000 stock options to directors and officers of the Company. Impairment expenses of $80,251 were recorded on the Flint, Matador, Opaline Gulch and Kamma properties.

During the year ended February 28, 2021, the Company realized net income of 1,186,599. The Company sold the Como, Flint, Bob Creek, Danny Boy, Ziggurat and Keg mineral properties for proceeds of cash and marketable securities valued at $2,847,255 and realized a gain on sale of $2,426,296. Notable expenses include $191,860 in share-based payments for the grant of 1,780,000 stock options to directors and officers of the Company (a further 355,000 stock options were granted to geological consultants and the fair value of $34,600 was capitalized to exploration and evaluation assets). The Company recorded unrealized loss on investments of $110,931 on marketable securities and foreign exchange loss was $78,195.

Comprehensive income of $1,123,674 recorded during the year ended February 28, 2021 includes cumulative translation adjustment of ($62,925) (2020 – ($5,318); 2019 - $nil).

During the 2019 financial period, the Company acquired its wholly-owned subsidiary, CP Holdings Corporation, from a significant shareholder with a common director for consideration of $1,337 and 8,500,000 common shares with a fair value of $212,500. The Company additionally raised gross proceeds of $256,250 from private placements during 2019.

During the 2020 financial year, the Company raised gross proceeds of $1,000,026 from private placements and received an additional $55,000 in share subscriptions for a private placement that closed subsequent to year end. The Company's mineral property acquisition and exploration activities during the year contributed to the $708,853 in exploration and evaluation assets at February 29, 2020.

During the 2021 financial year, the Company raised gross proceeds of $2,026,350 from private placements and sold subscription receipts for gross proceeds of $4,070,224. The Company sold various mineral properties for proceeds of cash and marketable securities valued at $2,847,255. The Company's mineral property acquisition and exploration activities during the year contributed to the $1,451,151 in exploration and evaluation assets at February 28, 2021.

Deferred tax liability increased during the year ended February 28, 2021 to reflect the difference between the carrying value of the common shares under IFRS and the cost basis for US Tax purposes for the Huntsman shares received on the sale of the Flint property.

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2020 to February 28, 2021

On March 6, 2020, the Company issued 2,2291,664 common shares at a price of $0.15 per share for gross proceeds of $343,750. The Company paid finder's fees of $13,500 to a registered representative on $225,000.

On June 18, 2020, the Company issued 100,000 common shares at a price of $0.15 per share for gross proceeds of $15,000.

On July 27, 2020, Wendell Zerb was appointed as a director of the Company.

In July 2020, the Company staked the Castle Ridge property in Nevada.

On August 12, 2020, the Company granted 1,400,000 stock options exercisable at $0.20 per share to directors, officers and a consultant of the Company. The options will vest over a six month period.

On September 28, 2020, the Company issued 7,580,000 common shares at a price of $0.22 per share for gross proceeds of $1,667,600. The Company paid finder's fees of $38,648 to registered representatives on $772,970.

In September 2020, the Company staked the Hot Tub and Birch Creek properties in Oregon and portions of the Crane Creek property in Idaho.

On October 1, 2020, the Company acquired 100% interest, subject to a 1% net smelter returns royalty which the Company may purchase for US $1,000,000 at any time, in certain unpatented mining claims and State Mineral Lease E500007 located in Idaho known as "Crane Creek" for consideration of US $60,000 and 200,000 common shares at a deemed price of $0.22 per share for fair value of $44,000. State Mineral Lease

E500007 expired on February 28, 2021 and the Company is in the process of pursuing a fresh lease with the State.

On October 1, 2020, the Company entered into agreements to grant a private company controlled by directors of the Company the exclusive right and option to acquire 100% interests in four non-core mineral properties: (i) Bob Creek for US $55,000 of which US $2,750 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $52,250 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021); (ii) Danny Boy for US $$15,000 of which US $1,250 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $13,750 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021); (iii) Ziggurat for US $35,000 of which US $2,000 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $33,000 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021); and (iv) Keg for US $45,000 of which US $2,500 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $42,500 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021).

On October 28, 2020 (the "Effective Date"), the Company entered into a mining lease agreement to lease certain fee lands in Washington County, Idaho for a twenty year term that may be extended by ten year increments, for consideration of US $5,000 payable upon execution of the agreement and subsequent payments of US $3,250 on each anniversary of the Effective Date. The property is subject to a net smelter returns royalty of 2%, of which the first 1% may be purchased for US $1,000,000 at any time and the second 1% may be purchased for US $2,000,000 at any time.

On November 1, 2020, Graeme Currie was appointed as a director of the Company.

On November 1, 2020, Randy Vance was engaged as Exploration Manager of the Company.

On November 5, 2020, the Company entered into an agreement to sell 100% interest in the Como property to Eclipse for consideration of US $100,000 and 500,000 common shares of Eclipse with a fair value of $310,000, subject to a net smelter returns royalty retained by the Company of 1.25% to 2.5% on certain of the claims. This transaction closed on November 24, 2020.

On November 24, 2020, the Company granted 735,000 stock options exercisable at $0.22 per share to directors, an officer, consultants and an employee of the Company. The options will vest over a six month period.

On December 3, 2020, the Company entered into an agreement to sell 100% interest in the Flint property to Huntsman Exploration Inc. ("Huntsman", a public company trading on the TSXV) for consideration of US $100,000 and 8,450,000 common shares of Huntsman with a fair value of $2,070,250, subject to a 2% net smelter returns royalty retained by the Company. This transaction closed on December 21, 2020.

On January 4, 2021, Sandra Wong was appointed as Chief Financial Officer of the Company.

On February 11, 2021, the Company raised gross proceeds of $4,070,224 by way of a non-brokered private placement of 11,629,212 subscription receipts (each, a "Subscription Receipt") priced at $0.35. Each Subscription Receipt entitles the holder to acquire, for no additional consideration, one Common Share pursuant to the terms and conditions in the Subscription Receipt Certificate. The conversion of the Subscription Receipts to Common Shares is anticipated to occur on the completion of certain conditions, specifically (i) the issuance of a receipt for a Prospectus and (ii) the confirmation from the Canadian Securities Exchange (the "CSE") that the Company has met all CSE requirements for the Proposed Listing, subject to the conversion of the Subscription Receipts. The gross proceeds from the sale of the Subscription Receipts were deposited in escrow and are held by the Company in a separate interest-bearing account, with such Escrowed Funds not to be released until the satisfaction of the Escrow Release Conditions at which time the Escrowed Funds together with interest earned thereon will be accessible by the Company. The Company will use the Escrowed Funds for exploration and development expenditures, investor relations, general and administrative and other costs and for general working capital purposes.

In February 2021, Northern Vertex Mining Corp. ("Northern Vertex") acquired Eclipse via a statutory plan of arrangement under the Business Corporations Act (British Columbia) pursuant to which Northern Vertex has acquired all of the issued and outstanding common shares of Eclipse. Pursuant to the transaction, Eclipse shareholders are entitled to receive 1.09 common shares of Northern Vertex in exchange for each Eclipse share held by such shareholder immediately prior to the completion of the transaction. On June 15, 2021, the Company received 545,000 common shares of Northern Vertex in exchange for its 500,000 common shares of Eclipse.

6.2 Period from March 1, 2021 to the date of this Report

On March 1, 2021, Caleb Stroup was appointed as Chief Executive Officer of the Company and Alistair Waddell was appointed the Executive Chair.

On May 31, 2021, the Company filed a final prospectus with the British Columbia Securities Commission qualifying the distribution of common shares in the capital of the Company issuable for no additional consideration upon deemed exercise of the 11,629,212 Subscription Receipts of the Company issued on February 11, 2021. On June 3, 2021, the CSE confirmed that the Company had met all CSE requirements for listing, subject to the conversion of the Subscription Receipts. The Subscription Receipts were converted into common shares of the Company on June 3, 2021 and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $4,070,424 have been released to the Company.

On June 8, 2021, the Company's common shares began trading on the CSE under the symbol "HWG".

7.1 Exploration and Evaluation Activities for the Year Ended February 28, 2021

The Company is in the mineral exploration stage and as such has no revenues. Mineral interests in the form of exploration and acquisition costs totalled $1,451,151 as at February 28, 2021 (February 29, 2020 - $708,853).

Total costs incurred on exploration and evaluation assets for the year ended February 28, 2021 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Additions	250,118	352,986	134,426	14,163	751,693
Impairment	-	(6,648)	-	-	(6,648)

Sale of E&E Asset	(134,404)	(198,171)	-	(45,133)	(377,708)
Foreign exchange	(15,709)	(21,322)	(9,374)	(2,384)	(48,789)
Balance, February 28, 2021	332,455	256,553	195,600	-	784,608
Exploration costs					
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793
Additions					
Administration	9,890	12,544	12,184	-	34,618
Drilling	-	1,399	8,316	-	9,715
Geology	83,101	108,598	208,592	6,077	406,368
Mapping, sampling, geochemistry	4,801	14,806	38,188	-	57,795
Reports	-	-	17,244	-	17,244
Technical review	12,767	17,166	10,684	-	40,617
	110,559	154,513	295,208	6,077	566,357
Sale of E&E Asset	(46,369)	(53,496)	-	(7,102)	(106,967)
Foreign exchange	(10,868)	(10,676)	(13,588)	(508)	(35,640)
Balance, February 28, 2021	182,951	163,197	320,395	-	666,543
Total acquisition costs and exploration expenditures					
February 28, 2021	515,406	419,750	515,995	-	1,451,151

Total costs incurred on exploration and evaluation assets for the year ended February 29, 2020 are summarized as follows:

	Idaho $	**Nevada $**	**Oregon $**	**Utah $**	**Total $**
Acquisition costs					
Balance, February 28, 2019	224,557	4,773	-	-	229,330
Additions	35,146	143,153	69,262	32,763	280,324
Impairment	(29,631)	(20,196)	-	-	(49,827)
Foreign exchange	2,378	1,978	1,286	591	6,233
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Exploration costs					
Balance, February 28, 2019	60,333	1,282	-	-	61,615
Additions					
Administration	28,739	24,417	2,474	-	55,630
Geology	28,582	53,942	21,394	990	104,908
Mapping and sampling	605	9,625	11,725	-	21,955
Technical review	9,278	12,969	2,513	517	25,277
	67,204	100,953	38,106	1,507	207,770
Impairment	-	(30,282)	-	-	(30,282)
Foreign exchange	2,092	903	669	26	3,690
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793

Total acquisition costs and exploration expenditures					
February 29, 2020	362,079	202,564	109,323	34,887	708,853

7.2 Katey and Mahogany (Malheur County, Oregon)

The Company owns a 100% interest in the Katey and Mahogany properties, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $108,972 in acquisition costs (2020 - $69,262) and $272,593 in exploration costs (2019 - $38,106) on the Properties. As at February 28, 2021, total acquisition and exploration expenditures recorded on Katey and Mahogany were $469,253 (2020 - $109,323). Katey and Mahogany are the Company's principal properties.

The Katey and Mahogany Properties are located in Malheur County, Oregon, United States and are composed of 224 unpatented lode claims totaling 4551 acres in two separate blocks that are 30 km apart from each other. The Mahogany Property ("Mahogany") comprises 139 unpatented lode claims totaling 2795 acres, centered at 43.26° Latitude and -117.04° Longitude. The Katey Property ("Katey") is 85 unpatented lode claims totaling 1,756 acres, centered at 43.42° Latitude and -117.16° Longitude. The 224 unpatented lode claims are registered to CP Holdings Corp., a wholly owned United States subsidiary of Headwater Gold Inc.

Gold mineralization on the Properties is interpreted to be related to hot spring-type low sulphidation epithermal systems of Miocene age. Alteration, mineralization, and geochemical anomalies are associated with high-angle extensional faults. The presence of sinter and other high-level alteration features indicate that the uppermost parts of the mineralizing system are partially preserved.

Gold mineralization on the Properties is associated with regional mid-Miocene bimodal volcanism and rifting within the northern Basin and Range Province. The Properties are situated near a major lithospheric domain boundary that marks the western margin of the North American craton to the east and accreted oceanic terranes to the west. Pre-Cenozoic basement rocks are entirely concealed by a thick sequence of mid-Tertiary and younger volcanic and sedimentary rocks.

The geology of the Katey Property is characterized by Miocene ash flow tuffs, tuffaceous and clastic sediments, and rhyolitic volcanics. The highest gold values occur in two separate areas of the property, referred respectively as the West and East Zones. The West Zone is characterized by hydrothermal veins and vent breccias crosscutting both clastic and tuffaceous sediments and ash flow tuffs. Mineralization in the East Zone is associated with chalcedonic stockwork veins and breccias that crosscut rhyolitic intrusions. Surface channel samples outlined mineralization in both zones where historical gold values averaged 0.02 - 0.03 opt, over 30 m. Additional areas of significant alteration at Katey includes zone of silicification and silica-pyrite veining in sediments and rhyolite intrusions (South Zone); and a broad zone of chalcedonic veining and argillic alteration within ash flow tuff (West Canyon Zone).

Rock chip sampling by Headwater geologists confirmed gold mineralization in hydrothermal vent breccias on the Mahogany Property, and in chalcedonic stockwork veins and breccias on the Katey Property. Headwater geologists have also followed alteration along strike of a major high-angle fault at Mahogany, referred to as the Main Ridge Fault, and encountered gold mineralization in silicified and brecciated tuffaceous sandstone (rock samples: RX512448 with 23 ppm Au, RX984619 with 25.1 ppm Au, and RX984620 Float with 55.2 ppm Au).

The Company undertook an exploration program on the Katey and Mahogany Properties from September 5, 2019 to October 18, 2020, consisting of soil sampling, stream sediment sampling, rock sampling, 1:5,000 scale bedrock and alteration mapping, and drone-based magnetic surveys. The program resulted in the collection of 721 soil samples, 24 stream sediment samples, 129 rock samples and 448 line-kilometres of drone magnetics (of which, 172.8 line-kilometres are on the Properties).

Preliminary interpretation of the drone magnetic survey at Mahogany has highlighted strong horizontal gradients across the southern extension of the Main Ridge Fault, and a broad magnetic low across the area of most intense argillic alteration and silicification (Wright, 2020a). Numerous magnetic lows peripheral to the Main Ridge Fault at Mahogany represent potential drill targets under thin alluvial cover.

Drone magnetics from the Katey property shows two strongly contrasting magnetic domains separated by north-northwest-striking structures that underlie the East Zone target area, consistent with the interpretation that Katey lies at the margin of a Miocene caldera. The western half of the property is covered by a non-magnetic domain, consisting of intra-caldera tuffs and tuffaceous sediments. The eastern domain is characterized by strong magnetic response from flat-lying lavas that lie outboard of the interpreted caldera margin.

A NI 43-101 technical report on the Katey and Mahogany Properties dated December 27, 2020 was prepared by Derrick Strickland, P.Geo. (the "Author"). The Author recommended that for continuing evaluation of the Properties, the Company should test the presence of bonanza-type vein targets at depths of 300 m down-dip of mineralized faults identified by mapping and sampling programs completed in the fall of 2020. A drilling exploration program is warranted on the Properties that would consist of 3,000 metres of drilling on each of the Mahogany and Katey Properties. Phase one is expected to cost 2,262,000 USD.

The scientific and technical information contained in the above text has been reviewed and approved by Derrick Strickland, P.Geo., a "Qualified Person" ("QP") as defined in National Instrument 43- 101 – Standards of Disclosure for Mineral Projects.

7.3 Birch Creek (Malheur County, Oregon)

The Company owns a 100% interest in the Birch Creek property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $8,163 in acquisition costs and $9,747 in exploration costs on the Birch Creek property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Birch Creek were $17,910 (2020 - $nil).

7.4 Hot Tub (Malheur County, Oregon)

The Company owns a 100% interest in the Hot Tub property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $16,367 in acquisition costs and $12,465 in exploration costs on the Hot Tub property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Hot Tub were $28,832 (2020 - $nil).

7.5 Matador (Owyhee County, Idaho)

The Company owns a 100% interest in the Matador property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $12,158 in acquisition costs (2020 - $10,842) and $23,495 in exploration costs (2020 - $21,800) on the Matador property. The Company had elected not to maintain certain of the claims and accordingly $7,408 in acquisition costs were written off during the year ended February 29, 2020. As at February 28, 2021, total acquisition and exploration expenditures recorded on Matador were $131,319 (2020 - $101,630).

7.6 Opaline Gulch (Owyhee County, Idaho)

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $11,272 in acquisition costs (2020 - $10,327) and $21,611 in exploration costs (2020 - $23,201) on the Opaline Gulch property. The Company had elected not to maintain certain of the claims and accordingly $14,223 in acquisition costs were written off during the year ended February 29, 2020. As at February 28, 2021, total acquisition and exploration expenditures recorded on Opaline Gulch were $145,813 (2020 - $119,331).

7.7 Flint (Owyhee County, Idaho)

The Company owned a 100% interest in the Flint property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $33,618 in acquisition costs (2020 - $13,977) and $14,124 in exploration costs (2020 - $22,203) on the Flint property. The Company had elected not to maintain certain of the claims and accordingly $8,000 in acquisition costs were written off during the year ended February 29, 2020. Pursuant to an agreement dated December 3, 2020, the Company sold 100% interest in the Flint property to Huntsman Exploration Inc. ("Huntsman", a public company trading on the TSXV) for consideration of US $100,000 and 8,450,000 common shares of Huntsman with a fair value of $2,070,250, subject to a 2% net smelter returns royalty retained by the Company. This transaction was completed on December 21, 2020 and a gain on disposal of exploration and evaluation assets of $2,095,461 was recorded during the year ended February 28, 2021.

7.8 Crane Creek (Washington County, Idaho)

The Company owns a 100% interest in the Crane Creek property, which it acquired by way of staking federal land and an arm's length vendor acquisition subject to a 1% net smelter returns royalty which the Company may purchase for US $1,000,000 at any time. In addition, a portion of the project is comprised of a 20 year mining lease agreement subject to a net smelter returns royalty of 2%, of which the first 1% may be purchased for US $1,000,000 at any time and the second 1% may be purchased for US $2,000,000 at any time. During the year ended February 28, 2021, the Company expended $187,727 in acquisition costs and $50,547 in exploration costs on the Crane Creek property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Crane Creek were $238,274 (2020 - $nil).

7.9 Agate Point (Humboldt County, Nevada)

The Company owns a 100% interest in the Agate Point property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $43,578 in acquisition costs (2020 - $10,602) and $34,752 in exploration costs (2020 - $10,477) on the Agate Point property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Agate Point were $96,006 (2020 - $21,424).

7.10 Long Valley (Mineral County, Nevada)

The Company owns a 100% interest in the Long Valley property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $28,956 in acquisition costs (2020 - $16,131) and $24,631 in exploration costs (2020 - $15,354) on the Long Valley property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Long Valley were $81,491 (2020 - $32,017).

7.11 Como (Lyon County, Nevada)

The Company owned a 100% interest in the Como property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $65,879 in acquisition costs (2020 - $24,429) and $17,455 in exploration costs (2020 - $25,606) on the Como property. Pursuant to an agreement dated November 5, 2020, the Company sold 100% interest in the Como property to Eclipse Gold Mining Corporation for consideration of US $100,000 and 500,000 common shares of Eclipse with a fair value of $310,000, subject to a net smelter returns royalty retained by the Company of 1.25% to 2.5% on certain of the claims. This transaction was completed on November 24, 2020 and a gain on disposal of exploration and evaluation assets of $313,845 was recorded during the year ended February 28, 2021.

7.12 Dome Hill (Mineral County, Nevada and Mono County, California)

The Company owns a 100% interest in the Dome Hill property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $16,973 in acquisition costs (2020 - $14,209) and $20,020 in exploration costs (2020 - $7,921) on the Dome Hill property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Dome Hill were $56,587 (2020 - $22,527).

7.13 Castle Ridge (Elko County, Nevada)

The Company owns a 100% interest in the Castle Ridge property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $134,279 in acquisition costs and $56,647 in exploration costs on the Castle Ridge property. As at February 28, 2021, total acquisition and exploration expenditures recorded on Castle Ridge were $185,666 (2020 - $nil).

7.14 Bob Creek (Eureka County, Nevada)

The Company owned a 100% interest in the Bob Creek property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $44,417 in acquisition costs (2020 - $23,173) and $1,008 in exploration costs (2020 - $7,483) on the Bob Creek property.

Pursuant to an agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in the Bob Creek property for consideration of US $55,000 of which US $2,750 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $52,250 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021). The option was exercised on February 23, 2021 and the purchaser acquired 100% interest in Bob Creek, subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. A gain on disposal of exploration and evaluation assets of $4,919 was recorded in connection with the sale during the year ended February 28, 2021.

7.15 Danny Boy (Elko County, Nevada)

The Company owned a 100% interest in the Danny Boy property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $5,387 in acquisition costs (2020 - $7,272) and $nil in exploration costs (2020 - $2,447) on the Danny Boy property.

Pursuant to an agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in the Danny Boy property for consideration of US $15,000 of which US $1,250 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $13,750 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021). The option was exercised on February 23, 2021 and the purchaser acquired 100% interest in Danny Boy, subject to a 0.5% NSR royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. A gain on disposal of exploration and evaluation assets of $4,809 was recorded in connection with the sale during the year ended February 28, 2021.

7.16 Ziggurat (Nye County, Nevada)

The Company owned a 100% interest in the Ziggurat property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $13,517 in acquisition costs (2020 - $29,166) and $nil in exploration costs (2020 - $1,217) on the Ziggurat property.

Pursuant to an agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in the Ziggurat property for consideration of US $35,000 of which US $2,000 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $33,000 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021). The option was exercised on February 23, 2021 and the purchaser acquired 100% interest in Ziggurat, subject to a 0.5% NSR royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. A gain on disposal of exploration and evaluation assets of $2,608 was recorded in connection with the sale during the year ended February 28, 2021.

7.17 Keg (Juab County, Utah)

The Company owned a 100% interest in the Keg property, which it acquired by way of staking federal land. During the year ended February 28, 2021, the Company expended $14,163 in acquisition costs (2020 - $32,763) and $6,077 in exploration costs (2020 - $1,507) on the Keg property.

Pursuant to an agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in the Keg property for consideration of US $45,000 of which US $2,500 is payable within 90 days of signing the agreement (paid December 18, 2020) and US $42,500 is payable in cash or common shares of the purchaser on or before October 1, 2023 (cash paid on February 23, 2021). The option was exercised on February 23, 2021 and the purchaser acquired 100% interest in Keg, subject to a 0.5% NSR royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. A gain on disposal of exploration and evaluation assets of $5,358 was recorded in connection with the sale during the year ended February 28, 2021.

8. SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the Company's eight most recently completed fiscal quarters as presented in the unaudited condensed interim consolidated financial statements. The financial data provided is prepared in accordance with IFRS and is presented in Canadian dollars.

	Q4 Feb 28, 2021 $	Q3 Nov 30, 2020 $	Q2 Aug 31, 2020 $	Q1 May 31, 2020 $
Total revenue	-	-	-	-
Net income (loss) for the period	1,280,554	127,332	(176,020)	(45,267)
Comprehensive income (loss) for the period	1,213,484	117,354	(153,477)	(53,687)
Net income (loss) per share, basic	0.034	0.004	(0.006)	(0.002)
Net income (loss) per share, diluted	0.033	0.004	(0.006)	(0.002)

	Q4 Feb 29, 2020 $	Q3 Nov 30, 2019 $	Q2 Aug 31, 2019 $	Q1 May 31, 2019 $
Total revenue	-	-	-	-
Net loss for the period	(125,387)	(62,348)	(184,047)	(43,338)
Comprehensive loss for the period	(129,610)	(62,483)	(182,005)	(46,340)
Net loss per share, basic and diluted	(0.005)	(0.003)	(0.009)	(0.003)

8.1 Total Revenue

Because the Company is in the exploration stage, it did not earn any significant revenue.

8.2 Earnings (Loss) for the Period

The following table presents selected financial data for the Company's eight most recently completed fiscal quarters as presented in the unaudited condensed interim consolidated financial statements that helps to explain significant contributions to the variance in income (losses) across each period.

	Q4 Feb 28, 2021 $	Q3 Nov 30, 2020 $	Q2 Aug 31, 2020 $	Q1 May 31, 2020 $
Expenses				
Accounting and audit	24,936	12,000	21,000	12,000
Employee costs	186,092	113,916	28,873	17,611
Filing fees	1,464	1,541	3,657	514
General exploration	30,750	6,597	19,256	16,580
Investor communication	4,231	9,223	5,240	3,309
Legal	1,517	2,405	3,903	1,231
Office	26,374	30,571	15,126	11,615
Travel	91	7,876	5,468	5,170
Total expenses	(275,455)	(184,129)	(102,523)	(68,029)
Other items				
Finance income	1,460	847	42	434

Foreign exchange	(13,544)	(20,226)	(66,753)	22,328
Gain on sale of E&E assets	2,104,843	321,453	-	-
Unrealized gain (loss) on investments	(120,231)	9,300	-	-
Impairment	94	87	(6,786)	-
Disposal of equipment	-	-	-	-
	1,972,622	311,461	(73,497)	22,762
Income (loss) before tax	1,697,167	127,332	(176,020)	(45,267)
Income tax expense	(197,476)	-	-	-
Deferred income tax expense	(219,137)	-	-	-
Net income (loss) for the period	1,280,554	127,332	(176,020)	(45,267)

	Q4 Feb 29, 2020 $	**Q3 Nov 30, 2019 $**	**Q2 Aug 31, 2019 $**	**Q1 May 31, 2019 $**
Expenses				
Accounting and audit	27,649	2,060	2,278	2,115
Employee costs	16,343	18,510	93,308	5,765
Filing fees	253	-	1,266	-
General exploration	7,524	25,581	23,551	36,449
Investor communication	8,468	6,606	168	-
Legal	1,766	875	1,500	1,106
Office	16,934	16,033	9,049	3,850
Travel	6,750	2,309	6,075	372
Total expenses	(85,687)	(71,974)	(137,195)	(49,657)
Other items				
Finance income	997	-	-	-
Foreign exchange	9,811	9,626	(17,109)	6,952
Impairment	(50,508)	-	(29,743)	-
Disposal of equipment	-	-	-	(633)
	(39,700)	9,626	(46,852)	6,319
Net loss for the period	(125,387)	(62,348)	(184,047)	(43,338)

8.3 Total Expenses

Accounting and audit fees in the fourth quarters include provisions for preparation of the Company's year end audits and income tax returns.

Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments expense. Share-based payments expense, a non-cash item, was recorded as follows: 2020 Q2 - $72,449; 2021 Q2 - $15,303; 2021 Q3 - $76,019; and 2020 Q4 - $100,538.

General exploration expenses consist of expenditures for project reconnaissance and data acquisition and development of target generation software.

Investor communication expenses are fairly consistent across all quarters. The Company made expenditures on advertising, promotional materials, trade shows and conferences and website maintenance to raise the profile of the Company and communicate with its shareholders.

Legal fees are fairly consistent across all quarters.

Office expenditures steadily increased across 2021 in support of the Company's increased activities.

Travel expenses are a function of activity.

8.4 Other Items

The Company realized a $2,104,843 gain on sale of the Flint, Bob Creek, Danny Boy, Ziggurat and Keg properties during 2021 Q4 and a $321,453 gain on sale of the Como property during 2021 Q3.

Income tax expense of 197,476 and deferred income tax expense of $219,137 was recorded during 2021 Q4.

Impairment of Bob Creek was recorded during 2021 Q2; of Kamma during 2020 Q4; and of Flint, Matador and Opaline Gulch during 2020 Q2.

9. LIQUIDITY

The Company's financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. Management has been successful in raising equity financing in the past. However, there is no assurance that it will be able to do so in the future.

Factors that could impact on the Company's liquidity are monitored regularly and include market changes, gold price changes, and economic upturns or downturns that affect the market price of the Company's securities for the purposes of raising financing. The current state of equity markets has been favourable towards raising financing and Management believes that this condition will continue over the next twelve months.

Cash was $326,410 at February 28, 2021 (February 29, 2020: $363,309). Restricted cash was $4,075,342 at February 28, 2021 (February 29, 2020: $5,000) and consists of $4,070,317 in gross proceeds and interest from the Company's subscription receipts financing that was released from escrow on June 3, 2021, and a term deposit of $5,025 held at a financial institution as security against a company credit card.

Short-term investments consist of $750,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $2,274,625 which consist of 500,000 common shares of Eclipse Gold Mining Corporation valued at $204,375 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $2,070,250.

Amounts and other receivable consist of GST input tax credits and interest receivable on term deposit. Prepaid expenses relate to ordinary operating expenses.

Current liabilities total $471,026 at February 28, 2021 compared to $76,244 at February 29, 2020. Current liabilities consist of trade payables, accrued liabilities, and income taxes payable of $187,738.

Working capital surplus was $7,145,799 at February 28, 2021 compared to a surplus of $296,206 at February 29, 2020.

The Company has no debt or debt arrangements other than the loan referenced above.

Based on the financial condition at February 28, 2021, the Company can meet its financial obligations as they become payable in the current fiscal year but will need to raise additional equity financing in order to expand its planned exploration and evaluation activities.

10. CAPITAL RESOURCES

The Company does not have any commitments for capital expenditures. The Company does not have any capital resources in the form of debt, equity and any other financing arrangements.

11. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

12. TRANSACTIONS BETWEEN RELATED PARTIES

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

12.1 Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	Year ended February 28, 2021 $	**Year ended February 29, 2020 $**
Short-term employee benefits and director fees	265,106	188,856
Share-based payments	182,762	72,449
	447,868	261,305

The Company has entered into an Officer and Consulting Agreement with Hunter Gold LLC ("Hunter", a company controlled by Caleb Stroup ("Stroup"), the President), effective September 1, 2019 for no fixed term. As compensation for the services to be provided, Hunter will receive a monthly fee of US $10,000 with provisions for severance of twelve months of compensation in the event the Company terminates the Agreement by reason of a change of control. During the year ended February 28, 2021, the Company paid $172,058 (2020: $160,020) in fees to Hunter.

On March 1, 2021, Stroup was appointed Chief Executive Officer of the Company and the Company entered into a new Management Agreement with Hunter effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Hunter will receive a monthly fee of US $13,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or Stroup resigns within 12 months following a change of control.

On March 1, 2021, Alistair Waddell ("Waddell") was appointed Executive Chairman of the Company and the Company entered into a Management Agreement with Waddell Consulting Inc. ("Waddell Consulting") effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Waddell Consulting will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or Waddell resigns within 12 months following a change of control.

During the year ended February 28, 2021, the Company recorded $32,049 (2020: $16,297) in consulting fees payable to Waddell Consulting and group health benefits extended to Waddell.

On January 4, 2021, Sandra Wong ("Wong") was appointed the Chief Financial Officer of the Company and the Company entered into an Employment Agreement with Wong effective January 4, 2021 for no fixed term. As compensation for the services to be provided, Wong will receive a monthly salary of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or Wong resigns within 12 months following a change of control. During the year ended February 28, 2021, the Company paid $21,000 (2020: $6,468) in salary and benefits to Wong.

Effective March 1, 2021, the Company approved the payment of a director's fee of $1,000 per month to Graeme Currie and Wendell Zerb, directors of the Company, and $2,000 per month to Tero Kosonen ("Kosonen"), a director who serves as chair of the Audit Committee.

The Company had entered into a Consulting Services Agreement with Seymour One Capital Corp. ("Seymour", a company of which Jerry Huang ("Huang"), the former Chief Financial Officer, is an owner and director), dated January 6, 2020 for no fixed term. As compensation for the services to be provided, Seymour received a monthly fee of $4,000. Huang resigned as CFO on January 4, 2021 and the agreement was terminated. During the year ended February 28, 2021, the Company recorded $44,000 (2020: $6,070) in accounting services and consulting fees payable to Seymour.

12.2 Services Agreement

The Company had entered into a Contract for Services with a significant shareholder with a common director for an eight month term from May 1, 2019 until termination on December 31, 2019 for compensation of $5,000 per month. During the year ended February 28, 2021, the Company recorded $nil (2020: $40,000) in consulting fees payable to the shareholder.

12.3 Debt Settlement

On September 19, 2019, the Company settled $22,500 in amounts owing to a significant shareholder with a common director through the issuance of 300,000 common shares at a price of $0.075 per share.

On June 26, 2019, the Company extended a non-interest bearing demand loan of $26,506 to an arm's length party, which receivable was guaranteed by a significant shareholder with a common director. On February 29, 2020, the shareholder took assignment of the receivable in return for the settlement of $26,250 in accrued fees owing to the shareholder.

12.4 Private Placements

On June 3, 2019, the Company raised gross proceeds of $244,875 by way of a non-brokered private placement of 3,265,000 common shares priced at $0.075. Kosonen purchased 500,000 shares.

On September 16, 2019, the Company raised gross proceeds of $272,625 by way of a non-brokered private placement of 3,635,000 common shares priced at $0.075. Kosonen purchased 227,500 shares and Waddell Consulting purchased 227,500 shares.

On February 7, 2020, the Company raised gross proceeds of $467,526 by way of a non-brokered private placement of 3,116,840 common shares priced at $0.15. Kosonen purchased 200,000 shares and Waddell Consulting purchased 72,500 shares.

On June 18, 2020, the Company raised gross proceeds of $15,000 by way of a non-brokered private placement of 100,000 common shares priced at $0.15. Wong purchased 100,000 shares.

On September 28, 2020, the Company raised gross proceeds of $1,667,600 by way of a non-brokered private placement of 7,580,000 common shares priced at $0.22. Stroup purchased 50,000 shares, Waddell Consulting purchased 100,000 shares, and Wendell Zerb, a director, purchased 240,000 shares.

On February 11, 2021, the Company raised gross proceeds of $4,070,224 by way of a non-brokered subscription receipt private placement of 11,629,212 subscription receipts priced at $0.35. Graeme Currie, a director of the Company, purchased 100,000 receipts, Kosonen purchased 250,000 receipts, Stroup purchased 30,000 receipts, and Waddell Consulting purchased 30,000 receipts.

12.5 Property Option Agreement

On October 1, 2020, the Company entered into agreements to grant a significant shareholder with a common director the exclusive right and option to acquire 100% interests in the Bob Creek, Danny Boy, Ziggurat and Keg properties as described under Section 6 "Major Operating Milestones" and Section 7 "Exploration and Evaluation Activities" above.

12.6 Due to Related Party

As at February 28, 2021, the Company has $22,910 (February 29, 2020: $33,659) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements, which is due on demand, unsecured and is non-interest bearing.

13. FOURTH QUARTER

N/A

14. PROPOSED TRANSACTIONS

The Company has entered into a Letter of Intent ("LOI") with Bravada Gold Corporation to acquire up to 100% interest in the Highland Gold Project located in Nevada, subject to a 3% NSR royalty retained by the Underlying Optionor of which 1% NSR may be purchased for US $1,000,000 at any time prior to the commencement of commercial production. The transaction is subject to the execution of a definitive agreement and applicable regulatory approvals.

The Company has entered into a Letter of Intent ("LOI") with Orogen Royalties Inc. to acquire 100% interest in the Spring Peak Project located in Nevada, subject to a 2.5% NSR royalty retained by the Underlying Optionor of which 1.5% of the NSR may be purchased for US $1,500,000 at any time. The transaction is subject to the execution of a definitive agreement and applicable regulatory approvals.

The Company is engaged in the search for potential joint venture partners, mineral property acquisitions and financings, but there are currently no proposed asset or business acquisitions or dispositions other than disclosed in this Report. Other than disclosed in this Report, the Company does not have any proposed transactions.

15. COMMITMENTS, EXPECTED OR UNEXPECTED EVENTS, OR UNCERTAINTIES

Other than disclosed in this Report, the Company does not have any commitments, expected or unexpected events, or uncertainties.

16. SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE

N/A

17. CHANGES IN ACCOUNTING POLICES INCLUDING INITIAL ADOPTION

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2020. The Company has not early adopted these new standards in preparing these consolidated financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

18. KNOWN TRENDS, RISKS OR DEMANDS

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at February 28, 2021, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables. The Company has a working capital surplus of $7,145,799 as at February 28, 2021 and does not require additional financing for operations and to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 10. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no variable interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars. A change in the foreign exchange rate as at February 28, 2021 of +/- 10% would have an impact of $14,743 on net income.

19. DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

As at June 28, 2021, the Company has 49,567,718 common shares issued and outstanding.

As at June 28, 2021, the Company has 3,735,000 stock options outstanding.

20. BOARD OF DIRECTORS AND OFFICERS

The directors of the Company are Graeme Currie, Tero Kosonen, Caleb Stroup, Alistair Waddell and Wendell Zerb.

The officers of the Company are Alistair Waddell (Executive Chairman), Caleb Stroup (President and Chief Executive Officer) and Sandra Wong (Chief Financial Officer and Corporate Secretary).

21. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

This Management's Discussion & Analysis contains "forward-looking statements, within the meaning of applicable Canadian Securities legislation", that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and copper, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. 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", "budget", "scheduled", "estimates", "forecasts", "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", or "might" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: risks relating to the integration of acquisitions, risk relating to international operations, the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; fluctuations in metal prices; as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the year ended February 28, 2021. Although the Company has attempted to identify important 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 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. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

22. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company and all the information in this Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and two of its members are independent directors. The Committee meets at least once a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

HEADWATER GOLD INC.

Caleb Stroup

President and Chief Executive Officer