HEADWATER GOLD INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020

UNAUDITED

(Expressed in Canadian Dollars)

NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020
(UNAUDITED – SEE "NOTICE TO READER" BELOW)

NOTICE TO READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Headwater Gold Inc. and the accompanying condensed consolidated interim statements of financial position as at May 31, 2021 and the condensed consolidated interim statements of comprehensive loss, statements of changes in equity and cash flows for the three months ended May 31, 2021 and 2020 are the responsibility of the Company's management.

The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with IAS 34 *Interim Financial Reporting* under International Financial Reporting Standards as issued by the IASB. The Audit Committee of the Board of Directors, consisting of three members, has reviewed the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

"Caleb Stroup"	*"Sandra Wong"*
Caleb Stroup	Sandra Wong
Chief Executive Officer	Chief Financial Officer
July 29, 2021	July 29, 2021

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

	Note	May 31, 2021 $	February 28, 2021 $
Assets			
Current assets			
Cash		380,121	326,410
Restricted cash	9	4,078,342	4,075,342
Marketable securities	4	1,418,375	3,024,625
Amounts and other receivable	11	24,626	3,050
Prepaid expenses and deposits	5	152,016	3,782
Deferred share issuance costs	9	183,616	183,616
		6,237,096	7,616,825
Non-current assets			
Office lease	8	143,623	-
Equipment	6	11,576	-
Exploration and evaluation assets	7	1,514,982	1,451,151
Total assets		7,907,277	9,067,976
Liabilities			
Current liabilities			
Trade and other payables	11	360,242	283,288
Income taxes payable		187,262	187,738
Lease liability	8	61,486	-
		608,990	471,026
Non-current liabilities			
Lease liability	8	83,334	-
Deferred income taxes payable		198,263	208,331
Total liabilities		890,587	679,357
Equity			
Share capital	9	3,296,978	3,296,978
Subscription receipts	9	4,070,224	4,070,224
Reserves	9	382,285	323,079
Accumulated other comprehensive loss		(97,526)	(68,243)
Retained earnings (deficit)		(635,271)	766,581
		7,016,690	8,388,619
Total liabilities and equity		7,907,277	9,067,976

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2021 and are signed on its behalf by:

/s/"Alistair Waddell" Director * /s/"Caleb Stroup"* Director

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian Dollars)

		Three months ended	
		May 31, 2021	May 31, 2020
	Note	$	$
Expenses			
Accounting and audit		1,101	12,000
Accretion of office lease liability		1,197	-
Consulting		23,261	3,608
Depreciation		358	-
Filing fees		28,475	514
General exploration		60,621	16,580
Investor communication		5,792	3,309
Legal		44,193	1,231
Management		42,609	12,594
Office		43,092	11,615
Salaries and benefits		24,981	1,410
Share-based payments		38,665	-
Travel		19	5,170
Total expenses		(314,364)	(68,029)
Other income (expenses)			
Finance income		3,536	434
Foreign exchange gain (loss)		(25,938)	22,328
Unrealized loss on investments		(1,056,250)	-
Total other income (expenses)		(1,078,652)	22,762
Loss before tax		(1,393,016)	(45,267)
Income tax expense		(8,836)	-
Net loss		(1,401,852)	(45,267)
Other comprehensive loss			
Items that may be reclassified to comprehensive loss:			
Cumulative translation adjustment		(29,283)	(8,420)
Comprehensive loss		(1,431,135)	(53,687)
Loss per common share, basic		(0.04)	(0.00)
Weighted average number of common shares outstanding, basic		37,938,506	29,909,050

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

HEADWATER GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Subscription Receipts and Share Subscriptions $	Reserves $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total $
Balance, February 29, 2020	27,766,842	1,278,776	55,000	96,619	(5,318)	(420,018)	1,005,059
Shares issued for private placement	2,291,664	343,750	(55,000)	-	-	-	288,750
Share issue costs	-	(13,500)	-	-	-	-	(13,500)
Net loss	-	-	-	-	-	(45,267)	(45,267)
Other comprehensive loss	-	-	-	-	(8,420)	-	(8,420)
Balance, May 31, 2020	30,058,506	1,609,026	-	96,619	(13,738)	(465,285)	1,226,622
Balance, February 28, 2021	37,938,506	3,296,978	4,070,224	323,079	(68,243)	766,581	8,388,619
Share-based payments	-	-	-	59,206	-	-	59,206
Net loss	-	-	-	-	-	(1,401,852)	(1,401,852)
Other comprehensive loss	-	-	-	-	(29,283)	-	(29,283)
Balance, May 31, 2021	37,938,506	3,296,978	4,070,224	382,285	(97,526)	(635,271)	7,016,690

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	May 31, 2021 $	May 31, 2020 $
Operating activities		
Net loss	(1,401,852)	(45,267)
Items not involving cash:		
Accretion of office lease liability	1,197	-
Depreciation	358	-
Foreign exchange	30,169	(23,546)
Unrealized loss on investments	1,056,250	-
Share-based payments	59,206	-
Changes in non-cash working capital accounts:		
Amounts and other receivable	(21,576)	640
Prepaid expenses and deposits	(151,996)	1,567
Trade and other payables	41,949	(13,240)
Income taxes payable	8,836	-
Cash used in operating activities	(377,459)	(79,846)
Investing activities		
Expenditures on exploration and evaluation assets	(94,800)	(69,972)
Redemption of term deposits	550,000	-
Purchase of equipment	(11,934)	-
Cash provided by (used in) investing activities	443,266	(69,972)
Financing activities		
Proceeds from share issuances	-	288,750
Share issuance costs	-	(13,500)
Cash provided by financing activities	-	275,250
Effect of foreign exchange on cash	(9,096)	986
Increase in cash	56,711	126,418
Cash, beginning of period	4,401,752	368,309
Cash, end of period	4,458,463	494,727
Supplemental information		
Cash on hand	380,121	489,727
Restricted cash	4,078,342	5,000
	4,458,463	494,727

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Headwater Gold Inc. (the "Company") was incorporated on January 14, 2019 under the laws of British Columbia. 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's shares were approved for trading on the Canadian Securities Exchange ("CSE") under the symbol "HWG" on June 8, 2021.

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

As at May 31, 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 Company has not generated revenue or cash flows from operations. The Company's ability to continue its operations, develop its properties and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

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. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2021 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2021 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2021. Note 2e) sets out the impact of new standards, interpretations and amendments that have had a material effect on the financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 29, 2021.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CP Holdings Corporation. Inter-company balances and transactions are eliminated on consolidation.

b) Leases

The Company recognizes lease liability related to its lease commitments for its office lease. The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate. The associated right-of-use asset will be measured at the amount of the lease liability.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Equipment

Equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the following rates and methods:

Computer equipment	20% straight line basis
Office furniture and equipment	30% declining balance basis

d) Foreign Currency Translation

The presentation and functional currency of the Company is the Canadian dollar as this is the principal currency of the economic environment in which it operates. The functional currency of the subsidiary is the United States Dollar.

The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in the statement of comprehensive loss.

A subsidiary that has a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the period, and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

e) Adoption of New and Revised Standards and Interpretations

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2021. The Company has not early adopted these new standards in preparing these condensed consolidated interim financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company’s condensed consolidated interim financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company’s 2021 annual financial statements.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

Short-term investments consist of term deposits and marketable securities. As at May 31, 2021 and February 28, 2021, the fair values of the short-term investments are as follows:

	May 31, 2021		**February 28, 2021**	
	Fair Value ($)	**Cost ($)**	**Fair Value ($)**	**Cost ($)**
Term deposits	200,000	200,000	750,000	750,000
Shares in Eclipse (a) and Huntsman (b)	1,218,375	2,380,250	2,274,625	2,380,250
	1,418,375	2,580,250	3,024,625	3,130,250

a) Eclipse Gold Mining Corporation

On November 24, 2020, pursuant to a property sale agreement, the Company received 500,000 common shares of Eclipse Gold Mining Corporation ("Eclipse"), a public company listed for trading on the TSX Venture Exchange ("TSXV"), which were recorded at market value of $310,000 (Note 7(b)).

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 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. The plan of arrangement was completed on February 16, 2021 and the Eclipse shares were delisted from the TSXV on February 19, 2021. The Company is entitled to receive 545,000 common shares of Northern Vertex in exchange for its 500,000 common shares of Eclipse (received June 15, 2021).

A summary table of the Company's investment in Eclipse is as follows:

	Number of shares	**Fair value $**
Balance, February 29, 2020	-	-
Eclipse shares received on November 24, 2020	500,000	310,000
Unrealized loss	-	(105,625)
Balance, February 28, 2021 and May 31, 2021	500,000	204,375

b) Huntsman Exploration Inc.

On December 21, 2020, pursuant to a property sale agreement, the Company received 8,450,000 common shares of Huntsman Exploration Inc. ("Huntsman"), a public company trading on the TSXV, which were recorded at market value of $2,070,250 (Note 7(a)). The shares are restricted from trading until December 21, 2021.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES (CONTINUED)

b) Huntsman Exploration Inc. (continued)

A summary table of the Company's investment in Huntsman is as follows:

	Number of shares	Fair value $
Balance, February 29, 2020	-	-
Huntsman shares received on December 21, 2020	8,450,000	2,070,250
Balance, February 28, 2021	8,450,000	2,070,250
Unrealized loss	-	(1,056,250)
Balance, May 31, 2021	8,450,000	1,014,000

5. DEPOSITS

The Company has established a surety bonding arrangement with a third party (the "Surety Agent") under which 50% of the Company's reclamation bonding obligations will be replaced by deposits made by the Surety Agent. A finance fee of 2.5% will be charged on the balance of the amounts advanced and deposited by the Surety Agent.

During the period ended May 31, 2021, the Company advanced US $105,000 to the Surety Agent as collateral against US $210,000 in bonding that will be placed by the Surety Agent. The bonds will be executed to provide state-wide coverage for operations conducted by the Company on its mining claims in Nevada and Oregon. The bond deposit is returnable to the Company only after the government agencies are satisfied that there is no outstanding reclamation liability associated with the land or after the bond is replaced by another bond.

6. EQUIPMENT

	Computer Equipment $	Furniture & Equipment $	Total $
Cost			
Balance at February 28, 2021	-	-	-
Acquired	4,078	7,856	11,934
Balance at May 31, 2021	4,078	7,856	11,934
Depreciation			
Balance at February 28, 2021	-	-	-
Depreciation	161	197	358
Balance at May 31, 2021	161	197	358
Carrying amounts			
At February 28, 2021	-	-	-
At May 31, 2021	3,917	7,659	11,576

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets 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
Additions	11,471	5,781	370	-	17,622
Foreign exchange	(13,705)	(12,554)	(9,462)	-	(35,721)
Balance, May 31, 2021	330,221	249,780	186,508	-	766,509
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, geochem	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
Additions					
Administration	5,766	7,684	7,684	-	21,134
Drilling	-	-	6,722	-	6,722
Geology	18,593	21,565	32,888	-	73,046
Mapping, sampling, geochem	295	-	-	-	295
Technical review	4,338	5,962	5,824	-	16,124
	28,992	35,211	53,118	-	117,321
Foreign exchange	(9,627)	(8,842)	(16,922)	-	(35,391)
Balance, May 31, 2021	202,316	189,566	356,591	-	748,473
Total acquisition costs and exploration expenditures					
February 28, 2021	515,406	419,750	515,995	-	1,451,151
May 31, 2021	532,537	439,346	543,099	-	1,514,982

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Idaho Properties

The Company holds a 100% interest in three mineral properties in Idaho that it has acquired by way of staking federal land or arm's length vendor acquisition.

(i) Matador Property - Matador is comprised of 30 mineral claims totalling approximately 251 hectares located in Owyhee County, Idaho.

(ii) Opaline Gulch Property - Opaline Gulch is comprised of 31 mineral claims totalling approximately 259 hectares located in Owyhee County, Idaho.

(iii) Crane Creek Property – Crane Creek is comprised of 123 mineral claims totalling approximately 996 hectares located in Washington County, Idaho.

Pursuant to an agreement dated July 22, 2020, the Company has acquired a 100% undivided interest in certain unpatented mining claims and State Mineral Lease E500007 located in Idaho for consideration of US $60,000 and 200,000 common shares of the Company (issued October 1, 2020 with a fair value of $44,000). The unpatented mining claims are subject to a 1% net smelter returns royalty which the Company may purchase for US $1,000,000 at any time. State Mineral Lease E500007 expired on February 28, 2021 and the Company is in the process of pursuing a fresh lease with the State.

Pursuant to mining lease agreement effective October 28, 2020 (the "Effective Date"), the Company has agreed 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.

(iv) Flint Property - Pursuant to an agreement dated December 3, 2020, the Company sold 100% interest in the Flint property to Huntsman 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.

b) Nevada Properties

The Company holds a 100% interest in five mineral properties in Nevada that it has acquired by way of staking federal land.

(i) Agate Point Property - Agate Point is comprised of 94 mineral claims totalling approximately 761 hectares located in Humboldt County, Nevada.

(ii) Castle Ridge Property – Castle Ridge is comprised of 240 mineral claims totalling approximately 1,943 hectares located in Elko County, Nevada.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

(iii) Dome Hill Property - Dome Hill is comprised of 50 mineral claims totalling approximately 411 hectares located in Mineral County, Nevada and Mono County, California.

(iv) Long Valley Property – Long Valley is comprised of 51 mineral claims totalling approximately 426 hectares located in Esmeralda and Mineral County, Nevada.

(v) Spring Peak Property – Spring Peak is comprised of 28 mineral claims totalling approximately 227 hectares located in Mineral County, Nevada.

(vi) Como Property - Pursuant to an agreement dated November 5, 2020, the Company sold 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 (Note 4(a)), 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.

(vii) Pursuant to option agreements dated October 1, 2020, the Company sold its interests in certain non-core mineral claims located in Nevada and Utah to a private company with common directors for US $150,000 and realized a gain on disposal of exploration and evaluation assets of $17,694 during the year ended February 28, 2021. Each of the properties disposed are 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.

c) Oregon Properties

The Company holds a 100% interest in four mineral properties in Oregon that it has acquired by way of staking federal land.

(i) Katey Property - Katey is comprised of 85 mineral claims totalling approximately 711 hectares located in Malheur County, Oregon.

(ii) Mahogany Property - Mahogany is comprised of 139 mineral claims totalling approximately 1,162 hectares located in Malheur County, Oregon.

(iii) Hot Tub Property – Hot Tub is comprised of 30 mineral claims totalling approximately 251 hectares in Malheur County, Oregon.

(iv) Birch Creek Property – Birch Creek is comprised of 12 mineral claims totalling approximately 100 hectares in Malheur County, Oregon.

(Expressed in Canadian Dollars)

8. OFFICE LEASE

The Company has entered into a lease for the rental of its office space for a two year term commencing August 1, 2021 that includes a rent-free period from May 1, 2021 to July 31, 2021 and free basic rent for the twelfth and twenty-fourth months. The Company recognized lease liability of $143,623 in the statement of financial position. The liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 10% for a 27 month term at the date of initial occupancy, May 1, 2021. The lease term matures on July 31, 2023.

For the period ended May 31, 2021, depreciation of the right-of-use asset was $nil. The right-of-use asset is depreciated on a straight-line basis over the term of the lease. A summary of the Company's right-of-use asset balance at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	Right-of-use Asset $
Balance, February 29, 2020 and February 28, 2021	-
Additions	143,623
Depreciation	-
Balance, May 31, 2021	143,623

For the period ended May 31, 2021, interest expense on the lease liability was $1,197. A summary of the Company's lease liability at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	Lease Liability $
Balance, February 29, 2020 and February 28, 2021	-
Office lease liability recognized	143,623
Office lease payments	-
Accretion	1,197
Balance, May 31, 2021	144,820

	Lease Liability $
Current lease liability	61,486
Non-current lease liability	83,334
Balance, May 31, 2021	144,820

The Company expensed $8,264 (May 31, 2020: $6,747) in short-term leases included in office expenses for the period ended May 31, 2021.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

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.

The Company issued the following common shares during the year ended February 28, 2021:

(i) On March 6, 2020, the Company raised gross proceeds of $343,750 by way of a non-brokered private placement of 2,291,664 common shares priced at $0.15. Finder's fees of $13,500 was paid to a registered representative on $225,000 of the placement.

(ii) 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.

(iii) 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. Finder's fees of $38,648 was paid to registered representatives on $772,970 of the placement.

(iv) On October 1, 2020, the Company issued 200,000 common shares with a fair value of $0.22 per share pursuant to the Crane Creek property acquisition described in Note 7(a).

(v) 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. Finder's fees of $182,203 was recorded as payable on $3,036,725 of the placement.

    The Escrow Release Conditions were met subsequent to period end and the Subscription Receipts were converted into common shares on June 3, 2021.

b) Reserves

	May 31, 2021 $	February 28, 2021 $
Fair value of stock options granted or vested	382,285	323,079
Reserves	382,285	323,079

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (CONTINUED)

c) Escrow Shares

On April 9, 2021, the Company entered into an escrow agreement under which 20,089,167 common shares will be held in escrow and are scheduled for release as follows: 10% on the date the shares are listed on a Canadian exchange (the "listing date", June 8, 2021) and 15% will be released in 6, 12, 18, 24, 30 and 36 months thereafter.

As at May 31, 2021, the Company held 20,089,167 shares in escrow.

10. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a Stock Option Plan dated May 16, 2019 (the "Plan"). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other requirements under the Plan. Options granted under the Plan are subject to vesting terms determined by the Board.

A summary of the Company's stock options at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	May 31, 2021		February 28, 2021	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	3,735,000	$0.16	1,600,000	$0.10
Granted	-	-	2,135,000	$0.21
Ending balance	3,735,000	$0.16	3,735,000	$0.16

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 vested over a six month period.

On November 24, 2020, the Company granted 735,000 stock options exercisable at $0.22 per share to directors, officers, employees and consultants of the Company. The options vested over a six month period.

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

a) Option Plan Details (continued)

Details of stock options outstanding and exercisable as at May 31, 2021 and February 28, 2021 are as follows:

Expiry Date	Exercise Price	May 31, 2021	February 28, 2021	Weighted Average Remaining Contractual Life (Years)
July 24, 2024	$0.10	1,500,000	1,500,000	3.15
September 1, 2024	$0.10	100,000	100,000	3.26
August 12, 2025	$0.20	1,400,000	1,400,000	4.20
November 24, 2025	$0.22	735,000	735,000	4.49
		3,735,000	3,735,000	3.81

The weighted average remaining contractual life of stock options outstanding at May 31, 2021 was 3.81 years (February 28, 2021 - 4.06 years).

b) Fair Value of Options Issued During the Periods Ended

The weighted average fair value at grant date of options granted during the period ended May 31, 2021 was $nil per option (February 28, 2021: $0.13 per option). The total fair value of options granted during the period was $nil (May 31, 2020: $nil). During the period ended May 31, 2021, $59,206 (May 31, 2020: $nil) of the options vested and were realized as share based payments. The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	May 31, 2021	February 28, 2021
Expected stock price volatility	-	109% - 112%
Risk-free interest rate	-	0.38% – 0.44%
Dividend yield	-	-
Expected life of options	-	5 years
Stock price on date of grant	-	$0.15 - $0.22
Forfeiture rate	-	-

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) 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:

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Key Management Compensation (continued)

	2021 $	2020 $
Short-term employee benefits and director fees	91,455	58,644
Share-based payments	30,610	-
	122,065	58,644

The Company has entered into a Management Agreement with a company controlled by the President and Chief Executive Officer effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the President 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 the President resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $48,391 (May 31, 2020: $38,235) in fees to the company controlled by the President.

The Company has entered into a Management Agreement with a company controlled by the Chairman effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the Chairman 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 the Chairman resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,563 (May 31, 2020: $7,986) in fees and benefits to the company controlled by the Chairman.

The Company has entered into an Employment Agreement with the Chief Financial Officer and Corporate Secretary effective January 4, 2021 for no fixed term. As compensation for the services to be provided, the CFO 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 the CFO resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,501 (May 31, 2020: $423) in salary and benefits to the CFO.

During the period ended May 31, 2021, the Company recorded $12,000 (May 31, 2020: $nil) in director fees payable to three directors.

b) Private Placements

In connection with the private placement that closed on June 18, 2020, one insider of the Company purchased a total of 100,000 common shares for total proceeds of $15,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Private Placements (continued)

In connection with the private placement that closed on September 28, 2020, three insiders of the Company purchased a total of 390,000 common shares for total proceeds of $85,800. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on February 11, 2021, four insiders of the Company purchased a total of 410,000 subscription receipts for total proceeds of $143,500. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

c) Related Party Payables

As at May 31, 2021, the Company has $46,826 (February 28, 2021: $22,910) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements, which are due on demand, unsecured and are non-interest bearing.

d) Related Party Receivables

As at May 31, 2021, the Company has $16,693 (February 28, 2021: $nil) receivable from companies with common directors for office overhead expense recoveries, which are due on demand, unsecured and are non-interest bearing.

e) Sale of Exploration and Evaluation Assets

On February 23, 2021, a private company with common directors exercised options to purchase certain non-core mineral claims as described in Note 7(b)(vii).

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair values

The Company's financial instruments include cash and trade and other payables. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	May 31, 2021		February 28, 2021	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	5,876,838	5,876,838	7,426,377	7,426,377
Amortized cost liabilities (ii)	692,324	692,324	471,026	471,026

(i) Cash, restricted cash and marketable securities
(ii) Trade and other payables, income taxes payable and lease liability

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at May 31, 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	4,458,463	-	-	4,458,463
Marketable securities	1,418,375	-	-	1,418,375

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

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 May 31, 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, income taxes payable and lease liability. The Company has a working capital surplus of $5,628,106 as at May 31, 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 14. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

The following are the contractual maturities of financial liabilities as at May 31, 2021:

	Carrying Amount $	Contractual Cash Flows $	Within 1 year $	Within 2 years $	Within 3 years $	Over 3 years $
Trade and other payables	360,242	360,242	360,242	-	-	-
Income taxes payable	187,262	187,262	187,262	-	-	-
Lease liability	144,820	144,820	61,486	76,013	7,321	-

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

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.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in Equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash and cash equivalents.

14. SEGMENTED INFORMATION

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:

	May 31, 2021			February 28, 2021		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Current assets	5,993,844	243,252	6,237,096	7,338,116	278,709	7,616,825
Equipment and office lease	155,199	-	155,199	-	-	-
E&E assets	-	1,514,982	1,514,982	-	1,451,151	1,451,151
Total assets	6,149,043	1,758,234	7,907,277	7,338,116	1,729,860	9,067,976
Total liabilities	393,485	497,102	890,587	217,414	461,943	679,357

15. SUBSEQUENT EVENTS

a) Conversion of Subscription Receipts

On June 8, 2021, the Company satisfied the conditions set by the CSE, as described in Note 9(a)(v), and the 11,629,212 subscriptions receipts were converted into common shares of the Company.

b) Highland Property

The Company has entered into an Exploration and Option to Enter Joint Venture Agreement Highland Project (the "Agreement") dated June 29, 2021 to earn up to a 100% interest in the Highland gold/silver project (the "Property"), located in Lander County, Nevada, from Bravada Gold Corporation together with its wholly owned subsidiary Rio Fortuna Exploration (U.S.), Inc. ("RFE") (the "Transaction"). The Property is subject to a 3% retained net smelter returns ("NSR") royalty of which 1% of the NSR may be purchased for US$1,000,000 at any time prior to the commencement of commercial production.

Pursuant to the Agreement and in order to acquire up to a 100% interest in the Property, the Company shall perform the following obligations:

Option Stage 1 – Initial Earn-In Obligation to acquire a 51% interest in the Property:

(i) Pay US$10,000 upon execution of the Agreement (paid);

(ii) Make all payments due under the Underlying Agreement including annual advance minimum royalty ("AMR") payments starting at US$30,000 due November 1, 2021 and increasing by US$5,000 increments to a maximum of US$50,000;

(iii) RFE has paid approximately US$580,000 in AMR that will be credited against royalty payments following the commencement of production;

(iv) Incur US$5,000,000 in exploration expenditures over five years of which US$250,000 is incurred within 18 months.

Upon completion of the Initial Earn-In Obligation, the parties shall form a joint venture (the "Joint Venture") for the management and ownership of the Property.

Option Stage 2 – Additional Earn-In Obligation to acquire an additional 24% interest in the Property to bring the Company's ownership interest to 75%:

(i) Within 60 days following completion of the Earn-In Obligation, pay US$250,000 of which up to US$125,000 may be paid in common shares of the Company; and

(ii) Incur an additional US$5,000,000 in exploration expenditures over four years.

Option Stage 3 – Final Earn-In Option to acquire an additional 25% interest in the Property to bring the Company's ownership interest to 100%:

(i) The parties shall negotiate in good faith the purchase price for RFE's participating interest. If the parties cannot agree on the purchase price for the Final Earn-In Option, the purchase price shall be the fair market value of RFE's 25% participating interest as determined by an independent expert.

15. SUBSEQUENT EVENTS (CONTINUED)

b) Highland Property (continued)

(ii) If either party chooses not to participate at the level of its interest in the Joint Venture, its interest will be diluted through the standard dilution formula. If at any time a party's participating interest in the Joint Venture is diluted to or below 10%, such diluted party shall be deemed to have withdrawn and be converted to a 1% NSR royalty. The non-diluted party shall have the option and right to purchase 0.5% of the NSR for US$1,000,000 before the commencement of commercial production and shall have the right of first refusal to acquire all or any part of the royalty which the diluted party elects to sell or transfer to a third party.

c) Spring Peak Property

The Company has entered into an Option to Purchase Agreement Spring Peak Project (the "Agreement") dated July 12, 2021 to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project (the "Property") located in Nevada from Renaissance Exploration Inc. ("REI"), a wholly owned subsidiary of Orogen Royalties Inc. (the "Transaction").

Pursuant to the Agreement and in order to exercise the option to acquire a 100% interest in the Property, the Company shall make the following payments:

(i) Pay US$10,000 upon signing the Agreement (paid);

(ii) Incur US$250,000 in exploration expenditures within 24 months of execution of the Agreement;

(iii) Pay US$250,000 upon receipt of final approval from the United States Forest Service of the Company's full Plan of Operations for exploration, which sum may be paid in common shares of the Company at the Company's election;

(iv) Grant to REI a 0.5% NSR royalty of which the Issuer shall have the right of first offer to purchase the NSR if REI elects to sell it;

(v) Grant to REI the option to purchase an additional 0.5% royalty for US$1,000,000, exercisable prior to the commencement of commercial production; and

(vi) Pay all costs and payments due and payable under the Underlying Kuzma Mining Lease and Option to Purchase Agreement dated January 20, 2012, as amended September 5, 2013 and April 12, 2016, as follow:

1) Pay annual lease payments on or before the anniversary of the receipt of approval of a notice of intent to operate or a plan of operations for drilling from the United States Forest Service (the "Permit Date", December 1, 2019) as follow:

    - Second anniversary of Permit Date (December 1, 2021): US$40,000;
    - Third through eleventh anniversaries of Permit Date: US$50,000;
    - Twelfth through fifteenth anniversaries of Permit Date: US$60,000;
    - Sixteenth and each succeeding anniversary of Permit Date:US$60,000, as adjusted for inflation;

15. SUBSEQUENT EVENTS (CONTINUED)

c) Spring Peak Property (continued)

2) Pay US$500,000 to exercise the Option at any time within one year after the completion of a Technical Report complying with NI 43-101 standards which documents a minimum 500,000 ounce gold equivalent inferred resource on the Property; and (c) pay a 2.5% NSR royalty of which the Issuer shall have the right to purchase 1.5% of the NSR for US$1,500,000.

d) Stock Options

On July 2, 2021, the Company granted 1,220,000 stock options exercisable at $0.36 per share to directors, officers, employees and consultants of the Company. The options will vest six months after the date of grant.