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HEADWATER GOLD INC.

INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MAY 31, 2021

The following interim MD&A – Quarterly Highlights of the financial position of Headwater Gold Inc. ("the Company") and results of operations of the Company should be read in conjunction with the unaudited condensed consolidated interim financial statements including the notes thereto for the period ending May 31, 2021 and the audited financial statements for the year ending February 28, 2021.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These statements, together with the following interim MD&A – Quarterly Highlights dated **July 29, 2021** ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the interim MD&A – quarterly highlights may contain 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.

Economic and industry factors are substantially unchanged with respect to a comparison of the Company's interim financial condition to the financial condition as at the most recently completed financial year end.

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 and has entered into two property option agreements to acquire drill-ready projects in Nevada.

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. The Company intends to begin drilling the Katey and Mahogany projects in the fourth quarter of 2021.

In June 2021, the Company entered into a definitive agreement with Bravada Gold Corporation to earn up to a 100% interest in the **Highland** epithermal gold-silver project in Lander County, Nevada, which the Company began drilling in July 2021. In July 2021, the Company entered into a definitive agreement with Orogen Royalties Inc. to acquire a 100% interest in the **Spring Peak** epithermal gold-silver project in Mineral County, Nevada, which the Company intends to begin drilling in August 2021.

As at May 31, 2021, the Company's mineral resource properties include the following:

- Idaho – **Matador** (Owyhee County), **Opaline Gulch** (Owyhee County) and **Crane Creek** (Washington County);
- Nevada – **Spring Peak** (Mineral County), **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).

See Section 7.1 "Exploration and Evaluation Activities" below for a description of the Properties and the planned work programs.

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 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 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 loss of $1,401,852 for the three months ended May 31, 2021 and, as of that date, the Company had an accumulated deficit of $635,271. 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 $5,628,106 at May 31, 2021 (February 28, 2021: $7,145,799).

Cash was $380,121 at May 31, 2021 (February 29, 2020: $326,410). Restricted cash was $4,078,342 at May 31, 2021 (February 28, 2021: $4,075,342) and consists of $4,073,317 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 $1,418,375 consist of $200,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $1,218,375 which consist of 500,000 common shares of Eclipse Gold Mining Corporation valued at $204,375 (February 28, 2021: $204,375) and 8,450,000 common shares of Huntsman Exploration Inc. valued at $1,014,000 (February 28, 2021: $2,070,250).

Amounts and other receivable of $24,626 at May 31, 2021 (February 28, 2021: $3,050) consist of GST input tax credits, interest receivable on term deposit and office expense recoveries from subtenants.

Prepaid expenses and deposits of $152,016 at May 31, 2021 (February 28, 2021: $3,782) includes US $105,000 in advances to a Surety Agent as collateral against US $210,000 in bonding that was placed by the Surety Agent with the Nevada Bureau of Land Management, Oregon Bureau of Land Management and USDA Forest Service in June 2021 or will be placed shortly with the Oregon State Office. The Company has established a surety bonding arrangement with 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. The bonds will 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.

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.

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 a right-of-use asset of $143,623 in the statement of financial position. For the period ended May 31, 2021, depreciation of the right-of-use asset was $nil.

Equipment of $11,576 consists of computer equipment and office furniture and equipment.

Exploration and evaluation assets of $1,514,982 at May 31, 2021 (February 28, 2021: $1,451,151) 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 $360,242 at May 31, 2021 (February 28, 2021: $283,288). 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 period end on June 3, 2021. Also included in trade and other payables is $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.

In connection with the Company's office lease, the Company recognized a lease liability that 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 amount of the lease liability was $144,820 at May 31, 2021 (February 28, 2021: $nil). For the period ended May 31, 2021, interest expense on the lease liability was $1,197.

Income taxes payable were $187,262 at May 31, 2021 (February 28, 2021: $187,738). Deferred tax liability of $198,263 (February 28, 2021: $208,331) reflects 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 loss for the three months ended May 31, 2021 was $1,401,852 and comprehensive loss after cumulative translation adjustment was $1,431,135 or $0.04 per share, compared to a net loss of $45,267 and comprehensive loss of $53,687 for the three months ended May 31, 2020 or $0.00 per share. The current period loss is largely attributed to an unrealized loss on investment of $1,056,250 recorded on the Company's shares of Huntsman Exploration Inc.

3.1 Total expenses for the three months ended May 31, 2021

Total expenses for the three months ended May 31, 2021 were $314,364 compared to total expenses of $68,029 for the three months ended May 31, 2020.

Accounting and audit fees were $1,101 for the three months ended May 31, 2021 compared to $12,000 in expenses recorded in the 2020 comparative period. During the three months ended May 31, 2020, accounting fees of $12,000 were charged by a company controlled by the former CFO.

Accretion of office lease liability of $1,197 was recognized during the three months ended May 31, 2021.

Employee costs were $129,516 for the three months ended May 31, 2021 compared to $17,611 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 months ended May 31, 2021 and 2020.

	Three months ended May 31, 2021 $	Three months Ended May 31, 2020 $
Consulting fees	23,261	3,608
Management fees	42,609	12,594
Salaries and benefits	24,981	1,409
Share-based payments	38,665	-
	129,516	17,611

Consulting fees of $23,261 for the three months ended May 31, 2021 include payments for administrative, marketing, recruitment and geological services. Consulting fees of $3,608 for the 2020 comparative period were paid for a property valuation report.

Management fees consist of payments to the officers and directors of the Company. Salaries and benefits consist of salaries and group health benefits paid to the officers and employees of the Canadian head office.

Share-based payments of $38,665 for the three months ended May 31, 2021 represent stock options granted on November 24, 2020 that vested during the period. A further $20,541 in share-based payments that vested on May 24, 2021 was capitalized to mineral properties.

Filing fees of $28,475 were paid in connection with the Company's listing application during the three months ended May 31, 2021.

Legal fees were $44,193 for the three months ended May 31, 2021 compared to $1,231 in legal fees recorded for the 2020 comparative period and were largely incurred in connection with Company's listing application.

General exploration expenses were $60,621 for the three months ended May 31, 2021 compared to $16,580 in general exploration expenses recorded for the 2020 comparative period. General exploration expenses include project reconnaissance costs and expenditures on data acquisition and development of proprietary target generation software.

Investor communication expenses were $5,792 for the three months ended May 31, 2021 compared to $3,309 in expenses incurred during the 2020 comparative period. Investor communication expenses include advertising, promotional materials, trade shows and conferences and website design and maintenance.

Office expenses were $43,092 for the three months ended May 31, 2021 compared to $11,615 in expenses recorded for the 2020 comparative period. 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 three months ended May 31, 2021 and 2020.

	Three months ended May 31, 2021 $	**Three months Ended May 31, 2020 $**
Bank charges and interest	911	731
Information technology	4,929	1,265
Insurance	12,093	-
Meals and entertainment	1,912	748
Office supplies and expenses	12,406	1,149
Rent expense	12,677	7,631
Rent recovery	(4,000)	-
Telephone	2,164	91
	43,092	11,615

3.2 Total other income and expenses for the three months ended May 31, 2021

Finance income was $3,536 for the three months ended May 31, 2021 compared to $434 recorded for the 2020 comparative period and consists of term deposit interest and cashback rewards on the Company's credit card.

Foreign exchange loss of $25,938 was recorded during the three months ended May 31, 2021 compared to a gain of $22,328 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.

Unrealized loss on investments of $1,056,250 recorded during the three months ended May 31, 2021 relate to the Company's investments in Huntsman Exploration Inc. ("HMAN"). The Company received 8,450,000 common shares of HMAN from the sale of the Flint property in December 2020 that are restricted from trading until December 21, 2021. The shares were priced at $0.245 on February 28, 2021 and $0.12 on May 31, 2021.

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 $377,459 for the three months ended May 31, 2021 compared to cash used of $79,846 during the 2020 comparative period. The Company incurred net loss of $1,401,852 with adjustments to add back items not involving cash (accretion of office lease liability, depreciation, foreign exchange, unrealized loss on short-term investments and share-based payments) and adjustments for non-cash working capital items (amounts receivable, prepaid expenses and deposits, trade and other payables, taxes payable) to calculate the cash used in operating activities.

Total cash flows provided by investing activities was $443,266 during the three months ended May 31, 2021 and consist of $94,800 in expenditures on exploration and evaluation assets, $550,000 in proceeds from sale of term deposits and $11,934 spent on the purchase of computers, office furniture and equipment. Cash flows used in investing activities for the 2020 comparative period consisted of $69,972 in expenditures on exploration and evaluation assets.

Total cash flows provided by financing activities was $nil during the three months ended May 31, 2021. Cash flows provided by financing activities was $275,250 for the 2020 comparative period and consisted of $288,750 in proceeds from share issuances less $13,500 in share issue costs.

5. SELECTED ANNUAL INFORMATION

N/A

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2021 to May 31, 2021

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

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

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".

On June 29, 2021, the Company entered into an Exploration and Option to Enter Joint Venture Agreement Highland Project to earn up to a 100% interest in the Highland gold/silver project, located in Lander County, Nevada, from Bravada Gold Corporation. The Highland 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.

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 over a six month period.

On July 12, 2021, the Company entered into an Option to Purchase Agreement Spring Peak Project to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project located in Nevada from Orogen Royalties Inc.

On July 15, 2021, the Company announced that it has begun drilling on the Highland project. The Phase 1 program will consist of eight holes totalling 2,000 metres.

The Company has initiated the process to list the Company's common shares on the OTCQB Market in the United States.

7.1 Exploration and Evaluation Activities for the Three Months Ended May 31, 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 $1,514,982 as at May 31, 2021 (February 28, 2021 - $1,451,151).

Total costs incurred on exploration and evaluation assets for the three months ended May 31, 2021 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
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 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					
May 31, 2021	532,537	439,346	543,099	-	1,514,982

Total costs incurred on exploration and evaluation assets for the three months ended May 31, 2020 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	4,093	34,037	-	-	38,130
Foreign exchange	3,503	2,957	1,881	889	9,230
Balance, May 31, 2020	240,046	166,702	72,429	34,243	513,420
Exploration costs					
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793
Additions					
Drilling	-	1,399	-	-	1,399
Geology	8,802	15,048	7,410	3,509	34,769
Mapping and sampling	-	2,331	1,164	-	3,495
Technical review	5,762	7,691	3,845	-	17,298
	14,564	26,469	12,419	3,509	56,961
Foreign exchange	3,241	1,553	851	(12)	5,633
Balance, May 31, 2020	147,434	100,878	52,045	5,030	305,387
Total acquisition costs and exploration expenditures					
May 31, 2020	387,480	267,580	124,474	39,273	818,807

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 three months ended May 31, 2021, the Company expended $370 in acquisition costs (2020 - $nil) and $38,702 in exploration costs (2020 - $12,420) on the Properties. As at May 31, 2021, total acquisition and exploration expenditures recorded on Katey and Mahogany were $321,427 (2020 - $52,046). Katey and Mahogany are the Company's principal properties.

About the Katey and Mahogany Projects

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.

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 three months ended May 31, 2021, the Company expended $nil (2020 - $nil) in acquisition costs and $7,208 (2020 - $nil) in exploration costs on the Birch Creek property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Birch Creek were $24,057 (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 three months ended May 31, 2021, the Company expended $nil (2020 - $nil) in acquisition costs and $7,208 (2020 - $nil) in exploration costs on the Hot Tub property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Hot Tub were $34,452 (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 three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $9,757 in exploration costs (2020 - $4,949) on the Matador property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Matador were $135,631 (2020 - $108,573).

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 three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $7,208 in exploration costs (2020 - $4,949) on the Opaline Gulch property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Opaline Gulch were $147,285 (2020 - $126,558).

7.7 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 three months ended May 31, 2021, the Company expended $11,471 in acquisition costs and $12,027 in exploration costs on the Crane Creek property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Crane Creek were $249,621 (2020 - $nil).

7.8 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 three months ended May 31, 2021, the Company expended $1,210 in acquisition costs (2020 - $nil) and $7,457 in exploration costs (2020 - $5,261) on the Agate Point property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Agate Point were $99,798 (2020 - $27,179).

7.9 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 three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $7,661 in exploration costs (2020 - $6,150) on the Long Valley property. As at May

31, 2021, total acquisition and exploration expenditures recorded on Long Valley were $85,007 (2020 - $38,930).

7.10 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 three months ended May 31, 2021, the Company expended $2,987 in acquisition costs (2020 - $297) and $9,243 in exploration costs (2020 - $5,258) on the Dome Hill property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Dome Hill were $65,750 (2020 - $28,601).

7.11 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 three months ended May 31, 2021, the Company expended $217 in acquisition costs and $10,416 in exploration costs on the Castle Ridge property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Castle Ridge were $187,038 (2020 - $nil).

7.12 Spring Peak (Mineral County, Nevada)

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. (“Orogen”). The terms of the option are to pay US$10,000 on signing, incur exploration expenditures of US$250,000 within 24 months of signing, pay a cash or share payment totaling US$250,000 (subject to receipt of certain future permitting milestones), and maintain all required underlying option payments and royalties. Orogen will retain a 0.5% net smelter return (“NSR”) royalty and an option to purchase an additional 0.5% NSR royalty for US$1,000,000. The underlying option payments include an annual lease payment commencing at US$40,000 and escalating up to US$60,000 (indexed to inflation) and a US$500,000 buyout. The underlying optionor will retain a 2.5% NSR royalty of which 1.5% of the NSR may be purchased for US$1,500,000 at any time.

During the three months ended May 31, 2021, the Company staked 28 claims within the Spring Peak area of interest and expended $1,367 in acquisition costs and $434 in exploration costs on the Spring Peak property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Spring Peak were $1,753 (2020 - $nil).

About the Spring Peak Project

The Spring Peak Project is located in the Aurora Mining District of west-central Nevada, approximately 50 kilometres southwest of the town of Hawthorne.

A large hydrothermal alteration cell occurs in the center of the Spring Peak Project area, which is interpreted by Headwater as representing high-level manifestations of an epithermal precious metal system. An approximate 5-metre thick silica sinter, which extends over 500 metres in strike, occurs in the center of this alteration cell. This sinter displays various vent facies textures interpreted by Headwater to reflect a high-energy hydrothermal vent environment, suggesting good potential for epithermal vein mineralization in feeder structures at depth. Several other linear exposures of intense silicification, with corresponding CSAMT resistivity anomalies at depth, present additional vein targets elsewhere on the Project.

Historic rock float samples of banded quartz vein material on the Property reportedly returned assays of up to 5.52 g/t Au and select vein sampling of narrow banded epithermal veins cutting a granite in outcrop have returned values up to 35.70 g/t Au. The only historic drilling on the Property took place in the 1980's and consisted of mostly vertical, shallow reverse-circulation (RC) holes targeting low-grade, bulk tonnage mineralization within 100 metres of the surface. Most of these holes reportedly encountered gold mineralization ranging from 0.1 g/t Au to 1.93 g/t Au, with many ending in anomalous gold values. The potential for high-grade gold mineralization in epithermal veins below approximately 100 metres depth remains untested.

The most recent work on the Property was performed by OceanaGold ("Oceana"), who completed 10 line-kilometres of CSAMT geophysics, 465 soil samples, detailed geologic mapping, and drill targeting. Oceana permitted the Project for drilling but completed no drilling before returning the Project to Orogen following the closure of their Nevada exploration office. The Oceana drill permit has been transferred to Headwater and allows for drill pad construction and drilling immediately.

2021 Work Plan

Several high-priority drill targets have been identified by the Company which it intends to test with an initial RC drilling program, projected to begin in August 2021, immediately following the completion of the drill program at the Company's Highland project. Concurrently with the drill program, the Company intends to conduct a geologic mapping and rock sampling program, with the goal of expanding the footprint of known mineralization elsewhere on the existing Spring Peak Project.

7.13 Highland (Lander County, Nevada)

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 ("Bravada"). 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.

The Company may earn up to a 100% undivided interest in the Project by completing the following:

Stage 1: Headwater may earn an initial 51% interest in the Project by 1) paying Bravada US$10,000 cash upon signing a definitive agreement (paid); 2) incurring minimum exploration expenditures of US$5,000,000 within the six-year period following the Agreement date, with no less than US$250,000 to be spent in the initial 18 months.

Stage 2: Headwater may earn an additional 24% interest in the Property, bringing its total ownership interest to 75%, by 1) paying Bravada US$250,000 in a combination of cash and Headwater shares within 60 days of completing Stage 1; and 2) incurring additional exploration expenditures of US$5,000,000 within the four-year period following the completion of Stage 1.

Stage 3: Following the completion of the 75% earn-in, Headwater retains the additional right to acquire the remaining 25% interest in the Property at a fair market value, as determined either through negotiations with Bravada or by a qualified independent evaluator.

The Property is subject to an Underlying Agreement wherein the Underlying Optionors retain a 3% net smelter returns ("NSR") royalty which can be bought down to a 2% NSR for a US$1,000,000 payment.

The Underlying Optionors are entitled to annual advance royalty payments, which shall escalate annually in US$5,000 increments from US$30,000 to a cap of US$50,000. Approximately US$580,000 in advanced royalty payments have been paid by previous operators to date, which shall be credited against any future production royalty payment.

About the Highland Project

Gold-bearing, epithermal quartz veins were first recognized and exploited at Highland by small-scale mining in the early 1900's, with brief periods of minor production from trenches and shallow inclined shafts occurring from the 1930's through the 1950's. Short-lived exploration programs targeting bulk-tonnage and shallow vein-hosted mineralization between 1980 through 2007 were carried out by companies including Bravada, Hochschild, and Newcrest. In late 2018, Oceana entered into a Joint Venture agreement and conducted an extensive target definition program consisting of historic data compilation, 1,405 soil samples, 35 line-kilometres of CSAMT geophysics, and property-wide detailed sinter facies mapping and sampling.

The geology of the Highland area consists of a bimodal volcanic and volcaniclastic sequence which is intruded by a number of andesite and rhyolite flow dome complexes, and dissected by a series of northwest-trending graben bounding faults. Moderate rotation along the graben bounding faults has exposed different paleo-elevations in the Project area, ranging from the top of the boiling zone to the paleosurface, which is marked by widespread sinter outcrops in the eastern part of the Property.

West Vein Zone: The majority of previous work on the Property has focussed on partially outcropping veins of the West Vein Zone, which occupy a northwest striking zone approximately 1,400 metres long by 250 metres wide. Two principal veins occupy the center of the West Vein Zone, the "A-Vein" and the "B-Vein". The best drill intercepts on the Property to date (Table 1) come from the A-Vein. Headwater has developed several new drill targets testing for extensions of the A-Vein immediately north of historic drill hole H03013, as well as up-plunge and down-plunge extensions along an interpreted mineralized shoot. Additional vein targets along the B-Vein, as well as other un-named veins, are also currently being evaluated.

Hole	Company	Year	Type	Start Depth (m)	Drilled Width (m)	Avg. Grade (g/t Au)
H02010	Bravada	2002	RC	134.1	6.1	12.24
		including		135.6	3.0	21.74
H03013	Bravada	2002	RC	173.7	9.1	9.93
		including		178.3	1.5	50.16
MHH-02	Hochschild	2004	Core	205.1	9.7	6.50
		including		213.4	1.5	23.93

Table 1: Select intercepts from the Highland Project, West Vein Zone, "A-Vein"

Big Hammer Zone: A large rhyolite flow dome with a coincident historic gold in soil anomaly, forms the center of the Big Hammer Zone on the eastern portion of the Highland Project. Mineralization at the surface is manifested by opaline silica, widespread clay alteration, and interpreted eruption breccias. Historic rock samples with grades up to 15.2 g/t gold demonstrate the capacity for high grades in the area. Shallow (100–150 metre), mostly vertical RC drilling conducted by Cordex in 1980 encountered gold values up to 1.05 grams per tonne, but was focused on exploring for near surface, bulk tonnage mineralization. Headwater believes that vein potential in the projected boiling zone between 150–300 metres below surface has not been adequately tested. East of the main Big Hammer soil anomaly sits a ledge of silica sinter which dips into a pronounced half-graben bounding fault and varies from 1 to >10 metres in thickness. The sinter locally hosts a series of northeast trending eruptive breccias which Headwater geologists believe may represent the high-level expression of feeder structures, with vein targets immediately beneath these structures at depths of approximately 150–300 metres.

Geyser Zone: The Geyser Zone is a newly recognized and highly underexplored zone of widespread siliceous alteration, ranging from distal silicified and opalized sediments at the periphery, to high-temperature vent facies sinter in the core. Detailed sinter facies mapping by Oceana and Bravada geologists has highlighted a core vent area which appears, from limited sampling, to be coincident with the best gold and trace element signatures in rock and soil samples.

2021 Work Plan

Headwater has completed a thorough technical review of the Highland Project data and has prioritized a series of drill targets which will be tested with a Phase I reverse-circulation ("RC") drilling program, which began in July 2021, that will consist of approximately eight holes totalling 2,000 metres. Current plans call for four holes in the West Vein Zone and the Big Hammer Zone. Boart Longyear has been contracted to perform RC drilling services and necessary permits with the BLM are in place for drilling in the West Vein Zone. An additional BLM permit is in process for the Big Hammer Zone. Concurrently with the drill program, Headwater geologists will conduct a detailed rock sampling and geologic mapping program to expand the sinter facies mapping work begun by Oceana in the Geyser Zone. The objective of this program will be to further understand the structural controls on the Geyser Zone feeders and develop drill targets which can be tested in a potential Phase II program. Headwater has also contracted Magee Geophysical to conduct a detailed gravity survey which will compliment the mapping and existing CSAMT, and further aid the ongoing drill targeting.

The scientific and technical information contained in this document has been reviewed and approved by Derrick Strickland, P.Geo. (10000315), a "Qualified Person" ("QP") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

8. SUMMARY OF QUARTERLY RESULTS

N/A

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 $380,121 at May 31, 2021 (February 28, 2021: $326,410). Restricted cash was $4,078,342 at May 31, 2021 (February 28, 2021: $4,075,342) and consists of $4,073,317 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 $200,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $1,218,375 which consist of 500,000 common shares of Eclipse Gold Mining Corporation (subsequently exchanged to 545,000 common shares of Northern Vertex Mining Corp. on June 15, 2021) valued at $204,375 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $1,014,000.

Amounts and other receivable consist of GST input tax credits, interest receivable on term deposit and office overhead recoveries. Prepaid expenses and deposits include $130,284 (US $105,000) in advances for reclamation bond obligations.

Current liabilities total $608,990 at May 31, 2021 compared to $471,026 at February 28, 2021. Current liabilities consist of trade payables, accrued liabilities, income taxes payable and lease liability. Included in trade and other payables is $182,204 in accrued finder's fees from the subscription receipts financing that were paid subsequent to period end on June 3, 2021.

Working capital surplus was $5,628,106 at May 31, 2021 compared to a surplus of $7,145,799 at February 28, 2021.

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

Based on the financial condition at May 31, 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:

	Three months ended May 31, 2021 $	**Three months ended May 31, 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 Hunter Gold LLC ("Hunter", a company controlled by Caleb Stroup ("Stroup"), the President) 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 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 Hunter.

The Company has entered into a Management Agreement with Waddell Consulting Inc. ("Waddell", a company controlled by Alistair Waddell, the Chairman) effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Waddell 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 Waddell.

The Company has entered into an Employment Agreement with Sandra Wong, 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 as follows: Graeme Currie $3,000; Tero Kosonen $6,000; and Wendell Zerb $3,000.

12.2 Private Placements

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.

12.3 Property Option Agreements

On February 23, 2021, a private company controlled by directors of the Company exercised options to purchase the Bob Creek property for US $55,000, the Danny Boy property for US $15,000, the Ziggurat property for US $35,000 and the Keg property for US $45,000.

12.4 Due to Related Parties

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.

12.5 Receivable from Related Parties

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.

13. FOURTH QUARTER

N/A

14. PROPOSED TRANSACTIONS

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, 2021. 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 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. 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 13 of the financial statements. 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.

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 July 29, 2021, the Company has 49,567,718 common shares issued and outstanding.

As at July 29, 2021, the Company has 4,955,000 stock options outstanding.

As at July 29, 2021, the Company held 18,080,251 common shares in escrow.

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 period ended May 31, 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