Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada, V6E 4A4
Tel: (604) 681-9100, Fax: (604) 681-9101, info@headwatergold.com
www.headwatergold.com

HEADWATER GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED FEBRUARY 28, 2022

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between February 28, 2022 and February 28, 2021 and results of operations for the years ended February 28, 2022 and 2021, as well as forward-looking statements relating to the potential future performance. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below. This Management's Discussion and Analysis has been prepared as of **June 27, 2022** ("Report Date"). This Management's Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto for the year ended February 28, 2022 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein.

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

1. CORE BUSINESS

Headwater Gold Inc. ("Headwater" or the "Company") was incorporated on January 14, 2019 under the laws of British Columbia and is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading on June 8, 2021 under the symbol "HWG". The Company also trades on the OTCQB under the symbol "HWAUF". 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 a property option agreement to acquire a drill-ready project in Nevada.

The Company drilled four projects during the 2021 drill program from July to December, testing 12 targets consisting of 19 holes and 4,797 metres of drilling. Highlights include:

- New discovery at Katey: 14.54 m at 4.86 g/t Au including 23.6 g/t Au over 1.95 m in first hole;
- New discovery at Spring Peak: 38.1 m at 1.00 g/t Au including 2.49 g/t Au over 9.2 m in third hole;
- Encouraging results at Mahogany; and
- Brought Highland to a decision point.

As at February 28, 2022, 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), **Midas North** (Elko County), **Dome Hill** (Mineral County, NV and Mono County, CA) and **Long Valley** (Mineral County); and
- Oregon – **Katey** (Malheur County), **Mahogany** (Malheur County) and **Hot Tub** (Malheur County).

See Section 7.1 "Exploration and Evaluation Activities" below for a description of the properties and the 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 in the amount of $4,070,424 held in escrow in connection with the issuance of the Subscription Receipts were released to the Company. The funds were 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".

In August 2021, the Company's common shares commenced trading on the OTCQB Venture Market in the United States under the symbol "HWAUF". The Company has additionally secured Depository Trust Company eligibility for its common shares traded in the United States.

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

2. FINANCIAL CONDITION

As at February 28, 2022, 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 a net loss of $3,063,375 for the year ended February 28, 2022 and, as of that date, the Company had an accumulated deficit of $2,296,794. Included in the net loss is $1,502,066 in unrealized loss on investment recorded on the decline in market value of securities received from the sale of mineral projects. 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 $1,903,505 at February 28, 2022 (2021: $7,145,799).

Cash was $1,276,891 at February 28, 2022 (2021: $326,410). Restricted cash was $5,030 at February 28, 2022 (2021: $4,075,342) and consists of a term deposit 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 $777,291 (2021: $3,024,625) consist of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at $59,041 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $718,250.

Amounts and other receivable of $35,619 at February 28, 2022 (2021: $3,050) consist mainly of GST input tax credits and office expense recoveries from subtenants.

Prepaid expenses and deposits of $45,897 at February 28, 2022 (2021: $3,782) include office rent deposits, insurance, OTCQB annual fee and other normal operating expenses.

Right-of-use asset net of depreciation was $94,783 at February 28, 2022 (2021: $nil). 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.

Deposits of $133,329 at February 28, 2022 (2021: $nil) consists of 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 and 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.

Equipment of $46,030 consists of field equipment, computer equipment and office furniture and equipment.

Exploration and evaluation assets of $3,361,924 at February 28, 2022 (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 $159,291 at February 28, 2022 (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

$39,979 (2021: $22,910) due to related parties which consists of amounts owed to directors, officers, companies with common directors 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 $110,400 at February 28, 2022 (2021: $nil). For the year ended February 28, 2022, interest expense on the lease liability was $11,287.

Income taxes payable were $nil at February 28, 2022 ($187,738). Deferred tax liability of $nil (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 in December 2020.

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 year ended February 28, 2022 was $3,063,375 and comprehensive loss after cumulative translation adjustment was $3,092,167 or $0.07 per share, compared to a net income of $1,186,599 and comprehensive income of $1,123,674 for the year ended February 28, 2022 or $0.04 per share. Net income for the three months ended February 28, 2022 was $25,400 and comprehensive income after cumulative translation adjustment was $50,447 or $0.00 per share, compared to a net income of $1,280,554 and comprehensive income of $1,213,484 for the three months ended February 28, 2021 or $0.03 per share. The current year loss includes an unrealized loss on investment of $1,502,066 recorded on the Company's shares of Huntsman Exploration Inc. and Elevation Gold Mining Corp., and impairment of exploration and evaluation assets of $492,404.

3.1 Total expenses for the year ended February 28, 2022

Total expenses for the year ended February 28, 2022 were $1,378,931 compared to total expenses of $630,136 for the year ended February 28, 2021.

Accounting and audit fees were $92,941 for the year ended February 28, 2022 compared to $69,936 in expenses recorded in the 2021 comparative year. During the year ended February 28, 2022, $52,743 was recorded for audit, review, prospectus procedures and tax return preparation for the 2021 and earlier financial years, and an additional provision of $40,198 was made for the 2022 financial year. During the year ended February 28, 2021, accounting fees of $44,000 were charged by a company controlled by the former CFO and $25,936 was recorded for audit and tax return preparation.

Accretion of office lease liability of $11,287 was recognized during the year ended February 28, 2022.

Employee costs were $740,511 for the year ended February 28, 2022 compared to $346,492 in employee costs recorded in the 2021 comparative year. Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments. The Company experienced significant growth as it transitioned from a private to a public mineral exploration company, and hired a number of personnel to support its operations. The following is a breakdown of material components of the Company's employee costs for the years ended February 28, 2022 and 2021.

	Year ended February 28, 2022 $	**Year ended February 28, 2021 $**
Consulting fees	96,740	45,929
Management fees	205,123	91,157
Salaries and benefits	119,993	17,546
Share-based payments	318,655	191,860
	740,511	346,492

Consulting fees were $96,740 for the year ended February 28, 2022 compared to $45,929 in consulting fees recorded in the 2021 comparative year. Consulting fees include payments for administrative, marketing, recruitment and geological services and advisors for the Company's OTCQB listing and DTC eligibility application.

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. (See Section 12 "Transactions Between Related Parties" below).

Share-based payments of $318,655 for the year ended February 28, 2022 represent stock options granted on November 24, 2020 and July 2, 2021 that vested during the year. A further $75,613 in share-based payments that vested during the year were capitalized to mineral properties. During the year ended February 28, 2021, share based payments of $191,860 were recorded and $34,600 in share-based payments were capitalized to mineral properties.

Depreciation expense was $67,461 for the year ended February 28, 2022 (2021: $nil) and includes $55,755 in depreciation of right-of-use asset (office lease).

Filing fees were $56,234 for the year ended February 28, 2022 compared to $7,176 in filing fees recorded for the 2021 comparative year. The following is a breakdown of the Company's filing fees for the years ended February 28, 2022 and 2021.

	Year ended February 28, 2022 $	**Year ended February 28, 2021 $**
Annual financial statements	2,893	-
CNSX Markets Inc.	22,750	-
Listing application	12,808	-
Miscellaneous filing fees	1,213	7,176
OTC Markets Group Inc.	16,570	-
	56,234	7,176

General exploration expenses were $97,919 for the year ended February 28, 2022 compared to $73,183 in general exploration expenses recorded for the 2021 comparative year. General exploration expenses include project reconnaissance costs and expenditures on data acquisition and development of proprietary target generation software.

Investor communication expenses were $160,309 for the year ended February 28, 2022 compared to $22,003 in expenses incurred during the 2021 comparative year. The following is a breakdown of the Company's investor communication expenses for the years ended February 28, 2022 and 2021.

	Year ended February 28, 2022 $	Year ended February 28, 2021 $
Advertising	70,064	14,478
Market making	36,725	-
News releases	23,688	-
Trade shows and conferences	23,586	-
Transfer agent	4,528	-
Website	1,718	7,525
	160,309	22,003

Legal fees were $53,261 for the year ended February 28, 2022 compared to $9,056 in legal fees recorded for the 2021 comparative year and were largely incurred in connection with Company's listing application.

Office expenses were $90,441 for the year ended February 28, 2022 compared to $83,686 in expenses recorded for the 2021 comparative year. The following is a breakdown of the Company's office expenses for the years ended February 28, 2022 and 2021.

	Year ended February 28, 2022 $	Year ended February 28, 2021 $
Bank charges and interest	3,881	3,945
Information technology	15,870	14,207
Insurance	28,833	734
Meals and entertainment	10,131	3,357
Office supplies and expenses	32,638	23,277
Rent expense	34,830	38,019
Rent recovery	(40,172)	-
Telephone	4,430	147
	90,441	83,686

Travel expenses were $8,567 for the year ended February 28, 2022 compared to $18,604 in expenses recorded for the 2021 comparative year.

3.2 Total other income and expenses for the year ended February 28, 2022

Finance income was $7,969 for the year ended February 28, 2022 compared to $2,783 recorded for the 2021 comparative year and consists of term deposit interest and cashback rewards on the Company's credit card.

Finance expense of $6,666 was incurred in connection with US $105,000 in reclamation bonds advanced and deposited by the Company's surety agent.

Foreign exchange gain of $112,148 was recorded during the year ended February 28, 2022 compared to a loss of $78,195 recorded in the 2021 comparative year. Foreign exchange gains and losses arise from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

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

Impairment of exploration and evaluation assets of $492,404 was recorded during the year ended February 28, 2022 in connection with the abandonment of the Highland and Birch Creek properties as well as certain

Midas North and Long Valley claims. Impairment of $6,605 recorded in the 2021 comparative year relates to the Bob Creek property.

Unrealized loss on investments of $1,502,066 recorded during the year ended February 28, 2022 relate to the Company's investments in Huntsman Exploration Inc. ("HMAN") and Elevation Gold Mining Corporation ("ELVT"). The Company received 8,450,000 common shares of HMAN from the sale of the Flint property in December 2020 that were restricted from trading until December 21, 2021. The shares were priced at $0.245 on February 28, 2021 and $0.085 on February 28, 2022. The Company received 90,833 common shares of ELVT (post consolidation of 6 old for 1 new) on June 15, 2021 in exchange for 500,000 common shares of Eclipse Gold Mining Corporation, which were originally received from the sale of the Como property in November 2020. The shares were priced at $2.16 on June 15, 2021 and $0.65 on February 28, 2022.

3.3 Total expenses for the three months ended February 28, 2022

Total expenses for the three months ended February 28, 2022 were $333,977 compared to total expenses of $275,455 for the three months ended February 28, 2021.

Accounting and audit fees were $40,175 for the three months ended February 28, 2022 and consisted of provisions for audit and tax return preparation of the 2022 financial year. Accounting and audit fees were $24,936 for the three months ended February 28, 2021 and includes accounting fees of $8,000 charged by a company controlled by the former CFO and $3,000 in provisions for tax return preparation.

Accretion of office lease liability of $3,312 was recognized during the three months ended February 28, 2022 (2021: $nil).

Employee costs were $165,246 for the three months ended February 28, 2022 compared to $186,092 in employee costs recorded in the 2021 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 February 28, 2022 and 2021.

	Three months ended February 28, 2022 $	Three months ended February 28, 2021 $
Consulting fees	9,735	31,080
Management fees	55,164	47,851
Salaries and benefits	38,431	6,623
Share-based payments	62,096	100,538
	165,426	186,092

Consulting fees include payments for administrative, marketing and geological services.

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 $62,096 for the three months ended February 28, 2022 represent stock options granted on July 2, 2021 that vested during the period. A further $12,175 in share-based payments that vested during the period was capitalized to mineral properties. Share-based payments of $100,538 for the three months ended February 28, 2021 represent stock options granted on August 12, 2020 and November 24, 2020 that vested during the period. A further $26,335 in share-based payments that vested during the period was capitalized to mineral properties.

Depreciation expense was $22,713 for the three months ended February 28, 2022 (2021: $nil) and includes $18,522 in depreciation of right-of-use asset.

Filing fees were $7,426 for the three months ended February 28, 2022 compared to $1,464 in filing fees recorded for the 2021 comparative period. The following is a breakdown of the Company's filing fees for the three months ended February 28, 2022 and 2021.

	Three months ended February 28, 2022 $	**Three months ended February 28, 2022 $**
CNSX Markets Inc.	3,000	-
Miscellaneous filing fees	44	1,464
OTC Markets Group Inc.	4,382	-
	7,426	1,464

General exploration expenses were $16,734 for the three months ended February 28, 2022 compared to $30,750 in general exploration expenses recorded for the 2021 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 $58,802 for the three months ended February 28, 2022 compared to $4,231 in expenses incurred during the 2021 comparative period. The following is a breakdown of the Company's investor communication expenses for the three months ended February 28, 2022 and 2021.

	Three months ended February 28, 2022 $	**Three months ended February 28, 2021 $**
Advertising	11,852	4,131
Market making	19,500	-
News releases	17,971	-
Trade shows and conferences	8,350	-
Transfer agent	370	-
Website	759	100
	58,802	4,231

Legal fees were $1,752 for the three months ended February 28, 2022 compared to $1,517 in legal fees recorded for the 2021 comparative period.

Office expenses were $15,030 for the three months ended February 28, 2022 compared to $26,374 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company's office expenses for the three months ended February 28, 2022 and 2021.

	Three months ended February 28, 2022 $	**Three months ended February 28, 2021 $**
Bank charges and interest	949	1,096

Information technology	3,297	5,740
Insurance	5,451	(10)
Meals and entertainment	4,563	491
Office supplies and expenses	6,486	6,355
Rent expense	5,785	12,677
Rent recovery	(12,172)	-
Telephone	671	25
	15,030	26,374

3.4 Total other income and expenses for the three months ended February 28, 2022

Finance income was $642 for the three months ended February 28, 2022 compared to $1,460 recorded for the 2021 comparative period and consists of term deposit interest and cashback rewards on the Company's credit card.

Finance expense of $31 was incurred in connection with US $105,000 in reclamation bonds advanced and deposited by the Company's surety agent.

Foreign exchange loss of $16,667 was recorded during the three months ended February 28, 2022 compared to a loss of $13,544 recorded in the 2021 comparative period. Foreign exchange gains and losses arise from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Unrealized gain on investments of $172,002 recorded during the three months ended February 28, 2022 relate to the Company's investments in HMAN and ELVT (2021: loss of $120,231).

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 $1,160,980 for the year ended February 28, 2022 compared to cash used of $438,342 during the 2021 comparative year. The Company incurred net loss of $3,063,375 with adjustments to add back items not involving cash (accretion of office lease liability, depreciation, foreign exchange, unrealized loss on short-term investments, share-based payments and impairment of exploration and evaluation assets) 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 used in investing activities was $1,723,599 during the year ended February 28, 2022 and consist of $2,284,660 in expenditures on exploration and evaluation assets, $750,000 in proceeds from sale of term deposits, $57,395 spent on the purchase of equipment and $131,544 in deposit for a surety bond. Cash flows used in investing activities for the 2021 comparative year consisted of $1,218,662 in expenditures on exploration and evaluation assets, $750,000 for purchase of term deposits, and $467,005 in proceeds from sale of exploration and evaluation assets.

Total cash flows used in financing activities was $233,629 during the year ended February 28, 2022 and include $182,204 in finder's fees that were paid upon conversion of subscription receipts to common shares and $51,425 in office lease payments. Cash flows provided by financing activities was $5,988,012 for the 2021 comparative year and consisted of $1,971,350 in proceeds from share issuances, $4,070,224 in proceeds from a subscription receipt financing, and $53,562 in share issue costs.

5. SELECTED ANNUAL INFORMATION

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

	February 28, 2022 $	**February 28, 2021 $**	**February 29, 2020 $**
Total revenue	-	-	-
Net income (loss) for the period	(3,063,375)	1,186,599	(415,120)
Comprehensive income (loss) for the period	(3,092,167)	1,123,674	(420,438)
Income (loss) per share, basic	(0.07)	0.04	(0.02)
Income (loss) per share, diluted	(0.07)	0.03	(0.02)
Total assets	5,776,794	9,067,976	1,081,303
Total long term liabilities	32,468	208,331	-
Cash dividend declared per share	-	-	-

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

During the year ended February 28, 2021, the Company realized net income of 1,186,599. The Company sold the Como, Flint, Bob Creek, Danny Boy, Ziggurat and Keg mineral properties for proceeds of cash and marketable securities valued at $2,847,255 and realized a gain on sale of $2,426,296. Notable expenses include $191,860 in share-based payments for the grant of 1,780,000 stock options to directors and officers of the Company (a further 355,000 stock options were granted to geological consultants and the fair value of $34,600 was capitalized to exploration and evaluation assets). The Company recorded unrealized loss on investments of $110,931 on marketable securities and foreign exchange loss was $78,195. Deferred income tax expense was $219,137.

During the year ended February 28, 2022, the Company realized a net loss of $3,063,375. The Company listed on the CSE during the year and ramped up operations, drilling four projects, implementing an investor communications program to raise the profile of the Company, and expanding its work force in support of these activities. Employee costs increased by $394,019 and investor communication expenses increased by $138,306 over the previous 2021 fiscal year. Legal fees, filing fees and audit fees also increased in connection with the Company's listing on the CSE and OTCQB. The Company recorded an unrealized loss on marketable securities of $1,502,066 on its investments in ELVT and HMAN and impairment expenses of $492,404 largely in connection with the abandonment of the Highland property option. The Company also recorded a deferred income tax recovery of $205,752.

Comprehensive income (loss) includes cumulative translation adjustments.

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

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

During the 2022 financial year, the Company's mineral property acquisition and exploration activities during the year contributed to the $3,361,924 in exploration and evaluation assets at February 28, 2022.

Deferred tax liability 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. Deferred tax liability was $nil at February 28, 2022 compared to $208,331 at February 28, 2021 due to the decrease in fair value of the marketable securities.

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2021 to February 28, 2022

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

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

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

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 ("Bravada"). 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. The Company completed a seven-hole reverse circulation ("RC") drill program totalling approximately 2,100 metres at the Highland Project from early July to early August 2021. No significant high-grade vein intercepts were encountered and the option was terminated on September 30, 2021.

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. The Company completed a five-hole RC drill program totalling approximately 1,350 metres at the Spring Peak Project from early August to early September 2021. On November 22, 2021, the Company reported assay results and announced that a new blind gold discovery made with drill hole SP21-03 which intersected 38.1 m grading 1.00 g/t gold including 9.2 m grading 2.49 g/t gold. Four of five holes encountered significant intervals of gold mineralization beginning approximately 100 metres depth below surface. The Company has expanded the Spring Peak land position through claim staking, and approximately tripled the size of the claim block since optioning the Project from Orogen Royalties Inc. Follow-up drilling is currently being planned by the Company.

In August 2021, the Company's common shares commenced trading on the OTCQB Market with DTC eligibility in the United States under the symbol "HWAUF".

From October to November 2021, the Company completed the first-pass core drill program on its 100% owned Mahogany gold project located in Southeast Oregon. The drill program consisted of five diamond core drill holes totaling 810 metres and was completed on schedule and on budget. On January 27, 2022, the Company reported assay results. Hole MH21-02 intersected 1.47 grams per tonne ("g/t") gold over 12.3 metres, including 4.05 g/t gold over 3.84 metres, with the highest individual sample grading 9.37 g/t gold over 0.73 metres.

From November to December 2021, the Company completed the first-pass core drill program on its 100% owned Katey gold project located in Southeast Oregon. The drill program consisted of two scout diamond drill holes totalling 537 metres. Drilling targeted epithermal mineralization in structural feeder zones immediately below gold intercepted in shallow historic drilling at two separate target areas. Both holes encountered strong alteration zones characteristic of a high-level epithermal system, including broad intervals of epithermal veining, silicification, and hydrothermal breccias associated with rhyolitic dikes. Hole KT21-01 intersected 14.54 metres at 4.86 g/t Au, including an interval of 23.6 g/t Au over 1.95 metres. The intercept lies directly below a zone of low-grade near surface gold intersected in historic drilling and is interpreted as representing a high-grade feeder structure to the system. The mineralized structure encountered in KT21-01 is open along strike and at depth. A follow-up program including offset diamond core holes and a ground-based resistivity geophysical survey is currently being planned. The 100% owned and royalty-free Katey Project has many priority targets that remain to be drill tested with favourable epithermal alteration extending over several kilometres.

6.2 Period from March 1, 2022 to Date of this Report

In April 2022, the Company announced that it has engaged service providers to perform a helicopter aeromagnetic and radiometric survey at Midas North, as well as fixed-wing hyperspectral imagery surveys covering both the Midas North and Spring Peak Projects.

7.1 Exploration and Evaluation Activities for the Year Ended February 28, 2022

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 $3,361,924 as at February 28, 2022 (February 28, 2021 - $1,451,151).

Total costs incurred on exploration and evaluation assets for the years ended February 28, 2022 and 2021 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Additions	250,118	352,986	134,426	14,163	751,693
Impairment	-	(6,648)	-	-	(6,648)
Sale of E&E Asset	(134,404)	(198,171)	-	(45,133)	(377,708)
Foreign exchange	(15,709)	(21,322)	(9,374)	(2,384)	(48,789)
Balance, February 28, 2021	332,455	256,553	195,600	-	784,608
Additions	85,516	299,570	57,569	-	442,655
Impairment	-	(93,448)	(8,267)	-	(101,715)
Foreign exchange	1,815	3,226	1,385	-	6,426

Balance, February 28, 2022	419,786	465,901	246,287	-	1,131,974
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	21,145	34,409	23,351	-	78,905
Drilling	19,299	526,493	717,914	-	1,263,706
Geology	126,393	203,412	192,080	-	521,885
Mapping, sampling, geochem	8,411	29,289	-	-	37,700
Technical review	8,294	13,606	9,061	-	30,961
	183,542	807,209	942,406	-	1,933,157
Impairment	-	(370,821)	(19,868)		(390,689)
Foreign exchange	2,308	8,320	10,311	-	20,939
Balance, February 28, 2022	368,801	607,905	1,253,244	-	2,229,950
Total acquisition costs and exploration expenditures					
February 28, 2021	515,406	419,750	515,995	-	1,451,151
February 28, 2022	788,587	1,073,806	1,499,531	-	3,361,924

7.2 Katey (Malheur County, Oregon)

The Company owns a 100% interest in the Katey property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $20,518 in acquisition costs (2021 - $37,218) and $396,556 in exploration costs (2021 - $127,678) on Katey. As at February 28, 2022, total acquisition and exploration expenditures recorded on Katey was $617,635 (2021 - $196,118).

About the Katey Project

The Katey Project is located in southeastern Oregon, approximately 50 km northwest of Integra Resources' (TSX: ITR) DeLamar deposit and 30 km southeast of Paramount Gold Nevada's (NYSE: PZG) Grassy Mountain development project. The Project was identified by Headwater geologists and acquired through claim staking on BLM land and is 100% owned and royalty free. Gold mineralization on the Property is associated with regional mid-Miocene bimodal volcanism and extensional faulting related to Yellowstone Hotspot volcanism. The Property sits along the margin of the Three Fingers Caldera and is bisected by several caldera-related ring fractures, which are interpreted to have served as fluid conduits, localizing alteration and mineralization. Compilation of limited historic exploration data, as well as a drone magnetic survey, geologic mapping, and soil and rock sampling completed by Headwater resulted in the development of two principal target areas on the Property, referred to as the East Zone and West Zone.

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.

2021 Work Program - Katey

From November to December 2021, the Company completed the first-pass core drill program on Katey.

Highlights:

- Hole KT21-01 intersected 14.54 metres at 4.86 g/t Au, including an interval of 23.6 g/t Au over 1.95 metres;
- The KT21-01 intercept lies directly below a zone of low-grade near surface gold intersected in historic drilling and is interpreted as representing a high-grade feeder structure to the system;
- The mineralized structure encountered in KT21-01 is open along strike and at depth;
- A follow-up program including offset diamond core holes and a ground-based resistivity geophysical survey is currently being planned; and,
- The 100% owned and royalty-free Katey Project has many priority targets that remain to be drill tested with favourable epithermal alteration extending over several kilometres.

Caleb Stroup, Headwater's President and CEO, states: *"We are extremely pleased to announce the high-grade drill intercept in the first drill hole at Katey, and we believe these results represent a significant achievement for the Company. The 2021 Katey drill program was designed to specifically target high-grade feeders to this well-preserved epithermal system, and initial indications suggest we are on to a significant structurally controlled feeder zone which remains open along strike and at depth. Although the Katey program was limited to an initial 537 metres of scout drilling in two holes, the results demonstrate the potential of the Project and we are very excited about the next phase of drilling."*

Table 1: Drill results from the Katey Project[1]

Hole ID	From (m)	To (m)	Interval (m)	Gold Grade (g/t)	Az (deg)	Inc (deg)	TD (m)	Comments
KT21-01	98.39	112.93	14.54	4.86	90	-45	259.38	Highest individual sample 28.18 g/t Au over 1.04 m
including	109.88	111.83	1.95	23.6				
KT21-02	*No significant intercepts*				70	-45	277.98	Highest individual sample 0.61 g/t Au over 0.91 m

[1]Reported grades were calculated using a 0.2 g/t cut-off grade for primary intervals and a 2 g/t cut-off grade for included intervals. Reported mineralized intervals correspond to downhole thickness, with insufficient information available to calculate true thickness.

Limited historic drilling completed in 1988-1990 reportedly returned multiple zones of anomalous gold mineralization within 100 metres of surface but did not test the potential for high-grade epithermal mineralization at depth[2]. Headwater's 2021 scout drilling tested targets in the East and West Zones with an initial two drill hole program totalling 537 metres. Drilling reached vertical depths of approximately

200 metres, targeting high-grade precious metals in the inferred epithermal boiling zone. No historic drilling penetrated to these depths at Katey.

At the Katey West Zone, hole KT21-01 drilled across a broad interval of strongly clay altered and pervasively oxidized rhyolite from surface to a depth of approximately 135 metres. Assays from the core through this altered interval returned 14.54 metres grading 4.86 g/t Au, including 23.6 g/t Au over 1.95 metres which occurred in a zone of intense hydrothermal brecciation, with fragments of quartz vein material and cross cutting steeply dipping quartz-carbonate veins. Headwater geologists believe that this mineralization occurs within a steeply dipping, north-northwest striking fault zone which represents a feeder structure to the lower-grade mineralization encountered in shallow historic drilling vertically above the KT21-01 intercept. Mineralization in the West zone remains open along strike to the north and south, as well as down dip.

At the Katey East Zone, drill hole KT21-02 encountered intense silicification and disseminated sulfides from approximately 179 to 200 metres associated with a rhyolite dike swarm beneath mineralized rhyolite flow domes mapped at surface. Anomalous gold values were present in multiple zones in the hole as well as several zone of highly anomalous pathfinder geochemistry associated with strong epithermal alteration. Headwater geologists are currently evaluating the new information acquired in hole KT21-02 to refine the targeting model in the East Zone in preparation for additional drilling.

[2]The Qualified Person has been unable to verify the information on the adjacent properties. Mineralization hosted on adjacent and/or nearby and/or geologically similar properties is not necessarily indicative of mineralization hosted on the Company's properties. Historical drill intercepts and surface samples are treated by the Company as historical in nature, and not current or NI 43-101 compliant.

7.3 Mahogany (Malheur County, Oregon)

The Company owns a 100% interest in the Mahogany property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $30,681 in acquisition costs (2021 - $71,754) and $510,457 in exploration costs (2021 - $144,915) on Mahogany. As at February 28, 2022, total acquisition and exploration expenditures recorded on Mahogany was $820,414 (2021 - $273,135).

About the Mahogany Project

The Mahogany Project is located in Southeastern Oregon, 20 km northwest of Integra Resources' DeLamar deposit. The Project was identified by Headwater geologists and acquired through claim staking on BLM land and is 100% owned and royalty free. Using a variety of geological and geophysical targeting tools, Headwater geologists have identified a high-level epithermal system with high-grade gold at the surface up to 170.0 g/t Au (from rock grab samples). Limited historic drilling hit multiple zones of anomalous gold mineralization within 100 metres of surface (e.g. MH88-36-01 returned 10.7 metres grading 0.73 g/t Au starting at 53.4 metres) but failed to test the vein target at depth.

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.

2021 Work Program - Mahogany

From October to November 2021, the Company completed the first-pass core drill program on Mahogany. First-pass scout drilling, totalling 810 metres in five holes, intersected multiple zones of anomalous gold mineralization. Hole MH21-02 intersected 1.47 g/t gold over 12.3 metres, including 4.05 g/t gold over 3.84 metres, with the highest individual sample grading 9.37 g/t gold over 0.73 metres. Mineralization encountered in MH21-02 remains open along strike to the northwest. Core orientation analysis and analytical results indicate northwest- and northeast-trending structures appear to be the predominant mineralized features, pointing to additional yet to be tested targets on the Property.

Mr. Stroup states: "*The initial drill results from Mahogany clearly demonstrate the presence of a structurally controlled epithermal gold system with the potential for high grades. As is common with many epithermal vein systems, initial drilling appears to indicate a complex structural control to the system with oriented core data implying that the Main Ridge Fault zone is less important as a feeder than more enigmatic northeast- and northwest-trending structures. This updated geological interpretation opens the door to a number of new targets on the property, including the extension of the mineralization encountered in MH21-02 which remains open to the northwest. The Company is currently planning a ground-based geophysical program to better understand the structural controls to the system and future targets will be prioritized in the context of the full Headwater exploration portfolio as they develop. Mahogany, which was staked on open ground, is a good example of our ability to generate new 100% owned projects on claim-free, open ground.*"

Table 2: Drill results from the Mahogany Project[1]

Hole ID	From (m)	To (m)	Interval (m)	Gold Grade (g/t)	Az (deg)	Inc (deg)	TD (m)	Comments
MH21-01	85.25	86.81	1.56	2.05	280	-54	121.92	
MH21-02	25.82	38.07	12.25	1.47	50	-45	76.20	Maximum value of 9.37 g/t Au over 0.73 metres
including	28.50	32.34	3.84	4.05				
MH21-03	*No significant results*				280	-45	137.16	
MH21-04	*No significant results*				180	-45	231.65	
MH21-05	*No significant results*				295	-57	259.08	

Drilling focused on a 500-metre segment of the Main Ridge Fault ("MRF") zone, which Headwater Geologists interpreted as a possible feeder to the alteration cell manifest at surface.

Headwater drilling penetrated deeper than any historic drill holes and four of five drill holes encountered alteration, veining associated with the MRF (Table 2). Two holes encountered significant gold mineralization in close proximity to the fault. The apparent lack of continuity of gold mineralization along the MRF is thought to be the result of northwest- and northeast-trending secondary structures playing a more significant role in controlling mineralization than previously understood. Detailed analysis of structural data collected from the oriented core indicate that the mineralized intercept in drill hole MH21-02 coincides with steeply dipping northwest-trending set of quartz-calcite veins which parallel a northwest trending structure in the footwall of the MRF. This structure remains open along strike northwest of MH21-02.

Analysis of oriented core data also highlighted an abundance of northeast-trending epithermal veins and veinlets in many of the drill holes. This orientation is parallel to a prominent altered northeast-trending ridgeline in the hanging wall of MRF which hosts two hydrothermal vent breccias consisting of opalized sediment and sinter clasts within a silica matrix. Surface samples from the breccia exposures return anomalous gold values and highly elevated pathfinder geochemistry. Historical drilling in the area was limited to less than 30 metres vertical depth and did not adequately test the vent feeders at the appropriate depths. A surface geophysical program is currently being planned to better define the three-dimensional geometry of these target areas at depth.

7.4 Hot Tub (Malheur County, Oregon)

The Company owns a 100% interest in the Hot Tub property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $6,370 (2021 - $16,992) in acquisition costs and $25,733 (2021 - $12,706) in exploration costs on the Hot Tub property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Hot Tub were $61,482 (2021 - $28,832).

7.5 Matador (Owyhee County, Idaho)

The Company owns a 100% interest in the Matador property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $6,178 in acquisition costs (2021 - $12,158) and $27,694 in exploration costs (2021 - $23,495) on the Matador property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Matador were $165,852 (2021 - $131,319).

7.6 Opaline Gulch (Owyhee County, Idaho)

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $6,383 in acquisition costs (2021 - $11,272) and $29,418 in exploration costs (2021 - $21,611) on the Opaline Gulch property. As at February 28 2022, total acquisition and exploration expenditures recorded on Opaline Gulch were $182,306 (2021 - $145,813).

7.7 Crane Creek (Washington County, Idaho)

The majority of the Crane Creek Project was acquired through staking of unpatented mining claims on open ground and is 100% owned and royalty free. The remainder was acquired through a series of agreements further described below. Estimated annual holding costs for the consolidated Crane Creek package are approximately US $28,000.

WDVAR Claims: A portion of the property, known as the WDVAR claims, was acquired through the purchase of 21 unpatented mining claims from a number of private individuals for a one-time cash payment and the issuance of 200,000 common shares. The WDVAR claims are subject to a 1% NSR that can be purchased at any time for US $1,000,000.

Private Lease: A 65 acre private fee land parcel adjacent to the WDVAR claims has been leased through an extendable 20 year mining lease with nominal annual payments, and is subject to a 2% NSR. The first 1% of this NSR can be purchased at any time for US $1,000,000 and the remainder for an additional US $2,000,000.

State Lease: A 640 acre State owned section has been leased through the award of State Mineral Lease E500034. The lease term is 20 years and extendable, with nominal annual rent and annual minimum advanced royalty payments. The lease is subject to a 5% NSR.

During the year ended February 28, 2022, the Company expended $72,955 in acquisition costs (2021 - $193,070) and $126,430 in exploration costs (2021 - $51,329) on the Crane Creek property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Crane Creek were $440,429 (2021 - $238,274).

About the Crane Creek Project

The Crane Creek Project is located in western Idaho, approximately 18 km northeast of the town of Weiser and 90 km northwest of the city of Boise, with a paved county road less than 1 km from the southern Property boundary. The Project encompasses an array of mineralized quartz veins within a broad gold and trace element geochemical anomaly with features characteristic of a fully-preserved low-sulfidation epithermal system, including mercury prospects, widespread opaline silica, and chalcedonic vein fill. This alteration cell is located 8 km along trend northwest of the Almaden gold project (910,000 oz Au Indicated, 160,000 oz Au Inferred[1,2]). The Crane Creek Project comprises approximately 1,240 hectares, consisting of 123 unpatented federal mining claims on BLM land, a 640 acre State of Idaho minerals lease, and a private lease.

The epithermal vein array at the Crane Creek Project is hosted in a package of Miocene sedimentary and volcanic rocks in a north-northwest-trending half-graben on the northern margin of the Western Snake River Plain. The veins occur within a system of west-dipping normal faults along the eastern margin of the half-graben, which extends southeast to GoldMining Inc's Almaden Project. Surface sample geochemistry demonstrates the epithermal alteration cell is at least 3 km in length and 1 km wide and extends over 1 km beyond the central area where historic drilling was concentrated. Veins outcropping at surface are up to 1.5 m wide with abundant opaline to chalcedonic silica fill which Headwater geologists interpret as representing high-level vein fill, vertically above an interpreted epithermal boiling zone with excellent high-grade gold potential at depth.

Several campaigns of historic drilling took place on the Property between 1984 and 1996 consisting of mainly shallow reverse-circulation holes with an average depth of 71 m and only three holes greater than 150 m in depth1. Most holes targeted bulk-tonnage, disseminated mineralization in a package of near-surface sedimentary rocks and were terminated shortly after intercepting and underlying basalt unit. A significant number of holes encountered mineralized quartz veins ranging from 2.0 g/t Au up to 8.14 g/t Au that were apparently never followed up, within broader intervals of disseminated low-grade mineralization. The potential for basalt-hosted high-grade veins at depths of 100 m or more below the paleosurface, such as those occurring at the Midas and Fire Creek mines in northern Nevada, remains untested at the Project.

<u>2022 Exploration Plan:</u>

Headwater geologists are currently planning a first-pass drill program to be carried out in mid-2022, subject to financing, with the goal of testing the width and continuity of multiple quartz veins beneath the elevation of historic drilling, as well as testing several additional early-stage targets with limited or no historic drilling. The 2022 exploration program is also expected to include trenching, detailed geologic mapping, surface sampling, interpretation of airborne magnetic and radiometric surveys, and a detailed ground-based geophysical resistivity survey. Historic IP resistivity data in the Project area, although limited in resolution, indicate that resistivity may be an excellent tool for targeting high-angle structures which may represent mineralized feeders to the epithermal system.

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 year ended February 28, 2022, the Company expended $21,953 in acquisition costs (2021 - $43,578) and $64,871 in exploration costs (2021 - $34,752) on the Agate Point property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Agate Point were $184,031 (2021 - $96,006).

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 year ended February 28, 2022, the Company expended $8,178 in acquisition costs (2021 - $28,956) and $24,415 in exploration costs (2021 - $24,631) on the Long Valley property. The Company had elected not to maintain certain of the claims and accordingly $4,771 in acquisition costs connected to the claims were written off during the year ended February 28, 2022. As at February 28, 2022, total acquisition and exploration expenditures recorded on Long Valley were $109,858 (2021 - $81,491).

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 year ended February 28, 2022, the Company expended $23,534 in acquisition costs (2021 - $16,973) and $25,954 in exploration costs (2021 - $20,020) on the Dome Hill property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Dome Hill were $107,003 (2021 - $56,587).

7.11 Midas North (formerly Castle Ridge) (Elko County, Nevada)

The Company owns a 100% interest in the Midas North property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $51,169 in acquisition costs (2021 - $134,279) and $32,393 in exploration costs (2021 - $56,647) on the Midas North property. The Company had elected not to maintain certain of the claims and accordingly $30,669 in acquisition costs connected to the claims were written off during the year ended February 28, 2022. As at February 28, 2022, total acquisition and exploration expenditures recorded on Midas North were $239,008 (2021 - $185,666).

About the Midas North Project

The Midas North project is located in the Midas District of northern Nevada, approximately 100 kilometres north of the town of Winnemucca and directly adjoins Hecla Mining's Midas mine complex. In 1994 an array of high-grade banded epithermal veins were discovered and historic production from the Midas mine was initiated by Franco-Nevada Corporation (NYSE: FNV) in 1998, with historic reserves of 2.46 million tonnes at a grade of 38.2 g/t Au[(1),(3)]. Mining continued until 2019 when Hecla elected to temporarily halt production as a result of decreasing head grade. Existing infrastructure at the Midas mine includes a 1,200 ton per day mill, several production water wells, high voltage power, and a fleet of underground mining equipment.

Mineralization in the Midas area is related to mid-Miocene bimodal volcanism associated with the Northern Nevada Rift and is analogous to high-grade low-sulfidation epithermal veins in Northern Nevada including Sleeper, Fire Creek, and Hollister. Gold and silver mineralization in the Midas district typically occurs in sub-vertical banded low-sulfidation epithermal vein arrays, the most significant being the Colorado Grande vein in the central Midas mine area.

In February 2021, Hecla announced the discovery of a new high-grade vein system in a previously undrilled area, approximately three kilometres southeast of the main mine area. This new discovery is reported to occur beneath a mapped exposure of geyserite sinter which was correctly identified as a surface venting feature of an epithermal vein system. This discovery highlights the potential for future exploration in the greater Midas district, targeting blind veins beneath widespread high-level epithermal alteration.

Headwater's Midas North project area covers a large hydrothermal alteration cell, extending at least four kilometres in strike and one kilometre in width, which is interpreted by Headwater geologists as representing the high-level manifestations of an epithermal precious metal system. This system occurs approximately 10 kilometres along strike north of the Midas mine. The Headwater Project consists of 199 unpatented mining claims on BLM land and covers approximately 1,530 hectares.

Two priority target areas have been identified by Headwater geologists in the field: the Nevada Grande target and Big Opal target areas, both of which exhibit widespread high-level chalcedonic to opaline silica flooding, clay alteration, and local sinter formation. The Nevada Grande target area consists of a ridge forming, linear zone of chalcedonic and opaline silicification over an approximately one km strike extent, interpreted to be the high-level manifestations of a potential epithermal feeder structure. The Big Opal target area consists of a widespread zone of sub-horizontal opaline and chalcedonic silica flooding, with localized occurrences of interpreted near-vent sinter facies, such as fossilized geyser vents. To date, 90 rock chip samples and 54 stream sediment samples have been collected by the Company from the Project area. This limited initial sampling as already highlighted several priority areas of anomalous precious metal values, with highly anomalous values of important epithermal pathfinder elements, such as mercury.

The Project area has seen very limited historic exploration. Although the Project was reportedly staked by Newmont Corporation (NYSE: NEM) in the past, Headwater is not aware of any historic exploration drilling on the property. Headwater geologists are currently planning an expanded multi-disciplinary surface exploration program which will be carried out in 2022 with a goal of identifying additional high-priority drill targets. This program is expected to include detailed geologic mapping, rock chip sampling, systematic soil sampling, airborne magnetics, airborne radiometrics, and ground based resistivity profiles.

3 Goldstrand, P.M., and Schmidt, K.W., 2000, Geology, mineralization, and ore controls at the Ken Snyder gold-silver mine, Elko County, Nevada, in Cluer, J.K., Price, J.G., Struhsacker, E.M., Hardyman, R.F., and Morris, C.L., eds., Geology and Ore Deposits 2000: The Great Basin and Beyond: Geological Society of Nevada Symposium Proceedings, May 15-18, 2000, p. 265-287.

2022 Work Plan

In April 2022, the Company engaged service providers to perform a helicopter aeromagnetic and radiometric survey at Midas North, as well as a fixed-wing hyperspectral imagery survey. Aeromagnetic, radiometric and hyperspectral surveys are well established techniques for mapping and vectoring within epithermal alteration cells in order to rapidly and cost-effectively identify and prioritize drill targets:

- Radiometric Survey: designed to identify and map zones of elevated adularia within the broad sinter and water-table silica cap at Midas North. Adularia is a mineral commonly associated with epithermal vein mineralization;

- High-Resolution Aeromagnetic Survey: expected to aid in the delineation of favourable structural controls below the extensive silica cap at Midas North by identifying potential zones of alteration; and

- High-Resolution Hyperspectral Survey: designed to identify and map specific clay alteration minerals known to be associated with structures prospective for high-grade gold mineralization in analogous deposits, including the Midas mine which adjoins Headwater's Midas North project.

The data collected in these surveys should greatly assist with the definition of priority targets for a maiden drill program at Midas North.

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% 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 year ended February 28, 2022, the Company staked 114 claims within the Spring Peak area of interest and expended $137,085 in acquisition costs and $290,134 in exploration costs on the Spring Peak property. As at February 28, 2022, total acquisition and exploration expenditures recorded on Spring Peak were $433,906 (2021 - $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, 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 was transferred to Headwater and allowed for drill pad construction and drilling immediately.

2021 Work Plan

The Company completed a first-pass drill program on the Spring Peak Project from early August to early September 2021. The initial first-pass RC drilling program consisted of five drill holes totalling 1,350 metres. Drilling successfully intersected epithermal quartz veins at a range of elevations in multiple structures. Individual vein zones range from 1.4 to 18.3 metres in drilled width. The widest zone of veining and mineralization occurred in hole SP21-03 which intersected a fault-hosted vein zone immediately beneath a mapped silica sinter at surface. This interval returned gold values of 1.00 g/t gold over 38.1 metres, including 9.2 metres of 2.49 g/t gold, representing a new, blind gold discovery and a confirmation of the Headwater exploration model. Drill hole SP21-03 was terminated due to challenging drilling conditions while still in alteration, and only 6.1 metres beyond the reported 1.00 g/t interval. The vein textures encountered in SP21-03 range from clean, white chalcedonic quartz to finely banded chalcedonic quartz with quartz-after-platy-calcite textures, and minor stringers and clots of dark grey sulfosalts. These textures, together with the relatively low Ag:Au ratio (approximately 10:1), and the absence of appreciable base metal values, suggest SP21-03 only penetrated the very upper parts of the targeted boiling zone, with the primary high-grade target remaining at depth and yet to be drill tested. The mineralization encountered in SP21-03 is open up and down dip, as well as along strike. The nearest drill hole which penetrated to the appropriate depth is SP21-02, approximately 900 metres to the west, which ended in 16.8 m grading 0.28 g/t Au.

Drill holes SP21-02, SP21-04, and SP21-05 also intercepted significant intervals of gold mineralization in stockwork quartz vein zones beginning approximately 100 metres below the modern surface; depths which were previously not tested by historic drilling. Drill hole SP21-01 returned no significant gold intercepts. In aggregate, these results demonstrate the presence of a significant >1 kilometre zone of highly-anomalous gold values in the upper portions of a widespread epithermal boiling horizon. Headwater geologists believe this to be highly encouraging, especially given the proximity and geologic similarity with the mineralization in the nearby high-grade Aurora mine area[2], approximately three kilometres to the northwest.

Phase II Follow Up

The Company believes that RC drilling was an efficient and cost-effective means to confirm the presence of a viable epithermal precious metal system at depth, but has inherent limitations in the depth extent to which it is practical. Future programs will include a combination of RC drilling and diamond core to better test the true width and grade of the veins encountered and better ensure target depths can be reached. Future core drilling will also implement oriented core technologies, allowing the collection of detailed structural information critical for projecting and offsetting vein intercepts. Headwater geologists are currently updating the exploration model at Spring Peak by incorporating all new information and expanding the geologic mapping and surface geochemical sampling. The extensive CSAMT resistivity geophysical data collected by previous operators on the property appears to be an excellent tool for delineating zones of silicification and veining at depth, and additional resistivity modelling efforts are being initiated to help the targeting process.

The Company is in the process of planning a drill program to offset the newly discovered gold mineralization at depth and test additional portions of the strike extent of the system. Diamond core follow-up holes will be designed to offset the vein zone encountered in SP21-03 at depth, as well as other structural zones in a favorable geologic setting for the formation of high-grade veins.

2022 Work Plan

In April 2022, the Company engaged service providers to perform a fixed-wing hyperspectral imagery survey at Spring Peak. A High-Resolution Hyperspectral Survey is designed to identify and map specific clay alteration minerals known to be associated with structures prospective for high-grade gold mineralization in analogous deposits, including the Aurora mine which adjoins Headwater's Spring Peak project. The data collected in this survey should greatly assist with the definition of priority targets for prioritizing offset drilling at Spring Peak to follow-up on the Company's 2021 discovery hole (SP21-03) which intersected 38.1 metres of 1.00 g/t Au1 at the interpreted top of the bonanza gold zone.

7.13 Highland (Lander County, Nevada)

The Company had 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, located in Lander County, Nevada, from Bravada Gold Corporation ("Bravada"). The Property is subject to a 3% retained 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.

During the year ended February 28, 2022, the Company expended $57,651 in acquisition costs and $369,442 in exploration costs on the Highland property. The Company made the decision to terminate the option and provided notice to the Optionor on September 30, 2021. Accordingly, $428,829 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 28, 2022.

The Company completed a seven-hole RC drill program totalling approximately 2,100 metres at the Highland Project from early July to early August 2021. No significant high-grade vein intercepts were encountered in the initial seven-hole program. The Company believes the high-priority targets in the district have been adequately tested and the option agreement was terminated. The decision to terminate the option is in-line with the Company's disciplined exploration strategy of pursuing high-impact discoveries by testing high-quality targets as quickly and cost-effectively as possible.

7.14 Birch Creek (Malheur County, Oregon)

The Company owned a 100% interest in the Birch Creek property, which it acquired by way of staking federal land. During the year ended February 28, 2022, the Company expended $nil (2021 - $8,462) in acquisition costs and $9,660 (2021 - $9,909) in exploration costs on the Birch Creek property. The Company had elected not to maintain the claims and accordingly $28,135 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 28, 2022.

7.15 Qualified Person

The scientific and technical information contained in this document, except as detailed below, has been reviewed and approved by Scott Close, P.Geo (158157), a "Qualified Person" ("QP") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

The scientific and technical information contained in the section "About the Mahogany Project", has been reviewed and approved by Derrick Strickland, P.Geo. (1000315), a "Qualified Person" ("QP") as defined in National Instrument 43- 101 – Standards of Disclosure for Mineral Projects.

8. SUMMARY OF QUARTERLY RESULTS

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

	Q4 Feb 28, 2022 $	Q3 Nov 30, 2021 $	Q2 Aug 31, 2021 $	Q1 May 31, 2021 $
Total revenue	-	-	-	-
Net income (loss) for the period	25,400	(943,944)	(742,979)	(1,401,852)
Comprehensive income (loss) for the period	50,447	(964,009)	(747,470)	(1,431,135)
Net income (loss) per share, basic	0.001	(0.019)	(0.015)	(0.037)

Net income (loss) per share, diluted	0.001	(0.019)	(0.015)	(0.037)

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

8.1 Total Revenue

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

8.2 Earnings (Loss) for the Period

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

	Q4 Feb 28, 2022 $	**Q3 Nov 30, 2021 $**	**Q2 Aug 31, 2021 $**	**Q1 May 31, 2021 $**
Expenses				
Accounting and audit	40,175	51,648	17	1,101
Accretion of office lease liability	3,312	3,188	3,590	1,197
Depreciation	22,713	20,112	24,278	358
Employee costs	165,426	242,479	203,090	129,516
Filing fees	7,426	7,382	12,951	28,475
General exploration	16,734	7,836	12,728	60,621
Investor communication	58,802	50,570	45,145	5,792
Legal	1,752	(4,173)	11,489	44,193
Office	15,030	19,190	13,129	43,092
Travel	2,607	5,931	10	19
Total expenses	(333,977)	(404,163)	(326,427)	(314,364)
Other items				
Finance income	642	1,405	2,386	3,536
Finance expense	(31)	(1,782)	(4,853)	-
Foreign exchange	(16,667)	72,876	81,877	(25,938)
Unrealized gain (loss) on investments	172,002	(193,968)	(423,850)	(1,056,250)
Impairment	(2,279)	(426,367)	(63,758)	-
Loss on sale of investments	(39)	(29)	(8,340)	-
	153,628	(547,865)	(416,538)	(1,078,652)
Income (loss) before tax	(180,349)	(952,028)	(742,965)	(1,393,016)
Income tax recovery (expense)	(3)	8,084	(14)	(8,836)
Deferred income tax recovery	205,752	-	-	-
Net income (loss) for the period	25,400	(943,944)	(742,979)	(1,401,852)

	Q4 Feb 28, 2021	**Q3 Nov 30, 2020**	**Q2 Aug 31, 2020**	**Q1 May 31, 2020**

	$	$	$	$
Expenses				
Accounting and audit	24,936	12,000	21,000	12,000
Employee costs	186,092	113,916	28,873	17,611
Filing fees	1,464	1,541	3,657	514
General exploration	30,750	6,597	19,256	16,580
Investor communication	4,231	9,223	5,240	3,309
Legal	1,517	2,405	3,903	1,231
Office	26,374	30,571	15,126	11,615
Travel	91	7,876	5,468	5,170
Total expenses	(275,455)	(184,129)	(102,523)	(68,029)
Other items				
Finance income	1,460	847	42	434
Foreign exchange	(13,544)	(20,226)	(66,753)	22,328
Gain on sale of E&E assets	2,104,843	321,453	-	-
Unrealized gain (loss) on investments	(120,231)	9,300	-	-
Impairment	94	87	(6,786)	-
Disposal of equipment	-	-	-	-
	1,972,622	311,461	(73,497)	22,762
Income (loss) before tax	1,697,167	127,332	(176,020)	(45,267)
Income tax expense	(197,476)	-	-	-
Deferred income tax expense	(219,137)	-	-	-
Net income (loss) for the period	1,280,554	127,332	(176,020)	(45,267)

8.3 Total Expenses

Accounting and audit fees in the fourth quarters include provisions for preparation of the Company's year end audits and income tax returns. Audit fees incurred in 2022 Q3 include review of interim financial statements and procedures completed for the Company's prospectus.

Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments expense. The Company engaged a number of management and administrative personnel to support its operations over the last two years, which contributed to the increase in employee costs.

Filing fees increased during the 2022 fiscal year due to CSE and OTCQB application and listing fees incurred in connection with the Company's public listing. Similarly, legal fees incurred during 2022 Q1 and Q2 were related to the Company's listing applications.

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

Investor communication expenses incurred during the last three quarters of 2022 were expenditures on advertising, promotional materials, trade shows and conferences and website maintenance to raise the profile of the Company and communicate with its shareholders.

Insurance costs contributed to a large component of the increase in office expenditures across 2022.

Travel expenses are a function of activity.

8.4 Other Items

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

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

Impairment of Highland was recorded during 2022 Q3; and Birch Creek, Midas North and Long Valley during 2022 Q2. Impairment of Bob Creek was recorded during 2021 Q2.

9. LIQUIDITY

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

Factors that could impact on the Company's liquidity are monitored regularly and include market changes, gold price changes, and economic upturns or downturns that affect the market price of the Company's securities for the purposes of raising financing. The world economic impact of Russia's invasion of Ukraine and resulting inflation has created uncertainty in the equity and commodity markets, which makes it a challenge to raise financing. Management believes that this condition will continue over the next twelve months.

Cash was $1,276,891 at February 28, 2022 (February 28, 2021: $326,410). Restricted cash was $5,030 at February 28, 2022 (February 28, 2021: $4,075,342) and consists of a term deposit held at a financial institution as security against a company credit card.

Short-term investments consist of 90,833 common shares of Elevation Gold Mining Corp. valued at $59,041 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $718,250.

Amounts and other receivable consists of GST input tax credits, office overhead recoveries and return of vendor retainers. Prepaid expenses and deposits were recorded for rent, insurance, OTCQB listing fees and other ordinary operating expenses.

Current liabilities total $237,223 at February 28, 2022 compared to $471,026 at February 28, 2021. Current liabilities consist of trade payables, income taxes payable and lease liability.

Working capital surplus was $1,903,505 at February 28, 2022 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 February 28, 2022, the Company can meet its administrative financial obligations as they become payable in the current fiscal year but will need to raise additional equity financing or secure a joint venture partner in order to execute 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:

	2022 $	2021 $
Short-term employee benefits and director fees	375,883	265,106
Share-based payments	264,054	182,762
	639,937	447,868

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 year ended February 28, 2022, the Company paid $195,462 (2021: $172,058) 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 year ended February 28, 2022, the Company paid $62,303 (2021: $32,049) in fees and benefits to Waddell.

The Company has entered into an Employment Agreement with Sandra Wong ("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.

On January 1, 2022, the Company entered into a new Employment Agreement with the CFO effective January 1, 2022 for no fixed term. As compensation for the services to be provided, the CFO will receive a performance bonus of $6,000 and a monthly salary of $6,500 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 year ended February 28, 2022, the Company paid $70,119 (February 28, 2021: $21,000) in salary and benefits to the CFO.

During the year ended February 28, 2022, the Company recorded $48,000 (2021: $nil) in director fees payable to three directors as follows: Graeme Currie ("Currie") $12,000; Tero Kosonen ("Kosonen") $24,000; and Wendell Zerb ("Zerb") $12,000.

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 Zerb 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. Currie 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 with common directors 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 February 28, 2022, the Company has $39,979 (2021: $22,910) due to related parties which consists of amounts owed to directors, officers, companies with common directors 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 February 28, 2022, the Company has $9,829 (2021: $nil) receivable from companies with common directors for rent and 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 February 28, 2022, 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 $1,903,505 as at February 28, 2022 and does not require additional financing for operations and to meet its current obligations. However, the Company will need to raise additional equity financing or secure a joint venture partner in order to execute its planned exploration and evaluation activities. The Company handles its liquidity risk through the management of its capital structure as described in Note 14 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 June 27, 2022, the Company has 49,567,718 common shares issued and outstanding.

As at June 27, 2022, the Company has 4,855,000 stock options outstanding.

As at June 27, 2022, the Company held 12,053,503 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 year ended February 28, 2022. 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