HEADWATER
GOLD INC

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HEADWATER GOLD INC.

INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MAY 31, 2022

The following interim MD&A – Quarterly Highlights of the financial position of Headwater Gold Inc. ("the Company") and results of operations of the Company should be read in conjunction with the unaudited condensed consolidated interim financial statements including the notes thereto for the period ending May 31, 2022 and the audited financial statements for the year ending February 28, 2022.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These statements, together with the following interim MD&A – Quarterly Highlights dated **July 29, 2022** ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the interim MD&A – quarterly highlights may contain forward-looking statements.

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

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

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

1. CORE BUSINESS

Headwater Gold Inc. ("Headwater" or the "Company") was incorporated on January 14, 2019 under the laws of British Columbia and is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading on June 8, 2021 under the symbol "HWG". The Company 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.

As at May 31, 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), **Hot Tub** (Malheur County) and **Bannock** (Malheur County).

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

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

2. FINANCIAL CONDITION

As at May 31, 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 $685,692 for the three months ended May 31, 2022 and, as of that date, the Company had an accumulated deficit of $2,982,486. Included in the net loss is $419,763 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 $981,729 at May 31, 2022 (February 28, 2022: $1,903,505).

Cash was $674,626 at May 31, 2022 (February 28, 2022: $1,276,891). Restricted cash was $5,030 at May 31, 2022 (February 28, 2022: $5,030) 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 $357,529 (February 28, 2022: $777,291) consist of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at $19,529 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $338,000.

Amounts and other receivable of $45,801 at May 31, 2022 (February 28, 2022: $35,619) consist mainly of GST input tax credits and office expense recoveries from subtenants.

Prepaid expenses and deposits of $182,173 at May 31, 2022 (February 28, 2022: $45,897) include $139,204 in deposits for drilling and aeromagnetic, radiometric and hyperspectral surveys, and the balance consists of office rent deposits, insurance, OTCQB annual fee and other normal operating expenses.

Right-of-use asset net of depreciation was $78,056 at May 31, 2022 (February 28, 2022: $94,783). 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 $132,804 at May 31, 2022 (February 28, 2022: $133,329) 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 $46,439 consists of field equipment, computer equipment and office furniture and equipment.

Exploration and evaluation assets of $3,599,726 at May 31, 2022 (February 28, 2022: $3,361,924) 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 $203,534 at May 31, 2022 (February 28, 2022: $159,291). Trade and other payables are unsecured and are usually paid within 30 days of recognition. Included in trade and other payables is $52,212 (February 28, 2022: $39,979) 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 $90,582 at May 31, 2022 (February 28, 2022: $110,400). For the three months ended May 31, 2022, interest expense on the lease liability was $2,411.

3. FINANCIAL PERFORMANCE

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

Because the Company is in the exploration stage, it did not earn any significant revenue from production and its expenses relate to the costs of operating a private company of its size. Net loss for the three months ended May 31, 2022 was $685,692 and comprehensive loss after cumulative translation adjustment was

$679,035 or $0.01 per share, compared to a net loss of $1,401,852 and comprehensive loss of $1,431,135 for the three months ended May 31, 2021 or $0.04 per share. The losses for the periods ended May 31, 2022 and 2021 include unrealized loss on investments of $419,763 and $1,056,250 respectively on marketable securities received from the sale of mineral properties.

3.1 Total expenses for the three months ended May 31, 2022

Total expenses for the three months ended May 31, 2022 were $233,548 compared to total expenses of $314,364 for the three months ended May 31, 2021.

Accretion of office lease liability of $2,411 was recognized during the three months ended May 31, 2022 (2021: $1,197).

Employee costs were $99,294 for the three months ended May 31, 2022 compared to $129,516 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 May 31, 2022 and 2021.

	Three months ended May 31, 2022 $	**Three months ended May 31, 2021 $**
Consulting fees	10,181	23,261
Management fees	52,879	42,609
Salaries and benefits	36,234	24,981
Share-based payments	-	38,665
	99,294	129,516

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 $38,665 for the three months ended May 31, 2021 represent stock options granted on November 24, 2020 that vested during the period.

Depreciation expense was $20,218 for the three months ended May 31, 2022 (2021: $358) and includes $16,727 in depreciation of right-of-use asset.

Filing fees were $7,382 for the three months ended May 31, 2022 compared to $28,475 in filing fees recorded for the 2021 comparative period that were incurred in connection with the Company's listing on the CSE. The following is a breakdown of the Company's filing fees for the three months ended May 31, 2022 and 2021.

	Three months ended May 31, 2022 $	**Three months ended May 31, 2021 $**
CNSX Markets Inc.	3,000	15,000
Listing application	-	12,808
Miscellaneous filing fees	-	667
OTC Markets Group Inc.	4,382	-
	7,382	28,475

General exploration expenses were $15,001 for the three months ended May 31, 2022 compared to $60,621 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 $38,351 for the three months ended May 31, 2022 compared to $5,792 in expenses incurred during the 2021 comparative period. Upon listing on the CSE in June 2021, the Company implemented an investor relations program to raise the profile of the Company. The following is a breakdown of the Company's investor communication expenses for the three months ended May 31, 2022 and 2021.

	Three months ended May 31, 2022 $	Three months ended May 31, 2021 $
Advertising	9,256	5,492
Market making	15,000	-
News releases	612	-
Trade shows and conferences	12,973	-
Transfer agent	150	-
Website	360	300
	38,351	5,792

Legal fees were $4,575 for the three months ended May 31, 2022 compared to $44,193 in legal fees recorded for the 2021 comparative period that were incurred in connection with the Company's listing application.

Office expenses were $35,493 for the three months ended May 31, 2022 compared to $43,092 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company's office expenses for the three months ended May 31, 2022 and 2021.

	Three months ended May 31, 2022 $	Three months ended May 31, 2021 $
Bank charges and interest	862	910
Information technology	3,598	4,929
Insurance	19,146	12,093
Meals and entertainment	3,052	1,912
Office supplies and expenses	9,508	12,407
Rent expense	9,171	12,677
Rent recovery	(12,000)	(4,000)
Telephone	2,156	2,164
	35,493	43,092

Travel expenses were $10,506 for the three months ended May 31, 2022 compared to $19 in expenses recorded for the 2021 comparative period.

3.2 Total other income and expenses for the three months ended May 31, 2022

Finance income was $506 for the three months ended May 31, 2022 compared to $3,536 recorded for the 2021 comparative period and consists of cashback rewards on the Company's credit card.

Finance expense of $2,542 was incurred in connection with US $105,000 in reclamation bonds advanced and deposited by the Company's surety agent.

Foreign exchange loss of $23,112 was recorded during the three months ended May 31, 2022 compared to a loss of $25,938 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.

Impairment of $7,233 for the three months ended May 31, 2022 relates to the write-down of invalid claims on the Spring Peak project that were restaked.

Unrealized loss on investments of $419,763 recorded during the three months ended May 31, 2022 relate to the Company's investments in HMAN and ELVT (2021: loss of $1,056,250).

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 $339,619 for the three months ended May 31, 2022 compared to cash used of $377,459 during the 2021 comparative period. The Company incurred net loss of $685,692 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 $240,042 during the three months ended May 31, 2022 and consist of $236,031 in expenditures on exploration and evaluation assets and $4,011 spent on the purchase of equipment. Cash flows used in investing activities for the 2021 comparative period consisted of $94,800 in expenditures on exploration and evaluation assets, $550,000 from redemption of term deposits, and $11,934 spent on the purchase of equipment.

Total cash flows used in financing activities was $22,229 during the three months ended May 31, 2022 ($2021: $nil) and consist of office lease payments.

5. SELECTED ANNUAL INFORMATION

N/A.

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2022 to May 31, 2022

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 Three Months Ended May 31, 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 $3,599,726 as at May 31, 2022 (February 28, 2022 - $3,361,924).

Total costs incurred on exploration and evaluation assets for the periods ended May 31, 2022 and 2021 are summarized as follows:

	Idaho $	**Nevada $**	**Oregon $**	**Total $**
Acquisition costs				
Balance, February 28, 2022	419,786	465,901	246,287	1,131,974
Additions	7,592	24,930	48,590	81,112
Foreign exchange	(1,473)	(1,960)	(1,215)	(4,648)
Balance, May 31, 2022	425,905	488,871	293,662	1,208,438
Exploration costs				
Balance, February 28, 2022	368,801	607,905	1,253,244	2,229,950
Additions				
Drilling	5,032	15,093	5,808	25,933
Geology	27,945	68,941	28,308	125,194
Mapping, sampling, geochem	-	2,353	-	2,353
Technical review	5,476	8,549	3,474	17,499
	38,453	94,936	37,590	170,979
Foreign exchange	(1,646)	(2,871)	(5,124)	(9,641)
Balance, May 31, 2022	405,608	699,970	1,285,710	2,391,288
Total acquisition costs and exploration expenditures				
May 31, 2022	831,513	1,188,841	1,579,372	3,599,726

	Idaho $	**Nevada $**	**Oregon $**	**Total $**
Acquisition costs				
Balance, February 28, 2021	332,455	256,553	195,600	784,608
Additions	11,471	5,781	370	17,622
Foreign exchange	(13,705)	(12,554)	(9,462)	(35,721)
Balance, May 31, 2021	330,221	249,780	186,508	766,509
Exploration costs				
Balance, February 28, 2021	182,951	163,197	320,395	666,543
Additions				
Administration	5,766	7,684	7,684	21,134
Drilling	-	-	6,722	6,722
Geology	18,593	21,565	32,888	73,046
Mapping, sampling, geochem	295	-	-	295
Technical review	4,338	5,962	5,824	16,124
	28,992	35,211	53,118	117,321
Foreign exchange	(9,627)	(8,842)	(16,922)	(35,391)
Balance, May 31, 2021	202,316	189,566	356,591	748,473

Total acquisition costs and exploration expenditures				
May 31, 2021	532,537	439,346	543,099	1,514,982

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 three months ended May 31, 2022, the Company expended $33,810 in acquisition costs (2021 - $185) and $14,571 in exploration costs (2021 - $19,239) on Katey. As at May 31, 2022, total acquisition and exploration expenditures recorded on Katey was $663,340 (2021 - $205,539).

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. 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. 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.

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 three months ended May 31, 2022, the Company expended $5,452 in acquisition costs (2021 - $185) and $16,116 in exploration costs (2021 - $19,463) on Mahogany. As at May 31, 2022, total acquisition and exploration expenditures recorded on Mahogany was $838,643 (2021 - $279,051).

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. 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 three months ended May 31, 2022, the Company expended $nil (2021 - $nil) in acquisition costs and $6,903 (2021 - $7,208) in exploration costs on the Hot Tub property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Hot Tub were $68,108 (2021 - $34,452).

7.5 Bannock (Malheur County, Oregon)

The Company owns a 100% interest in the Bannock property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company staked 21 claims and expended $9,328 (2021 - $nil) in acquisition costs and $nil (2021 - $nil) in exploration costs on the Bannock property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Bannock were $9,281 (2021 - $nil).

7.6 Matador (Owyhee County, Idaho)

The Company owns a 100% interest in the Matador property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company expended $nil in acquisition costs (2021 - $nil) and $9,786 in exploration costs (2021 - $9,757) on the Matador property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Matador were $175,030 (2021 - $135,631).

7.7 Opaline Gulch (Owyhee County, Idaho)

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company expended $nil in acquisition costs (2021 - $nil) and $7,934 in exploration costs (2021 - $7,208) on the Opaline Gulch property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Opaline Gulch were $189,605 (2021 - $147,285).

7.8 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 three months ended May 31, 2022, the Company expended $7,592 in acquisition costs (2021 - $11,471) and $20,733 in exploration costs (2021 - $12,027) on the Crane Creek property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Crane Creek were $466,878 (2021 - $249,621).

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.

2022 Exploration Plan:

Headwater geologists are currently planning a first-pass drill program to be carried out in 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.

7.9 Agate Point (Humboldt County, Nevada)

The Company owns a 100% interest in the Agate Point property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company expended $380 in acquisition costs (2021 - $1,210) and $19,205 in exploration costs (2021 - $7,457) on the Agate Point property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Agate Point were $202,793 (2021 - $99,798).

7.10 Long Valley (Mineral County, Nevada)

The Company owns a 100% interest in the Long Valley property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company staked two mineral claims and expended $2,116 in acquisition costs (2021 - $nil) and $15,879 in exploration costs (2021 - $7,661) on the Long Valley property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Long Valley were $127,330 (2021 - $85,007).

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

The Company owns a 100% interest in the Dome Hill property, which it acquired by way of staking federal land. During the three months ended May 31, 2022, the Company expended $nil in acquisition costs (2021 - $2,987) and $7,853 in exploration costs (2021 - $9,243) on the Dome Hill property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Dome Hill were $114,395 (2021 - $65,750).

7.12 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 three months ended May 31, 2022, the Company staked 67 mineral claims and expended $7,156 in acquisition costs (2021 - $217) and $29,046 in exploration costs (2021 - $10,416) on the Midas North property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Midas North were $274,087 (2021 - $187,038).

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),(2)]. 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.

1 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 resource estimates are treated by the Company as historical in nature, and not current.

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

7.13 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 three months ended May 31, 2022, the Company staked 70 claims within the Spring Peak area of interest and expended $15,278 in acquisition costs (2021 - $1,367) and $22,953 in exploration costs (2021 - $434) on the Spring Peak property. As at May 31, 2022, total acquisition and exploration expenditures recorded on Spring Peak were $470,236 (2021 - $1,753).

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.

7.14 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

N/A

9. LIQUIDITY

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

Factors that could impact on the Company's liquidity are monitored regularly and include market changes, gold price changes, and economic upturns or downturns that affect the market price of the Company's securities for the purposes of raising financing. The 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 $674,626 at May 31, 2022 (February 28, 2022: $1,276,891). Restricted cash was $5,030 at May 31, 2022 (February 28, 2022: $5,030) 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 $19,529 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $338,000.

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 drilling and survey deposits, rent, insurance, OTCQB listing fees and other ordinary operating expenses.

Current liabilities total $283,430 at May 31, 2022 compared to $237,223 at February 28, 2022. Current liabilities consist of trade payables and lease liability.

Working capital surplus was $981,729 at May 31, 2022 compared to a surplus of $1,903,505 at February 28, 2022.

The Company has no debt or debt arrangements.

Based on the financial condition at May 31, 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	106,798	91,455
Share-based payments	-	30,610
	106,798	122,065

The Company has entered into a Management Agreement with Hunter Gold LLC ("Hunter", a company controlled by Caleb Stroup, the President) effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Hunter will receive a monthly fee of US $13,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the President resigns within 12 months following a change of control. During the period ended May 31, 2022, the Company paid $49,577 (2021: $48,391) in fees to Hunter.

The Company has entered into a Management Agreement with Waddell Consulting Inc. ("Waddell", a company controlled by Alistair Waddell, the Chairman) effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Waddell will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the Chairman resigns within 12 months following a change of control. During the period ended May 31, 2022, the Company paid $25,578 (2021: $15,563) in fees and benefits to Waddell.

The Company has entered into an Employment Agreement with Sandra Wong, the Chief Financial Officer and Corporate Secretary, effective January 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 period ended May 31, 2022, the Company paid $19,644 (2021: $15,501) in salary and benefits to the CFO.

During the period ended May 31, 2022, the Company recorded $12,000 (2021: $12,000) in director fees payable to three directors as follows: Graeme Currie - $3,000; Tero Kosonen - $6,000; and Wendell Zerb - $3,000.

12.2 Due to Related Parties

As at May 31, 2022, the Company has $53,212 (February 28, 2022: $39,979) 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.

12.3 Receivable from Related Parties

As at May 31, 2022 the Company has $13,304 (February 28, 2022: $9,829) 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, 2022. The Company has not early adopted these new standards in preparing these consolidated financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

18. KNOWN TRENDS, RISKS OR DEMANDS

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at May 31, 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 $981,729 as at May 31, 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 13 of the financial statements. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

Market risk

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars.

19. DISCLOSURE OF OUTSTANDING SHARE DATA

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

As at July 29, 2022, the Company has 49,567,718 common shares issued and outstanding.

As at July 29, 2022, the Company has 4,855,000 stock options outstanding.

As at July 29, 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 period ended May 31, 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