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HEADWATER GOLD INC.

INTERIM MD&A – QUARTERLY HIGHLIGHTS FOR THE SIX MONTHS ENDED AUGUST 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 August 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 **October 28, 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.

On August 15, 2022, the Company entered into four separate definitive option and earn-in agreements with a wholly-owned subsidiary of Newcrest Mining Limited (“Newcrest”) under which Newcrest will have an option to acquire up to a 75% interest in each of the Company’s Mahogany project in Oregon and Agate Point, Midas North and Spring Peak projects in Nevada for a cash payment of US \$612,989, cumulative earn-in exploration expenditures of US \$145,000,000, and the completion of Pre-Feasibility Studies which include a minimum resource of 1.5 million gold or gold equivalent ounces per project (the “Earn-In Transactions”). Additionally, Newcrest agreed to acquire a 9.9% equity interest in the Company through a non-brokered private placement of 5,446,397 common shares priced at \$0.16 for gross proceeds of \$871,424 that closed on August 30, 2022 (the “Equity Transaction”).

As at August 31, 2022, the Company’s mineral resource properties include the following:

- Idaho – **Matador** (Owyhee County), **Opaline Gulch** (Owyhee County), **Flint** (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), **Long Valley** (Mineral County), and **TJ** (Elko 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 Earn-In Transactions, properties and the work programs.

See Section 6.0 “Major Operating Milestones” below for a description of the Equity Transaction.

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 August 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 \$839,534 for the six months ended August 31, 2022 and, as of that date, the Company had an accumulated deficit of \$3,136,328. Included in the net loss is \$596,882 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 \$1,274,961 at August 31, 2022 (February 28, 2022: \$1,903,505).

Cash was \$1,521,620 at August 31, 2022 (February 28, 2022: \$1,276,891). Restricted cash was \$10,000 at August 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 \$182,171 (February 28, 2022: \$777,291) consist of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at \$13,171 and 8,450,000 common shares of Huntsman Exploration Inc. valued at \$169,000.

Amounts and other receivable of \$27,108 at August 31, 2022 (February 28, 2022: \$35,619) consist of GST input tax credits and office expense recoveries from subtenants.

Prepaid expenses and deposits of \$146,744 at August 31, 2022 (February 28, 2022: \$45,897) include \$45,967 in deposits for aeromagnetic, radiometric and hyperspectral surveys, and the balance consists of rental deposits, insurance, OTCQB annual fee, trade shows and conferences and other normal operating expenses.

Right-of-use assets net of depreciation was \$126,180 at August 31, 2022 (February 28, 2022: \$94,783). The Company has entered into leases for the rental of office and warehouse spaces for periods expiring up to June 30, 2025.

Deposits of \$160,003 at August 31, 2022 (February 28, 2022: \$133,329) consists of a US \$17,037 reclamation bond held by the Company directly with the Nevada Bureau of Land Management and 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 \$51,146 consists of field equipment, computer equipment and office furniture and equipment.

Exploration and evaluation assets of \$3,905,424 at August 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 \$518,317 at August 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 \$213,308 in cash calls received from Newcrest that are yet to be expended on qualifying earn-in expenditures. Also included in trade and other payables is \$26,864 (February 28, 2022: \$39,979) due to

related parties which consists of amounts owed to directors, officers, and companies with common directors for salaries, fees, advances and expense reimbursements.

In connection with the Company's office and warehouse leases, the Company recognized 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 for the office lease and 36 month term for the warehouse lease. The amount of the lease liability was \$140,003 at August 31, 2022 (February 28, 2022: \$110,400). For the period ended August 31, 2022, interest expense on the lease liability was \$5,461.

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 six months ended August 31, 2022 was \$839,534 and comprehensive loss after cumulative translation adjustment was \$890,230 or \$0.02 per share, compared to a net loss of \$2,144,831 and comprehensive loss of \$2,178,605 for the six months ended August 31, 2021 or \$0.05 per share. Net loss for the three months ended August 31, 2022 was \$153,842 and comprehensive loss after cumulative translation adjustment was \$211,195 or \$0.00 per share, compared to a net loss of \$742,979 and comprehensive loss of \$747,470 for the three months ended August 31, 2021 or \$0.02 per share.

The losses for the six months ended August 31, 2022 and 2021 include unrealized loss on investments of \$596,882 and \$1,480,100 respectively on marketable securities received from the sale of mineral properties. Unrealized loss on investments were \$177,119 and \$423,850 for the three months ended August 31, 2022 and 2021 respectively.

3.1 Total expenses for the six months ended August 31, 2022

Total expenses for the six months ended August 31, 2022 were \$537,814 compared to total expenses of \$640,791 for the six months ended August 31, 2021.

Accretion of lease liability of \$5,460 was recognized during the six months ended August 31, 2022 (2021: \$4,787).

Employee costs were \$195,386 for the six months ended August 31, 2022 compared to \$332,606 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 six months ended August 31, 2022 and 2021.

	Six months ended August 31, 2022	Six months ended August 31, 2021
	\$	\$
Consulting fees	19,761	71,853
Management fees	103,523	84,959
Salaries and benefits	72,102	50,535
Share-based payments	-	125,259
	<u>195,386</u>	<u>332,606</u>

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 \$125,259 for the six months ended August 31, 2021 represent stock options granted on November 24, 2020 and July 2, 2021 that vested during the period.

Depreciation expense was \$44,676 for the six months ended August 31, 2022 (2021: \$24,636) and includes \$37,178 in depreciation of right-of-use assets.

Filing fees were \$18,226 for the six months ended August 31, 2022 compared to \$41,426 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 six months ended August 31, 2022 and 2021.

	Six months ended August 31, 2022	Six months ended August 31, 2021
	\$	\$
Annual financial statements	3,173	2,893
CNSX Markets Inc.	6,000	16,750
Listing application	-	12,808
Miscellaneous filing fees	253	1,169
OTC Markets Group Inc.	8,800	7,806
	<u>18,226</u>	<u>41,426</u>

General exploration expenses were \$58,714 for the six months ended August 31, 2022 compared to \$73,349 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 \$92,341 for the six months ended August 31, 2022 compared to \$50,937 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 six months ended August 31, 2022 and 2021.

	Six months ended August 31, 2022	Six months ended August 31, 2021
	\$	\$
Advertising	33,277	44,538
Market making	30,000	-
News releases	5,106	1,781
Trade shows and conferences	22,508	-
Transfer agent	840	4,009
Website	610	609
	<u>92,341</u>	<u>50,937</u>

Legal fees were \$8,512 for the six months ended August 31, 2022 compared to \$55,682 in legal fees recorded for the 2021 comparative period that were incurred in connection with the Company's listing application.

Office expenses were \$69,891 for the six months ended August 31, 2022 compared to \$56,221 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company’s office expenses for the six months ended August 31, 2022 and 2021.

	Six months ended August 31, 2022	Six months ended August 31, 2021
	\$	\$
Bank charges and interest	1,991	1,947
Information technology	7,484	8,206
Insurance	11,161	17,194
Meals and entertainment	9,623	2,878
Office supplies and expenses	18,863	20,760
Rent expense	17,959	18,119
Rent recovery	-	(16,000)
Telephone	2,810	3,117
	69,891	56,221

Travel expenses were \$22,963 for the six months ended August 31, 2022 compared to \$29 in expenses recorded for the 2021 comparative period. Travel was incurred for the purpose of attending trade shows, conferences and meetings.

3.2 Total other income and expenses for the six months ended August 31, 2022

Management fee income of \$87,634 was recorded on Newcrest’s qualifying earn-in expenditures during the six months ended August 31, 2022 (2021 - \$nil).

Rental income of \$44,319 recorded for the six months ended August 31, 2022 consists of \$28,097 recovered from office and warehouse sub-rentals and \$16,222 recovered from field equipment rentals. During the six months ended August 31, 2021, \$16,000 in subtenant rent recovery was included in office expenses.

Finance income was \$1,492 for the six months ended August 31, 2022 compared to \$5,922 recorded for the 2021 comparative period and consists of interest earned on term deposit and savings account balances, and cashback rewards on the Company’s credit card.

Finance expense of \$4,853 was incurred in connection with US \$105,000 in reclamation bonds advanced and deposited by the Company’s surety agent during the six months ended August 31, 2021.

Foreign exchange gain of \$188,992 recorded during the six months ended August 31, 2022 and gain of \$55,939 recorded in the 2021 comparative period arose from transactions denominated in U.S. dollars, the functional currency of the Company’s subsidiary.

Impairment of \$27,275 for the six months ended August 31, 2022 was recorded on certain Hot Tub claims that were not renewed and the write-down of invalid claims on the Spring Peak project that were restaked. Impairment of \$63,758 for the 2021 comparative period were recorded on certain Birch Creek, Midas North and Long Valley claims that were not renewed.

Unrealized loss on investments of \$596,882 recorded during the six months ended August 31, 2022 relate to the Company’s investments in HMAN and ELVT (2021: loss of \$1,480,100).

3.3 Total expenses for the three months ended August 31, 2022

Total expenses for the three months ended August 31, 2022 were \$304,266 compared to total expenses of \$326,427 for the three months ended August 31, 2021.

Accretion of lease liability of \$3,049 was recognized during the three months ended August 31, 2022 (2021: \$3,590).

Employee costs were \$96,092 for the three months ended August 31, 2022 compared to \$203,090 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 August 31, 2022 and 2021.

	Three months ended August 31, 2022	Three months ended August 31, 2021
	\$	\$
Consulting fees	9,580	48,592
Management fees	50,644	42,350
Salaries and benefits	35,868	25,554
Share-based payments	-	86,594
	<u>96,092</u>	<u>203,090</u>

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 \$86,594 for the three months ended August 31, 2021 represent stock options granted on July 2, 2021 that vested during the period.

Depreciation expense was \$24,458 for the three months ended August 31, 2022 (2021: \$24,278) and includes \$20,452 in depreciation of right-of-use assets.

Filing fees were \$10,844 for the three months ended August 31, 2022 compared to \$12,951 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 August 31, 2022 and 2021.

	Three months ended August 31, 2022	Three months ended August 31, 2021
	\$	\$
Annual financial statements	3,173	2,893
CNSX Markets Inc.	3,000	1,750
Miscellaneous filing fees	253	502
OTC Markets Group Inc.	4,418	7,806
	<u>10,844</u>	<u>12,951</u>

General exploration expenses were \$43,713 for the three months ended August 31, 2022 compared to \$12,728 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 \$53,990 for the three months ended August 31, 2022 compared to \$45,145 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 August 31, 2022 and 2021.

	Three months ended August 31, 2022	Three months ended August 31, 2021
	\$	\$
Advertising	24,021	39,046
Market making	15,000	-
News releases	4,494	1,781
Trade shows and conferences	9,535	-
Transfer agent	690	4,009
Website	250	309
	53,990	45,145

Legal fees were \$3,937 for the three months ended August 31, 2022 compared to \$11,489 in legal fees recorded for the 2021 comparative period that were incurred in connection with the Company's listing application.

Office expenses were \$34,398 for the three months ended August 31, 2022 compared to \$13,129 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company's office expenses for the three months ended August 31, 2022 and 2021.

	Three months ended August 31, 2022	Three months ended August 31, 2021
	\$	\$
Bank charges and interest	1,129	1,037
Information technology	3,886	3,277
Insurance	(7,985)	5,101
Meals and entertainment	6,571	966
Office supplies and expenses	9,355	8,353
Rent expense	8,788	5,442
Rent recovery	12,000	(12,000)
Telephone	654	953
	34,398	13,129

During the three months ended August 31, 2022, \$13,868 in insurance was reclassified to exploration and evaluation assets and \$12,000 in rent recovery was reclassified to rental income.

Travel expenses were \$12,457 for the three months ended August 31, 2022 compared to \$10 in expenses recorded for the 2021 comparative period. Travel was incurred for the purpose of attending trade shows, conferences and meetings.

3.4 Total other income and expenses for the three months ended August 31, 2022

Management fee income of \$87,634 was recorded on Newcrest's qualifying earn-in expenditures during the three months ended August 31, 2022 (2021 - \$nil).

Rental income of \$44,319 recorded for the three months ended August 31, 2022 consists of \$28,097 recovered from office and warehouse sub-rentals and \$16,222 recovered from field equipment rentals. During the three months ended August 31, 2021, \$12,000 in subtenant rent recovery was included in office expenses.

Finance income was \$986 for the three months ended August 31, 2022 compared to \$2,386 recorded for the 2021 comparative period and consists of interest earned on term deposit and savings account balances and cashback rewards on the Company's credit card.

Finance expense of \$2,542 was reclassified to exploration and evaluation assets during the three months ended August 31, 2022. During the 2021 comparative period, finance expense of \$4,853 was incurred in connection with US \$105,000 in reclamation bonds advanced and deposited by the Company's surety agent.

Foreign exchange gain of \$212,104 recorded during the three months ended August 31, 2022 and gain of \$81,877 recorded in the 2021 comparative period arose from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Impairment of \$20,042 for the three months ended August 31, 2022 was recorded on certain Hot Tub claims that were not renewed. Impairment of \$63,758 for the 2021 comparative period were recorded on certain Birch Creek, Midas North and Long Valley claims that were not renewed.

Unrealized loss on investments of \$177,119 recorded during the three months ended August 31, 2022 relate to the Company's investments in HMAN and ELVT (2021: loss of \$423,850).

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 \$241,353 for the six months ended August 31, 2022 compared to cash used of \$810,656 during the 2021 comparative period. The Company incurred net loss of \$839,534 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 \$332,331 during the six months ended August 31, 2022 and consist of \$1,471,157 in expenditures on exploration and evaluation assets, receipt of \$1,172,250 in cash calls from Newcrest for earn-in expenditures, \$11,613 spent on the purchase of equipment and \$21,811 paid in reclamation bond deposits. Cash flows used in investing activities for the 2021 comparative period consisted of \$762,465 in expenditures on exploration and evaluation assets, \$750,000 received from the redemption of term deposits, \$56,896 spent on the purchase of equipment, and \$130,494 paid in deposits for surety bonds.

Total cash flows provided by financing activities was \$810,754 during the six months ended August 31, 2022 and consist of \$871,424 in proceeds from private placement, less share issuance costs of \$16,221 and lease payments of \$44,449. Cash used in financing activities during the 2021 comparative period consisted of \$182,204 in share issuance costs and \$7,321 in lease payments.

5. SELECTED ANNUAL INFORMATION

N/A.

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2022 to August 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.

On August 15, 2022, the Company entered into four separate definitive option and earn-in agreements with a wholly-owned subsidiary of Newcrest Mining Limited (“Newcrest”) under which Newcrest will have an option to acquire up to a 75% interest in each of the Company’s Mahogany project in Oregon and Agate Point, Midas North and Spring Peak projects in Nevada for a cash payment of US \$612,989, cumulative earn-in exploration expenditures of US \$145,000,000, and the completion of Pre-Feasibility Studies which include a minimum resource of 1.5 million gold or gold equivalent ounces per project (the “Earn-In Transactions”).

On August 30, 2022, the Company raised gross proceeds of \$871,424 by way of a non-brokered private placement of 5,446,397 Common Shares priced at \$0.16 sold to Newcrest (the “Equity Transaction”). The securities issued are restricted from trading until December 31, 2022. The Equity Transaction resulted in Newcrest owning approximately 9.9% of the total issued and outstanding Common Shares of the Company on a non-diluted basis. For so long as Newcrest holds not less than 5% of the Company’s issued and outstanding Common Shares, Newcrest retains the right to maintain its pro rata interest. If Newcrest does not exercise this right and fails to maintain its pro rata interest through two consecutive equity financings, the participation right shall expire.

The proceeds from the Equity Transaction will be used for potential project acquisitions, ongoing exploration activities on the Company’s 100% owned mineral projects in Idaho, Nevada and Oregon, and for general working capital.

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

On September 8, 2022, the Company announced it has initiated the first phase of exploration activities on the Agate Point, Midas North, Spring Peak and Mahogany projects in partnership with Newcrest.

On September 28, 2022, the Company announced the commencement of a multi-rig, 4,000 metre drill program at the Spring Peak project, Nevada. The drill program is designed to follow-up on Headwater’s 2021 discovery of a gold-bearing epithermal quartz vein in the Phase 1 drill program which intercepted 1.0 grams per tonne gold (“g/t Au”) over 38.1 metres (“m”), including 2.5 g/t Au over 9.2 m (see news release dated November 22, 2021). The 2022 drill program will include step-out drilling on the recently discovered vein as well as testing multiple new high-grade vein targets, totalling approximately 4,000 metres of drilling.

On October 11, 2022, the Company announced that Mr. Rick Streiff has joined the Company as a technical advisor to assist the Company with ongoing exploration in the western United States. Mr. Streiff is an expert in epithermal gold deposits, with a specific focus on high-grade low sulfidation vein deposits. He has 45 years of experience, including time at several famous epithermal deposits such as Round Mountain, Nevada, Midas, Kettle River, Washington, and Waihi, New Zealand.

7. Exploration and Evaluation Activities for the Six Months Ended August 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 \$3,905,424 as at August 31, 2022 (February 28, 2022 - \$3,361,924).

Total costs incurred on exploration and evaluation assets for the periods ended August 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	80,987	461,080	201,293	743,360
Management fee	-	42,277	11,640	53,917
Recovery from third party earn-in	-	(465,056)	(128,042)	(593,098)
Impairment	-	-	(20,129)	(20,129)
Foreign exchange	13,347	16,164	9,811	39,322
Balance, August 31, 2022	514,120	520,366	320,860	1,355,346

Exploration costs				
Balance, February 28, 2022	368,801	607,905	1,253,244	2,229,950
Additions				
Administration	-	762	186	948
Drilling	6,756	104,444	17,392	128,592
Geology	44,986	231,147	107,562	383,695
Mapping, sampling, geochem	-	40,041	6,005	46,046
Technical review	6,659	12,687	5,657	25,003
Management fee	-	31,449	2,875	34,324
	58,401	420,530	139,677	618,608
Recovery from third party earn-in	-	(345,943)	(31,628)	(377,571)
Foreign exchange	13,542	22,404	43,145	79,091
Balance, August 31, 2022	440,744	704,896	1,404,438	2,550,078

Total acquisition costs and exploration expenditures				
August 31, 2022	954,864	1,225,262	1,725,298	3,905,424

	Idaho	Nevada	Oregon	Total
	\$	\$	\$	\$
Acquisition costs				
Balance, February 28, 2021	332,455	256,553	195,600	784,608
Additions	70,380	180,481	53,071	303,932
Impairment	-	(35,902)	(8,119)	(44,021)
Foreign exchange	(489)	617	(323)	(195)
Balance, August 31, 2021	402,346	401,749	240,229	1,044,324

Exploration costs				
Balance, February 28, 2021	182,951	163,197	320,395	666,543
Additions				
Administration	10,936	17,370	13,127	41,433

Drilling	236	362,637	41,753	404,626
Geology	40,477	132,460	52,669	225,606
Mapping, sampling, geochem	1,190	2,043	-	3,233
Technical review	8,335	12,955	9,831	31,121
	61,174	527,465	117,380	706,019
Impairment	-	-	(19,834)	(19,834)
Foreign exchange	(51)	6,441	(326)	6,064
Balance, August 31, 2021	244,074	697,103	417,615	1,358,792

Total acquisition costs and exploration expenditures

August 31, 2021	646,420	1,098,852	657,844	2,403,116
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7.1 Earn-In Transactions with Newcrest Mining Limited

Pursuant to four separate definitive option and earn-in agreements with a wholly-owned subsidiary of Newcrest Mining Limited dated August 15, 2022 (the “Execution Date”), Newcrest will have an option to acquire up to a 75% interest in each of the Company’s Mahogany project in Oregon and Agate Point, Midas North and Spring Peak projects in Nevada for a cash payment of US \$612,989, cumulative earn-in exploration expenditures of US \$145,000,000, and the completion of Pre-Feasibility Studies which include a minimum resource of 1.5 million gold or gold equivalent ounces per project.

Pursuant to the Earn-In Agreements, Newcrest shall make a cash payment of US \$612,989 representing the current claim year’s land fees and staking costs of US \$30,688 for Agate Point, US \$88,642 for Midas North, and US \$55,023 for Mahogany, and historical expenditures of US \$438,636 for Spring Peak. Newcrest shall also sole-fund guaranteed minimum expenditures of US \$500,000 for Agate Point, US \$2,000,000 for Midas North, US \$1,000,000 for Mahogany, and US \$2,500,000 for Spring Peak over a 24 month period (the “Minimum Commitment”). Newcrest is obligated to spend an additional US \$2,500,000 on Spring Peak, bringing the total guaranteed exploration expenditures to US \$5,000,000, within a 12-month period following the receipt of a full Plan of Operations exploration permit. If the exploration permit is not obtained within 24 months, then Newcrest may elect to proceed to Stage 1 of the Spring Peak earn-in without having to fund the additional Minimum Commitment of US \$2,500,000. During this phase, the Company shall be the manager of the projects and earn a 10% management fee on expenditures.

During Stage 1, Newcrest may elect to earn a 51% interest in an individual project by sole funding expenditures of US \$10,000,000, inclusive of the Minimum Commitment, individually on the Agate Point, Midas North and Mahogany projects, and US \$15,000,000 on the Spring Peak project, within 36 months of the Execution Date. If Newcrest fails to meet either the Minimum Commitment or the Stage 1 earn-in expenditure amount for any individual project, the Company will retain 100% ownership of the project with no interest earned by Newcrest. Newcrest has the option to extend the Stage 1 period by 12 months on a project with the payment of US \$150,000.

During Stage 2, Newcrest may earn an additional 14% interest in an individual project, for a total 65% interest, by sole funding additional expenditures of US \$20,000,000 individually on the Agate Point, Midas North and Mahogany projects, and US \$40,000,000 on the Spring Peak project, within 36 months following completion of Stage 1. If Newcrest initiates but does not complete Stage 2, its interest will revert to 49%, which the Company retains the right to purchase at a mutually agreed price or, if a price cannot be mutually agreed within a specified period, for Fair Value. Newcrest has the option to extend the Stage 2 period by 12 months on a project with the payment of US \$250,000.

During Stage 3, Newcrest may earn an additional 10% interest in an individual project, for a total 75% interest, by completing the following: (i) ceding a 2% net smelter return (“NSR”) royalty in the case of the Agate Point, Midas North and Mahogany projects, and a 1% NSR in the case of the Spring Peak project, to the Company, which Newcrest retains the right to buy back half of the NSR for Fair Value at any time; and (ii) delivering a Pre-Feasibility Study, solely funded by Newcrest, which includes a minimum 1.5 million ounce gold or gold-equivalent resource within an additional 24-month period following the completion of Stage 2. Newcrest has the option to extend the Stage 3 period by 12 months on a project with the payment of US \$500,000.

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 six months ended August 31, 2022, the Company expended \$64,793 in acquisition costs (2021 - \$17,910) and \$84,909 in exploration costs (2021 - \$44,198) on Katey. As at August 31, 2022, total acquisition and exploration expenditures recorded on Katey was \$790,673 (2021 - \$258,085).

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, subject to Newcrest’s option to acquire 75% of the project following certain expenditures and preparation of a Pre-Feasibility Study within a designated timeframe.

Newcrest's Minimum Commitment on Mahogany is US \$1,000,000. As at August 31, 2022, Newcrest has advanced US \$154,520 (CAD\$202,591) towards the Minimum Commitment and incurred US \$123,861 (CAD\$162,394) in earn-in expenditures. As at August 31, 2022, total acquisition and exploration expenditures recorded on Mahogany was \$866,608 (2021 - \$348,376).

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.

2022 Work Program - Mahogany

Continued geological interpretation, with technical support from Newcrest geologists, has resulted in an updated geological model for the Mahogany project. This model will be further refined by a planned induced polarization ("IP") chargeability and resistivity geophysical survey to commence shortly, followed by core drilling later in the year.

- IP Survey totalling 12 line-km planned for late 2022.
- 2,000 m diamond drill program planned for late 2022.
- High-definition drone photogrammetry survey planned for late 2022, totalling 48 km².

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. The Company had elected not to maintain certain of the claims and accordingly \$19,990 in acquisition costs connected to the claims were written off during the period ended August 31, 2022. During the six months ended August 31, 2022, the Company expended \$851 (2021 - \$6,161) in acquisition costs and \$9,439 (2021 - \$16,215) in exploration costs on the Hot Tub property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Hot Tub were \$53,574 (2021 - \$51,383).

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 six months ended August 31, 2022, the Company expended \$13,795 (2021 - \$nil) in acquisition costs and \$274 (2021 - \$nil) in exploration costs on the Bannock property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Bannock were \$14,443 (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 six months ended August 31, 2022, the Company expended \$6,381 in acquisition costs (2021 - \$6,161) and \$12,700 in exploration costs (2021 - \$17,387) on the Matador property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Matador were \$190,009 (2021 - \$154,647).

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 six months ended August 31, 2022, the Company expended \$6,594 in acquisition costs (2021 - \$6,367) and \$10,577 in exploration costs (2021 - \$18,743) on the Opaline Gulch property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Opaline Gulch were \$204,799 (2021 - \$170,674).

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 six months ended August 31, 2022, the Company expended \$40,174 in acquisition costs (2021 - \$57,852) and \$33,907 in exploration costs (2021 - \$25,044) on the Crane Creek property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Crane Creek were \$530,505 (2021 - \$321,099).

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 135 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 depth. 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.

2023 Work Program – Crane Creek

Headwater geologists are currently planning a first-pass drill program to be carried out in 2023, 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 2023 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 Flint (Owyhee County, Idaho)

The Company originally acquired the Flint property by way of staking federal land and sold it to Huntsman Exploration Inc. in a transaction that closed on December 21, 2020. In August 2022, Huntsman abandoned the property and returned it to the Company for a nominal fee. During the six months ended August 31, 2022, the Company expended \$27,838 in acquisition costs (2021 - \$nil) and \$1,217 in exploration costs (2021 - \$nil) on the Flint property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Flint were \$29,551 (2021 - \$nil).

7.10 Agate Point (Humboldt County, Nevada)

The Company owns a 100% interest in the Agate Point property, subject to Newcrest's option to acquire 75% of the project following certain expenditures and preparation of a Pre-Feasibility Study within a designated timeframe.

Newcrest's Minimum Commitment on Agate Point is US \$500,000. As at August 31, 2022, Newcrest has advanced US \$134,978 (CAD\$176,970) towards the Minimum Commitment and incurred US \$109,364 (CAD\$143,387) in earn-in expenditures on the Agate Point project. As at August 31, 2022, total acquisition and exploration expenditures recorded on Agate Point was \$192,251 (2021 - \$145,302).

About the Agate Point Project

The Agate Point project is located in Northwestern Nevada, 50 km along trend from the historic, bonanza grade Sleeper Gold Mine. The claim block covers a linear ridge of untested widespread, high-level epithermal alteration with consistent highly anomalous trace element geochemistry typical of other known epithermal systems. There has been limited exploration on the project and no known exploration for high-grade vein targets.

2022 Work Program – Agate Point

Exploration at Agate Point this year is planned to consist of scout RC drilling to test a number of structural targets below surface alteration and geochemistry indicative of high-level epithermal mineralization. The Company believes this drilling will be the first ever test for a precious metal-bearing epithermal boiling zone at Agate Point.

- Fully permitted for drilling with a bond in place.
- Drill contract signed for maiden RC drill program totalling approximately 2,000 m scheduled for Q4, 2022.
- High-definition drone photogrammetry survey planned, totalling 23 km².

7.11 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 six months ended August 31, 2022, the Company expended \$11,387 in acquisition costs (2021 - \$7,599) and \$18,611 in exploration costs (2021 - \$14,898) on the Long Valley property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Long Valley were \$144,199 (2021 - \$99,078).

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

The Company owns a 100% interest in the Dome Hill property, which it acquired by way of staking federal land. During the six months ended August 31, 2022, the Company expended \$10,780 in acquisition costs (2021 - \$22,337) and \$10,994 in exploration costs (2021 - \$15,997) on the Dome Hill property. As at August 31, 2022, total acquisition and exploration expenditures recorded on Dome Hill were \$132,741 (2021 - \$95,179).

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

The Company owns a 100% interest in the Midas North property, subject to Newcrest's option to acquire 75% of the project following certain expenditures and preparation of a Pre-Feasibility Study within a designated timeframe.

Newcrest's Minimum Commitment on Midas North is US \$2,000,000. As at August 31, 2022, Newcrest has advanced US \$314,820 (CAD\$412,761) towards the Minimum Commitment and incurred US \$269,947 (CAD\$353,928) in earn-in expenditures on the Midas North project. As at August 31, 2022, total acquisition and exploration expenditures recorded on Midas North were \$280,127 (2021 - \$207,248).

About the Midas North Project

The Midas North project adjoins Hecla Mining Company's (NYSE: HL) Midas Mine complex and covers a large hydrothermal alteration cell, extending at least 4 kilometres in strike and 1 kilometre in width. Rock chip and stream sediment samples collected by the Company from the project area which have highlighted several priority areas of anomalous precious metal values with highly anomalous values of epithermal pathfinder elements (see Headwater News Release dated October 4, 2021). Extensive epithermal alteration exists on the project, including widespread zones high-level chalcedonic to opaline silica flooding, clay alteration, and local sinter formation, including fossilized geyser vents. The project has seen very limited historic exploration with no documented exploration drilling. The Company believes the project has potential for high-grade epithermal mineralisation at depth similar to that found at Hecla's Midas Mine complex.

2022 Work Plan

The Midas North exploration program currently underway consists of a multi-faceted geophysical, geological, and geochemical program designed to systematically cover the core land position with high-quality data layers to allow for rapid identification and prioritization of drill targets. Much of the Midas North project area is under shallow alluvial gravel and post-mineral cover and the preliminary data from these geophysical programs confirm the utility of using magnetics, radiometrics, and resistivity, together with geology, for generating drill targets. Preliminary CSAMT data received by the Company in particular appears to be effective in mapping potentially mineralized feeder zones beneath surface alteration.

- Radiometric survey totalling 32.5 km² completed with data interpretation in progress.
- Helicopter aeromagnetic survey totalling 357 line-km completed at 100 m spacing. Processing and interpretation in progress.
- CSAMT resistivity survey totalling 36.3 line-km currently in progress, with 5 of 8 lines already acquired. Processing and interpretation underway.
- District-scale SpecTIR airborne hyperspectral survey (SWIR, VNIR, and LWIR) – 96 km² completed, data processing and interpretation in progress.
- Gravity survey to be completed with a 200 m spaced grid over core land position and 400 m grid regionally.
- High-definition drone photogrammetry survey planned, totalling 65 km².
- Detailed prospecting in progress – recent grab sample assay yielded 1.14 g/t Au in newly discovered sinter on northern end of the property.
- Systematic geologic mapping program to commence shortly.
- Soils – 800 samples planned, with collection to commence shortly.

7.14 Spring Peak (Mineral County, Nevada)

The Company has entered into an Option to Purchase Agreement Spring Peak Project dated July 12, 2021 to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project 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.

Newcrest's Minimum Commitment on Spring Peak is US \$2,500,000 with an additional minimum commitment of US \$2,500,000. As at August 31, 2022, Newcrest has advanced US \$311,359 (CAD\$408,223) towards the Minimum Commitment and incurred US \$249,810 (CAD\$327,526) in earn-in expenditures on the Spring Peak project. As at August 31, 2022, total acquisition and exploration expenditures recorded on Spring Peak were \$475,414 (2021 - \$236,897).

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. The project adjoins Hecla Mining's (NYSE: HL) Aurora Mine complex, where existing infrastructure includes a 350 ton per day mill, several production water wells, and high-voltage three-phase power.

A large hydrothermal alteration cell occurs in the center of the Spring Peak project area, which represents a high-level manifestation 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 and displays various vent facies textures interpreted to reflect a high-energy hydrothermal vent environment.

2021 Work Plan – Spring Peak

In 2021, Headwater conducted an initial first-pass RC drill program consisting of five holes totalling 1,350 metres. Drilling successfully intersected epithermal quartz veins at a range of elevations in multiple structures (see Headwater News Release dated November 22, 2021). Individual vein zones range from 1.4 to 18.3 metres in drilled width with the widest zone of veining and mineralization occurring 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 Au over 38.1 metres, including 9.2 metres of 2.49 g/t Au, representing a new, blind gold discovery and a confirmation of the Headwater exploration model. 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, is located approximately 900 metres to the west, which ended in 16.8 metres grading 0.28 g/t Au.

2022 Work Plan – Spring Peak

The Spring Peak exploration program will include follow-up core and RC drilling to offset Headwater's 2021 blind discovery of 38.1 m of 1.0 g/t Au (see Headwater News Release dated November 22, 2021). Drilling will also test additional targets in multiple structural corridors on the property where Headwater's scout drilling previously discovered highly anomalous gold mineralization at depth, in some cases ending in mineralization. Further work throughout the recently expanded land position is ongoing, in the pursuit of identifying new priority drill targets.

- Drill contract now in place with Boart Longyear, and RC drilling commenced in September. Approximately 2,000 m of RC drilling planned, including pre-collars for core tails.
- Core rig has mobilized. An initial 2,000 m of core drilling planned on multiple targets.

- District-scale SpecTIR Airborne hyperspectral survey (SWIR, VNIR, and LWIR) – 178 km² completed, with data processing and interpretation in progress.
- High-definition drone photogrammetry survey, 36 km², currently in progress.
- Comprehensive prospecting and geological mapping of recently expanded land position, including the area between the Spring Peak discovery and Hecla’s Aurora Mine Complex.

7.15 TJ (Elko County, Nevada)

The Company owns a 100% interest in the TJ property, which it acquired by way of staking federal land. During the six months ended August 31, 2022, the Company expended \$521 in acquisition costs (2021 - \$nil) on the TJ property. As at August 31, 2022, total acquisition and exploration expenditures recorded on TJ were \$530 (2021 - \$nil).

7.16 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. Geopolitical events and inflation have 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 \$1,521,620 at August 31, 2022 (February 28, 2022: \$1,276,891). Restricted cash was \$10,000 at August 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 \$13,171 and 8,450,000 common shares of Huntsman Exploration Inc. valued at \$169,000.

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

Current liabilities total \$612,682 at August 31, 2022 compared to \$237,223 at February 28, 2022. Current liabilities consist of trade payables, cash calls payable and lease liability.

Working capital surplus was \$1,274,961 at August 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 August 31, 2022, the Company can meet its administrative financial obligations as they become payable in the current fiscal year and the exploration programs on the Agate Point, Midas North, Spring Peak and Mahogany properties are fully funded by Newcrest pursuant to the Earn-In Agreements.

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	203,577	182,738
Share-based payments	-	102,809
	<u>203,577</u>	<u>285,547</u>

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 August 31, 2022, the Company paid \$99,856 (2021: \$96,935) 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 August 31, 2022, the Company paid \$40,578 (2021: \$31,110) 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 August 31, 2022, the Company paid \$39,144 (2021: \$30,693) in salary and benefits to the CFO.

During the period ended August 31, 2022, the Company recorded \$24,000 (2021: \$24,000) in director fees payable to three directors as follows: Graeme Currie - \$6,000; Tero Kosonen - \$12,000; and Wendell Zerb - \$6,000.

12.2 Due to Related Parties

As at August 31, 2022, the Company has \$26,864 (February 28, 2022: \$39,979) due to related parties which consists of amounts owed to directors, officers, and companies with common directors 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 August 31, 2022 the Company has \$9,314 (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 August 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, income taxes payable and lease liability. The Company has a working capital surplus of \$1,274,961 as at August 31, 2022 and does not require additional financing for operations and to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 13 of the condensed consolidated interim 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 October 28, 2022, the Company has 55,014,115 common shares issued and outstanding.

As at October 28, 2022, the Company has 4,855,000 stock options outstanding.

As at October 28, 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 August 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