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HEADWATER GOLD INC.

INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 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 November 30, 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 **January 27, 2023** ("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 November 30, 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 7.0 "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 November 30, 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 $847,227 for the nine months ended November 30, 2022 and, as of that date, the Company had an accumulated deficit of $3,144,021. Included in the net loss is $730,004 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 $2,899,925 at November 30, 2022 (February 28, 2022: $1,903,505).

Cash was $3,250,258 at November 30, 2022 (February 28, 2022: $1,276,891). Restricted cash was $20,005 at November 30, 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 $704,967 (February 28, 2022: $777,291) consists of a $650,000 term deposit and of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at $12,717 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $42,250.

Amounts and other receivable of $42,615 at November 30, 2022 (February 28, 2022: $35,619) consist of GST input tax credits, interest receivable and office expense recoveries. Included in this amount is $1,899 (February 28, 2022: $9,829) in amounts receivable from companies with common directors for rent and office overhead expense recoveries.

Prepaid expenses and deposits of $97,514 at November 30, 2022 (February 28, 2022: $45,897) include $18,574 in deposits for exploration work and the balance consists of rental deposits, insurance, OTCQB annual fee, investor communications and other normal operating expenses.

Right-of-use assets net of depreciation was $310,106 at November 30, 2022 (February 28, 2022: $94,783). The Company has entered into leases for the rental of offices, warehouse and a vehicle for periods expiring up to October 31, 2025.

Deposits of $164,848 at November 30, 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.

Property, plant and equipment of $62,816 consists of field equipment, computer equipment, office furniture and equipment and leasehold improvements.

Exploration and evaluation assets of $3,478,500 at November 30, 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 $1,076,351 at November 30, 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 $66,606 (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 leases, the Company recognized lease liabilities that were measured at the present value of the remaining lease payments discounted using incremental borrowing rates of 7.14% to 10% for the terms of the leases. The amounts of the lease liabilities was $323,185 at November 30, 2022 (February 28, 2022: $110,400). For the period ended November 30, 2022, interest expense on the lease liabilities was $10,725.

Other liabilities consist of $1,194,037 in net cash calls received from Newcrest that the Company is committed to spend on qualifying earn-in expenditures by August 15, 2024.

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 nine months ended November 30, 2022 was $847,227 and comprehensive loss after cumulative translation adjustment was $937,822 or $0.02 per share, compared to a net loss of $3,088,775 and comprehensive loss of $3,142,614 for the nine months ended November 30, 2021 or $0.07 per share. Net loss for the three months ended November 30, 2022 was $7,693 and comprehensive loss after cumulative translation adjustment was $47,592 or $0.00 per share, compared to a net loss of $943,944 and comprehensive loss of $964,009 for the three months ended November 30, 2021 or $0.02 per share.

The losses for the nine months ended November 30, 2022 and 2021 include unrealized loss on investments of $730,004 and $1,674,068 respectively on marketable securities received from the sale of mineral properties. Unrealized loss on investments were $133,122 and $193,968 for the three months ended November 30, 2022 and 2021 respectively.

3.1 Total expenses for the nine months ended November 30, 2022

Total expenses for the nine months ended November 30, 2022 were $934,158 compared to total expenses of $1,044,954 for the nine months ended November 30, 2021.

Accounting and audit fees of $33,261 was recorded during the nine months ended November 30, 2022 compared to $52,766 recorded during the 2021 comparative period. The 2021 financial period included $19,000 in expenses related to the Company's listing application.

Accretion of lease liability of $10,606 was recognized during the nine months ended November 30, 2022 (2021: $7,975).

Employee costs were $352,855 for the nine months ended November 30, 2022 compared to $575,085 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 nine months ended November 30, 2022 and 2021.

	Nine months ended November 30, 2022 $	Nine months ended November 30, 2021 $

Consulting fees	32,766	87,005
Management fees	153,270	149,959
Salaries and benefits	106,025	81,562
Share-based payments	60,794	256,559
	352,855	575,085

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 $60,794 for the nine months ended November 30, 2022 represent stock options granted on October 28, 2022. A further $52,778 in share-based payments was capitalized to exploration and evaluation assets. Share-based payments of $256,559 for the nine months ended November 30, 2021 represent stock options granted on November 24, 2020 and July 2, 2021 that vested during the period.

Depreciation expense was $80,386 for the nine months ended November 30, 2022 (2021: $44,748) and includes $68,535 in depreciation of right-of-use assets (2021: $37,233).

Filing fees were $25,718 for the nine months ended November 30, 2022 compared to $48,808 in filing fees recorded for the 2021 comparative period. The 2021 expenses include fees associated with the Company's listing application on the CSE. The following is a breakdown of the Company's filing fees for the nine months ended November 30, 2022 and 2021.

	Nine months ended November 30, 2022 $	**Nine months ended November 30, 2021 $**
Annual financial statements	3,173	2,893
CNSX Markets Inc.	9,000	19,750
Listing application	-	12,808
Miscellaneous filing fees	253	1,169
OTC Markets Group Inc.	13,292	12,188
	25,718	48,808

General exploration expenses were $80,308 for the nine months ended November 30, 2022 compared to $81,185 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 $158,930 for the nine months ended November 30, 2022 compared to $101,507 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 nine months ended November 30, 2022 and 2021.

	Nine months ended November 30, 2022 $	**Nine months ended November 30, 2021 $**
Advertising	48,391	58,212
Market making	45,000	17,225

News releases	7,398	5,717
Shareholder meetings	2,958	-
Trade shows and conferences	53,358	15,236
Transfer agent	840	4,158
Website	985	959
	158,930	101,507

Legal fees were $25,445 for the nine months ended November 30, 2022 compared to $51,509 in legal fees recorded for the 2021 comparative period that were incurred in connection with the Company's listing application.

Office expenses were $131,366 for the nine months ended November 30, 2022 compared to $75,411 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company's office expenses for the nine months ended November 30, 2022 and 2021.

	Nine months ended November 30, 2022 $	**Nine months ended November 30, 2021 $**
Bank charges and interest	3,758	2,932
Charitable contributions	7,814	-
Information technology	11,412	12,573
Insurance	17,047	23,382
Meals and entertainment	13,774	5,568
Office supplies and other	44,156	26,152
Rent expense	29,836	29,045
Rent recovery	-	(28,000)
Telephone	3,569	3,759
	131,366	75,411

Travel expenses were $35,283 for the nine months ended November 30, 2022 compared to $5,960 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 nine months ended November 30, 2022

Management fee income of $386,846 was recorded on Newcrest's qualifying earn-in expenditures during the nine months ended November 30, 2022 (2021 - $nil).

Rental income of $78,593 was recorded for the nine months ended November 30, 2022 and consists of cost recoveries for right-of-use assets and equipment used by sub-tenants and third parties. During the nine months ended November 30, 2021, $28,000 in subtenant rent recovery was included in office expenses.

Finance income was $7,521 for the nine months ended November 30, 2022 compared to $7,327 recorded for the 2021 comparative period and consists of interest earned on term deposits and savings account balances, and cashback rewards on the Company's credit card.

Finance expense of $6,635 was incurred in connection with US $105,000 in reclamation bonds advanced and deposited by the Company's surety agent during the nine months ended November 30, 2021.

Foreign exchange gain of $373,674 recorded during the nine months ended November 30, 2022 and gain of $128,815 recorded in the 2021 comparative period arose from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Impairment of $29,699 for the nine months ended November 30, 2022 was recorded on certain Hot Tub claims that were not renewed, the write-down of invalid claims on the Spring Peak project that were restaked, and demobilization costs on the Highland property that was abandoned during the 2022 financial year. Impairment of $490,125 for the 2021 comparative period were recorded on certain Birch Creek, Midas North and Long Valley claims that were not renewed and the Highland property that was abandoned.

Unrealized loss on investments of $730,004 recorded during the nine months ended November 30, 2022 relates to the Company's investments in HMAN and ELVT (2021: loss of $1,674,068).

3.3 Total expenses for the three months ended November 30, 2022

Total expenses for the three months ended November 30, 2022 were $396,344 compared to total expenses of $404,163 for the three months ended November 30, 2021.

Accounting and audit fees of $11,616 was recorded during the three months ended November 30, 2022 compared to $51,648 in audit and accounting fees recorded in the 2021 comparative period. Audit fees for the 2021 period include $19,000 for listing procedures, $28,000 for the 2021 yearend audit and the balance was for preparation of tax returns.

Accretion of lease liability of $5,146 was recognized during the three months ended November 30, 2022 (2021: $3,188).

Employee costs were $157,469 for the three months ended November 30, 2022 compared to $242,479 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 November 30, 2022 and 2021.

	Three months ended November 30, 2022 $	Three months ended November 30, 2021 $
Consulting fees	13,005	15,152
Management fees	49,747	65,000
Salaries and benefits	33,923	31,027
Share-based payments	60,794	131,300
	157,469	242,479

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 $60,794 for the three months ended November 30, 2022 represent stock options granted on October 28, 2022. A further $52,778 in share-based payments was capitalized to exploration and evaluation assets. Share-based payments of $131,300 for the three months ended November 30, 2021 represent stock options granted on July 2, 2021 that vested during the period.

Depreciation expense was $35,710 for the three months ended November 30, 2022 (2021: $20,112) and includes $31,357 in depreciation of right-of-use assets.

Filing fees were $7,492 for the three months ended November 30, 2022 compared to $7,382 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 November 30, 2022 and 2021.

	Three months ended November 30, 2022 $	Three months ended November 30, 2021 $
CNSX Markets Inc.	3,000	3,000
OTC Markets Group Inc.	4,492	4,382
	7,492	7,382

General exploration expenses were $21,594 for the three months ended November 30, 2022 compared to $7,836 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 $66,589 for the three months ended November 30, 2022 compared to $50,570 in expenses incurred during the 2021 comparative period. The following is a breakdown of the Company's investor communication expenses for the three months ended November 30, 2022 and 2021.

	Three months ended November 30, 2022 $	Three months ended November 30, 2021 $
Advertising	15,114	13,674
Market making	15,000	17,225
News releases	2,292	3,936
Shareholder meetings	2,958	-
Trade shows and conferences	30,850	15,236
Transfer agent	-	149
Website	375	350
	66,589	50,570

Legal fees were $16,933 for the three months ended November 30, 2022 compared to $4,173 in recovery of legal fees recorded for the 2021 comparative period as a result of reclassification of property acquisition expenditures.

Office expenses were $61,475 for the three months ended November 30, 2022 compared to $19,190 in expenses recorded for the 2021 comparative period. The following is a breakdown of the Company's office expenses for the three months ended November 30, 2022 and 2021.

	Three months ended November 30, 2022 $	Three months ended November 30, 2021 $
Bank charges and interest	1,767	985
Charitable contributions	7,814	-
Information technology	3,928	4,367
Insurance	5,886	6,188
Meals and entertainment	4,151	2,690
Office supplies and expenses	25,293	5,392

Rent expense	11,877	10,926
Rent recovery	-	(12,000)
Telephone	759	642
	61,475	19,190

Travel expenses were $12,320 for the three months ended November 30, 2022 compared to $5,931 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 November 30, 2022

Management fee income of $299,212 was recorded on Newcrest's qualifying earn-in expenditures during the three months ended November 30, 2022 (2021 - $nil).

Rental income of $34,274 recorded for the three months ended November 30, 2022 consists of recoveries for right-of-use assets and equipment used by sub-tenants and third parties. During the three months ended November 30, 2021, $12,000 in subtenant rent recovery was included in office expenses.

Finance income was $6,029 for the three months ended November 30, 2022 compared to $1,405 recorded for the 2021 comparative period and consists of interest earned on term deposits and savings account balances and cashback rewards on the Company's credit card.

Finance expense was $nil during the three months ended November 30, 2022 compared to $1,782 in finance expenses incurred in 2021 in connection with US $105,000 in reclamation bonds advanced and deposited by the Company's surety agent.

Foreign exchange gain of $184,682 recorded during the three months ended November 30, 2022 and gain of $72,876 recorded in the 2021 comparative period arose from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Impairment of $2,424 for the three months ended November 30, 2022 relates to demobilization of equipment at the Highland property that was abandoned during the 2022 financial year. Impairment of $426,367 for the 2021 comparative period relates to the Highland property that was abandoned.

Unrealized loss on investments of $133,122 recorded during the three months ended November 30, 2022 relate to the Company's investments in HMAN and ELVT (2021: loss of $193,968).

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 provided by operating activities was $818,076 for the nine months ended November 30, 2022 compared to cash used of $1,022,790 during the 2021 comparative period. The Company incurred net loss of $847,227 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 provided by investing activities was $284,168 during the nine months ended November 30, 2022 and consist of $1,897,331 in expenditures on exploration and evaluation assets, $3,324,278 in Newcrest's earn-in expenditures on exploration and evaluation assets, the receipt of $5,406,437 in cash calls from Newcrest for earn-in expenditures, cash payment of $798,296 from Newcrest for the reimbursement of historical costs pursuant to the earn-in agreements, $650,000 in purchase of term deposits, $26,769 in purchase of property, plant and equipment, and $22,187 in reclamation bond deposit.

Cash flows used in investing activities for the 2021 comparative period consisted of $1,396,750 in expenditures on exploration and evaluation assets, $750,000 received from the redemption of term deposits, $57,249 spent on the purchase of equipment, and $130,935 paid in deposits for surety bonds.

Total cash flows provided by financing activities was $773,846 during the nine months ended November 30, 2022 and consist of $871,424 in proceeds from private placement, less share issuance costs of $16,221 and lease payments of $81,357. Cash used in financing activities during the 2021 comparative period consisted of $182,204 in share issuance costs and $29,284 in lease payments.

5. SELECTED ANNUAL INFORMATION

N/A.

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2022 to November 30, 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.

On September 1, 2022, the Company promoted Dr. Greg Dering to the role of Vice President, Exploration. Greg has been a critical Headwater Gold team member since the Company's inception, serving in the roles of Senior Geologist, Exploration Manager, and now Vice President, Exploration. Greg holds a MSc, Geology from the University of Nevada, Reno and a PhD from the Centre for Exploration Targeting at the University of Western Australia.

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, 3,173 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.

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.

On October 31, 2022, the Company announced that Mr. Brent Cook has joined the Company as a Technical Advisor. Brent is a renowned Exploration Analyst and Economic Geologist with over 40 years of experience in the mineral exploration, mining and related financial sectors. Brent has worked on precious metal epithermal systems on six continents, numerous island arcs, and several continental rifts, providing analysis and advice to various funds and companies including Global Resource Investments (now Sprott Global), Barrick Gold, Newmont Mining, Rio Tinto Mining, Freeport McMoRan, Kennecott Mining, Mount Isa Mines, and many junior exploration companies. As an independent consultant, Brent has provided advice and analysis to various funds, major mining companies, and junior explorers. Brent also founded the widely respected Exploration Insights newsletter, which is well-followed throughout the mining industry. He was the author and editor from 2008 to 2016 and continues to act as a Senior Advisor to Joe Mazumdar who now owns and authors the newsletter.

On November 16, 2022, the Company announced that it has commenced a reverse circulation drill program at the Agate Point project, Nevada as part of a first-pass scout drilling program designed to test for gold mineralization at depth below a large epithermal alteration footprint characterised by widespread mercury and arsenic surface geochemistry.

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

On December 7, 2022, the Company announced the completion of the 2022 drill programs at the Spring Peak and Agate Point projects. Drilling was suspended due to the onset of inclement winter weather. All drilling was 100% funded by Newcrest pursuant to the earn-in agreements.

The 2022 drill program at Spring Peak consisted of 10 drill holes totaling 3,173 metres, all of which encountered significant epithermal veining and alteration zones. At Agate Point, 1,027 metres of wide-spaced scout RC drilling in four drill holes was completed, two of which encountered significant epithermal alteration at depth.

On December 12, 2022, the Company announced that it has re-acquired a 100% interest in the Flint epithermal gold-silver project located in southern Idaho for a nominal cost. The Flint project is located in a historic high-grade silver mining district with potential for new precious metal discoveries. The project occurs in an analogous geologic setting to the adjacent to Integra Resources DeLamar project[4].

On January 9, 2023, the Company reported initial assay results from the core completion of drill hole SP22-13 from its Spring Peak project. Drill hole SP22-13 intersected two individual veins which assayed 15.92 g/t Au over 2.38 m and 10.43 g/t Au over 2.01 m respectively. The highest individual assay returned 69.6 g/t Au over 0.34 m. These intervals are part of a broader zone which assayed 2.73 g/t Au over 34.72 m. Initial assays confirm the presence of high-grade gold in banded epithermal veins in the Disco Zone which was discovered by Headwater scout drilling in November 2021. These results are the first and only batch of assays received to date from Headwater's 2022 Spring Peak drill program. Results from the remainder of the 2022 program, which totalled 3,173 m, are expected in Q1 2023.

On January 23, 2023, the Company provided an exploration update on the Midas North project and outlined the high-priority drill targets that it has defined for a multi-rig maiden drill program scheduled to commence in Q2 2023.

7. Exploration and Evaluation Activities for the Nine Months Ended November 30, 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 $3,478,500 as at November 30, 2022 (February 28, 2022 - $3,361,924).

Total costs incurred on exploration and evaluation assets for the periods ended November 30, 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	92,281	541,074	205,101	838,456
Management fee	-	44,230	11,887	56,117
Recovery from third party earn-in	-	(486,501)	(130,757)	(617,258)
Impairment	-	-	(20,129)	(20,129)
Option of property	-	(276,515)	(74,205)	(350,720)
Foreign exchange	27,257	31,599	19,419	78,275
Balance, November 30, 2022	539,324	319,788	257,603	1,116,715
Exploration costs				
Balance, February 28, 2022	368,801	607,905	1,253,244	2,229,950
Additions				
Administration	5,473	50,287	18,949	74,709
Drilling	7,346	2,449,051	34,672	2,491,069
Geology	49,709	761,530	131,485	942,724
Mapping, sampling, geochem	124	278,343	18,697	297,164
Safety and social performance	-	15,587	2,785	18,372
Technical review	6,659	19,319	6,527	32,505
Management fee	-	334,049	6,406	340,455
	69,311	3,908,166	219,521	4,196,998
Recovery from third party earn-in	-	(3,674,517)	(70,484)	(3,745,001)
Option of property	-	(476,079)	-	(476,079)
Foreign exchange	26,904	43,280	85,733	155,917
Balance, November 30, 2022	465,016	408,755	1,488,014	2,361,785
Total acquisition costs and exploration expenditures				
November 30, 2022	1,004,340	728,543	1,745,617	3,478,500

	Idaho $	Nevada $	Oregon $	Total $
Acquisition costs				
Balance, February 28, 2021	332,455	256,553	195,600	784,608
Additions	77,943	296,093	54,909	428,945
Impairment	-	(93,586)	(8,070)	(101,656)
Foreign exchange	4,466	6,791	2,994	14,251
Balance, November 30, 2021	414,864	465,851	245,433	1,126,148
Exploration costs				
Balance, February 28, 2021	182,951	163,197	320,395	666,543
Additions				
Administration	17,825	28,874	20,030	66,729
Drilling	15,270	525,969	614,565	1,155,804
Geology	96,101	178,996	141,554	416,651
Mapping, sampling, geochem	1,491	8,327	-	9,818
Technical review	6,249	10,196	7,014	23,459
	136,936	752,362	783,163	1,672,461
Impairment	-	(369,226)	(19,243)	(388,469)
Foreign exchange	4,736	10,870	17,936	33,542
Balance, November 30, 2021	324,623	557,203	1,102,251	1,984,077
Total acquisition costs and exploration expenditures				
November 30, 2021	739,487	1,023,054	1,347,684	3,110,225

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, staking costs and certain exploration expenditures of US $30,684 for Agate Point, US $88,629 for Midas North, US $438,660 for Spring Peak and US $55,016 for Mahogany. 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.

As at November 30, 2022, Newcrest has advanced US $4,151,453 (CAD $5,607,783) in cash to fund the minimum commitment earn-in expenditures for which US $3,267,505 (CAD $4,413,745) in expenditures have been incurred.

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 nine months ended November 30, 2022, the Company expended $65,864 in acquisition costs (2021 - $18,477) and $116,409 in exploration costs (2021 - $315,324) on Katey. As at November 30, 2022, total acquisition and exploration expenditures recorded on Katey was $847,234 (2021 - $538,398).

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 November 30, 2022, Newcrest has advanced US $1,121,579 (CAD $1,515,029) towards the Minimum Commitment and incurred US $154,682 (CAD $208,944) in earn-in expenditures. Newcrest paid a further US $55,016 (CAD $74,206) to the Company to reimburse historical land fees and staking costs. As at November 30, 2022, total acquisition and exploration expenditures recorded on Mahogany was $828,037 (2021 - $752,758).

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

CSAMT resistivity geophysical survey totalling 12 line-km and a high-definition drone photogrammetry survey totalling 48 km^2, followed by a 2,000 m diamond drill program later in 2023.

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 $20,129 in acquisition costs connected to the claims were written off during the period ended November 30, 2022. During the nine months ended November 30, 2022, the Company expended $899 (2021 - $6,370) in acquisition costs and $9,439 (2021 - $20,359) in exploration costs on the Hot Tub property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Hot Tub were $55,245 (2021 - $56,528).

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 nine months ended November 30, 2022, the Company expended $14,016 (2021 - $nil) in acquisition costs and $274 (2021 - $nil) in exploration costs on the Bannock property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Bannock were $15,101 (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 nine months ended November 30, 2022, the Company expended $6,439 in acquisition costs (2021 - $6,178) and $12,892 in exploration costs (2021 - $21,959) on the Matador property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Matador were $195,283 (2021 - $161,130).

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 nine months ended November 30, 2022, the Company expended $6,652 in acquisition costs (2021 - $6,383) and $10,687 in exploration costs (2021 - $23,321) on the Opaline Gulch property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Opaline Gulch were $210,224 (2021 - $177,287).

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 nine months ended November 30, 2022, the Company expended $48,692 in acquisition costs (2021 - $65,382) and $44,515 in exploration costs (2021 - $91,656) on the Crane Creek property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Crane Creek were $565,723 (2021 - $401,070).

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 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.

[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, historical drill intercepts, and historical surface samples are treated by the Company as historical in nature, and not current or NI 43-101 compliant.

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

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. ("Huntsman") for a cash payment of US$100,000 and 8,450,000 common shares in December 2020. Huntsman elected to relinquish the project without conducting any exploration work and pursuant to the original agreement, relinquished the claims to Headwater for a nominal cost of US $130.

During the nine months ended November 30, 2022, the Company expended $30,498 in acquisition costs (2021 - $nil) and $1,217 in exploration costs (2021 - $nil) on the Flint property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Flint were $33,110 (2021 - $nil).

About the Flint Project

Flint is 100% owned by Headwater and royalty free, consisting of 130 claims totalling 1,020 hectares. The project is located on BLM land approximately 7 kilometres southwest of Integra Resources' DeLamar and Florida Mountain deposits.

Preserved high-level epithermal alteration occurs in the target Silver City Rhyolite package which is the ore host at the historic DeLamar and Florida Mountain mines.

More than 1.5 M oz of silver was reportedly produced from the Flint District at bonanza grades (20-30 oz/ton Ag) from veins emplaced in late Cretaceous plutonic rocks of the Silver City granite[3]. The same pre-volcanic basement rocks are interpreted to host silver-gold veins at Florida Mountain that comprise an analogous high grade low-sulfidation gold-silver system.

Potential for gold-silver mineralization at Flint in a geologic setting analogous to the adjacent DeLamar deposit has been recognized but never drill tested[4]. Tertiary volcanic rocks overlying the Flint vein system are preserved in the hanging wall of the Flint Creek fault and host widespread silica and clay alteration. The volcanic package includes rhyolitic flows, vent facies and basalts that are equivalent to the major ore-hosting units at DeLamar.

[3]*Bonnichsen, W., 1983, Epithermal Gold and Silver Deposits Silver City-DeLamar District, Idaho, Idaho Geological Survey, Technical Report 83-4, 34 p.*

[4]*The Flint project owned by the Company is host to exploration targets with no known resources or reserves. Gold-silver mineralization on Integra Resources' DeLamar and Florida Mountain projects does not indicate similar mineralization is present on the Company's Flint project.*

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 November 30, 2022, Newcrest has advanced US $518,967 (CAD $701,021) towards the Minimum Commitment and incurred US $498,974 (CAD $674,014) in earn-in expenditures on the Agate Point project. Newcrest paid a further US $30,684 (CAD $41,387) to the Company to reimburse land fees, staking and certain exploration expenditures. As at November 30, 2022, total acquisition and exploration expenditures recorded on Agate Point was $164,735 (2021 - $157,465).

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

In November 2022, the Company completed a first-pass drill program at Agate Point consisting of an initial four RC holes totalling 1,027 metres. The Company tested four separate structural targets beneath an alteration cap characterized by anomalous mercury, arsenic, and antimony. The geological targets tested by Headwater consist of high-angle structures with the potential to host epithermal feeder veins beneath silicified breccias mapped at surface. The breccias at surface above the vein targets contain textures characteristic of high-level epithermal alteration, including banded chalcedonic vein fill. Two of the four holes encountered significant epithermal alteration at depth. Headwater believes this is the first ever drill test for structurally controlled vein mineralization at depth at Agate Point. All samples have been submitted for laboratory analysis with assays pending.

The Company has also completed a high-definition drone photogrammetry survey and the data is currently being interpreted.

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 nine months ended November 30, 2022, the Company expended $12,092 in acquisition costs (2021 - $8,178) and $18,611 in exploration costs (2021 - $19,040) on the Long Valley property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Long Valley were $149,271 (2021 - $105,261).

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 nine months ended November 30, 2022, the Company expended $11,561 in acquisition costs (2021 - $23,534) and $10,994 in exploration costs (2021 - $20,579) on the Dome Hill property. As at November 30, 2022, total acquisition and exploration expenditures recorded on Dome Hill were $137,544 (2021 - $102,386).

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 November 30, 2022, Newcrest has advanced US $845,194 (CAD$1,141,688) towards the Minimum Commitment and incurred US $601,893 (CAD$813,037) in earn-in expenditures on the Midas North project. Newcrest paid a further US $88,629 (CAD $119,543) to the Company to reimburse land fees, staking and certain exploration expenditures. As at November 30, 2022, total acquisition and exploration expenditures recorded on Midas North were $208,421 (2021 - $235,368).

About the Midas North Project

The Midas North project adjoins Hecla Mining Company's ("Hecla", 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[5].

2022 Work Plan

During 2022, the Company completed a multi-faceted geophysical, geological, and geochemical program designed to systematically cover the core land position of Midas North with high-quality data layers to allow for rapid identification and prioritization of drill targets. The results of the geophysical surveys confirm the utility of using magnetics, radiometrics, gravity and CSAMT resistivity, together with geology, to generate high-quality drill targets at Midas North below the broad area of favourable epithermal alteration outcropping at surface.

The 2022 geophysical programs consisted of:

- A controlled-source audio-frequency magnetotelluric ("CSAMT") resistivity survey totalling 36.3 line-kilometres ("line-km") on eight parallel 400 metre ("m") spaced profiles;
- Helicopter airborne magnetic and radiometric surveys totalling 357 line-km completed at 100 m spacing totalling 32.5 km^2; and,
- A ground gravity survey consisting of 767 stations on a 200 m grid to 400 m grid regionally, with a total survey footprint of 114 km^2.

Geophysical Targets Areas

Headwater has identified multiple drill targets by analyzing the multi-parameter geophysical data described above. The principal targets contain geophysical and geological characteristics indicating potential to host kilometre-scale feeder zones at depths of 200m to 400m below the outcropping mapped sinters and other high-level hot-spring-type alteration mapped at surface.

The principal targets are interpreted as follows:

- *Big Opal Sinter Target:* NNW-striking sub-vertical resistivity break beneath outcropping vent facies sinter deposits with interpreted mafic sill at depth. Strong geological similarities to Hecla's recent Green Racer Sinter vein discovery on the adjacent Midas Mine complex.
- *Big Opal Fault Target:* Kilometre-scale NNW-striking resistivity break at the margin of a large resistivity high (Big Opal Resistor) interpreted as a thick water table silica blanket.
- *Big Opal Resistor Target:* High-angle resistivity break beneath the Big Opal Resistor.

- *Jo Belle Fault Target:* District-scale fault associated with kilometre-scale, strongly resistive CSAMT feature (Nevada Grande Resistor). The stratigraphic offset and fault orientation are considered geologically comparable to the high-grade Colorado Grande vein in the main Midas district. Strong illite-adularia alteration is interpreted from a NNW-trending radiometric high (potassium channel) along the fault trace.
- *Nevada Grande Resistor:* Large resistor with approximately 2 kilometres of strike extent in the hanging wall of the Jo Belle fault interpreted to potentially represent a second locus of fluid flux and vein formation separate from the Big Opal structural corridor.

CSAMT Survey

The CSAMT data collected by the Company has proven particularly effective for mapping the subsurface geometries of interpreted silica alteration beneath areas of high-level silica and steam-heated clay alteration, interpreted to represent the upper portion of a completely preserved epithermal system. Multiple high-angle resistivity breaks occur adjacent to and beneath shallow, tabular resistive bodies, each with over 2 kilometres of strike length.

Airborne Radiometric Survey

Radiometric survey results and potassium data in particular show discrete linear radiometric highs which may represent corridors of illite-adularia alteration that are subparallel to the feeder structures interpreted from the CSAMT data. The potassium data additionally reveal a broad, spatially continuous low coincident with the principal area of strong surface alteration potentially attributable to a broad zone of argillic alteration.

Airborne Magnetic Survey

Strong contrasts in magnetic response reveal numerous NNW-trending linear magnetic lows, as well as a broad magnetic high in the Big Opal area. The linear magnetic low features are consistent with magnetite-destructive alteration of the host volcanic rocks along structural corridors which potentially focused geothermal fluids. Several discrete magnetic highs elsewhere on the property correspond with outcropping mafic sills. The large, low-amplitude magnetic high is interpreted by Headwater as a possible buried mafic intrusion, analogous in character to the sill-dike complexes spatially and temporally associated with high-grade vein deposits elsewhere in northern Nevada, such as Midas, Hollister, Fire Creek and Mule Canyon[5].

Gravity Survey

The core of the property is characterized by a broad gravity low which suggests a possible zone of pervasive argillic alteration in the surrounding volcanic host rock. The gravity low broadly overlaps with the footprint of a radiometric low and encompasses the areas of highest intensity alteration mapped at surface. The NNW elongation of the gravity low is consistent with property-wide structural trends detected by other geophysical surveys and surface mapping.

[5]*The Midas North project owned by the Company hosts exploration targets with no known resources or reserves. Gold mineralization on Hecla's adjacent Midas Mine Complex and high-grade vein deposits elsewhere in northern Nevada including Hollister, Fire Creek and Mule Canyon does not indicate similar mineralization is present on the Company's Midas North project.*

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.

The Company's interest in the Spring Peak property is 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 Spring Peak is US $2,500,000 with an additional minimum commitment of US $2,500,000. As at November 30, 2022, Newcrest has advanced US $1,665,713 (CAD $2,250,045) towards the Minimum Commitment and incurred US $2,011,956 (CAD $2,717,750) in earn-in expenditures on the Spring Peak project. Newcrest paid a further US $438,660 (CAD $591,665) to the Company to reimburse land fees, staking and certain exploration expenditures. As at November 30, 2022, total acquisition and exploration expenditures recorded on Spring Peak were $8,500 (2021 - $422,574).

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

From September to December 2022, the Company completed a multi-rig drill program at Spring Peak designed to follow-up on the 2021 discovery of a gold-bearing epithermal quartz vein in the Phase 1 drill program. The Company utilized a combination of core and RC drilling at Spring Peak to complete 3,173 metres of drilling prior to the winter shut-down in November 2022. The program consisted of 993 metres of core drilling, 1,076 metres of RC pre-collars and 1,104 metres of RC exploration drilling.

On January 9, 2023, the Company reported initial assay results from the core completion of drill hole SP22-13. Drill hole SP22-13 intersected two individual veins which assayed 15.92 g/t Au over 2.38 m and 10.43 g/t Au over 2.01 m respectively. The highest individual assay returned 69.6 g/t Au over 0.34 m. These intervals are part of a broader zone which assayed 2.73 g/t Au over 34.72 m. Initial assays confirm the presence of high-grade gold in banded epithermal veins in the Disco Zone which was discovered by Headwater scout drilling in November 2021. A more extensive follow-up drilling program to define the lateral and down dip extents of the vein system is currently being planned.

Table 1: Drill Results from the Core Portion of Drill Hole SP22-13[1]

Hole ID	From (m)	To (m)	Interval (m)	Gold Grade (g/t)	Silver Grade (g/t)	Az (deg)	Inc (deg)	TD (m)	Comments
SP22-13	256.12	290.84	34.72	2.73	*pending*	335	-74	315.5	Highest individual sample 69.6 g/t Au over 0.34 m from 275.90 m to 276.73.
including	262.46	264.47	2.01	10.43	*pending*				
including	275.26	277.64	2.38	15.92	*pending*				

[1]Reported grades were calculated using a 0.2 g/t cut-off grade for primary intervals and a 2 g/t cut-off grade for included intervals. Intervals correspond to downhole thickness. True thickness of the mineralized intervals is estimated at approximately 60% of the reported downhole thickness.

The Disco Zone was the highest priority target of the program and was intersected with oriented diamond core in all four holes designed to test for high-grade veins. The four holes that intersected the Disco Zone were drilled on a single fence with mineralization open up-dip, down-dip and along strike. The Disco Zone occupies the footwall margin of a broad, northeast-striking fault zone that is oriented similarly to vein trends at the adjacent past producing Aurora mine complex.

An additional six drill holes tested a variety of targets at depths greater than 150 metres elsewhere on the property. All holes encountered epithermal alteration and veining, confirming that the epithermal system extends beneath silica alteration mapped at surface over a large area of the property. Assays from these new targets tested in 2022 remain outstanding.

Within the Disco Zone, hole SP22-13 intersected two discrete high-grade veins with textures indicative of boiling, including ginguro banding, silica replacement of lattice-bladed calcite and vein sediments. The high-grade veins are within a broader mineralized interval which contains additional veins and breccia intervals characterized by fine-grained silica-sulfide flooding and argillic alteration. The opaque, fine-grained character of silica within the veins, along with the absence of coarse crystalline quartz textures, indicates that drilling may not have reached the base of the boiling horizon which is the epithermal zone typically associated with high-grade precious metals.

7.15 TJ (Elko County, Nevada)

The TJ property is comprised of 13 mineral claims totalling 109 hectares that the Company staked and a mining lease of 90 mineral claims totalling 752 hectares. The mining lease contains annual minimum payments from US $15,000 to US $100,000 adjusted for inflation over the 30 year term, a work commitment of US $250,000 to be completed on or before the second anniversary of the effective date, and NSR royalties between 1.5% to 2.5% with buy-back rights. The Company retains an option to acquire a 100% interest in the leased property, subject to the NSR, for US $1,500,000 and the minimum payments shall be applied towards the purchase price.

During the nine months ended November 30, 2022, the Company expended $59,536 in acquisition costs (2021 - $nil) and $423 in exploration costs (2021 - $nil) on the TJ property. As at November 30, 2022, total acquisition and exploration expenditures recorded on TJ were $60,072 (2021 - $nil).

7.16 Qualified Person

The scientific and technical information contained in this document 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.

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 $3,250,258 at November 30, 2022 (February 28, 2022: $1,276,891). Restricted cash was $20,005 at November 30, 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 $650,000 in term deposits and 90,833 common shares of Elevation Gold Mining Corp. valued at $12,717 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $42,250.

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

Current liabilities total $1,215,434 at November 30, 2022 compared to $237,223 at February 28, 2022. Current liabilities consist of trade and other payables and lease liabilities.

Working capital surplus was $2,899,925 at November 30, 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 November 30, 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, the chief financial officer and the vice president, exploration of the Company. Key management personnel compensation is comprised of the following:

	2022 $	2021 $
Short-term employee benefits and director fees	359,821	274,503
Share-based payments	39,618	212,312
	399,439	486,815

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 November 30, 2022, the Company paid $152,369 (2021: $145,915) 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 November 30, 2022, the Company paid $55,000 (2021: $46,688) in fees 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 November 30, 2022, the Company paid $58,500 (2021: $45,901) in salary to the CFO.

The Company has entered into a General Services Agreement with Greg Dering, the Vice President, Exploration ("VPX") effective September 1, 2022 to December 31, 2023. As compensation for the services to be provided, the Company has agreed to pay the VPX a daily rate of US $625. During the period ended November 30, 2022, the Company paid $57,952 (2021: $nil) in fees to the VPX.

During the period ended November 30, 2022, the Company recorded $36,000 (2021: $36,000) in director fees payable to three directors as follows: Graeme Currie - $9,000; Tero Kosonen - $18,000; and Wendell Zerb - $9,000.

12.2 Due to Related Parties

As at November 30, 2022, the Company has $66,606 (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 November 30, 2022 the Company has $1,899 (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.

12.4 Exploration Expenses

During the period ended November 30, 2022, the Company received $80,938 in services for photogrammetric surveys from a company with common directors.

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 November 30, 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 $2,899,925 as at November 30, 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 14 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. The Company's property earn-in agreements with Newcrest will fund exploration expenditures 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 January 27, 2023, the Company has 55,014,115 common shares issued and outstanding.

As at January 27, 2023, the Company has 5,500,000 stock options outstanding.

As at January 27, 2023, the Company held 9,040,129 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), Sandra Wong (Chief Financial Officer and Corporate Secretary), and Greg Dering (Vice President, Exploration).

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 November 30, 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