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Headwater Gold Announces Drill Plan to Offset High-Grade Gold Discovery at Its 100% Owned Katey Project

Vancouver, British Columbia, February 21, 2023: Headwater Gold Inc. (CSE: HWG) (OTCQB: HWAUF) (the "Company" or "Headwater") is pleased to announce it has defined multiple high-priority drill targets to extend high-grade mineralization encountered in previous core drilling by the Company at its 100% owned Katey gold project located in southeast Oregon.

Highlights:

- Headwater has defined multiple high-priority drill targets that focus on extending the high-grade mineralized structure encountered in drill hole KT21-01 (see news release dated February 10, 2022) to the north and south along strike, as well as down dip;
- Metallic-screen assays from the previously reported high-grade intercept in drill hole KT21-01 returned 6.34 grams per tonne gold ("g/t Au") over 14.54 metres, including 30.73 g/t Au over 1.95 metres. Metallic-screen assays show approximately 30% higher grade than original values and indicate the presence of coarse free gold;
- A mixed diamond core and reverse circulation ("RC") drill program consisting of approximately 3,500 metres is fully permitted and scheduled to commence in early summer 2023;
- Deep auger soil sampling has defined an area of highly anomalous gold, silver and epithermal pathfinder geochemistry over an approximately 1 kilometre zone along the projection of the West Zone Fault which hosts the high-grade gold intercepted in drill hole KT21-01; and
- Channel samples collected at surface across the main West Zone Fault returned 13.26 g/t Au and 45.2 grams per tonne silver ("g/t Ag") over 0.69 m, demonstrating up-dip continuity of the main mineralized structure intercepted in drill hole KT21-01.

Caleb Stroup, the President and CEO of the Company, states: *"Following the completion of our recent financing, we are very excited to get back out to Katey to follow up on the high-grade discovery made in our first drillhole completed on the project and the only hole drilled to date by the Company in the West Zone target area. The Katey project is 100% owned and royalty-free and is our highest-priority self-funded exploration project. Low-cost surface work conducted since announcing this discovery suggests that the mineralized system extends both to the north and to the south for at least a kilometre and potentially continues under shallow cover beyond. The upcoming drill program will focus on drill testing the length of this mineralized trend and offsetting our previous intercept with multiple holes down dip in an attempt to add scale to a target we already know has high-grade gold."*

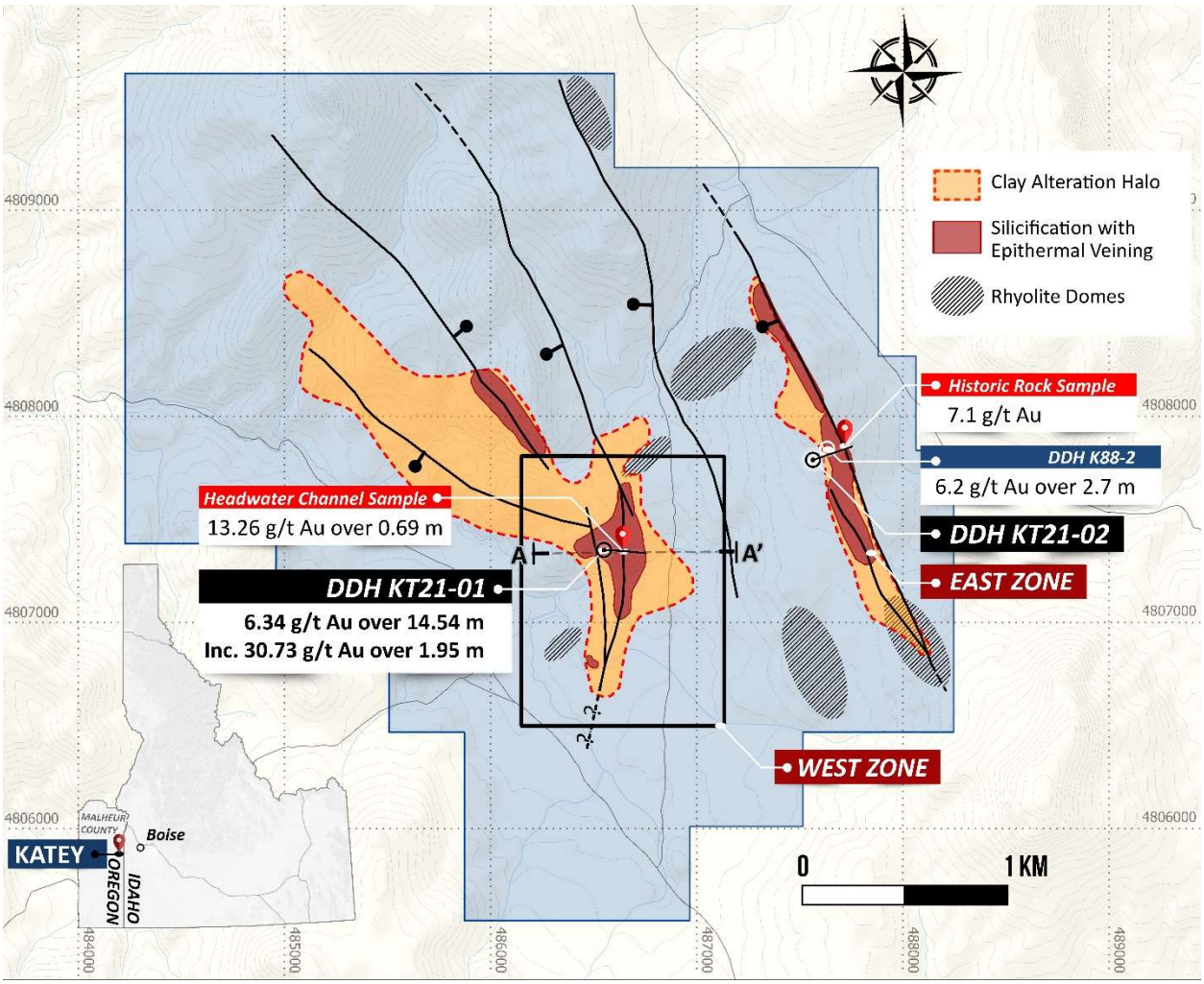

Figure 1. Key geologic features of the two main target areas at the Katey gold project and location of cross section shown in Figure 5. Inset box shows the location of Figure 2.

West Zone Soil Geochemistry:

Auger soil sampling completed by Headwater indicates a broad zone of anomalous gold, silver and epithermal pathfinder element geochemistry in the Katey West Zone (Figure 2).

Headwater geologists suspect shallow historic samples in the West Zone area were likely compromised by transported material resulting in a subdued and unreliable geochemistry. A motorized hand auger was used to penetrate shallow alluvial and colluvial cover surrounding the West Zone and sample soil directly above weathered bedrock which results in much higher confidence samples which accurately represent locally derived soil. Headwater collected 184 samples along an approximately 25 m x 50 m spaced grid to a typical depth of 0.5–1.0 metre. Augured holes also allowed for geologic mapping of exposed bedrock beneath the thin alluvial cover that blankets the West Zone.

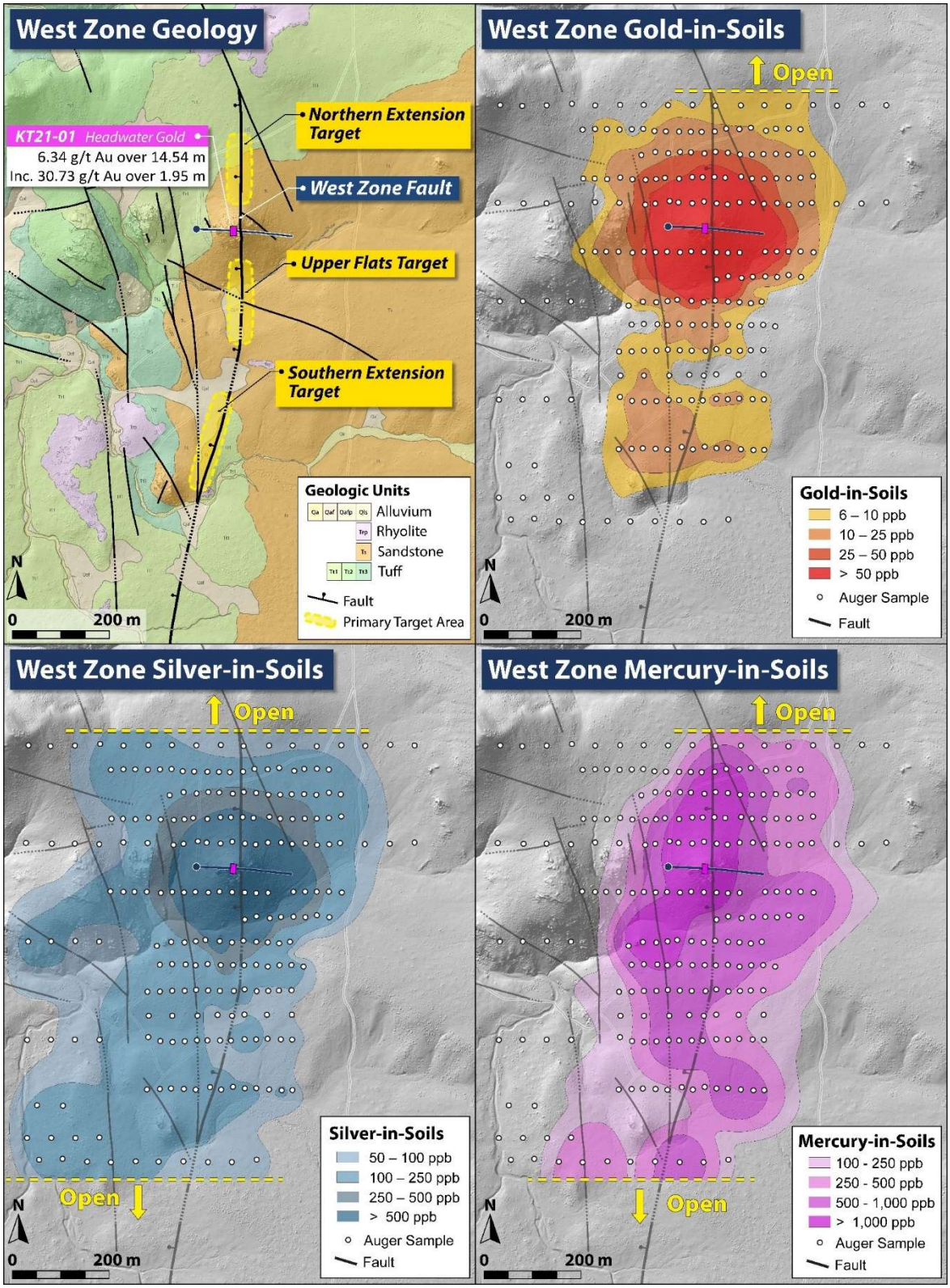

Figure 2: Simplified geologic map showing the location of KT21-01 and the primary target areas and contoured soil sample geochemical data from soil and auger sampling of the West Zone over high-resolution drone digital surface model.

Nearly all auger soil samples contained detectable gold (93%) and the majority of samples (59%) contained at least 200 ppb silver. Sampling reveals that anomalous gold-silver soil geochemistry extends over nearly a kilometre of strike length to the north and south of the strongly silicified sandstone knob, where historic drilling and sampling has been focused (Figures 2 and 4). These soil samples returned individual values up to 2.38 g/t Au and 26.4 g/t Ag. A broad zone of anomalous epithermal pathfinder elements also occurs coincident with the gold in soil anomaly (Figure 2). Such pathfinders are commonly associated with the upper levels (elevations) of epithermal gold systems and are highly useful in tracking the extent of the system laterally. This zone includes highly anomalous mercury ("Hg"), arsenic ("As"), and antimony ("Sb") with up to 13.1 ppm Hg, 243 ppm As, and 62.5 ppm Sb.

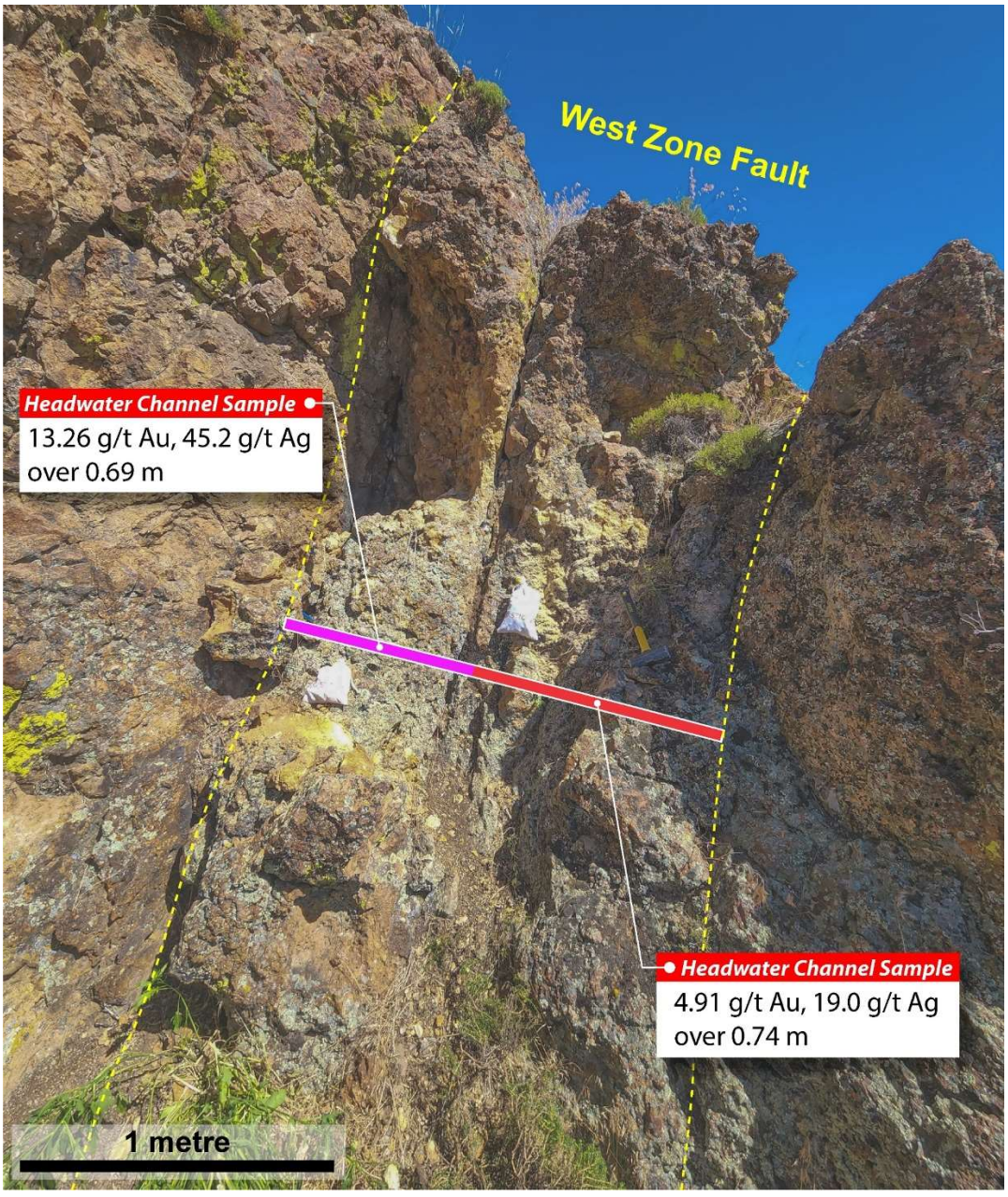

Figure 3: Photo of the West Zone Fault in outcrop and two channel samples collected across the width of the mineralized structure.

Detailed Geologic and Alteration Mapping:

Detailed geologic and alteration mapping completed by the Company in the Katey West Zone has proven effective for defining the orientation and extent of the main mineralized structure intercepted in KT21-01. The West Zone Fault, interpreted as the principal controlling structure for gold mineralization, was mapped in detail where it cuts across the surface at the West Zone discovery outcrop. Channel samples of this outcrop (Figure 3) returned 13.26 g/t Au and 45.2 g/t Ag over 0.69 m and 4.91 g/t Au and 19.0 g/t Ag over 0.74 m, respectively. This outcrop sits approximately 100 m vertically above the high-grade drill intercept encountered in hole KT21-01 and demonstrates that high-grade mineralization extends to surface. The projection of the West Zone Fault was mapped both to the north and the south by using stratigraphic offset and alteration zonation observed in soil auger holes.

Metallic-Screen Gold Assays of KT21-01:

The results of metallic-screen gold assays completed on the high-grade intercept in KT21-01 returned 14.54 metres grading 6.34 g/t Au, including 30.73 g/t Au over 1.95 metres, which is a 30% increase from the original assay values (Table 1).

Metallic-screen assays are often used to test for the presence of coarse gold and better represent true gold grade by using a much larger sample which also incorporates coarse size fractions from a pulp. A 1-kilogram sample is split from the original sample material, crushed, and sieved to create a coarse (+150) and fine (-150) fraction which are then assayed.

Nearly all samples from KT21-01 returned metallic-screen gold values greater than the original assays, indicating the presence of coarse gold that was not accurately measured by the original assays. A sample from 103.6–104.4 metres depth in KT21-01 returned 229.37 g/t Au in the coarse (+150) fraction indicating the presence of a large amount of coarse gold. Metallic-screen assays of the highest-grade sample from KT21-01 returned 40.59 g/t Au over 1.04 metres, a 44% increase from the original assay value.

Moving forward, metallic-screen assays will be routinely utilized as a standard practice on the project whenever the presence of coarse gold is suspected.

Table 1: Metallic-screen assay results from the Katey Project[1]

Hole ID	From (m)	To (m)	Interval (m)	Original Grade (g/t)	Calc Grade (g/t)[1]	Az (deg)	Inc (deg)	TD (m)	Comments
KT21-01	98.39	112.93	14.54	4.86	6.34	90	-45	259.38	Highest individual sample 40.59 g/t Au over 1.04 m
including	109.88	111.83	1.95	23.62	30.73				

[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 90% of the reported downhole thickness. Calculated grade represents a weighted average of gold from coarse (+150) and fine (-150) fractions of metallic-screen assays.

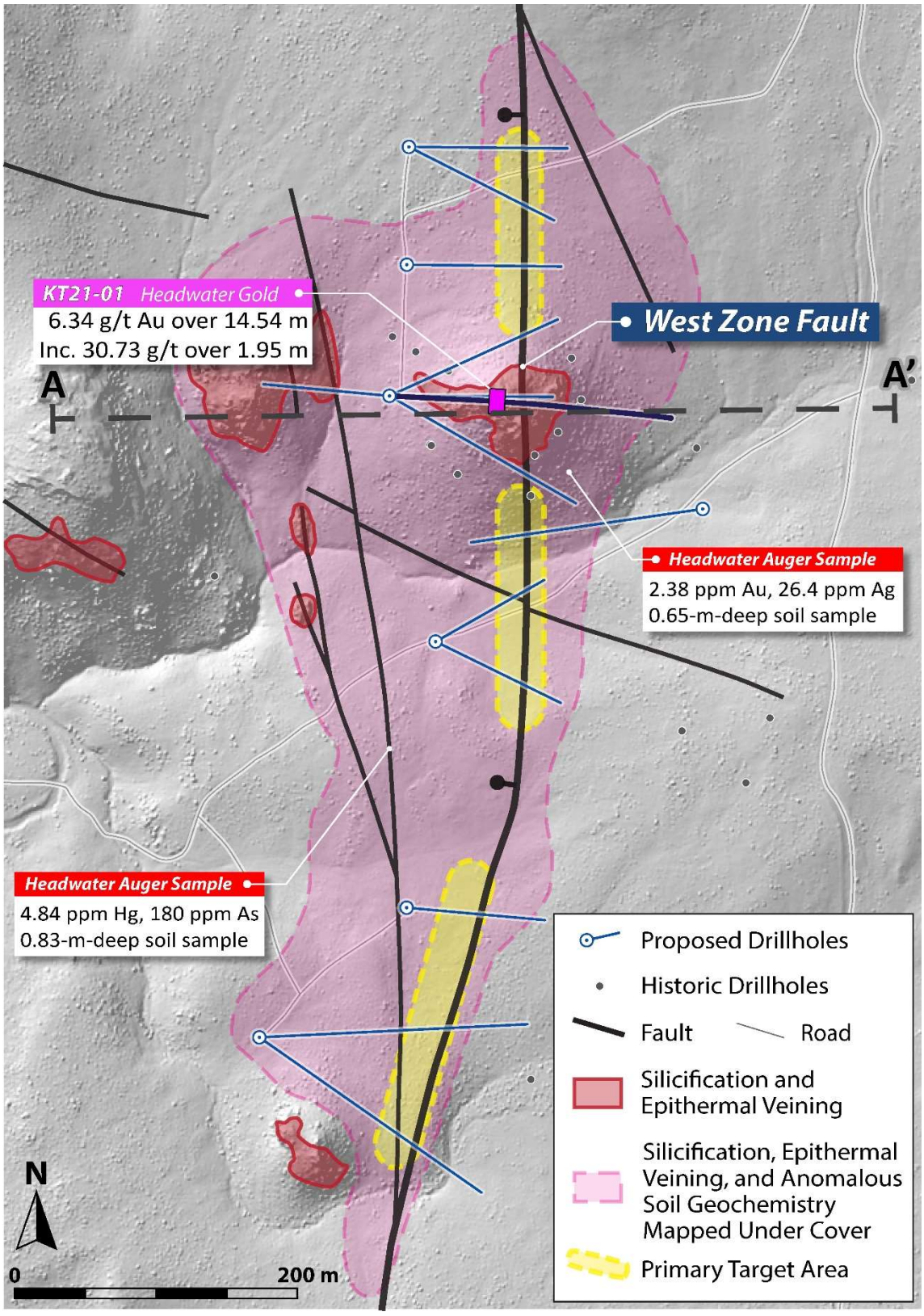

Figure 4: High-resolution drone digital surface model of the West Zone target area showing historic drilling, key geologic features, select auger soil samples and proposed Headwater drill holes.

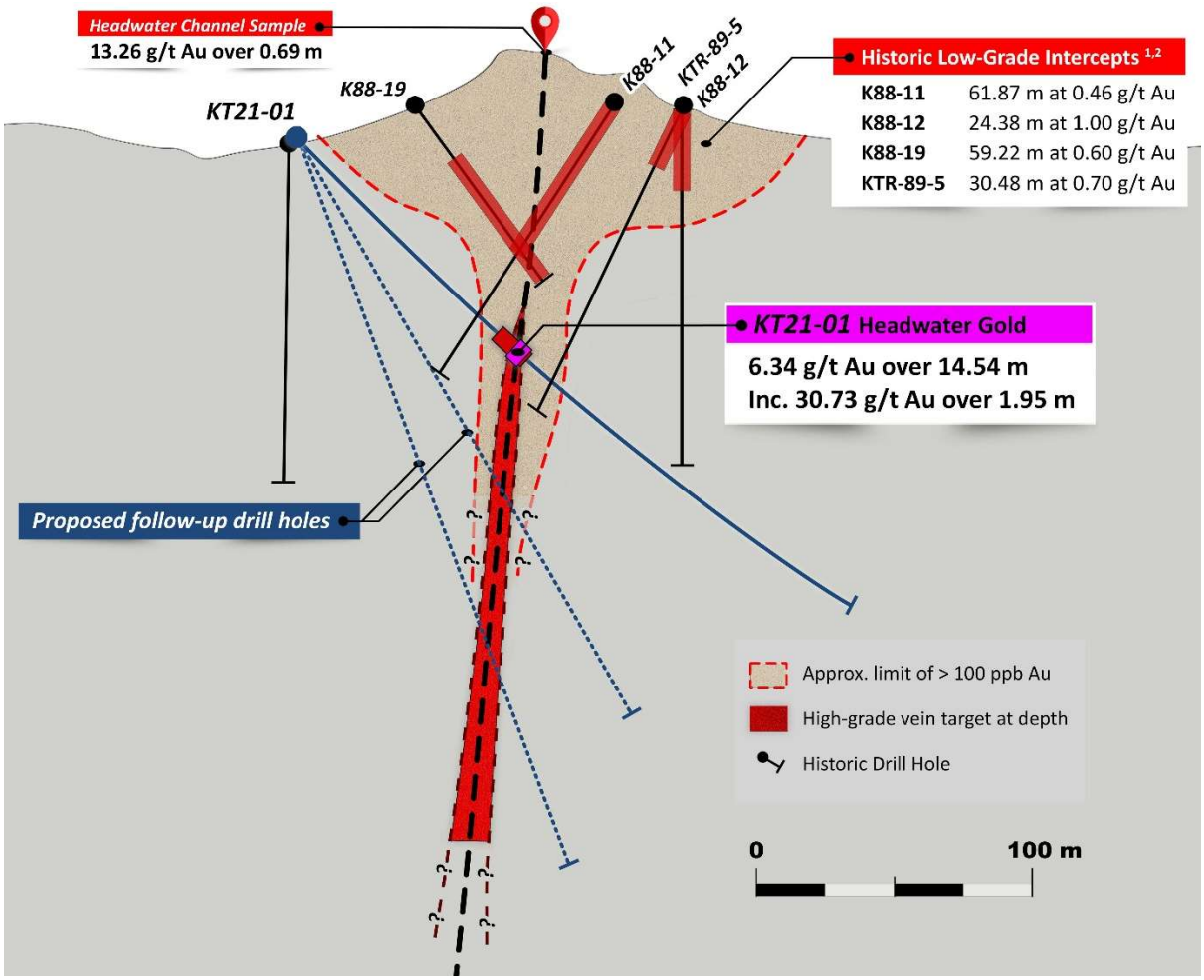

Figure 5: Interpretive geologic cross section showing historic drillholes in the West Zone target area with the location of drill hole KT21-01 and proposed Headwater drill holes.

2023 Drill Targets:

Analysis of previous drilling and surface geological and geochemical data have resulted in the following high-priority drill targets for the current year:

- *KT22-01 Offset Target:* Diamond core hole KT21-01 was the first hole drilled by Headwater at the Katey project and remains the only hole drilled by the Company in the West Zone (Figure 5). Immediate offsets of the high-grade gold intercept encountered in this hole (14.54 m grading 6.34 g/t Au, including 30.73 g/t Au over 1.95 m) are planned both down dip and along strike in approximate 50 m increments.

- *Northern Extension Target:* North of the strongly silicified outcrop where the West Zone Fault outcrops, the main mineralized structure disappears under shallow cover but is traced by strongly anomalous auger soil samples and subsurface mapping. Auger samples reveal strongly oxidized and silicified sandstone with quartz veining along the NNW trend of the West Zone Fault mapped in outcrop (Figure 4). Anomalous soil

geochemistry immediately adjacent to this structure returned up to 2.38 ppm Au and up to 26.4 ppm Ag.

- *Upper Flats Target:* Planned holes in this area directly offset KT21-01 to the south and test the along-strike continuity of the main mineralized structure (Figure 4). Anomalous soil geochemistry extends along the mapped trace of the West Zone Fault and includes up to 135 ppb Au and up to 1890 ppb Ag.
- *Southern Extension Target:* Geologic mapping completed with the aid of high-resolution drone imagery and subsurface auger mapping trace the West Zone Fault structural corridor through this area. Planned holes test this known structural corridor and a splay off the West Zone Fault that corresponds to anomalous soil and rock chip geochemistry.

2023 Drill Program:

A multi-rig, mixed RC and diamond core drill program has been planned and multiple bids have been received from contractors to commence drilling in early summer 2023. Headwater is authorized to proceed drilling under its existing exploration permit with the State and Bureau of Land Management. Combining RC and core drilling is a cost-effective way to maximize the number of drill intersections and rapidly test the along-strike potential of the alteration system. Core drilling will be focused in the KT21-01 offset target area while RC will be utilized along the trace of the West Zone Fault where there is no historic drilling information. The program is expected to consist of an initial 3,500 metres with potential to extend the program subject to positive results.

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 surface 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.

About Headwater Gold:

Headwater Gold Inc. (CSE: HWG, OTCQB: HWAUF) is a technically-driven mineral exploration company focused on the exploration and discovery of high-grade precious metal deposits in the Western USA. Headwater is aggressively exploring one of the most well-endowed and mining-friendly jurisdictions in the world with a goal of making world-class precious metal discoveries. Headwater has a large portfolio of epithermal vein exploration projects and a technical team comprised of experienced geologists with diverse capital markets, junior company and major mining company experience. The Company is systematically drill testing several projects in Nevada, Idaho, and Oregon and in August 2022 announced a significant transaction with Newcrest Mining Limited where Newcrest acquired a 9.9% strategic equity interest in the Company and entered into earn-in agreements on four of Headwater's projects.

For more information, please visit the Company's website at www.headwatergold.com.

On Behalf of the Board of Directors

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Qualified Person:
The technical information contained in this news release 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.

Forward-Looking Statements:
This news release includes certain forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding future capital expenditures, exploration activities and the specifications, targets, results, analyses, interpretations, benefits, costs and timing of them, Newcrest's anticipated funding of the earn-in projects and the timing thereof, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Often, but not always, forward looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the anticipated business plans and timing of future activities of the Company, including the Company's exploration plans and the proposed expenditures for exploration work thereon, the ability of the Company to obtain sufficient financing to fund its business activities and plans, the risk that Newcrest will not elect to obtain any additional interest in the Projects in excess of the minimum commitment, the ability of the Company to obtain the required permits, changes in laws, regulations and policies affecting mining operations, the Company's limited operating history, currency fluctuations, title disputes or claims, environmental issues and liabilities, as well as those factors discussed under the heading "Risk Factors" in the Company's prospectus dated May 26, 2021 and other filings of the Company with the Canadian Securities Authorities, copies of which can be found under the Company's profile on the SEDAR website at www.sedar.com.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to update any of the forward-looking statements, except as otherwise required by law.