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HEADWATER GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2023

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between February 28, 2023 and February 28, 2022 and results of operations for the years ended February 28, 2023 and 2022, as well as forward-looking statements relating to the potential future performance. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below. This Management's Discussion and Analysis has been prepared as of June 26, 2023 ("Report Date"). This Management's Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto for the year ended February 28, 2023 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein.

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

1. CORE BUSINESS

Headwater Gold Inc. ("Headwater" or the "Company") was incorporated on January 14, 2019 under the laws of British Columbia and is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading on June 8, 2021 under the symbol "HWG". The Company also trades on the OTCQB under the symbol "HWAUF". The Company's principal business activities include the acquisition and exploration of mineral property assets in the United States. The address of the Company's corporate office and its principal place of business is Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada.

The Company has one wholly owned subsidiary: CP Holdings Corporation. The accounts of the subsidiary are consolidated with the Company.

The Company is focused on high-grade precious metal exploration in the mining-friendly western United States. The Company has access to a proprietary target generation software combined with extensive local knowledge to generate new projects. Through its wholly owned subsidiary, CP Holdings Corporation, the Company has acquired a 100% interest, royalty free, in a portfolio of mineral projects in Idaho, Nevada and Oregon that it has staked on federal land. The Company has acquired additional mineral projects through third party agreements and options.

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").

On May 8, 2023, the Company entered into an additional definitive option and earn-in agreement with Newcrest under which Newcrest will have an option to acquire up to a 75% interest in the Company's Lodestar project in Nevada for a cash payment of US $77,759, cumulative earn-in exploration expenditures of $30,000,000, and the completion of a Pre-Feasibility Study which includes a minimum resource of 1.5 million gold or gold equivalent ounces.

Newcrest has completed the minimum expenditure commitment of US$500,000 on the Agate Point project and has elected not to proceed to the Phase I earn-in of 51% interest in Agate Point. Accordingly, Newcrest provided notice to Headwater that it was terminating its option on the project.

As at February 28, 2023, 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), **TJ** (Elko County), and **Lodestar** (Mineral 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.

2. FINANCIAL CONDITION

As at February 28, 2023, 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 $1,033,579 for the year ended February 28, 2023 and, as of that date, the Company had an accumulated deficit of $3,330,373. Included in the net loss is $691,155 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 $4,115,345 at February 28, 2023 (February 28, 2022: $1,903,505).

Cash was $1,247,813 at February 28, 2023 (February 28, 2022: $1,276,891). Restricted cash was $20,005 at February 28, 2023 (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 $3,101,304 (February 28, 2022: $777,291) consists of a $3,000,000 term deposit and of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at $16,804 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $84,500.

Amounts and other receivable of $46,171 at February 28, 2023 (February 28, 2022: $35,619) consist of GST input tax credits, interest receivable and office expense recoveries. Included in this amount is $12,986 (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 $138,869 at February 28, 2023 (February 28, 2022: $45,897) include $46,594 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 $320,873 at February 28, 2023 (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 $166,080 at February 28, 2023 (February 28, 2022: $133,329) consists of a US $17,037 cash 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 $242,839 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 and equipment of $75,172 consists of field equipment, computer equipment, office furniture and equipment and leasehold improvements.

Exploration and evaluation assets of $3,656,154 at February 28, 2023 (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 $296,471 at February 28, 2023 (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 $45,734 (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 were $335,678 at February 28, 2023 (February 28, 2022: $110,400). For the year ended February 28, 2023, interest expense on the lease liabilities was $19,264.

Other liabilities consist of $183,011 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 year ended February 28, 2023 was $1,033,579 and comprehensive loss after cumulative translation adjustment was $1,132,535 or $0.02 per share, compared to a net loss of $3,063,375 and comprehensive loss of $3,092,167 for the year ended February 28, 2022 or $0.07 per share. Net loss for the three months ended February 28, 2023 was $186,352 and comprehensive loss after cumulative translation adjustment was $194,713 or $0.00 per share, compared to a net income of $25,400 and comprehensive income of $50,447 for the three months ended February 28, 2022 or $0.00 per share.

The losses for the years ended February 28, 2023 and 2022 include unrealized loss on investments of $691,155 and $1,502,066 respectively on marketable securities received from the sale of mineral properties. Unrealized gain on investments were $38,849 and $172,002 for the three months ended February 28, 2023 and 2022 respectively.

3.1 Total expenses for the year ended February 28, 2023

Total expenses for the year ended February 28, 2023 were $1,357,538 compared to total expenses of $1,378,931 for the year ended February 28, 2022.

Accounting and audit fees of $88,661 was recorded during the year ended February 28, 2023 compared to $92,941 recorded during the 2022 comparative year.

Accretion of lease liability of $18,997 was recognized during the year ended February 28, 2023 compared to $11,287 recorded during the 2022 comparative year. The Company entered into new office, warehouse and vehicle leases during the most recent financial year.

Employee costs were $524,553 for the year ended February 28, 2023 compared to $740,511 in employee costs recorded in the 2022 comparative year. 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 years ended February 28, 2023 and 2022.

	Year ended February 28, 2023 $	Year ended February 28, 2022 $
Consulting fees	66,189	96,740
Management fees	257,142	205,123
Salaries and benefits	140,321	119,993
Share-based payments	60,901	318,655
	524,553	740,511

Consulting fees include payments for administrative, capital advisory 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 $60,901 for the year ended February 28, 2023 represent stock options granted on October 28, 2022. A further $52,671 in share-based payments was capitalized to exploration and evaluation assets. Share-based payments of $318,655 for the year ended February 28, 2022 represent stock options granted on November 24, 2020 and July 2, 2021 that vested during the comparative year. A further $75,613 in share-based payments was capitalized to exploration and evaluation assets in 2022.

Depreciation expense was $132,743 for the year ended February 28, 2023 (2022: $67,461) and includes $115,561 in depreciation of right-of-use assets (2022: $55,754).

Filing fees were $37,131 for the year ended February 28, 2023 compared to $56,234 in filing fees recorded for the 2022 comparative year. The 2022 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 years ended February 28, 2023 and 2022.

	Year ended February 28, 2023 $	**Year ended February 28, 2022 $**
Annual financial statements	3,173	2,893
CNSX Markets Inc.	11,500	22,750
Listing application	-	12,808
Report of exempt distribution/Form D	4,597	-
Miscellaneous filing fees	77	1,213
OTC Markets Group Inc.	17,784	16,570
	37,131	56,234

General exploration expenses were $106,692 for the year ended February 28, 2023 compared to $97,919 in general exploration expenses recorded for the 2022 comparative year. General exploration expenses include project generation costs.

Investor communication expenses were $207,472 for the year ended February 28, 2023 compared to $160,309 in expenses incurred during the 2022 comparative year. Upon listing on the CSE in June 2021, the Company executed 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 years ended February 28, 2023 and 2022.

	Year ended February 28, 2023 $	**Year ended February 28, 2022 $**
Advertising	72,533	70,064
Market making	60,000	36,725
News releases	8,221	23,688
Shareholder meetings	2,958	-
Trade shows and conferences	60,237	23,586
Transfer agent	2,110	4,528
Website	1,413	1,718
	207,472	160,309

Legal fees were $32,583 for the year ended February 28, 2023 compared to $53,261 in legal fees recorded for the 2022 comparative period that were incurred in connection with the Company's listing application.

Office expenses were $164,858 for the year ended February 28, 2023 compared to $90,441 in expenses recorded for the 2022 comparative year. The following is a breakdown of the Company's office expenses for the years ended February 28, 2023 and 2022.

	Year ended February 28, 2023 $	**Year ended February 28, 2022 $**
Bank charges and interest	4,974	3,881
Charitable contributions	7,881	-
Information technology	15,671	15,870
Insurance	23,205	28,833
Meals and entertainment	22,673	10,131
Office supplies and other	54,447	32,638
Rent expense	32,230	34,830
Rent recovery	-	(40,172)
Telephone	3,777	4,430
	164,858	90,441

Travel expenses were $43,848 for the year ended February 28, 2023 compared to $8,567 in expenses recorded for the 2022 comparative year. Travel was incurred for the purpose of attending trade shows, conferences and meetings.

3.2 Total other income and expenses for the year ended February 28, 2023

Management fee income of $479,665 (2022: $nil) was recorded on Newcrest's qualifying earn-in expenditures during the year ended February 28, 2023.

Rental income of $124,553 (2022: $nil) was recorded for the year ended February 28, 2023 and consists of cost recoveries for right-of-use assets and equipment used by sub-tenants and third parties. During the year ended February 28, 2022, $40,172 in subtenant rent recovery was included in office expenses.

Finance income was $18,536 for the year ended February 28, 2023 compared to $7,969 recorded for the 2022 comparative year and consists of interest earned on term deposits and savings account balances, and cashback rewards on the Company's credit card.

Finance expense of $nil (2022: $6,666) was recorded in connection with surety agent bonding.

Foreign exchange gain of $422,763 recorded during the year ended February 28, 2023 and gain of $112,148 recorded in the 2022 comparative year arose from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Impairment of $29,954 for the year ended February 28, 2023 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 $492,404 for the 2022 comparative year 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 $691,155 recorded during the year ended February 28, 2023 relates to the Company's investments in HMAN and ELVT (2022: loss of $1,502,066).

3.3 Total expenses for the three months ended February 28, 2023

Total expenses for the three months ended February 28, 2023 were $423,380 compared to total expenses of $333,977 for the three months ended February 28, 2022.

Accounting and audit fees of $55,400 was recorded during the three months ended February 28, 2023 and consists of a $63,400 provision for year end audit and tax return preparation less $8,000 in write off of historical accounting fees. Accounting and audit fees of $40,175 was recorded during the three months ended February 28, 2022 and consists of provisions for year end audit and tax return preparation.

Accretion of lease liability of $8,391 was recognized during the three months ended February 28, 2023 compared to accretion expense of $3,312 recorded in the 2022 comparative period. The Company entered into three new leases for office, warehouse and vehicle in 2023.

Employee costs were $171,698 for the three months ended February 28, 2023 compared to $165,426 in employee costs recorded in the 2022 comparative period. Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the three months ended February 28, 2023 and 2022.

	Three months ended February 28, 2023 $	Three months ended February 28, 2022 $
Consulting fees	33,423	9,735
Management fees	103,872	55,164
Salaries and benefits	34,296	38,431
Share-based payments	107	62,096
	171,698	165,426

Consulting fees include payments for administrative, capital advisory 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 expense was $107 for the three months ended February 28, 2023 compared to expenses of $62,096 recorded during the 2022 comparative period that represent stock options granted on July 2, 2021 and vested during the period. A further $12,175 in share-based payments that vested during the three months ended February 28, 2022 was capitalized to mineral properties.

Depreciation expense was $52,357 for the three months ended February 28, 2023 (2022: $22,713) and includes $46,427 in depreciation of right-of-use assets (2022: $18,522).

Filing fees were $11,413 for the three months ended February 28, 2023 compared to $7,426 in filing fees recorded for the 2022 comparative period. The following is a breakdown of the Company's filing fees for the three months ended February 28, 2023 and 2022.

	Three months ended February 28, 2023 $	Three months ended February 28, 2022 $
CNSX Markets Inc.	2,500	3,000
Report of exempt distribution / Form D	4,344	-

Miscellaneous	77	44
OTC Markets Group Inc.	4,492	4,382
	11,413	7,426

General exploration expenses were $26,384 for the three months ended February 28, 2023 compared to $16,734 in general exploration expenses recorded for the 2022 comparative period. General exploration expenses include project generation costs.

Investor communication expenses were $48,542 for the three months ended February 28, 2023 compared to $58,802 in expenses incurred during the 2022 comparative period. The following is a breakdown of the Company's investor communication expenses for the three months ended February 28, 2023 and 2022.

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**
Advertising	24,142	11,852
Market making	15,000	19,500
News releases	823	17,971
Trade shows and conferences	6,879	8,350
Transfer agent	1,270	370
Website	428	759
	48,542	58,802

Legal fees were $7,138 for the three months ended February 28, 2023 compared to $1,752 in legal fees recorded for the 2022 comparative period.

Office expenses were $33,492 for the three months ended February 28, 2023 compared to $15,030 in expenses recorded for the 2022 comparative period. The following is a breakdown of the Company's office expenses for the three months ended February 28, 2023 and 2022.

	Three months ended February 28, 2023 $	**Three months ended February 28, 2022 $**
Bank charges and interest	1,216	949
Charitable contributions	67	-
Information technology	4,259	3,297
Insurance	6,158	5,451
Meals and entertainment	8,899	4,563
Office supplies and expenses	10,291	6,486
Rent expense	2,394	5,785
Rent recovery	-	(12,172)
Telephone	208	671
	33,492	15,030

Travel expenses were $8,565 for the three months ended February 28, 2023 compared to $2,607 in expenses recorded for the 2022 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 February 28, 2023

Management fee income of $92,819 was recorded on Newcrest's qualifying earn-in expenditures during the three months ended February 28, 2023 (2022: $nil).

Rental income of $45,960 recorded for the three months ended February 28, 2023 consists of recoveries for right-of-use assets and equipment used by sub-tenants and third parties. During the three months ended February 28, 2022, $12,000 in subtenant rent recovery was included in office expenses.

Finance income was $11,015 for the three months ended February 28, 2023 compared to $642 recorded for the 2022 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 February 28, 2023 compared to $31 in finance expenses incurred in 2022.

Foreign exchange gain of $49,089 recorded during the three months ended February 28, 2023 and loss of $16,667 recorded in the 2022 comparative period arose from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Impairment of exploration and evaluation assets was $255 for the three months ended February 28, 2023 compared to impairment of $2,279 recorded for the 2022 comparative period.

Unrealized gain on investments of $38,849 recorded during the three months ended February 28, 2023 relate to the Company's investments in HMAN and ELVT (2022: gain of $172,002).

4. CASH FLOWS

The Company is still in the exploration and development stage and as such does not earn any significant revenue from production. Total cash used in operating activities was $349,056 for the year ended February 28, 2023 compared to cash used of $1,160,980 during the 2022 comparative period. The Company incurred net loss of $1,033,579 with adjustments to add back items not involving cash (accretion of office lease liability, depreciation, foreign exchange, unrealized loss on short-term investments, share-based payments and impairment of exploration and evaluation assets) and adjustments for non-cash working capital items (amounts receivable, prepaid expenses and deposits, trade and other payables, taxes payable) to calculate the cash used in operating activities.

Total cash flows used in investing activities was $3,024,101 during the year ended February 28, 2023 and consist of $1,049,489 in expenditures on exploration and evaluation assets, $5,165,494 in Newcrest's earn-in expenditures on exploration and evaluation assets, the receipt of $5,452,934 in cash calls from Newcrest for earn-in expenditures, cash payment of $805,161 from Newcrest for the reimbursement of historical costs pursuant to the earn-in agreements, $3,000,000 in purchase of term deposits, $44,835 in purchase of property and equipment, and $22,738 in reclamation bond deposit.

Cash flows used in investing activities for the 2022 comparative year consisted of $2,284,660 in expenditures on exploration and evaluation assets, $750,000 received from the redemption of term deposits, $57,395 spent on the purchase of equipment, and $131,544 paid in surety bond deposits.

Total cash flows provided by financing activities was $3,320,828 during the year ended February 28, 2023 and consist of $3,531,423 in proceeds from private placements, $10,000 in proceeds from option exercises, less share issuance costs of $85,975 and lease payments of $134,620. Cash used in financing activities during the 2022 comparative period consisted of $182,204 in share issuance costs and $51,425 in lease payments.

5. SELECTED ANNUAL INFORMATION

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

	February 28, 2023 $	February 28, 2022 $	February 28, 2021 $
Total revenue	-	-	-
Net income (loss)	(1,033,579)	(3,063,375)	1,186,599
Comprehensive income (loss)	(1,132,535)	(3,092,167)	1,123,674
Income (loss) per share, basic	(0.02)	(0.07)	0.04
Income (loss) per share, diluted	(0.02)	(0.07)	0.03
Total assets	8,772,441	5,776,794	9,067,976
Total long term liabilities	376,343	32,468	208,331
Cash dividend declared per share	-	-	-

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

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

During the year ended February 28, 2023, the Company realized a net loss of $1,033,579. The Company entered into Earn-In Transactions with Newcrest and its exploration focus during the year was in advancing the earn-in projects and drilling Spring Peak and Agate Point. Depreciation of right of use assets, investor communication, management, office, salaries and benefits and travel expenses increased over the 2022 financial year in support of these activities. These increases are offset by decreases in consulting, legal and share based payments expenses, such that total expenses of $1,357,538 recorded during the 2023 financial year are comparable to the total expenses of $1,378,931 recorded during the previous 2022 financial year. The main factors that contribute to narrowing the net loss in 2023 are $479,665 (2022: $nil) in management fee income earned from Newcrest on earn-in expenditures, $124,553 (2022: $nil) in rental income, foreign exchange gain of $422,763 (2022: $112,148), impairment of E&E assets of $29,954 (2022: $492,404) and unrealized loss on investments of $691,155 (2022: $1,502,066).

Comprehensive income (loss) includes cumulative translation adjustments.

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

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

During the 2023 financial year, the Company completed private placements for gross proceeds of $3,521,423 which contributed towards the increase in total assets over the previous 2022 financial year.

Long term liabilities consist of deferred tax liability ($208,331 at February 28, 2021), lease liability ($193,332 at February 28, 2023 and $32,468 at February 28, 2022) and other liability of cash calls received from Newcrest to be spent by August 2024 ($183,011 at February 28, 2023).

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2022 to February 28, 2023

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 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.

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 securities issued were 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.

Effective October 31, 2022, the Company entered into an exploration lease and option to purchase agreement to lease 90 mining claims (the "Vendor Claims") that comprise a portion of the TJ property for a 30 year term, subject to the Company's right to purchase the Vendor Claims for US $1,500,000, subject to royalties between 1.5% to 2.5% with buyback rights and expenditure commitments. The Company staked an additional 13 mineral claims that comprise the balance of the TJ property.

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.

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.

On February 8, 2023, the Company issued 100,000 common shares priced at $0.10 for gross proceeds of $10,000 pursuant to a stock option exercise.

On February 15, 2023, the Company completed a non-brokered private placement (the "Offering") to raise gross proceeds of $2,660,000 through the sale of 7,000,000 units of the Company (the "Units") priced at $0.38 per Unit. Each Unit consists of one common share and one half of a share purchase warrant, with each whole warrant exercisable into one further common share at a price of $0.55 for a two year term. Finders' fees of $55,085 and 144,960 broker warrants exercisable at $0.55 for a two year term were paid on a portion of the Offering. All securities issued were restricted from trading until June 16, 2023. Newcrest exercised its participation right and purchased 705,000 Units to maintain its pro-rata 9.9% equity interest in the Company.

On February 15, 2023, the Company entered into an exploration lease and option to purchase agreement to lease 12 unpatented mining claims (the "Vendor Claims") that comprise a portion of the Lodestar property for a 30 year term, subject to the Company's right to purchase the Vendor Claims for US $1,500,000, subject to 3% royalty with buyback rights and expenditure commitments. The Company staked an additional 121 mineral claims that comprise the balance of the Lodestar property.

6.2 Period from March 1, 2023 to Date of this Report

On March 2, 2023, the Company announced the remainder of the assay results from the Spring Peak exploration drilling program completed in late 2022. Drilling at the Disco Zone has confirmed the presence of multiple high-grade epithermal veins within a broader mineralized envelope. Mineralization remains open at depth and along strike. Drill hole SP22-11 intercepted 43.7 g/t Au over 0.63 m within a broader interval of 40.63 m grading 1.86 g/t Au. Drill hole SP22-12 intercepted 23.5 g/t Au over 0.33 m within a broader interval of 42.61 m grading 0.94 g/t Au. A new high-grade epithermal vein has been discovered located approximately 900 m west of the Disco Zone in the Opal Ridge target area. RC scout hole SP22-14 intercepted 16.4 g/t Au over 1.52 m within a broader interval of 10.67 m grading 2.73 g/t Au. The Company also completed additional claim staking, resulting in an approximately 30% increase in the Spring Peak project land position, covering several newly identified areas the Company considers prospective for epithermal veins.

On March 17, 2023, the Company granted 550,000 incentive stock options to a director, officer, employees and consultants of the Company. Each option is exercisable to purchase one common share of the Company at a price of $0.38 for a five-year term. The options vested immediately.

On April 12, 2023, the Company issued 100,000 common shares priced at $0.27 for gross proceeds of $27,000 pursuant to a stock option exercise.

On May 8, 2023, the Company entered into an additional definitive option and earn-in agreement with Newcrest under which Newcrest will have an option to acquire up to a 75% interest in the Company's Lodestar project in Nevada for a cash payment of US $77,759, cumulative earn-in exploration expenditures of $30,000,000, and the completion of a Pre-Feasibility Study which includes a minimum resource of 1.5 million gold or gold equivalent ounces.

On May 8, 2023, Newcrest provided notice to the Company that it was terminating its option on the Agate Point project after having completed the minimum expenditure commitment of US$500,000 on the project and electing not to proceed to the Phase I earn-in of 51% interest in Agate Point.

On June 6, 2023, the Company entered into an exploration lease and option to purchase agreement with the owner of certain surface estate fee lands within the Midas North project boundaries to lease the lands for a 30 year term, subject to the Company's right to purchase the Property for US $900,000.

7. EXPLORATION AND EVALUATION ACTIVITIES

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 $3,656,154 as at February 28, 2023 (February 28, 2022 - $3,361,924).

Total costs incurred on exploration and evaluation assets for the years ended February 28, 2023 and 2022 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Total $
Acquisition costs				
Balance, February 28, 2021	332,455	256,553	195,600	784,608
Additions	85,516	299,570	57,569	442,655
Impairment	-	(93,448)	(8,267)	(101,715)
Foreign exchange	1,815	3,226	1,385	6,426
Balance, February 28, 2022	419,786	465,901	246,287	1,131,974
Additions	100,332	757,910	205,226	1,063,468
Management fee	-	54,917	11,984	66,811
Recovery from third party earn-in	-	(604,075)	(130,824)	(734,899)
Impairment	-	-	(20,129)	(20,129)
Option of property	-	(276,516)	(74,206)	(350,722)
Foreign exchange	30,950	34,986	21,346	87,282
Balance, February 28, 2023	551,068	433,123	259,594	1,243,785
Exploration costs				
Balance, February 28, 2021	182,951	163,197	320,395	666,543
Additions				
Administration	21,145	34,409	23,351	78,905
Drilling	19,299	526,493	717,914	1,263,706
Geology	126,393	203,412	192,080	521,885
Mapping, sampling, geochem	8,411	29,289	-	37,700
Technical review	8,294	13,606	9,061	30,961
	183,542	807,209	942,406	1,933,157
Impairment	-	(370,821)	(19,868)	(390,689)
Foreign exchange	2,308	8,320	10,311	20,939
Balance, February 28, 2022	368,801	607,905	1,253,244	2,229,950
Additions				
Administration	6,801	66,808	23,866	97,475
Drilling	8,162	2,862,265	55,801	2,926,228

Geology	57,989	891,298	296,532	1,245,819
Mapping, sampling, geochem	124	348,722	21,996	370,842
Safety & social performance	-	17,836	2,947	20,783
Technical review	6,659	25,948	7,397	40,004
Management fee	-	397,639	24,014	421,653
	79,735	4,610,516	432,553	5,122,804
Recovery from third party earn-in	-	(4,374,012)	(264,158)	(4,638,170)
Option of property	-	(476,079)	-	(476,079)
Foreign exchange	30,474	46,359	97,031	173,864
Balance, February 28, 2023	479,010	414,689	1,518,670	2,412,369
Total acquisition costs and exploration expenditures				
February 28, 2022	788,587	1,073,806	1,499,531	3,361,924
February 28, 2023	1,030,078	847,812	1,778,264	3,656,154

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 February 28, 2023, Newcrest has advanced US $4,151,453 (CAD $5,649,713) in cash to fund the minimum commitment earn-in expenditures for which US $4,016,974 (CAD $5,466,700) in expenditures have been incurred.

Subsequent to year end, on May 8, 2023, the Company entered into an option and earn-in agreement with Newcrest under which Newcrest will have an option to acquire up to a 75% interest in the Company's Lodestar project in Nevada for a cash payment of US $77,759, guaranteed minimum expenditures of US $2,000,000 over a 24 month period, and the balance of the terms are identical to the Earn-In Agreement for the Midas North project.

Subsequent to year end, on May 8, 2023, Newcrest elected not to proceed to the Stage 1 earn-in of 51% interest in Agate Point and accordingly provided notice to the Company that it was terminating its option on the Agate Point project.

OREGON PROJECTS

7.2 Katey (Malheur County, Oregon)

The Company owns a 100% interest in the Katey property, which it acquired by way of staking federal land. During the year ended February 28, 2023, the Company expended $65,928 in acquisition costs (2022 - $20,518) and $135,766 in exploration costs (2022 - $396,556) on Katey. As at February 28, 2023, total acquisition and exploration expenditures recorded on Katey was $873,165 (2022 - $617,635).

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. 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.

2023 Work Program – Katey

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.

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.

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. 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. 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.

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 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).

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.

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.

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. 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. 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. 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.

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 February 28, 2023, Newcrest has advanced US $1,121,579 (CAD $1,526,357) towards the Minimum Commitment and incurred US $298,332 (CAD $406,000) 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 February 28, 2023, total acquisition and exploration expenditures recorded on Mahogany was $834,227 (2022 - $820,414).

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. An approximately 2,000 m mixed diamond and RC drill program is planned for 2023 to test high-priority exploration targets on the property.

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 year ended February 28, 2023. During the year ended February 28, 2023, the Company expended $899 (2022 - $6,370) in acquisition costs and $9,439 (2022 - $25,733) in exploration costs on the Hot Tub property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Hot Tub were $55,658 (2022 - $61,482).

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 year ended February 28, 2023, the Company expended $14,016 (2022 - $nil) in acquisition costs and $274 (2022 - $nil) in exploration costs on the Bannock property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Bannock were $15,214 (2022 - $nil).

IDAHO PROJECTS

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 year ended February 28, 2023, the Company expended $6,439 in acquisition costs (2022 - $6,178) and $13,769 in exploration costs (2022 - $27,694) on the Matador property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Matador were $197,448 (2022 - $165,852).

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 year ended February 28, 2023, the Company expended $6,652 in acquisition costs (2022 - $6,383) and $11,564 in exploration costs (2022 - $29,418) on the Opaline Gulch property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Opaline Gulch were $212,447 (2022 - $182,306).

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 year ended February 28, 2023, the Company expended $56,743 in acquisition costs (2022 - $72,955) and $52,922 in exploration costs (2022 - $126,430) on the Crane Creek property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Crane Creek were $586,560 (2022 - $440,429).

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 year ended February 28, 2023, the Company expended $30,498 in acquisition costs (2022 - $nil) and $1,480 in exploration costs (2022 - $nil) on the Flint property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Flint were $33,623 (2022 - $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.*

NEVADA PROJECTS

7.10 Agate Point (Humboldt County, Nevada)

The Company owns a 100% interest in the Agate Point property. Newcrest held an option to acquire 75% of the project following certain expenditures and preparation of a Pre-Feasibility Study within a designated timeframe, but terminated its option on the project on May 8, 2023 after having completed its US$500,000 Minimum Commitment.

As at February 28, 2023, Newcrest has advanced US $518,967 (CAD $706,262) towards the Minimum Commitment and incurred US $561,792 (CAD $764,543) 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 February 28, 2023, total acquisition and exploration expenditures recorded on Agate Point was $165,967 (2022 - $184,031).

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. No significant precious metals intercepts were encountered. Four separate structural targets were tested beneath a large 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 associated with weakly anomalous gold values and highly anomalous epithermal pathfinder geochemistry.

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 year ended February 28, 2023, the Company expended $12,092 in acquisition costs (2022 - $8,178) and $18,611 in exploration costs (2022 - $24,415) on the Long Valley property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Long Valley were $150,386 (2022 - $109,858).

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 year ended February 28, 2023, the Company expended $11,561 in acquisition costs (2022 - $23,534) and $11,038 in exploration costs (2022 - $25,954) on the Dome Hill property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Dome Hill were $138,616 (2022 - $107,003).

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 February 28, 2023, Newcrest has advanced US $845,194 (CAD$1,150,225) towards the Minimum Commitment and incurred US $706,314 (CAD$961,223) 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 February 28, 2023, total acquisition and exploration expenditures recorded on Midas North were $209,980 (2022 - $239,008).

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.

2023 Work Plan

An multi-rig, mixed reverse circulation and diamond core drill program has been planned and is currently scheduled to commence in August 2023. Authorization for drilling has been granted by the Bureau of Land Management and drill contracts are in place. The initial Midas North drilling is projected to consist of an initial 8 to 12 holes with drill depths ranging from 250 metres to 400 metres. This program will represent the first known exploration drilling campaign within the Midas North land position.

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 February 28, 2023, Newcrest has advanced US $1,665,713 (CAD $2,266,869) towards the Minimum Commitment and incurred US $2,450,536 (CAD $3,334,934) 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 February 28, 2023, total acquisition and exploration expenditures recorded on Spring Peak were $8,563 (2022 - $433,906).

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.

<u>2021 Work Plan – Spring Peak</u>

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.

<u>2022 Work Plan – Spring Peak</u>

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 diamond core and RC drilling to complete 3,173 metres of drilling prior to the winter shut-down. The program consisted of 993 metres of core drilling, 1,076 metres of RC pre-collars and 1,104 metres of RC exploration drilling.

The Disco Zone was the highest priority target of the program and was intersected with oriented diamond core in four holes designed to test for high-grade veins. 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. The four holes that intersected the target structure were drilled on a single fence with mineralization open down-dip and along strike. Within the Disco Zone, holes SP22-07, SP22-11, SP22-12 and SP22-13 intersected multiple discrete veins with textures indicative of boiling, including ginguro banding, silica replacement of lattice-bladed calcite and vein sediments. With the exception of SP22-07, all of these holes intersected veins grading over 15 g/t Au (Table 2). SP22-07 also intercepted abundant epithermal quartz veins. Headwater geologists believe the lack of high-grade gold in this hole is attributable to the shallow depth at which it penetrated the target structure, and represents lower-grade mineralization above the boiling zone, which is the target zone within an epithermal system typically associated with high-grade precious metals.

The high-grade veins in holes SP22-11, SP22-12, and SP22-13 (Table 2) occur within a broader mineralized envelope which contains additional veins and breccia intervals characterized by fine-grained silica-sulfide flooding and argillic alteration. Vein thicknesses and grade both appear to increase with depth. The opaque, fine-grained character of silica within the veins, along with the absence of coarse crystalline quartz textures, implies that drilling may not have reached the base of the boiling horizon, with good potential for extending mineralization at depth.

Diamond drill hole SP22-11 is a core twin of RC hole SP21-03, which was the initial Headwater discovery hole at Spring Peak. SP21-03 intercepted 38.1 m of 1.0 g/t Au but did not contain any individual samples over 5 g/t Au. Twin core hole SP22-11 intersected 43.7 g/t Au over a drilled thickness of 0.58 m within a brecciated vein interval, indicating that while RC drilling is a useful early-stage exploration tool, the potential exists for under-representing narrow high-grade structures.

Drill hole SP22-10 is also located in the Disco Zone target area, approximately 150 metres northeast along strike of the primary drill fence. This hole was an RC pre-collar drilled to a depth of 201.17 m but inclement weather precluded the completion of the hole through the target zone with core. Although this hole did not penetrate the target structure as modelled, it did intersect 0.53 g/t Au over 36.58 m near the bottom of the pre-collar, indicating that Disco Zone mineralization persists to the northeast along strike, presenting a logical starting point for follow-up core drilling in the coming field season.

An additional five drill holes tested a variety of targets elsewhere on the property. All holes encountered epithermal alteration and veining including RC scout hole SP22-14 which intersected a new high-grade vein at the Opal Ridge target which assayed 16.4 g/t Au over a drilled thickness of 1.52 m, within a broader zone of 2.70 g/t Au over 10.67 m. Banded quartz vein material with fine-grained sulfide stringers was observed within this interval. The Company believes this intersection represents a new high-grade vein discovery on the project. The target vein system at Opal Ridge remains open along strike and down dip.

Table 2: Drill Results from Headwater's 2022 Spring Peak drilling program[6]

Hole ID	Type	From (m)	To (m)	Interval (m)	Au Grade (g/t)	Ag Grade (g/t)	Az	Inc	TD (m)	Comments
SP22-06C	*DD*	400.99	404.20	3.21	0.64	1.69	0	-48	429.77	
and	*DD*	418.73	419.50	0.77	1.16	4.95				
SP22-07	*DD*	175.87	190.65	14.78	0.93	11.37	330	-45	374.75	
	DD	198.18	202.60	4.42	1.12	3.00				
SP22-10	*RC*	161.54	198.12	36.58	0.53	2.82	315	-58	201.17	Pre-collar only, core completion pending.
SP22-11	*RC*	105.16	117.35	12.19	1.15	3.79	330	-62	237.74	True thickness is estimated at 75% of the reported downhole thickness.
including	*RC*	111.25	112.78	1.53	6.58	18.44				
and	*DD*	185.38	226.01	40.63	1.86	18.63				
including	*DD*	197.39	198.18	0.79	7.37	55.81				
including	*DD*	208.33	208.91	0.58	43.70	351.00				
SP22-12	*RC*	114.30	126.49	12.19	0.53	1.30	330	-68	271.27	Significant zones of poor core recovery were experienced through the mineralized interval. True thickness is estimated at 70% of the reported downhole thickness.
and	*DD*	205.59	248.20	42.61	0.94	8.91				
including	*DD*	211.96	212.29	0.33	23.50	64.19				
including	*DD*	235.18	236.83	1.65	4.28	66.13				
SP22-13	*RC*	108.20	134.11	25.91	0.38	2.17	330	-72	315.47	True thickness is estimated at 60% of the reported downhole thickness. Previously reported RC results. Highest individual sample 69.6 g/t Au over 0.34 m from 275.90 m to 276.24 m.
and	*DD*	256.12	290.84	34.72	2.73	18.38				
including	*DD*	262.46	264.47	2.01	10.43	55.35				
including	*DD*	275.26	277.64	2.38	15.92	90.83				
SP22-14	*RC*	169.16	179.83	10.67	2.70	1.94	246	-46	297.18	Hole ended in 0.90 g/t Au over 3.05 m.
including	*RC*	170.69	172.21	1.52	16.40	4.43				
and	*RC*	231.65	245.36	13.71	0.50	4.09				
and	*RC*	294.13	297.18	3.05	0.90	4.03				

[6]*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. Unless otherwise stated in the "Comments" field, insufficient information is available to determine true thickness of mineralized intervals.*

2023 Work Plan – Spring Peak

A large multi-rig drill program is currently has been designed and expected to begin in the third quarter of 2023. The primary objective of the drill program will be to further define and expand the Disco Zone along strike and down dip at approximate 50 m increments. Several drill pads are fully permitted and already constructed to facilitate testing of the Disco Zone over an initial strike length of approximately 750 metres.

Several diamond core holes have also been designed to test the potential of the newly discovered Opal Ridge Zone at depth below relatively shallow high-grade mineralization encountered in RC drill hole SP22-14.

CSAMT resistivity geophysics has proven to be a very useful tool in targeting high-grade mineralization at the Spring Peak project. Existing CSAMT resistivity profiles along the length of the Disco Zone target show a consistent resistivity break similar to the CSAMT break associated with high-grade mineralization on the primary 2022 drill fence. An expanded CSAMT program is being planned to extend the footprint of coverage throughout the property to allow for additional vein targeting. Shallow post-mineral cover persists over much of the eastern project area and CSAMT will be the primary means for targeting additional veins at depth here.

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 year ended February 28, 2023, the Company expended $79,767 in acquisition costs (2022 - $nil) and $968 in exploration costs (2022 - $nil) on the TJ property. As at February 28, 2023, total acquisition and exploration expenditures recorded on TJ were $81,485 (2022 - $nil).

About the TJ Project

The TJ project is located on BLM land in an underexplored area of northeastern Elko County, Nevada.

Indications of a fully preserved epithermal system at TJ include a thick and laterally extensive accumulation of silica sinter, and other alteration features. Alteration is localized along a series of steeply inclined faults within a graben partially filled by silicified, Miocene-age sedimentary rocks. The graben is bounded and underlain by granitic basement rocks which also host gold mineralization.

Historic exploration at the property consisted of limited geologic mapping, surface rock chip and soil sampling, various geophysical surveys, and several shallow RC holes. Significant gold and silver anomalies in historic soil samples include up to 679 ppb Au reported for a sample collected near the sinter exposure and 309 ppb Au in an area of anomalous soil geochemistry to the south. This area of anomalous soil geochemistry aligns with mapped north-trending faults along the main structural corridor and coincides with widespread silicification and clay alteration.

Shallow RC drilling on the property by Kennecott and Challenger Gold between 1988 and 1992 was apparently designed to test for a shallow, near-surface bulk-tonnage type deposit. Historical drilling records are incomplete but indicate the majority of holes were vertical and drilled to depths of less than 150 metres.

The deepest known hole within the main sinter area ended approximately 150 metres vertically below the sinter in low-grade gold, including 38.1 metres of 0.1 g/t Au.

2023 Work Plan – TJ

The Company plans to employ an exploration strategy at TJ consistent with other early-stage projects in the Company's portfolio. Headwater geologists believe the relatively simple structural setting of the property presents several potential targets for feeder structures which will be further refined using a combination of geologic mapping, surface geochemistry, and geophysics. The Company plans to complete a controlled-source audio-frequency magnetotelluric ("CSAMT") resistivity survey totaling 8 line-kilometres on 200 metre spaced profiles to estimate the depth to basement rock and identify high-resistivity targets at depth, which may correlate to structurally controlled zones of intense silicification and veining. In addition to the CSAMT survey, detailed geologic mapping and rock chip sampling will be completed to help vector within the alteration cell and potentially further expand the footprint of the system.

7.16 Lodestar (Mineral County, Nevada)

The Lodestar property is comprised of 121 mineral claims totalling 1,012 hectares that the Company staked and a mining lease of 12 mineral claims (the "Vendor Claims") totalling 100 hectares located in Mineral County, Nevada. The mining lease contains annual minimum payments from US $20,000 to US $50,000 over a 30 year term, a work commitment of US $50,000 to be completed before the first anniversary of the effective date and US $250,000 within twelve months after the US Forest Service approves the Company's notice of intent or plan of operations which authorizes exploration drilling on the Vendor Claims, and an NSR royalty of 3.0% 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 year ended February 28, 2023, the Company expended $89,719 in acquisition costs (2022 - $nil) and $2,264 in exploration costs (2022 - $nil) on the Lodestar property. As at February 28, 2023, total acquisition and exploration expenditures recorded on Lodestar were $92,815 (2022 - $nil).

Subsequent to year end, on May 8, 2023, the Company entered into an option and earn-in agreement with Newcrest under which Newcrest will have an option to acquire up to a 75% interest in the Company's Lodestar project for a cash payment of US $77,759, guaranteed minimum expenditures of US $2,000,000 over a 24 month period, cumulative earn-in exploration expenditures of US $30,000,000, and the completion of a Pre-Feasibility Study which includes a minimum resource of 1.5 million gold or gold equivalent ounces.

About the Lodestar Project

The Lodestar project is located in the Aurora Mining District of west-central Nevada and adjoins Hecla's past-producing Aurora mine complex, where existing infrastructure includes a 350 ton per day mill, several production water wells and high-voltage, three-phase power. The project is located north of the Company's Spring Peak project, where Headwater recently announced the new Disco and Opal Ridge high-grade discoveries (news release dated March 2, 2023).

Historic exploration at the project focused on surface rock chip sampling of the prominent silicified ridgeline at the core of the project, sampling of a short historic adit and the completion of several shallow drill holes in this immediate area. Drilling completed on the project by Echo Bay Exploration and Borealis Exploration in the 1980's reportedly consisted of four shallow drill holes immediately adjacent to the silicified ridgeline, designed to test for near-surface bulk-tonnage type mineralization. Headwater has obtained assays but not the exact collar and survey information for these historic holes, the deepest of which reached a maximum total depth of 91.44 metres and contained a 10.67 m interval grading 0.29 g/t Au. The Company interprets the anomalous gold observed in the historic drilling above the interpreted epithermal boiling zone to be a positive indicator for precious metal bearing structural feeders at depth, which remain untested.

2023 Work Plan – Lodestar

The exploration model that the Company intends to deploy at Lodestar is similar to that used at the Company's nearby Spring Peak project. A combination of geological mapping, surface sampling and geophysics will be utilized to further define the highest-priority targets to test for high-grade epithermal vein mineralization in interpreted structural feeder zones below and adjacent to the outcropping alteration.

The Company is planning a CSAMT resistivity survey to identify high-resistivity targets at depth and explore beneath the exposed epithermal alteration as well as the shallow, young volcanic cover that blankets most of the project masking the underlying prospective geology. Concurrently, the Company intends to complete a soil sampling program. Detailed geologic mapping and infill rock chip sampling focused on the core area of exposed alteration will also be completed with the aid of high-resolution drone imagery and a digital surface model. The results of this preliminary work will be used to design a potential maiden drill campaign at the project.

7.17 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

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

	Q4 Feb 28, 2023 $	Q3 Nov 30, 2022 $	Q2 Aug 31, 2022 $	Q1 May 31, 2022 $
Total revenue	-	-	-	-
Net income (loss) for the period	(186,352)	(7,693)	(153,842)	(685,692)
Comprehensive income (loss) for the period	(194,713)	(47,592)	(211,195)	(679,035)
Net income (loss) per share, basic	(0.003)	(0.000)	(0.003)	(0.014)
Net income (loss) per share, diluted	(0.003)	(0.000)	(0.003)	(0.014)

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

8.1 Total Revenue

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

8.2 Earnings (Loss) for the Period

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

	Q4 Feb 28, 2023 $	Q3 Nov 30, 2022 $	Q2 Aug 31, 2022 $	Q1 May 31, 2022 $
Expenses				
Accounting and audit	55,400	11,616	21,328	317
Accretion of lease liability	8,391	5,146	3,049	2,411
Depreciation	52,357	35,710	24,458	20,218
Employee costs	171,698	157,469	96,092	99,294
Filing fees	11,413	7,492	10,844	7,382
General exploration	26,384	21,594	43,713	15,001
Investor communication	48,542	66,589	53,990	38,351
Legal	7,138	16,933	3,937	4,575
Office	33,492	61,475	34,398	35,493
Travel	8,565	12,320	12,457	10,506
Total expenses	(423,380)	(396,344)	(304,266)	(233,548)
Other items				
Management fee income	92,819	299,212	87,634	-
Rental income	45,960	34,274	44,319	-
Finance income	11,015	6,029	986	506
Finance expense	-	-	2,542	(2,542)
Foreign exchange	49,089	184,682	212,104	(23,112)
Unrealized gain (loss) on investments	38,849	(133,122)	(177,119)	(419,763)
Impairment	(255)	(2,424)	(20,042)	(7,233)
Loss on disposal of equipment	(449)	-	-	-
	237,028	388,651	150,424	(452,144)
Income (loss) before tax	(186,352)	(7,693)	(153,842)	(685,692)
Income tax recovery (expense)	-	-	-	-
Deferred income tax recovery	-	-	-	-
Net income (loss) for the period	(186,352)	(7,693)	(153,842)	(685,692)

	Q4 Feb 28, 2022 $	Q3 Nov 30, 2021 $	Q2 Aug 31, 2021 $	Q1 May 31, 2021 $
Expenses				
Accounting and audit	40,175	51,648	17	1,101
Accretion of lease liability	3,312	3,188	3,590	1,197
Depreciation	22,713	20,112	24,278	358
Employee costs	165,426	242,479	203,090	129,516
Filing fees	7,426	7,382	12,951	28,475
General exploration	16,734	7,836	12,728	60,621
Investor communication	58,802	50,570	45,145	5,792
Legal	1,752	(4,173)	11,489	44,193
Office	15,030	19,190	13,129	43,092

Travel	2,607	5,931	10	19
Total expenses	(333,977)	(404,163)	(326,427)	(314,364)
Other items				
Finance income	642	1,405	2,386	3,536
Finance expense	(31)	(1,782)	(4,853)	-
Foreign exchange	(16,667)	72,876	81,877	(25,938)
Unrealized gain (loss) on investments	172,002	(193,968)	(423,850)	(1,056,250)
Impairment	(2,279)	(426,367)	(63,758)	-
Loss on sale of investments	(39)	(29)	(8,340)	-
	153,628	(547,865)	(416,538)	(1,078,652)
Income (loss) before tax	(180,349)	(952,028)	(742,965)	(1,393,016)
Income tax recovery (expense)	(3)	8,084	(14)	(8,836)
Deferred income tax recovery	205,752	-	-	-
Net income (loss) for the period	25,400	(943,944)	(742,979)	(1,401,852)

8.3 Total Expenses

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

Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments expense. An aggregate $318,655 in share-based payments expense was recorded across 2022 compared to $60,901 in share-based payments expense recorded during the 2023 financial year.

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

General exploration includes project generation expenditures.

Investor communication expenses consist of expenditures on advertising, promotional materials, trade shows and conferences and website maintenance to raise the profile of the Company and communicate with its shareholders. Corporate travel and meals and entertainment expenses included in office complement investor relations activities.

Office expenses were lower in the 2022 financial year due to the inclusion of an aggregate $40,172 in office sublease rent recovery.

8.4 Other Items

The most significant contribution to the quarterly variance in earnings arises from other income and expenses. Management fee income under the Newcrest earn-in agreements was earned in the second to fourth quarters of 2023, as was rental income from office subleases and equipment rental. Gains and losses from foreign exchange transactions and unrealized gains and losses on investments also saw variability throughout the eight quarters. Impairment of exploration and evaluation assets of $63,758 was recorded in 2022 Q2 on the Birch Creek, Midas North and Long Valley projects; 2022 Q3 impairment was recorded on the Highland project; and 2023 Q2 impairment was recorded on the Hot Tub property.

9. LIQUIDITY

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

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

Cash was $1,247,813 at February 28, 2023 (February 28, 2022: $1,276,891). Restricted cash was $20,005 at February 28, 2023 (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 of $3,101,304 consist of $3,000,000 in term deposits and 90,833 common shares of Elevation Gold Mining Corp. valued at $16,804 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $84,500.

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 $438,817 at February 28, 2023 compared to $237,223 at February 28, 2022. Current liabilities consist of trade and other payables and lease liabilities.

Working capital surplus was $4,115,345 at February 28, 2023 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 February 28, 2023, the Company can meet its administrative financial obligations as they become payable in the current fiscal year, fund its planned exploration programs on its 100% owned mineral projects, and the exploration programs on the Midas North, Spring Peak, Lodestar 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:

	2023 **$**	**2022** **$**
Short-term employee benefits and director fees	559,757	375,883
Share-based payments	39,618	264,054
	599,375	639,937

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, the company controlled by the President received 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. Effective January 1, 2023, the Company entered into a new Management Agreement with the company controlled by the President for compensation of a monthly fee of US $14,500; a performance bonus of US $40,000; and the same provisions for severance. During the year ended February 28, 2023, the Company paid $261,387 (2022: $195,462) in fees to the company controlled by the President.

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, the company controlled by the Chairman will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the Chairman resigns within 12 months following a change of control. During the year ended February 28, 2023, the Company paid $70,000 (2022: $62,303) in fees to the company controlled by the Chairman.

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 two months of compensation in the event the Company terminates the Agreement without cause and 24 months of compensation in the event the Company terminates the Agreement without cause or the CFO resigns within 12 months following a change of control. During the year ended February 28, 2023, the Company paid $78,000 (2022: $70,119) 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 year ended February 28, 2023, the Company paid $102,371 (2022: $nil) in fees to the VPX.

During the year ended February 28, 2023, the Company recorded $48,000 (2022: $48,000) in director fees payable to three directors as follows: Graeme Currie - $12,000; Tero Kosonen - $24,000; and Wendell Zerb - $12,000.

12.2 Due to Related Parties

As at February 28, 2023, the Company has $45,734 (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 February 28, 2023 the Company has $12,986 (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 Rental Income

During the year ended February 28, 2023, the Company charged office rent of $39,000 (2022: $25,000) to companies with common directors.

12.5 Exploration Expenses

During the year ended February 28, 2023, the Company received $86,560 in exploration services and equipment rentals from a company with common directors and paid a deposit of $14,777 for exploration services to be completed.

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 February 28, 2023, 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 $4,115,345 as at February 28, 2023 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 15 of the consolidated 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 June 26, 2023, the Company has 62,214,115 common shares issued and outstanding.

As at June 26, 2023, the Company has 5,850,000 stock options outstanding.

As at June 26, 2023, the Company has 3,644,960 warrants outstanding.

As at June 26, 2023, the Company held 6,026,753 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 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, the anticipated business plans and timing of future activities of the Company, 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, 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 "pro forma", "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 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 earn-in 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, 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 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. In addition, on May 14, 2023 Newcrest and Newmont Corporation ("Newmont") entered into a binding scheme implementation deed in relation to a proposal for Newmont to acquire 100% of the issued shares in Newcrest by way of an Australian scheme of arrangement. If the proposed merger receives shareholder and regulatory approval and is completed within the budget period outlined above, there is no certainty that the new combined entity will commit to the contemplated exploration activities approved by Newcrest. 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 exploration plans laid out in this Management's Discussion and Analysis are subject to change at any time. 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