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## **HEADWATER GOLD INC.**

### **INTERIM MD&A – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MAY 31, 2023**

The following interim MD&A – Quarterly Highlights of the financial position of Headwater Gold Inc. (“the Company”) and results of operations of the Company should be read in conjunction with the unaudited condensed consolidated interim financial statements including the notes thereto for the period ending May 31, 2023 and the audited financial statements for the year ending February 28, 2023.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These statements, together with the following interim MD&A – Quarterly Highlights dated July 28, 2023 (“Report Date”), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the interim MD&A – quarterly highlights may contain forward-looking statements.

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

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

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **1. CORE BUSINESS**

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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.

Pursuant to four separate definitive option and earn-in agreements (each, an “Earn-In Agreement”) with a wholly-owned subsidiary of Newcrest Mining Limited (“Newcrest”) 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. Effective May 8, 2023, Newcrest terminated the option to acquire an interest in the Agate Point project after having completed US \$500,000 in minimum expenditure commitment on the project.

Pursuant to a definitive option and earn-in agreement with Newcrest dated May 8, 2023, 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 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.

Additionally, Newcrest has agreed to acquire a 9.9% equity interest in the Company through a non-brokered private placement of common shares that closed on August 30, 2022 and Newcrest maintained its 9.9% equity interest by participating in a subsequent financing completed on February 15, 2023.

As at May 31, 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.

## **2. FINANCIAL CONDITION**

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As at May 31, 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 \$343,302 for the three months ended May 31, 2023 and, as of that date, the Company had an accumulated deficit of \$3,673,675. 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 \$9,288,889 at May 31, 2023 (February 28, 2023: \$4,115,345). The Company has a commitment to spend \$5,464,265 in funds advanced by Newcrest on qualifying earn-in expenditures by August 15, 2024.

Cash was \$5,497,392 at May 31, 2023 (February 28, 2023: \$1,247,813). Restricted cash was \$20,005 at May 31, 2023 (February 28, 2023: \$20,005) 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 \$2,967,775 (February 28, 2023: \$3,101,304) consists of a \$2,895,000 term deposit and of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at \$13,625 and 845,000 common shares of Huntsman Exploration Inc. valued at \$59,150.

Amounts and other receivable of \$480,468 at May 31, 2023 (February 28, 2023: \$46,171) consist of \$431,660 in management fees receivable from Newcrest, GST input tax credits, interest receivable and office expense recoveries. Included in this amount is \$8,756 (February 28, 2023: \$12,986) in amounts receivable from companies with common directors for rent and office overhead expense recoveries.

Prepaid expenses and deposits of \$714,466 at May 31, 2023 (February 28, 2023: \$138,869) include \$594,929 in deposits for drilling, surveys and other 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 \$274,730 at May 31, 2023 (February 28, 2023: \$320,873). 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 \$166,007 at May 31, 2023 (February 28, 2023: \$166,080) 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 \$73,264 at May 31, 2023 (February 28, 2023: \$75,172) consists of field equipment, computer equipment, office furniture and equipment and leasehold improvements.

Exploration and evaluation assets of \$3,605,993 at May 31, 2023 (February 28, 2023: \$3,656,154) 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 \$268,002 at May 31, 2023 (February 28, 2023: \$296,471). Trade and other payables are unsecured and are usually paid within 30 days of recognition. Included in trade and other payables is \$50,117 (February 28, 2023: \$45,734) 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 \$287,270 at May 31, 2023 (February 28, 2023: \$335,678). For the three months ended May 31, 2023, interest expense on the lease liabilities was \$7,147.

Other liabilities consist of \$5,464,265 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 three months ended May 31, 2023 was \$343,302 and comprehensive loss after cumulative translation adjustment was \$342,695 or \$0.01 per share, compared to a net loss of \$685,692 and comprehensive loss of \$679,035 for the three months ended May 31, 2022 or \$0.01 per share. The loss for the three months ended May 31, 2022 includes unrealized loss on investments of \$419,763 on marketable securities received from the sale of mineral properties.

#### **3.1 Total expenses for the three months ended May 31, 2023**

Total expenses for the three months ended May 31, 2023 were \$465,912 compared to total expenses of \$233,548 for the three months ended May 31, 2022.

Accretion of lease liability of \$7,147 was recognized during the three months ended May 31, 2023 compared to accretion expense of \$2,411 recorded in the 2022 comparative period. The Company entered into three new leases for office, warehouse and vehicle during the latter half of 2022.

Employee costs were \$255,922 for the three months ended May 31, 2023 compared to \$99,294 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 May 31, 2023 and 2022.

	<b>Three months ended May 31, 2023</b>	<b>Three months ended May 31, 2022</b>
	\$	\$
Consulting fees	36,128	10,181
Management fees	52,417	52,879
Salaries and benefits	34,580	36,234
Share-based payments	132,797	-
	<u>255,922</u>	<u>99,294</u>

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 \$132,797 for the three months ended May 31, 2023 compared to expenses of \$nil recorded during the 2022 comparative period. During the current period, the Company

granted 550,000 stock options exercisable at \$0.38 per share until March 16, 2028. A further \$6,324 in share-based payments was capitalized to mineral properties.

Depreciation expense was \$52,332 for the three months ended May 31, 2023 (2022: \$20,218) and includes \$45,939 in depreciation of right-of-use assets (2022: \$16,726).

Filing fees were \$6,742 for the three months ended May 31, 2023 compared to \$7,382 in filing fees recorded for the 2022 comparative period and consist of CSE and OTCQB sustaining fees.

General exploration expenses were \$37,798 for the three months ended May 31, 2023 compared to \$15,001 in general exploration expenses recorded for the 2022 comparative period. General exploration expenses include project generation costs.

Investor communication expenses were \$64,012 for the three months ended May 31, 2023 compared to \$38,351 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 May 31, 2023 and 2022.

	<b>Three months ended May 31, 2023</b>	<b>Three months ended May 31, 2022</b>
	\$	\$
Advertising	17,995	9,256
Market making	15,000	15,000
News releases	725	612
Trade shows and conferences	29,535	12,973
Transfer agent	320	150
Website	437	360
	64,012	38,351

Legal fees were \$1,956 for the three months ended May 31, 2023 compared to \$4,575 in legal fees recorded for the 2022 comparative period.

Office expenses were \$27,702 for the three months ended May 31, 2023 compared to \$35,493 in expenses recorded for the 2022 comparative period. The following is a breakdown of the Company's office expenses for the three months ended May 31, 2023 and 2022.

	<b>Three months ended May 31, 2023</b>	<b>Three months ended May 31, 2022</b>
	\$	\$
Bank charges and interest	1,023	862
Information technology	3,594	3,598
Insurance	6,451	19,146
Meals and entertainment	7,847	3,052
Office supplies and expenses	8,571	9,508
Rent expense	-	9,171
Rent recovery	-	(12,000)
Telephone	216	2,156
	27,702	35,493

Travel expenses were \$12,095 for the three months ended May 31, 2023 compared to \$10,506 in expenses recorded for the 2022 comparative period. Travel was incurred for the purpose of attending trade shows, conferences and meetings.

### **3.2 Total other income and expenses for the three months ended May 31, 2023**

Management fee income of \$74,018 was recorded on Newcrest's qualifying earn-in expenditures during the three months ended May 31, 2023 (2022: \$nil).

Rental income of \$48,063 recorded for the three months ended May 31, 2023 (2022: \$nil) consists of recoveries for right-of-use assets and equipment used by sub-tenants and third parties. During the three months ended May 31, 2022, \$12,000 in subtenant rent recovery was included in office expenses.

Finance income was \$32,226 for the three months ended May 31, 2023 compared to \$506 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 May 31, 2023 compared to \$2,542 in finance expenses incurred in 2022 for surety agent bonding.

Foreign exchange loss of \$3,168 recorded during the three months ended May 31, 2023 and loss of \$23,112 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 \$nil for the three months ended May 31, 2023 compared to impairment of \$7,233 recorded for the 2022 comparative period related to the write-off of invalid claims.

Unrealized loss on investments of \$28,529 recorded during the three months ended May 31, 2023 relate to the Company's investments in HMAN and ELVT (2022: loss of \$419,763).

## **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 \$1,153,165 for the three months ended May 31, 2023 compared to cash used of \$339,619 during the 2022 comparative period. The Company incurred net loss of \$343,302 with adjustments to add back items not involving cash (accretion of office lease liability, depreciation, foreign exchange, unrealized loss on short-term investments, share-based payments and impairment of exploration and evaluation assets) and adjustments for non-cash working capital items (amounts receivable, prepaid expenses and deposits, trade and other payables, taxes payable) to calculate the cash used in operating activities.

Total cash flows provided by investing activities was \$5,420,617 during the three months ended May 31, 2023 and consist of \$43,764 in expenditures on exploration and evaluation assets, \$392,996 in Newcrest's earn-in expenditures on exploration and evaluation assets, the receipt of \$5,651,388 in cash calls from Newcrest for earn-in expenditures, cash payment of \$105,503 from Newcrest for the reimbursement of historical costs pursuant to the Lodestar earn-in agreement, \$105,000 in redemption of term deposits, and \$4,514 in purchase of property and equipment.

Cash flows used in investing activities for the 2023 comparative period consisted of \$236,031 in expenditures on exploration and evaluation assets and \$4,011 spent on the purchase of equipment.

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Total cash flows used in financing activities was \$28,500 during the three months ended May 31, 2023 and consist of \$27,000 in proceeds from option exercises, less share issuance costs of \$144 and lease payments of \$55,356. Cash used in financing activities during the 2022 comparative period consisted of \$22,229 in lease payments.

## **5. SELECTED ANNUAL INFORMATION**

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N/A

## **6. MAJOR OPERATING MILESTONES**

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### **6.1 Period from March 1 to May 31, 2023**

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 a 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.

### **6.2 Period from June 1, 2023 to Date of this Report**

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.

In June 2023, the Company commenced an up to 2,000 metre drill program at the Mahogany project in Oregon that is fully funded by Newcrest.

In July 2023, the Company commenced an up to 11,500 metre drill program at the Spring Peak project in Nevada that is fully funded by Newcrest.

In July 2023, the Company commenced an up to 3,500 metre drill program at the Katey project in Oregon.

## **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 \$3,605,993 as at May 31, 2023 (May 31, 2022 - \$3,599,726).

Total costs incurred on exploration and evaluation assets for the periods ended May 31, 2023 and 2022 are summarized as follows:

	<b>Idaho</b>	<b>Nevada</b>	<b>Oregon</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Acquisition costs</b>				
Balance, February 28, 2022	419,786	465,901	246,287	1,131,974
Additions	7,592	24,930	48,590	81,112
Foreign exchange	(1,473)	(1,960)	(1,215)	(4,648)
<b>Balance, May 31, 2022</b>	<b>425,905</b>	<b>488,871</b>	<b>293,662</b>	<b>1,208,438</b>
<b>Exploration costs</b>				
Balance, February 28, 2022	368,801	607,905	1,253,244	2,229,950
Additions				
Drilling	5,032	15,093	5,808	25,933
Geology	27,945	68,941	28,308	125,194
Mapping, sampling, geochem	-	2,353	-	2,353
Technical review	5,476	8,549	3,474	17,499
	38,453	94,936	37,590	170,979
Foreign exchange	(1,646)	(2,871)	(5,124)	(9,641)
<b>Balance, May 31, 2022</b>	<b>405,608</b>	<b>699,970</b>	<b>1,285,710</b>	<b>2,391,288</b>
<b>Total acquisition costs and exploration expenditures</b>				
May 31, 2022	831,513	1,188,841	1,579,372	3,599,726
	<b>Idaho</b>	<b>Nevada</b>	<b>Oregon</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Acquisition costs</b>				
Balance, February 28, 2023	551,068	433,123	259,594	1,243,785
Additions	5,422	10,442	26	15,890
Management fee	-	251	3	254
Recovery from third party earn-in	-	(2,773)	(29)	(2,802)
Option of property	-	(94,053)	-	(94,053)
Foreign exchange	(205)	(202)	(115)	(522)
<b>Balance, May 31, 2023</b>	<b>556,285</b>	<b>346,788</b>	<b>259,479</b>	<b>1,162,552</b>
<b>Exploration costs</b>				
Balance, February 28, 2023	479,010	414,689	1,518,670	2,412,369
Additions				
Administration	1,356	22,086	12,187	35,629
Drilling	1,611	539,043	13,607	554,261
Geology	6,793	149,898	23,989	180,680



Safety & social performance	-	394	107	501
Technical review	-	7,948	810	8,818
Management fee	-	70,607	3,157	73,764
	9,760	789,976	53,917	853,653
Recovery from third party earn-in	-	(776,670)	(34,719)	(811,389)
Option of property	-	(10,000)	-	(10,000)
Foreign exchange	(186)	(386)	(620)	(1,192)
Balance, May 31, 2023	488,584	417,609	1,537,248	2,443,441
<b>Total acquisition costs and exploration expenditures</b>				
May 31, 2023	1,044,869	764,397	1,796,727	3,605,993

### **7.1 Earn-In Transactions with Newcrest Mining Limited**

Pursuant to four separate definitive option and earn-in agreements with Newcrest dated August 15, 2022, 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. Effective May 8, 2023, Newcrest terminated the option to acquire an interest in the Agate Point project after having completed US \$500,000 in minimum expenditure commitment on the project.

Pursuant to a definitive option and earn-in agreement with Newcrest dated May 8, 2023, 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 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.

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, US \$2,500,000 for Spring Peak, and US \$2,000,000 for Lodestar 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, Mahogany and Lodestar 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, Mahogany and Lodestar 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) granting a 2% net smelter return (“NSR”) royalty in the case of the Agate Point, Midas North, Mahogany and Lodestar 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 May 31, 2023, Newcrest has advanced US \$8,316,686 (CAD \$11,313,188) in cash to fund the minimum commitment earn-in expenditures for which US \$4,617,057 (CAD \$6,280,583) in expenditures have been incurred.

## **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 three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$33,810) and \$16,076 in exploration costs (2022 - \$14,571) on Katey. As at May 31, 2023, total acquisition and exploration expenditures recorded on Katey was \$888,898 (2022 - \$663,340).

#### **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 the completion of a drone magnetic survey, geologic mapping and surface sampling 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.

#### **2023 Work Program – Katey**

The Company has commenced drilling at Katey in July 2023 in a program designed to follow-up on Headwater’s previous discovery of high-grade epithermal mineralization in an interpreted feeder structure at the West Zone (see Headwater news release dated February 10, 2022).

Drilling commenced on multiple high-priority targets focused on exploring the extensions of the high-grade mineralized structure encountered in drill hole KT21-01 (6.34 grams per tonne gold (“g/t Au”) over 14.54 metres, including 30.73 g/t Au over 1.95 metres). Approximately 3,500 m of drilling is planned, utilizing two drill rigs and a combination of reverse circulation (“RC”) and core drilling, over approximately 10 to 12 holes. The goals of the drill program are to:

- Further explore the area of high-grade epithermal mineralization discovered in Headwater’s 2021 drilling at the West Zone;
- Test the depth extent of high-grade mineralization down dip from Headwater drill hole KT21-01;
- Systematically test an approximately 600 m strike segment of the West Zone Fault; and,
- Drill several follow-up scout holes below soil anomalies along the projection of the West Zone fault to the north and south (see Headwater New Release dated March 2, 2023).

### **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 May 31, 2023, Newcrest has advanced US \$1,121,579 (CAD \$1,525,684) towards the Minimum Commitment and incurred US \$323,943 (CAD \$440,659) 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 May 31, 2023, total acquisition and exploration expenditures recorded on Mahogany was \$836,989 (2022 - \$838,643).

#### **About the Mahogany Project**

The Mahogany project is located in southeastern Oregon, 20 km northwest of Integra Resources’ DeLamar deposit. Surface alteration at Mahogany is typical of a high-level epithermal system, including silica sinter and adularia within a broader zone of argillic alteration. Headwater’s initial drill program at Mahogany, completed in late 2021, consisted of five diamond core drill holes totaling 810 metres (see Headwater News Release dated January 27, 2022). Drilling confirmed the presence of structurally controlled high-grade gold zones, including a drill intercept that returned 9.37 g/t Au over a drilled thickness of 0.73 metres in hole MH21-02.

A NI 43-101 technical report on the Katey and Mahogany Properties dated December 27, 2020 was prepared by Derrick Strickland, P.Geo.

#### **2023 Work Program - Mahogany**

The Company commenced drilling at Mahogany in June 2023 in a program fully funded by Newcrest. Approximately 2,000 m of drilling is currently planned, utilizing two rigs and a combination of RC and core drilling. The goals of the drill program are to:

- Target the source of high-grade vein material within the mineralized Main Ridge Fault, which returned up to 170.0 g/t Au from surface sampling;
- Test high-grade epithermal vein targets at depth along the Main Ridge Fault below Headwater’s 2021 drilling which intercepted 1.47 g/t Au over 12.25 m including 9.37 g/t Au over 0.73 m (see Headwater news release dated January 27, 2022); and
- Drilling will test two hydrothermal vent breccias which outcrop and include clasts of sinter and quartz vein fragments, and have no known drilling at depths greater than 50 m.

### **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 three months ended May 31, 2023, the Company expended \$nil (2022 - \$nil) in acquisition costs and \$nil (2022

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- \$6,903) in exploration costs on the Hot Tub property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Hot Tub were \$55,633 (2022 - \$68,108).

### **7.5 Bannock (Malheur County, Oregon)**

The Company owns a 100% interest in the Bannock property, which it acquired by way of staking federal land. During the three months ended May 31, 2023, the Company expended \$nil (2022 - \$9,328) in acquisition costs and \$nil (2022 - \$nil) in exploration costs on the Bannock property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Bannock were \$15,207 (2022 - \$9,281).

## **IDAHO PROJECTS**

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### **7.6 Matador (Owyhee County, Idaho)**

The Company owns a 100% interest in the Matador property, which it acquired by way of staking federal land. During the three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$nil) and \$2,095 in exploration costs (2022 - \$9,786) on the Matador property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Matador were \$199,472 (2022 - \$175,030).

### **7.7 Opaline Gulch (Owyhee County, Idaho)**

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$nil) and \$161 in exploration costs (2022 - \$7,934) on the Opaline Gulch property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Opaline Gulch were \$212,529 (2022 - \$189,605).

### **7.8 Crane Creek (Washington County, Idaho)**

The majority of the Crane Creek Project was acquired through staking of unpatented mining claims on open ground and is 100% owned and royalty free. The remainder was acquired through a series of agreements further described below. Estimated annual holding costs for the consolidated Crane Creek package are approximately US \$28,000.

**WDVAR Claims:** A portion of the property, known as the WDVAR claims, was acquired through the purchase of 21 unpatented mining claims from a number of private individuals for a one-time cash payment and the issuance of 200,000 common shares. The WDVAR claims are subject to a 1% NSR that can be purchased at any time for US \$1,000,000.

**Private Lease:** A 65 acre private fee land parcel adjacent to the WDVAR claims has been leased through an extendable 20 year mining lease with nominal annual payments, and is subject to a 2% NSR. The first 1% of this NSR can be purchased at any time for US \$1,000,000 and the remainder for an additional US \$2,000,000.

**State Lease:** A 640 acre State owned section has been leased through the award of State Mineral Lease E500034. The lease term is 20 years and extendable, with nominal annual rent and annual minimum advanced royalty payments. The lease is subject to a 5% NSR.

During the three months ended May 31, 2023, the Company expended \$5,422 in acquisition costs (2022 - \$7,592) and 7,504 in exploration costs (2022 - \$20,733) on the Crane Creek property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Crane Creek were \$599,260 (2022 - \$466,878).

### **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<sup>1,2</sup>). The Crane Creek Project comprises approximately 1,414 hectares, consisting of 135 unpatented federal mining claims on BLM land, a 640 acre State of Idaho minerals lease, and a private lease.

The epithermal vein array at the Crane Creek Project is hosted in a package of Miocene sedimentary and volcanic rocks in a north-northwest-trending half-graben on the northern margin of the Western Snake River Plain. The veins occur within a system of west-dipping normal faults along the eastern margin of the half-graben, which extends southeast to GoldMining Inc's Almaden Project. Surface sample geochemistry demonstrates the epithermal alteration cell is at least 3 km in length and 1 km wide and extends over 1 km beyond the central area where historic drilling was concentrated. Veins outcropping at surface are up to 1.5 m wide with abundant opaline to chalcedonic silica fill which Headwater geologists interpret as representing high-level vein fill, vertically above an interpreted epithermal boiling zone with excellent high-grade gold potential at depth.

Several campaigns of historic drilling took place on the Property between 1984 and 1996 consisting of mainly shallow reverse-circulation holes with an average depth of 71 m and only three holes greater than 150 m in depth<sup>1</sup>. 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.

*<sup>1</sup>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.*

*<sup>2</sup>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.*

### **Future Work Program – Crane Creek**

Headwater geologists are currently planning a first-pass drill program to be carried out in 2024, 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 2024 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.

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### **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 three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$nil) and \$nil in exploration costs (2022 - \$nil) on the Flint property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Flint were \$33,608 (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<sup>3</sup>. 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<sup>4</sup>. 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.

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

<sup>4</sup>*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**

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#### **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 May 31, 2023, Newcrest has advanced US \$594,830 (CAD \$809,147) towards the Minimum Commitment and incurred US \$574,304 (CAD \$781,226) 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 May 31, 2023, total acquisition and exploration expenditures recorded on Agate Point was \$166,080 (2022 - \$202,793).

**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.

**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 three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$2,116) and \$986 in exploration costs (2022 - \$15,879) on the Long Valley property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Long Valley were \$151,308 (2022 - \$127,330).

**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 three months ended May 31, 2023, the Company expended \$nil in acquisition costs (2022 - \$nil) and \$712 in exploration costs (2022 - \$7,853) on the Dome Hill property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Dome Hill were \$139,269 (2022 - \$114,395).

**7.13 Midas North (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.

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 lands for US \$900,000.

Newcrest's Minimum Commitment on Midas North is US \$2,000,000. As at May 31, 2023, Newcrest has advanced US \$2,780,759 (CAD\$3,782,666) towards the Minimum Commitment and incurred US \$924,461 (CAD\$1,257,544) 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 May 31, 2023, total acquisition and exploration expenditures recorded on Midas North were \$209,887 (2022 - \$274,087).

**About the Midas North Project**

The Midas North project adjoins Hecla Mining Company's (NYSE: HL) Midas Mine complex and covers a large hydrothermal alteration cell, extending at least 4 kilometres in strike and 1 kilometre in width. Rock chip and stream sediment samples collected by the Company from the project area 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 of 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 epithermal mineralization at depth.

### **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 May 31, 2023, Newcrest has advanced US \$3,819,518 (CAD \$5,195,690) towards the Minimum Commitment and incurred US \$2,788,152 (CAD \$3,792,723) 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 May 31, 2023, total acquisition and exploration expenditures recorded on Spring Peak were \$8,560 (2022 - \$470,236).

#### **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 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.

#### **2023 Work Plan – Spring Peak**

The Company commenced drilling at Spring Peak in July 2023 in a program fully funded by Newcrest (see Headwater news release dated July 13, 2023). The program is designed to follow-up on Headwater’s 2022 drill results which discovered high-grade epithermal veins in two distinct target areas (see Headwater news release dated March 2, 2023). Up to approximately 11,500 m of drilling over approximately 30 to 35 holes



is currently planned, utilizing three drill rigs and a combination of RC and core drilling. The goals of the drill program are to:

- Offset high-grade epithermal veins discovered in Headwater’s 2022 drilling at the Disco Zone which intercepted 34.72 m grading 2.73 grams per tonne gold (“g/t Au”), including 15.92 g/t Au over 2.38 m and 10.43 g/t Au over 2.01 m (see Headwater New Release dated January 9, 2023);
- Systematically test an approximately 500 m strike segment of the Disco Zone;
- Follow-up drilling at the newly discovered Opal Ridge Zone below shallow high-grade mineralization encountered in RC drill hole SP22-14 (see Headwater New Release dated March 2, 2023); and,
- Test multiple new high-priority target areas with RC scout drill holes.

### **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 three months ended May 31, 2023, the Company expended \$4,125 in acquisition costs (2022 - \$nil) and \$2,396 in exploration costs (2022 - \$nil) on the TJ property. As at May 31, 2023, total acquisition and exploration expenditures recorded on TJ were \$87,987 (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.

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.

Newcrest’s Minimum Commitment on Lodestar is US \$2,000,000. As at May 31, 2023, Newcrest has advanced US \$nil towards the Minimum Commitment and incurred US \$6,197 (CAD\$8,430) in earn-in expenditures on the Loderstar project. Newcrest paid a further US \$77,759 (CAD \$105,776) to the Company to reimburse land fees, staking and certain exploration expenditures.

During the three months ended May 31, 2023, the Company expended \$3,795 in acquisition costs (2022 - \$nil) and \$17,435 in exploration costs (2022 - \$nil) on the Lodestar property. As at May 31, 2023, total acquisition and exploration expenditures recorded on Lodestar were \$1,306 (2022 - \$nil).

### **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.Geol (158157), a "Qualified Person" ("QP") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

## **8. SUMMARY OF QUARTERLY RESULTS**

N/A

## **9. LIQUIDITY**

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

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

Cash was \$5,497,392 at May 31, 2023 (February 28, 2023: \$1,247,813). Restricted cash was \$20,005 at May 31, 2023 (February 28, 2023: \$20,005) and consists of a term deposit held at a financial institution as security against a company credit card.

Short-term investments of \$2,967,775 consist of \$2,895,000 in term deposits and 90,833 common shares of Elevation Gold Mining Corp. valued at \$13,625 and 845,000 common shares of Huntsman Exploration Inc. valued at \$59,150.

Amounts and other receivable consists of \$431,660 in management fees receivable from Newcrest, 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 \$391,217 at May 31, 2023 compared to \$438,817 at February 28, 2023. Current liabilities consist of trade and other payables and lease liabilities.

Working capital surplus was \$9,288,889 at May 31, 2023 compared to a surplus of \$4,115,345 at February 28, 2023. The Company has a commitment to spend \$5,464,265 in funds advanced by Newcrest on qualifying earn-in expenditures by August 15, 2024.

The Company has no debt or debt arrangements.

Based on the financial condition at May 31, 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**

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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**

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The Company does not have any off-balance sheet arrangements.

## **12. TRANSACTIONS BETWEEN RELATED PARTIES**

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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:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits and director fees	151,482	106,798
Share-based payments	31,618	-
	<b>183,100</b>	<b>106,798</b>

The Company has entered into a Management Agreement with Hunter Gold LLC (“Hunter”, a company controlled by Caleb Stroup, the President and CEO) effective January 1, 2023 for no fixed term. As compensation for the services to be provided, the company controlled by the President will receive a performance bonus of US \$40,000 and a monthly fee of US \$14,500 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the President resigns within 12 months following a change of control. During the period ended May 31, 2023, the Company paid \$59,021 (2022: \$49,577) 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 period ended May 31, 2023, the Company paid \$15,000 (2022: \$25,578) in fees and benefits 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 period ended May 31, 2023, the Company paid \$19,500 (2022: \$19,644) in salary and benefits to the CFO.

The Company has entered into a General Services Agreement with Greg Dering, the Vice President, Exploration (“VPX”) effective September 1, 2022 to December 31, 2023. As compensation for the services to be provided, the Company has agreed to pay the VPX a daily rate of US \$625. During the period ended May 31, 2023, the Company paid \$45,962 (2022: \$nil) in fees to the VPX.

During the period ended May 31, 2023, the Company recorded \$12,000 (2022: \$12,000) in director fees payable to three directors as follows: Graeme Currie - \$3,000; Tero Kosonen - \$6,000; and Wendell Zerb - \$3,000.

### **12.2 Due to Related Parties**

As at May 31, 2023, the Company has \$50,117 (2023: \$45,734) 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 May 31, 2023 the Company has \$8,756 (2022: \$12,986) 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 period ended May 31, 2023, the Company charged office rent of \$12,000 (2022: \$7,500) 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**

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N/A

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#### **14. PROPOSED TRANSACTIONS**

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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.

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#### **15. COMMITMENTS, EXPECTED OR UNEXPECTED EVENTS, OR UNCERTAINTIES**

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Other than disclosed in this Report, the Company does not have any commitments, expected or unexpected events, or uncertainties.

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#### **16. SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE**

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N/A

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#### **17. CHANGES IN ACCOUNTING POLICES INCLUDING INITIAL ADOPTION**

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A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2023. 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.

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#### **18. KNOWN TRENDS, RISKS OR DEMANDS**

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Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at May 31, 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 \$9,288,889 as at May 31, 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 14 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**

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

As at July 28, 2023, the Company has 62,214,115 common shares issued and outstanding.

As at July 28, 2023, the Company has 5,850,000 stock options outstanding.

As at July 28, 2023, the Company has 3,644,960 warrants outstanding.

As at July 28, 2023, the Company held 6,026,753 common shares in escrow.

### **20. BOARD OF DIRECTORS AND OFFICERS**

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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**

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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](http://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