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## **HEADWATER GOLD INC.**

### **INTERIM MD&A – QUARTERLY HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 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 November 30, 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 **January 29, 2024** (“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 Newmont Corporation (“Newmont”, formerly Newcrest Mining Limited) dated August 15, 2022 (the “Execution Date”), Newmont 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, Newmont 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 Newmont dated May 8, 2023, Newmont 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, Newmont 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 Newmont maintained its 9.9% equity interest by participating in a subsequent financing completed on February 15, 2023.

As at November 30, 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), **Lodestar** (Mineral County), **Hot Creek** (Elko County), and **Rock Creek** (Lander/Eureka County);
- 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 November 30, 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 income of \$438,216 for the nine months ended November 30, 2023 and, as of that date, the Company had an accumulated deficit of \$2,892,157. 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 of \$3,414,887 at November 30, 2023 (February 28, 2023: \$4,115,345). The Company has a commitment to spend \$2,784,769 in funds advanced by Newmont on qualifying earn-in expenditures by August 15, 2024 and \$337,042 in funds by May 8, 2025.

Cash was \$6,679,891 at November 30, 2023 (February 28, 2023: \$1,247,813). Restricted cash was \$20,005 at November 30, 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 \$1,020,556 (February 28, 2023: \$3,101,304) consist of a \$985,000 term deposit and of the following marketable securities: 90,833 common shares of Elevation Gold Mining Corporation valued at \$10,900 and 845,000 common shares of Huntsman Exploration Inc. valued at \$24,656.

Amounts and other receivable of \$59,887 at November 30, 2023 (February 28, 2023: \$46,171) consist of GST input tax credits, interest receivable and office expense recoveries. Included in this amount is \$19,883 (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 \$230,641 at November 30, 2023 (February 28, 2023: \$138,869) include rental deposits, insurance, OTCQB annual fee, investor communications and other normal operating expenses.

Right-of-use assets net of depreciation was \$428,265 at November 30, 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. In July 2023, its corporate office lease was extended by 6 months. In October 2023, the lease for its corporate office was expanded and also extended for 3 years.

Deposits of \$165,751 at November 30, 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 \$116,591 at November 30, 2023 (February 28, 2023: \$75,172) consists of field equipment, computer equipment, office furniture and equipment and leasehold improvements. An XRF analyzer was acquired in June 2023.

Exploration and evaluation assets of \$5,073,408 at November 30, 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 \$1,631,492 at November 30, 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 \$88,655 (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. Operating payables increased significantly in the third quarter of fiscal 2024 as the Company had four active exploration programs in its properties.

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 \$445,116 at November 30, 2023 (February 28, 2023: \$335,678). For the nine months ended November 30, 2023, interest expense on the lease liabilities was \$19,475.

Other liabilities consist of \$3,121,811 in net cash calls received from Newmont that the Company is committed to spend on qualifying earn-in expenditures by August 15, 2024 to May 8, 2025.

### **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 income for the nine months ended November 30, 2023 was \$438,216 and comprehensive income after cumulative translation adjustment was \$447,046 or \$0.01 per share, compared to a net loss of \$847,227 and comprehensive loss of \$937,822 for the nine months ended November 30, 2022 or \$0.02 loss per share. The net loss for the nine months ended November 30, 2022 includes unrealized loss on investments of \$730,004 on marketable securities received from the sale of mineral properties.

#### **3.1 Total expenses for the nine months ended November 30, 2023**

Total expenses for the nine months ended November 30, 2023 were \$1,183,425 compared to total expenses of \$934,158 for the nine months ended November 30, 2022. Total expenses were higher in the current period due to consulting fees, depreciation expense and share based payments.

Accounting and audit expenses of \$27,567 was recognized during the nine months ended November 30, 2023 from the difference in audit accrual and was lower than the \$33,261 in expense recorded in the 2022 comparative period.

Accretion of lease liability of \$19,475 was recognized during the nine months ended November 30, 2023 compared to accretion expense of \$10,606 recorded in the 2022 comparative period. The Company entered into three new leases for office, warehouse and vehicle during the latter half of 2022. In July 2023, the Company's corporate office lease was extended by six months.

Employee costs were \$589,613 for the nine months ended November 30, 2023 compared to \$352,855 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 nine months ended November 30, 2023 and 2022. The Company has retained the services of several corporate advisors during the period and granted stock options in the first quarter of fiscal 2024 which contributed to the increase in employee costs during the current period.

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 \$159,069 for the nine months ended November 30, 2023 compared to expenses of \$60,794 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 and 200,000 stock options exercisable at \$0.32 per share until September 1, 2028. A further \$6,324 in share-based payments was capitalized to mineral properties.

Depreciation expense was \$173,375 for the nine months ended November 30, 2023 (November 30, 2022: \$80,386) and includes \$93,294 in depreciation of right-of-use assets (November 30, 2022: \$68,535).

Filing fees were \$17,559 for the nine months ended November 30, 2023 compared to \$25,718 in filing fees recorded for the 2022 comparative period and consist of CSE and OTCQB sustaining fees.

General exploration expenses were \$90,742 for the nine months ended November 30, 2023 compared to \$80,308 in general exploration expenses recorded for the 2022 comparative period. General exploration expenses include project generation costs as the Company continues its efforts to seek projects of merit.

Investor communication expenses were \$156,958 for the nine months ended November 30, 2023 compared to \$158,930 in expenses incurred during the 2022 comparative period. Investor communication expenses include advertising and marketing, attendance at trade shows and conferences, new releases and website.

Legal fees were \$4,868 for the nine months ended November 30, 2023 compared to \$25,445 in legal fees recorded for the 2022 comparative period. The corporate secretary who is an employee of the Company actively assists with regulatory compliance to keep legal fees nominal.

Office expenses were \$73,615 for the nine months ended November 30, 2023 compared to \$131,366 in expenses recorded during the 2022 comparative period. Office expenses include insurance, office supplies and sundry, telephone and IT support, and decreased in the current period due in part to the execution of office leases which are expensed as depreciation instead of office rent.

Travel expenses were \$29,653 for the nine months ended November 30, 2023 compared to \$35,283 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 nine months ended November 30, 2023**

A 10% management fee is earned on expenditures incurred under the Newmont earn-in agreements. Management fee income was \$1,524,754 during the nine months ended November 30, 2023 compared to \$386,846 in income earned during the 2022 comparative period, an increase of \$1,137,908 that reflects the active 2023 exploration season on the Spring Peak, Midas North, Mahogany and Lodestar properties.

Rental income of \$176,839 was realized during the nine months ended November 30, 2023 (2022: \$78,593) and consists of recoveries for right-of-use assets and equipment used by sub-tenants and third parties.

Finance income was \$75,594 for the nine months ended November 30, 2023 compared to \$7,521 recorded during 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.

Foreign exchange loss of \$16,224 recorded during the nine months ended November 30, 2023 and gain of \$373,674 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 \$74,256 for the nine months ended November 30, 2023 and relates to the write-off of 199 Agate Point claims. Impairment of \$29,699 was recorded during

the 2022 comparative period and is related to the write-off of invalid claims and non renewal of certain Hot Tub claims.

Unrealized loss on investments of \$65,066 recorded during the nine months ended November 30, 2023 relate to the Company's investments in HMAN and ELVT (2022: loss of \$730,004) whose share prices continue to decline.

### **3.3 Total expenses for the three months ended November 30, 2023**

Total expenses of \$387,704 for the three months ended November 30, 2023 are fairly comparable to total expenses of \$396,344 recorded during the three months ended November 30, 2022.

Notable variances include an increase in consulting expenses by \$32,766 due to the retainment of several corporate advisors during the period and an increase in depreciation expenses by \$27,918 due to the execution of office, warehouse and vehicle leases. Legal fees were \$16,153 higher in the 2022 comparative period and related to the Newmont earn-in agreements. Office expenses decreased by \$35,057 and share-based payments expense decreased by \$34,522 due to the grant of fewer options in the current period.

### **3.4 Total other income and expenses for the three months ended November 30, 2023**

A 10% management fee is earned on expenditures incurred under the Newmont earn-in agreements. Management fee income was \$797,571 during the three months ended November 30, 2023 compared to \$299,212 in income earned during the 2022 comparative quarter, an increase of \$498,359 that reflects the active 2023 exploration season on the Spring Peak, Midas North and Mahogany properties.

Rental income of \$67,006 was earned on recoveries for right-of-use assets and equipment used by sub-tenants and third parties during the current quarter, compared to rental income of \$34,274 earned in the 2022 comparative quarter.

Foreign exchange gain was \$29,793 during the three months ended November 30, 2023 compared to a gain of \$184,682 recorded in the 2022 comparative quarter. Foreign exchange gains and losses are a function of the fluctuating Canadian-US currency exchange rates.

Unrealized loss on investments of \$16,498 for the three months ended November 30, 2023 and \$133,122 for the 2022 comparative quarter relate to the Company's investments in Elevation Gold and Huntsman Exploration.

## **4. CASH FLOWS**

The Company is still in the exploration and development stage and as such does not earn any significant revenue from production. Total cash provided by operating activities was \$615,041 for the nine months ended November 30, 2023 compared to cash provided of \$818,076 during the November 30, 2022 comparative period. The Company incurred net income of \$438,216 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 \$4,952,805 during the nine months ended November 30, 2023, and consist of \$1,570,128 in expenditures on exploration and evaluation assets, \$15,214,121 in Newmont's earn-in expenditures on exploration and evaluation assets, the receipt of \$19,697,206 in cash calls from Newmont for earn-in expenditures, cash receipt of \$94,053 from Newmont for the

reimbursement of historical costs pursuant to the Lodestar earn-in agreement, \$2,015,000 in redemption of term deposits, and \$69,534 in purchase of property and equipment.

Cash flows provided by investing activities of \$284,168 during the 2022 comparative period consisted of \$1,897,331 in expenditures on exploration and evaluation assets, \$3,324,278 in Newmont's earn-in expenditures on exploration and evaluation assets, the receipt of \$5,406,437 in cash calls from Newmont for earn-in expenditures, cash receipt of \$798,296 from Newmont for the reimbursement of historical costs pursuant to the earn-in agreements, \$650,000 in purchase of term deposits, \$26,769 in purchase of property and equipment, and \$22,187 paid for bond deposits.

Total cash flows used by financing activities was \$135,768 during the nine months ended November 30, 2023 and consist of \$27,000 in proceeds from option exercises, less share issuance costs of \$144 and lease payments of \$162,624. Cash provided from financing activities of \$773,846 during the 2022 comparative period consisted of proceeds of \$871,424 from a private placement less share issuance costs of \$16,221 and \$81,357 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 November 30, 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 Newmont under which Newmont 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, Newmont 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.

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 Newmont.

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 Newmont.

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

In August 2023, the Company initiated staking mineral claims for the Hot Creek and Rock Creek projects in Nevada, which it completed in October 2023.

On September 1, 2023, Mr. Philip Yee replaced Ms. Sandra Wong as CFO of the Company, and Ms. Sandra Wong continues with role as Corporate Secretary.

On September 1, 2023, the Company granted 200,000 stock options exercisable at \$0.32 per share to an officer of the Company. The options fully vest in six months.

Effective October 1, 2023, the Company entered into a mining lease covering 240 acres of private land and a surface lease covering 640 acres of private surface land within the Spring Peak project area, thereby allowing the Company to consolidate all inlier land positions and to explore the western extension of the surface alteration at Spring Peak and establish a potential location for future infrastructure on private land.

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

N/A

## **7. EXPLORATION AND EVALUATION ACTIVITIES**

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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 \$5,073,408 as at November 30, 2023 (February 28, 2023 - \$3,656,154).

Total costs incurred on exploration and evaluation assets for the nine months ended November 30, 2023 are summarized as follows:



	USA			
	Idaho	Nevada	Oregon	Total
<b>Acquisition costs:</b>				
Balance, February 28, 2022	\$ 419,786	\$ 465,901	\$ 246,287	\$ 1,131,974
Additions	100,332	757,910	205,226	1,063,468
Management fees	-	54,917	11,984	66,901
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	21,256	87,192
Balance, February 28, 2023	551,068	433,123	259,594	1,243,785
Additions	89,770	468,736	100,077	658,583
Management fees	-	32,181	6,164	38,345
Recovery from third party earn in	-	(353,986)	(67,802)	(421,788)
Impairment	-	(9,699)	-	(9,699)
Option of property	-	(94,053)	-	(94,053)
Foreign exchange	392	627	174	1,193
Balance, November 30, 2023	641,230	476,929	298,207	1,416,366
<b>Exploration costs:</b>				
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 geochemistry	124	348,722	21,996	370,842
Safety and 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
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
Additions:				
Administration	4,333	56,741	26,020	87,094
Drilling	1,611	11,323,450	1,936,943	13,262,004
Geology	15,082	2,394,149	214,608	2,623,839
Mapping, sampling geochemistry	-	120,451	14,999	135,450
Safety and social performance	-	28,258	2,933	31,191
Technical review	-	21,211	2,611	23,822
Management fee	-	1,383,042	102,726	1,485,768
Recovery from third party earn-in	-	(15,213,442)	(1,129,976)	(16,343,418)
Impairment	-	(65,319)	-	(65,319)
Option of property	-	(10,000)	-	(10,000)
Foreign exchange	(858)	(1,597)	16,697	14,242
Balance, November 30, 2023	499,178	451,633	2,706,231	3,657,042
<b>Net book value:</b>				
Balance, February 28, 2023	\$ 1,030,078	\$ 847,812	\$ 1,778,264	\$ 3,656,154
Balance, November 30, 2023	1,140,408	928,562	3,004,438	5,073,408

### **7.1 Earn-In Transactions with Newmont Corporation**

Pursuant to four separate definitive option and earn-in agreements with Newmont dated August 15, 2022, Newmont 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, Newmont 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 Newmont dated May 8, 2023, Newmont 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.

Newmont 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"). Newmont 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 Newmont 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, Newmont 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 Newmont 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 Newmont. Newmont 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, Newmont 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 Newmont 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. Newmont 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, Newmont 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 Newmont 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 Newmont, 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. Newmont has the option to extend the Stage 3 period by 12 months on a project with the payment of US \$500,000.

As at November 30, 2023, Newmont has advanced US\$18,724,376 in cash to fund the minimum commitment earn-in expenditures for which US \$16,422,622 in expenditures have been incurred.

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## **OREGON PROJECTS**

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### **7.2 Katey (Malheur County, Oregon)**

The Company owns a 100% interest in the Katey property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$1,200,897 (2022 - \$182,273) in acquisition and exploration expenditures on Katey. As at November 30, 2023, total acquisition and exploration expenditures recorded on Katey was \$2,092,180 (November 30, 2022 - \$847,234).

#### **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 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). In September 2023, the Company announced that eleven holes totalling 2,803 metres were completed, targeting extensions of the high-grade mineralization encountered in KT21-01, as well as testing multiple additional targets along strike. Drilling did not intercept significant precious metals along strike or at depth, including below drill hole KT21-01. No further work on the project is planned at this time.

### **7.3 Mahogany (Malheur County, Oregon)**

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

Newmont's Minimum Commitment on Mahogany is US \$1,000,000. As at November 30, 2023, Newmont has advanced US \$1,596,935 towards the Minimum Commitment and incurred US \$1,194,459 in earn-in expenditures on the Mahogany project. Newmont paid a further US \$55,016 (CAD \$74,206) to the Company to reimburse historical land fees and staking costs. As at November 30, 2023, total acquisition and exploration expenditures recorded on Mahogany was \$835,697 (November 30, 2022 - \$828,037).

#### **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 Newmont. Five holes totaling 1,573 m were completed, targeting the down dip extension of mineralization encountered in 2021 drilling, as well as testing the Vent Breccia target which has seen no known exploration drilling below approximately 50 m depth. The target structures were intercepted in both target areas but assays returned no significant precious metals. The Company continues to review the data in consultation with earn-in partner Newmont to determine if additional targets of merit remain 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 nine months ended November 30, 2023, the Company expended \$936 (2022 - \$10,338) in acquisition and exploration costs on the Hot Tub property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Hot Tub were \$56,500 (November 30, 2022 - \$55,245).

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

The Company owns a 100% interest in the Bannock property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$4,792 (2022 - \$14,290) in acquisition and exploration costs on the Bannock property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Bannock were \$20,061 (November 30, 2022 - \$15,101).

## **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 nine months ended November 30, 2023, the Company expended \$8,713 (2022 - \$19,331) in acquisition and exploration costs on the Matador property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Matador were \$205,942 (November 30, 2022 - \$195,283).

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

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$6,999 (2022 - \$17,339) in acquisition and exploration costs on the Opaline Gulch property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Opaline Gulch were \$219,214 (November 30, 2022 - \$210,224).

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

The majority of the Crane Creek Project was acquired through staking of unpatented mining claims on open ground and is 100% owned and royalty free. The remainder was acquired through a series of agreements

further described below. Estimated annual holding costs for the consolidated Crane Creek package are approximately US \$28,000.

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

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

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

During the nine months ended November 30, 2023, the Company expended \$66,455 (2022 - \$93,207) in acquisition and exploration costs on the Crane Creek property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Crane Creek were \$652,533 (November 30, 2022 - \$565,723).

### **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. 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.

### **7.9 Flint (Owyhee County, Idaho)**

The Company originally acquired the Flint property by way of staking federal land and sold it to Huntsman Exploration Inc. (“Huntsman”) for a cash payment of US\$100,000 and 8,450,000 common shares in December 2020. Huntsman elected to relinquish the project without conducting any exploration work and pursuant to the original agreement, relinquished the claims to Headwater for a nominal cost of US \$130.

During the nine months ended November 30, 2023, the Company expended \$28,629 (2022 - \$31,715) in acquisition and exploration costs on the Flint property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Flint were \$62,719 (November 30, 2022 - \$33,110).

### **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.*

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*<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. Newmont 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 November 30, 2023, Newmont had advanced US \$641,302 towards the Minimum Commitment and incurred US \$590,862 in earn-in expenditures on the Agate Point project. Newmont paid a further US \$30,684 (CAD \$41,387) to the Company to reimburse land fees, staking and certain exploration expenditures.

During the nine months ended November 30, 2023, the Company expended \$47,300 (2022 - \$676,507) in acquisition and exploration costs, recovered \$39,053 (2022 - \$666,487) in expenditures from Newmont, abandoned 199 mineral claims resulting in an impairment write-down of \$75,018 (2022 - \$nil), and received \$nil (2022 - \$41,387) in option payment from Newmont on the Agate Point property.

As at November 30, 2023, the Agate Point property consisted of 34 mineral claims with total acquisition and exploration expenditures of \$99,404 (November 30, 2022 - \$164,735).

#### **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 nine months ended November 30, 2023, the Company expended \$11,620 (2022 - \$30,703) in acquisition and exploration costs on the Long Valley property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Long Valley were \$161,892 (November 30, 2022 - \$149,271).

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

The Company owns a 100% interest in the Dome Hill property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$12,722 (2022 - \$22,555) in acquisition and exploration costs on the Dome Hill property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Dome Hill were \$151,269 (November 30, 2022 - \$137,544).

### **7.13 Midas North (Elko County, Nevada)**

The Company owns a 100% interest in the Midas North property, subject to Newmont'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.

Newmont's Minimum Commitment on Midas North is US \$2,000,000. As at November 30, 2023, Newmont has advanced US \$4,499,112 towards the Minimum Commitment and incurred US \$3,977,212 in earn-in expenditures on the Midas North project. Newmont paid a further US \$88,629 (CAD \$119,543) to the Company to reimburse land fees, staking and certain exploration expenditures. As at November 30, 2023, total acquisition and exploration expenditures recorded on Midas North were \$209,563 (November 30, 2022 - \$208,421).

### **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**

A multi-rig, mixed reverse circulation and diamond core maiden drill program totaling 4,202 m was completed by the Company in 2023. This program consisted of nine drill holes with depths ranging from 350 m to 600 m. The nine holes tested six targets and epithermal veining and favourable alteration was encountered in multiple target areas across the property. Assays are pending.

### **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 Newmont's option to acquire 75% of the project following certain expenditures and preparation of a Pre-Feasibility Study within a designated timeframe.

Newmont's Minimum Commitment on Spring Peak is US \$2,500,000 with an additional minimum commitment of US \$2,500,000. As at November 30, 2023, Newmont has advanced US \$11,485,573 towards the Minimum Commitment and incurred US \$10,406,908 in earn-in expenditures on the Spring Peak project. Newmont paid a further US \$438,660 (CAD \$591,665) to the Company to reimburse land



fees, staking and certain exploration expenditures. As at November 30, 2023, total acquisition and exploration expenditures recorded on Spring Peak were \$8,546 (November 30, 2022 - \$8,500).

Following ongoing exploration success at the Spring Peak project (see Headwater news releases dated October 31, 2023 and December 6, 2023) Headwater has significantly expanded the Company's land position through claim staking and two agreements with a private landowner. The private land agreements consolidate all inlier land positions and allow Headwater to explore the western extension of the surface alteration and establish a potential location for future infrastructure on private land. Access to a water well located on the private land also provides a cost-effective source for drill water to support continued exploration drilling. The agreements are with a private landowner and cover two classes of lands: 1) lands with privately owned surface rights and federally administered mineral rights (appropriated by Headwater through claim staking); and 2) lands with private mineral rights and private surface rights.

Recent claim staking to the east and north has now also secured mineral rights over the eastern projection of several target structures, including the Bear Fault trend which hosts the Disco Zone discovery. These structures are obscured by shallow post-mineral volcanic cover to the east but preliminary modelling of newly acquired CSAMT geophysics supports the interpretation that these structures continue and are covered by generally less than 100 metres of cover.

The expanded land position is subject to the existing earn-in agreement at Spring Peak with Newmont. The terms of the private land agreements are as follows:

Pursuant to an exploration lease and option to purchase agreement Arrache mineral and surface estate (the "Arrache Agreement") dated October 1, 2023 (the "Effective Date") with the owner of certain mineral estate and surface estate fee lands (the "Private Property") within the Spring Peak project boundaries, the Company has agreed to lease the Private Property for a 30 year term, subject to the Company's right to purchase the Private Property for US \$1,000,000, for annual minimum payments of US \$10,000 within 30 days of the Effective Date, US \$10,000 on the first to ninth anniversary of the Effective date, US \$30,000 on the tenth to nineteenth anniversary of the Effective Date, and US \$60,000 on the twentieth and each succeeding anniversary of the Effective Date. The Property is subject to an annual surface disturbance fee of US \$250 for each full acre of disturbed and unreclaimed surface of the Private Property, such fee to increase by US \$100 annually beginning on the fifth anniversary of the Effective Date. The Company also granted the owner a production NSR of 5% of which the initial 2.5% NSR can be purchased for US\$500,000 and the remaining 2.5% NSR can be purchased for US\$1,000,000 before commencement of commercial production on the Private Property.

Pursuant to an exploration lease and option to purchase agreement SHRA property (the "SHRA Agreement") dated October 1, 2023 (the "Effective Date") with the owner of certain surface estate fee lands (the "Private Property") within the Spring Peak project boundaries, the Company has agreed to lease the Private Property for a 30 year term, subject to the Company's right to purchase the Private Property for US \$1,600,000 any time prior to the tenth anniversary of the SHRA Agreement, for annual minimum payments of US \$10,000 within 30 days of the Effective Date, US \$10,000 on the first to ninth anniversary of the Effective Date, US \$100,000 on the tenth to nineteenth anniversary of the Effective Date, and US \$200,000 on the twentieth and each succeeding anniversary of the Effective Date. The Property is subject to an annual surface disturbance fee of US \$250 for each full acre of disturbed and unreclaimed surface of the Property, such fee to increase by US \$100 annually beginning on the fifth anniversary of the Effective Date. If the Company completes a transfer of any part of its interest in the SHRA Agreement, then the Company shall pay a one time transfer fee of US\$200,000.

### **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**

A multi-rig drill program of 25 holes totaling 8,475 m was completed in 2023. The primary objective of the 2023 drill program at Spring Peak was to further define and expand the Disco Zone along strike and down dip at 50 to 100 m increments. The Disco Zone is a mineralized corridor which hosts a series of high-grade epithermal veins at depth discovered by Headwater in 2022 by drilling beneath a thick accumulation of unmineralized silica sinter at surface.

Previous Headwater drilling at the Disco Zone intercepted multiple, discrete epithermal veins with textures indicative of boiling, including ginguero banding, silica replacement of lattice-bladed calcite and vein sediments. The highest-grade gold encountered to date at the Spring Peak project is in drill hole SP22-13 which intersected two separate veins assaying 15.92 g/t Au over 2.38 m and 10.43 g/t Au over 2.01 m. 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.

The 2023 drill program targeted the same elevation horizon as the previous drilling between 150 m and 400 m below an extensive zone of silica sinter exposed at surface.

Drill hole SP23-17 was the first core hole of the 2023 program and successfully extended the mineralization encountered in SP22-13. SP23-17 intercepted 13.0 g/t Au over 1.21 m and 9.0 g/t Au over 3.11 m within a broader interval of 20.46 m grading 2.59 g/t Au.

Mineralization in drill hole SP23-17 consists of banded quartz-calcite veins with quartz-after-bladed calcite, vein sediments, and silica cemented breccias. The highest-grade mineralization intercepted in SP23-17 occurs within discrete quartz dominant zones at the margins of the broader mineralized interval. This drill intercept occurs approximately 325 metres below surface and remains open at depth and along strike. Several additional step out holes along strike and down dip of this intercept were completed.

Drillhole SP23-17 also intercepted a new zone of mineralization approximately 130 metres above the Disco Zone, containing 0.95 g/t Au over 27.44 m. This new zone was intercepted in the reverse circulation pre-collar portion of the hole. Adjacent core-from-surface holes (assays pending) encountered several zones of fault gouge and sparse veining at a similar depth. Initial interpretations are that this may represent the shallow portions of a stacked Disco-Zone-parallel vein system which remains to be tested with drilling at depth.

Results have also been received for two additional holes from the Disco Zone, both up-dip of SP23-17. Holes SP23-18 and SP23-19 intercepted zones of highly anomalous precious metal mineralization in fault gouge with veins and vein clasts along the projection of the Disco Zone but did not intercept Au grades greater than 5 g/t. Initial interpretations suggest this may be due to a localized inflection in the Bear Fault plane resulting in a constricting segment of the zone.

Drill holes SP23-24 and SP23-27 have extended the strike extent of the mineralized zone to greater than 350 m, and the zone remains open both to the northeast and southwest. Drill holes SP23-25 and SP23-28 also demonstrate that mineralization extends to greater than 300 m below surface and remains open at depth.

Drill hole SP23-33, which intercepted the Disco Zone approximately 150 m below surface, encountered a thick zone of epithermal veining assaying 1.28 g/t Au over 37.01 m suggesting the mineralized zone is open up-dip as well, closer to the surface.

Scout RC drill hole SP23-23 was drilled below an outcropping zone of intense silicification approximately 350 m northwest of the surface projection of the Disco Zone. This hole intercepted two broad zones of anomalous gold values grading 0.54 g/t Au over 9.17 m and 0.40 g/t Au over 35.05 m, respectively.

Step out drill hole SP23-37 was completed approximately 400 m northeast along strike of the main Disco Zone. This hole encountered multiple epithermal veins in the target zone including complex epithermal breccias and a fault-hosted vein zone that includes a 2.5-m-wide discrete epithermal vein with silica replacement of lattice-bladed calcite and banded chalcedonic quartz. Epithermal veining and alteration has now been intercepted over a strike extent of approximately 750 m along the Bear Fault corridor, from hole SP23-24 on the southwest to SP23-37 in the northeast and remains open in both directions.

**Table 1: Drill Results from Headwater’s 2023 Spring Peak drilling program<sup>1</sup>**

Hole ID	Type	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Az	Inc	TD (m)	Comments
SP23-16	RC	-	-	-	-	-	0	-90	135.64	Water well, no significant intercepts
SP23-17	RC	108.20	135.64	27.44	0.95	9.87	014	-73	376.52	New zone within Disco Zone hanging wall
<i>and</i>	DD	267.13	270.05	2.92	3.92	3.93				Disco Zone. True thickness is estimated at 50% of the reported downhole thickness. Highest individual sample 20.5 g/t Au over 0.42 m from 329.28 to 329.7 m
<i>including</i>	DD	267.74	268.53	0.79	9.10	6.38				
<i>and</i>	DD	310.59	331.01	20.42	2.59	15.16				
<b><i>including</i></b>	<b>DD</b>	<b>312.12</b>	<b>313.33</b>	<b>1.21</b>	<b>13.0</b>	<b>105.4</b>				
<b><i>including</i></b>	<b>DD</b>	<b>327.90</b>	<b>331.01</b>	<b>3.11</b>	<b>9.0</b>	<b>43.2</b>				
SP23-18	RC	118.87	135.64	16.77	0.46	5.30	005	-69	335.98	New zone within Disco Zone hanging wall
<i>and</i>	DD	279.96	292.30	12.34	0.88	5.16				Disco Zone. True thickness estimated at 55%
SP23-19	DD	151.39	160.45	9.06	0.53	3.92	299	-63	383.13	New zone within Disco Zone hanging wall
<i>and</i>	DD	272.16	284.53	12.37	1.25	6.18				Disco Zone. True thickness estimated at 65%

Hole ID	Type	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Az	Inc	TD (m)	Comments
SP23-20	RC	153.92	156.97	3.05	0.89	2.76	311	-73	166.1	New zone in Disco hanging wall Disco Zone. True thickness estimated at 60%
	and DD	172.76	178.92	6.16	0.71	2.58				
	and DD	234.73	258.59	23.86	0.46	5.48				
SP23-21	RC	96.01	102.11	6.10	0.80	6.35	293	-78	194.2	New zone in Disco Zone hanging wall New zone in Disco Zone hanging wall Disco Zone. True thickness estimated at 50%
	and DD	248.41	250.85	2.44	3.80	4.46				
	including DD	<b>248.41</b>	<b>249.94</b>	<b>1.53</b>	<b>5.80</b>	<b>6.26</b>				
	and DD	302.97	309.43	6.46	0.79	4.63				
	and DD	315.16	325.22	10.06	0.54	5.72				
SP23-22	RC	100.58	105.16	4.58	0.38	2.61	316	-46	304.8	True thickness estimated at 90%
SP23-23	RC	170.69	179.86	9.17	0.54	7.12	299	-47	304.8	New area of mineralization encountered in footwall of Disco Zone
	and RC	259.08	294.13	35.05	0.40	3.02				
SP23-24	DD	157.43	157.86	0.43	5.25	38.01	344	-45	487.7	New zone in Disco Zone hanging wall Disco Zone. True thickness estimated at 85%
	and DD	184.71	192.18	7.47	1.67	9.44				
	including DD	<b>185.29</b>	<b>186.54</b>	<b>1.25</b>	<b>6.12</b>	<b>16.03</b>				
SP23-25	DD	310.90	313.18	2.28	1.43	6.00	284	-79	407.1	Disco Zone. True thickness estimated at 45%
SP23-27	DD	200.56	204.43	3.87	0.90	3.57	313	-68	279.2	Disco Zone. True thickness estimated at 65%
	and DD	210.01	218.39	8.38	1.77	2.06				
	including DD	<b>216.71</b>	<b>218.39</b>	<b>1.68</b>	<b>7.40</b>	<b>5.24</b>				
SP23-28	DD	114.27	116.49	2.22	2.14	7.19	359	-76	359.1	New zone in Disco Zone hanging wall Disco Zone. True thickness is estimated at 50%. Highest individual sample 11.2 g/t Au over 0.3m from 317.48 to 317.78m
	including DD	<b>114.27</b>	<b>114.60</b>	<b>0.33</b>	<b>11.20</b>	<b>25.22</b>				
	and DD	301.48	327.02	25.54	1.75	10.78				
	including DD	<b>302.06</b>	<b>304.65</b>	<b>2.59</b>	<b>5.35</b>	<b>35.81</b>				
	including DD	<b>317.48</b>	<b>318.67</b>	<b>1.19</b>	<b>8.04</b>	<b>66.96</b>				
SP23-33	DD	179.31	216.32	37.01	1.28	12.63	306	-58	251.2	True thickness is estimated at 75%. Highest individual sample 18.0 g/t Au over 0.37m from 206.04 to 206.41m
	including DD	<b>196.99</b>	<b>198.18</b>	<b>1.19</b>	<b>6.27</b>	<b>63.92</b>				
	including DD	<b>206.04</b>	<b>207.72</b>	<b>1.68</b>	<b>6.53</b>	<b>112.56</b>				

<sup>1</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. Unless otherwise stated in the "Comments" field, insufficient information is available to determine true thickness of mineralized intervals. DD signifies diamond drilling and RC reverse circulation.

Assays remain outstanding for approximately half of the 2023 drilling. For more information on the 2023 Spring Peak drill program, please see Headwater news releases dated July 13, 2023, October 31, 2023 and December 6, 2023.

In addition to the drill program, the Company has also completed 32 line-km of controlled-source audio-frequency magnetotellurics (CSAMT) resistivity geophysics, a soil survey consisting of 615 additional soil samples and an airborne hyperspectral survey which collectively identify multiple new target areas.

*Airborne Hyperspectral Survey:*

Hyperspectral imagery was acquired over approximately 100 km<sup>2</sup> in the Project area using a fixed-wing aircraft with a shortwave infra-red and longwave infra-red hyperspectral camera. Airborne hyperspectral surveys are a commonly employed technique for mineral exploration and particularly applicable in low-sulfidation epithermal systems. This class of imagery allows for airborne mapping of alteration minerals to determine the footprint of epithermal alteration and track subtle variations in alteration mineralogy which can be important vectors for identifying feeder zones prospective for high-grade vein mineralization.

The survey conducted at Spring Peak has identified epithermal alteration minerals over most of the exposed pre-mineral bedrock on the property in an approximately 5 kilometres long and 1.5 kilometres wide corridor. Several northeast trending (Disco Zone parallel) alteration anomalies were detected as well as two distinct kaolinite-alunite altered rhyolite dome complexes, referred to as Aurora Dome and Alunite Canyon. Reconnaissance mapping and prospecting is currently underway following up on these and other target areas.

*CSAMT Geophysics and Soil Survey:*

The Company has also completed a 32 line-kilometre CSAMT geophysical survey extending the coverage east and west from the footprint of historic surveys. 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 played a critical role in Headwater's initial discovery, showing a consistent resistivity break along the Bear Fault which is now recognized as the primary control on high-grade mineralization. Other similar resistivity breaks exist on the property and the newly acquired survey was designed to add definition to these features and track them both east and west. Shallow post-mineral cover persists over much of the eastern project area. Preliminary CSAMT results appear to track multiple structures under cover and also indicate that the depth of cover is less than 100 metres. Final inversion modeling of the CSAMT data is underway.

A soil survey consisting of 615 soil samples was also conducted with samples collected along the CSAMT lines at 25 metre to 50 metre spacing. Historical soil data was limited to the central portion of the claim block and this expanded survey now covers the bulk of the exposed pre-mineral bedrock in the Project area. The combined soil dataset and the newly acquired CSAMT and hyperspectral surveys are currently being integrated into a property wide targeting model which will be used to prioritize new targets for testing in 2024.

**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 of 2.5% on the leased claims and 1.5% applicable on claims within an area of interest, with buy-back rights. The Company retains an option to acquire a 100% interest in the leased property, subject to the NSR, for US \$1,500,000 and the minimum payments shall be applied towards the purchase price.

During the nine months ended November 30, 2023, the Company expended \$150,406 (2022 - \$59,959) in acquisition and exploration costs on the TJ property. As at November 30, 2023, total acquisition and exploration expenditures recorded on TJ were \$231,517 (November 30, 2022 - \$60,072).

### **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 148 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 Newmont under which Newmont 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.

Newmont's Minimum Commitment on Lodestar is US \$2,000,000. As at November 30, 2023, Newmont has advanced US\$501,454 towards the Minimum Commitment and incurred US \$253,181 in earn-in expenditures on the Lodestar project. Newmont paid a further US \$77,759 (CAD \$105,776) to the Company to reimburse land fees, staking and certain exploration expenditures.

During the nine months ended November 30, 2023, the Company expended \$356,326 (2022 - \$nil) in acquisition and exploration costs, recovered \$343,504 (2022 - \$nil) in expenditures from Newmont, and received an option payment of \$105,503 from Newmont of which \$104,053 reduced the value of the Lodestar property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Lodestar were \$1,305 (November 30, 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 Hot Creek (Elko County, Nevada)**

The Company owns a 100% interest in the Hot Creek property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$26,214 (2022 - \$nil) in acquisition and exploration costs on the Hot Creek property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Hot Creek were \$26,105 (November 30, 2022 - \$nil).

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**7.18 Rock Creek (Lander/Eureka County, Nevada)**

The Company owns a 100% interest in the Rock Creek property, which it acquired by way of staking federal land. During the nine months ended November 30, 2023, the Company expended \$38,758 (2022 - \$nil) in acquisition and exploration costs on the Rock Creek property. As at November 30, 2023, total acquisition and exploration expenditures recorded on Rock Creek were \$38,634 (November 30, 2022 - \$nil).

**7.19 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.

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**8. SUMMARY OF QUARTERLY RESULTS**

N/A

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**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 \$6,679,891 at November 30, 2023 (February 28, 2023: \$1,247,813). Restricted cash was \$20,005 at November 30, 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 \$1,020,556 consist of \$985,000 in term deposits and 90,833 common shares of Elevation Gold Mining Corp. valued at \$10,900 and 845,000 common shares of Huntsman Exploration Inc. valued at \$24,656.

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 \$4,596,093 at November 30, 2023 compared to \$438,817 at February 28, 2023. Current liabilities consist of trade and other payables, lease liabilities and advances from Newmont to fund earn-in expenditures by August 15, 2024.

Working capital surplus was \$3,414,887 at November 30, 2023 compared to a surplus of \$4,115,345 at February 28, 2023.

The Company has no debt or debt arrangements.



Based on the financial condition at November 30, 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 Newmont pursuant to the Earn-In Agreements.

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## **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.

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## **11. OFF-BALANCE SHEET ARRANGEMENTS**

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

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## **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:

	November 30,	
	2023	2022
Short-term employee benefits and director fees	\$ 472,475	\$ 359,821
Share-based payments	57,890	39,618
Total key management compensation	\$ 530,365	\$ 399,439

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 November 30, 2023, the Company paid \$130,500 (November 30, 2022: \$152,369) 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 November 30, 2023, the Company paid \$45,000 (November 30, 2022: \$55,000) in fees and benefits to the company controlled by the Chairman.

The Company has entered into a Management Agreement with Philip Yee, the Chief Financial Officer, effective June 1, 2023 for no fixed term. Mr. Yee was appointed the CFO on September 1, 2023. As compensation for the services to be provided, the CFO will receive a monthly salary of \$4,500 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 November 30, 2023, the Company paid \$27,000 (November 30, 2022: \$nil) in salary to the CFO.

The Company has entered into a General Services Agreement with Greg Dering, the Vice President, Exploration (“VPX”) effective September 1, 2022 to December 31, 2023. As compensation for the services to be provided, the Company has agreed to pay the VPX a daily rate of US \$625. During the period ended November 30, 2023, the Company paid \$120,256 (November 30, 2022: \$57,952) in fees to the VPX.

The Company had entered into an Employment Agreement with Sandra Wong, the former Chief Financial Officer, effective January 1, 2022 for no fixed term. Ms. Wong resigned as CFO on September 1, 2023 but remains the Corporate Secretary of the Company. As compensation for the services to be provided, the CFO received 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 November 30, 2023, the Company paid \$39,000 (November 30, 2022: \$58,500) in salary to the CFO.

During the period ended November 30, 2023, the Company recorded \$36,000 (November 30, 2022: \$36,000) in director fees payable to three directors.

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

As at November 30, 2023, the Company has \$88,655 (November 30, 2022: \$66,606) due to related parties which consists of amounts owed to directors, officers, and companies with common directors for salaries, fees, advances and expense reimbursements, which are due on demand, unsecured and are non-interest bearing.

### **12.3 Receivable from Related Parties**

As at November 30, 2023 the Company has \$19,883 (November 30, 2022: \$1,899) 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 November 30, 2023, the Company charged office rent of \$39,500 (November 30, 2022: \$27,000) 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**

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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 November 30, 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 \$3,414,887 as at November 30, 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 Newmont 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 January 29, 2024, the Company has 62,214,115 common shares issued and outstanding.

As at January 29, 2024, the Company has 6,050,000 stock options outstanding.

As at January 29, 2024, the Company has 3,644,960 warrants outstanding.

As at January 29, 2024, the Company held 3,013,377 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), Philip Yee (Chief Financial Officer), Greg Dering (Vice President, Exploration), and Sandra Wong (Corporate Secretary).

### **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, Newmont'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 Newmont 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). 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**

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The accompanying condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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