HEADWATER GOLD INC.
(An Exploration Stage Company)

FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MAY 31, 2024

(Expressed in Canadian Dollars)

CAUTIONARY NOTE – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements". All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are "forward-looking statements". We caution you that such "forward looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company's filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations. Readers are cautioned not to place undue reliance on these forward-looking statements.

1. Preliminary Information and Overview

This Management's Discussion and Analysis (the "MD&A") of Headwater Gold Inc. (the "Company") should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the three month period ended May 31, 2024 and 2023 (the "Interim Financial Statements"), and other corporate filings available under the Company's profile on SEDAR+ at www.sedarplus.ca, including the consolidated financial statements of the Company for the years ended February 29, 2024 and February 28, 2023 (the "Annual Financial Statements").

Financial information in this MD&A is prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34") based upon the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of July 30, 2024 unless otherwise indicated.

The Company was incorporated on January 14, 2019 under the laws of British Columbia and is 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 interests in the United States.

The Company has one wholly owned subsidiary: CP Holdings Corporation.

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 in a portfolio of royalty free mineral projects in Idaho, Nevada and Oregon that it has staked predominately on federal land. The Company has acquired additional mineral projects through third party agreements and property 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 has the option to earn up to a 75% interest in each of the Company's Mahogany project in Oregon and Midas North and Spring Peak projects in Nevada for a cash payment of US $582,305, cumulative earn-in exploration expenditures of US $115 million, 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 an 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 has an option to earn 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 million, and the completion of a Pre-Feasibility Study which includes a minimum resource of 1.5 million gold or gold equivalent ounces.

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

As at February 29, 2024, the Company's material mineral resource property interests include the following:
- Nevada – Spring Peak (Mineral County), Agate Point (Humboldt County), Midas North (Elko County), Lodestar (Mineral County), and TJ (Elko County);
- Idaho – Crane Creek (Washington County); and
- Oregon – Katey (Malheur County) and Mahogany (Malheur County).

See Section 3 "Exploration and Evaluation Activities" below for a description of the Earn-In Transactions, mineral property interests and the work programs.

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca.

2. Highlights from the Three Months ended May 31, 2024 and Recent Developments

In April 2024, Mr. Fraser MacCorquodale was appointed to the Board of Directors of the Company.

In July 2024, the Company initiated an approximate 7,000 m drill program comprising of approximately 20 to 25 drill holes using one core and one RC drill rig for its Spring Peak project which is fully funded by Newmont with the Company earning a 10% management fee on exploration expenditures.

In July 2024, stock options for 1.4 million shares were exercised for proceeds of $140,000.

The Company granted 1.7 million stock options with exercise of $0.20 and a term of 5 years.

3.0 Exploration and Evaluation Activities

The Company is in the mineral exploration stage and as such has no revenues. Mineral property interests totalled $5,257,776 as at May 31, 2024 (February 29, 2024 - $5,113,134).

Total costs incurred on exploration and evaluation assets for the three months ended May 31, 2024 and year ended February 29, 2024 are summarized as follows:

	USA			
	Idaho	Nevada	Oregon	Total
Acquisition costs:				
Balance, February 28, 2023	$ 551,068	$ 433,123	$ 259,594	$ 1,243,785
Additions	95,134	640,948	101,801	837,883
Recovery from third party earn in	-	(492,631)	(62,696)	(555,327)
Impairment	-	(9,639)	-	(9,639)
Option of property	-	(104,069)	-	(104,069)
Foreign exchange	1,484	3,978	1,361	6,823
Balance, February 29, 2024	647,686	471,710	300,060	1,419,456
Additions	12,313	184,010	-	196,323
Recovery from third party earn in	-	(165,397)	-	(165,397)
Foreign exchange	3,020	9,354	1,793	14,167
Balance, May 31, 2024	663,019	499,677	301,853	1,464,549
Exploration costs:				
Balance, February 28, 2023	479,010	414,689	1,518,670	2,412,369
Additions:				
Administration	6,259	100,007	32,811	139,077
Drilling	1,611	12,096,024	1,988,319	14,085,954
Geology	23,292	2,762,889	232,978	3,019,159
Mapping, sampling geochemistry	-	127,611	15,266	142,877
Safety and social perfrormance	-	38,552	4,585	43,137
Technical review	-	23,521	2,914	26,435
Reclamation bond	-	9,248	-	9,248
Recovery from third party earn-in	-	(15,029,985)	(1,072,541)	(16,102,526)
Impairment	-	(64,530)	-	(64,530)
Foreign exchange	1,309	1,166	(19,997)	(17,522)
Balance, February 29, 2024	511,481	479,192	2,703,005	3,693,678
Additions:				
Administration	1,498	48,387	-	49,885
Advances and deposits	-	272,740	-	272,740
Drilling	1,040	280,172	59,373	340,585
Geology	6,225	246,365	5,889	258,479
Mapping, sampling geochemistry	-	4,484	-	4,484
Safety and social perfrormance	1,564	22,001	-	23,565
Recovery from third party earn-in	-	(822,349)	(38,647)	(860,996)
Foreign exchange	(3,183)	(12,652)	26,642	10,807
Balance, May 31, 2024	518,625	518,340	2,756,262	3,793,227
Net book value:				
Balance, February 28, 2024	$ 1,159,167	$ 950,902	$ 3,003,065	$ 5,113,134
Balance, May 31, 2024	1,181,644	1,018,017	3,058,115	5,257,776

3.1 Earn-In Transactions with Newmont Corporation

Pursuant to separate definitive option and earn-in agreements with Newmont dated August 15, 2022, Newmont has the option to acquire up to a 75% interest in each of the Company’s Mahogany project in Oregon and Midas North and Spring Peak projects in Nevada for a cash payment of US $582,305, cumulative earn-in exploration expenditures of US $115 million, 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 an additional option and earn-in agreement with Newmont dated May 8, 2023, Newmont has the 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 up to US $30 million, 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 $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 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 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 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 May 31, 2024, Newmont has advanced US$19,801,234 in cash to fund the minimum commitment earn-in expenditures for which US $18,267,966 in expenditures have been incurred.

3.2 Katey (Malheur County, Oregon)

About the Katey Project

The Company owns a 100% interest in the Katey property, which it acquired by way of staking federal land.

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.

2023 Exploration – 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.

During the three months ended May 31, 2024, the Company expended $26,543 in acquisition and exploration expenditures on Katey. As at May 31, 2024, total acquisition and exploration expenditures recorded on Katey was $2,145,228 (February 29, 2024 - $2,108,276).

3.3 Mahogany (Malheur County, Oregon)

About the Mahogany Project

The Mahogany project is located in southeastern Oregon, 20 km northwest of Integra Resources' DeLamar deposit.

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.

2023 Exploration - 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.

As at May 31, 2024, Newmont has advanced US $1,422,615 towards the Minimum Commitment and incurred US $1,234,046 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 May 31, 2024, total acquisition and exploration expenditures recorded on Mahogany was $835,943 (February 29, 2024 - $831,836).

3.4 Agate Point (Humboldt County, Nevada)

About the Agate Point Project

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.

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.

As at May 31, 2024, Newmont had advanced US $641,302 towards the Minimum Commitment and the Company incurred US $590,862 in earn-in expenditures on the Agate Point project.

As at May 31, 2024, total acquisition and exploration expenditures recorded on Agate Point was $132,333 (February 29, 2024 - $108,564).

3.5 Midas North (Elko County, Nevada)

About the Midas North Project

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.

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 Exploration – Midas North

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 totalling 4,202 m. The nine holes tested six targets and epithermal veining and favourable alteration was encountered in multiple target areas across the property. First-pass evaluation of initial target areas at Midas North was successful in identifying mineralized epithermal veining and favorable alteration at depth, providing critical vectors to guide future drilling on the property targeting high-grade gold in mineralized structures.

Details of the drilling program are provided in the Company's new releases dated August 22, 2023, September 11, 2023 and February 12, 2024.

Newmont's Minimum Commitment on Midas North is US $2,000,000. As at May 31, 2024, Newmont has advanced US $4,673,432 towards the Minimum Commitment and incurred US $4,215,618 in earn-in expenditures on the Midas North project. As at May 31, 2024, total acquisition and exploration expenditures recorded on Midas North, net of cash calls received from Newmont, were $210,412 (February 29, 2024 - $209,378).

3.6 Spring Peak (Mineral County, Nevada)

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.

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.

Following ongoing exploration success at the Spring Peak project (see Headwater news releases dated October 31, 2023, December 6, 2023 and February 13, 2024) 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.

Claim staking in 2023 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:

On October 1, 2023, the Company entered into a 30 year exploration lease with option to purchase a 100% interest (the “Arrache Agreement”) in certain mineral estate and surface estate fee lands (the “Private Property”) within the Spring Peak property. Under the Arrache Agreement, the Company has the right to purchase the Private Property for US$1 million:

Within 30 days of the Arrache Agreement	US$10,000 (paid)
First anniversary of the Effective Date	US10,000
Second and each anniversary of the Effective Date and up to tenth anniversary of the Effective Date	US$10,000 plus $2,000 times number of previous lease years
Eleventh and each anniversary of the Effective Date and up to twentieth anniversary of the Effective Date	US$30,000 plus $3,000 times number of previous lease years
Twenty first and each succeeding anniversary of the Effective Date	US$60,000 plus $6,000 times number of previous lease years

The Private 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 million before commencement of commercial production on the Private Property.

On October 1, 2023, the Company entered into a 30-year exploration lease with option to purchase a 100% interest (the “SHRA Agreement”) in certain mineral estate and surface estate fee lands (the “Private

Property") within the Spring Peak property. Under the SHRA Agreement, the Company has the right to purchase the Private Property for US$1.6 million anytime prior to the tenth anniversary of the SHRA Agreement:

Within 30 days of the SHRA Agreement	US$10,000 (paid)
First anniversary of the Effective Date	US10,000
Second and each anniversary of the Effective Date and up to tenth anniversary of the Effective Date	US$5,000 plus $500 times number of previous lease years
Eleventh anniversary of the SHRA Agreement	US$100,000
Eleventh and each anniversary of the Effective Date and up to twentieth anniversary of the Effective Date	US$10,000 plus $1,000 times number of previous lease years
Twenty first anniversary	US$200,000
Twenty first and each succeeding anniversary of the Effective Date	US$21,000 plus $2,000 times number of previous lease years

The Private 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. 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.

2023 Exploration – 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. 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 ginguro banding, silica replacement of lattice-bladed calcite and vein sediments. Highlights would include 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. Highlights of the drilling program include:

- Drill hole SP23-17 intercepted 13.0 grams per tonne gold ("g/t Au") over 1.21 metres ("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 in the Disco Zone target;
- Drill hole SP23-17 also intercepted 27.44 m grading 0.95 g/t Au above the Disco Zone in a newly recognized zone which may represent a parallel mineralized structure;
- Drill hole SP23-28 intercepted 25.54 m grading 1.75 g/t Au including 8.04 g/t Au over 1.19 m and 5.35 g/t Au over 2.59 m;
- Drill hole SP23-33 intercepted 37.01 m grading 1.28 g/t Au including 6.53 g/t Au over 1.68 m and 6.27 g/t Au over 1.19 m; and
- Drill hole SP23-32 intercepted 39.81 m grading 1.93 g/t Au including 4.60 g/t Au over 11.43 m and drill hole SP23-31 intercepted 40.08 m grading 1.51 g/t Au including 4.55 g/t Au over 9.76 m

More information on the 2023 Spring Peak drill program are provided in the Company's news releases dated July 13, 2023, October 31, 2023, December 6, 2023, February 13, 2024 and April 3, 2024.

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^2 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 will follow up on these and other target areas.

CSAMT Geophysics and Soil Survey:

In November 2023, the Company 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 indicate that the depth of post-mineral cover is less than 100 metres. Final inversion modeling of the CSAMT data is underway.

A soil survey consisting of 615 soil samples was 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.

2024 Exploration Plan – Spring Peak

A multi-rig drill program totaling up to approximately 7,000 metres over 20 to 25 holes was mobilized in July 2024. The primary objective of the drill program will be to test for extensions of mineralization along the Bear Fault corridor which hosts high-grade mineralization at the Disco Zone discovery. Targets along strike, down dip and in the hanging wall of the Bear Fault will be drill tested.

In 2024, the Company staked an additional 506 new claims (~7,835 hectares) for the Spring Peak project.

The 2024 claim staking expansion included the newly identified Doug target which is an exposed window of altered andesite, granite, and epithermal vein subcrop over an area measuring approximately 250 m by 750 m. The Doug target is located along the northern trend of the Bear Fault, about 9 km from the Disco Zone where the fault hosts high-grade epithermal veins discovered by Headwater in 2022. Headwater geologists interpret this fault as an important control on mineralization in the region. Initial rock sampling at Doug has returned gold values up to 2.05 g/t Au. Vein textures in the area are characteristic of the shallow portions of an epithermal vein system, including fine-grained chalcedonic banded veins (Figure 3) and vein sediments. The Doug area has seen little to no historic exploration, making it a high-priority target for follow-up exploration.

The 2024 Spring Peak and Lodestar exploration program includes gravity geophysics, CSAMT geophysics, and helicopter magnetics and radiometrics. These methods will be used to map subsurface structures at a district scale and identify potential mineralized zones.

Headwater is also employing a comprehensive surface geochemistry program over a large portion of the newly expanded land package, including stream sediment sampling, rock sampling and soil sampling.

Newmont's Minimum Commitment on Spring Peak is US $2,500,000 with an additional minimum commitment of US $2,500,000. As at May 31, 2024, Newmont has advanced US $12,277,626 towards the Minimum Commitment and incurred US $$11,749,310 in earn-in expenditures on the Spring Peak project. As at May 31, 2024, total acquisition and exploration expenditures, net of cash calls received from Newmont, recorded on Spring Peak were $8,581 (February 29, 2024 - $8,539).

3.7 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. Newmont retains the right to buy back 50% of the NSR for fair value at any time. 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 has an option to acquire up to a 75% interest in the Company's Lodestar project for a cash payment of US $77,759, guaranteed minimum expenditures of US $2,000,000 over a 24 month period, cumulative earn-in exploration expenditures of US $30,000,000, and the completion of a Pre-Feasibility Study which includes a minimum resource of 1.5 million gold or gold equivalent ounces.

About the Lodestar Project

The Lodestar project is located in the Aurora Mining District of west-central Nevada and adjoins Hecla's past-producing Aurora mine complex, where existing infrastructure includes a 350 ton per day mill, several production water wells and high-voltage, three-phase power. The project is located north of and adjoins the Company's Spring Peak project, where Headwater 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 preserved precious metal bearing structural feeders at depth, which remain untested.

2024 Work Plan – Lodestar

In 2024, the Company staked an additional 77 new claims (~1,620 hectares) along the northeastern margin of the preexisting land package.

The 2024 Spring Peak and Lodestar exploration program includes gravity geophysics, CSAMT geophysics, and helicopter magnetics and radiometrics. These methods will help map subsurface structures at a district scale and identify potential mineralized zones. A multi-rig drill program totaling up to approximately 3,500 metres over 10 to 15 holes is currently scheduled to begin in the fall of 2024 pending the receipt of a drill permit which has been submitted to the United States Forest Service. The primary objective of the drill program will be to test for high-grade precious metal deposits in steeply dipping feeder structures under the Zodiac sinter target. Additional scout drill holes are planned to test under-cover geophysical targets adjacent to the Zodiac target, beneath a thin veneer of post-mineral basalt.

Newmont's Minimum Commitment on Lodestar is US $2,000,000. As at May 31, 2024, Newmont has advanced US $786,259 towards the Minimum Commitment and incurred US $495,018 in earn-in expenditures on the Lodestar project. As at May 31, 2024, total acquisition and exploration expenditures, net of cash calls received from Newmont, recorded on Lodestar were $863 (February 29, 2024 - $859).

3.8 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.

4.0 Selected Financial Information

Management is responsible for, and the Board approved, the Interim Financial Statements. Except as noted, the Company followed the significant accounting policies presented in Note 3 - Material Accounting Policies, contained in the Financial Statements consistently throughout all periods summarized in this MD&A.

The Company operates in one segment – the exploration of mineral property interests. The Company has two geographic segments – the exploration activities occur in the USA, while head office, finance, marketing and administration activities occur in Canada.

4.1 Selected Annual Information

Not applicable.

4.2 Selected Statement of Comprehensive Income (Loss) data

The Company's operating expenses are summarised as follows:

	Three months ended May 31,	
	2024	2023
Expenses:		
Accounting and audit	**$ 10,701**	$ 36,335
Accretion of lease liability	**5,847**	7,147
Depreciation	**48,470**	52,332
General exploration	**73,354**	37,798
Legal	**780**	1,956
Office and sundry	**38,467**	26,542
Regulatory	**9,757**	7,787
Salaries, management, directors and benefits	**89,137**	86,997
Share-based payments	**8,917**	132,797
Shareholder relations	**66,595**	76,221
Other income (expense) items:		
Management fee income	**104,914**	74,018
Rental income	**48,379**	48,063
Finance and interest income	**8,192**	32,226
Foreign exchange gain (loss)	**37,608**	(3,168)
Unrealized gain (loss) on investments	**13,583**	(28,529)

Discussion of results – First Quarter of Fiscal 2025

Total expenses for the three months ended May 31, 2024 were $352,025 which is lower than the $465,912 for the comparable quarter in fiscal 2024. Total expenses were higher in the current year due to depreciation, share based payments and shareholder relations.

Accounting and audit fees of $10,701 were incurred in first quarter of fiscal 2025 (May 31, 2023 - $36,335). Accounting services which are related directly to exploration activities are allotted to the mineral projects. In fiscal 2024, exploration activities were substantially higher than prior years resulting in higher allocations to the mineral projects and lower accounting expenses. Audit fees for fiscal 2023 were higher than expected but was negotiated to a lower amount in fiscal 2024. Fees were incurred from the prior auditor due to the change of auditor in the current quarter in fiscal 2025.

Accretion of lease liability of $5,847 was recognized in first quarter of fiscal 2025 which is lower than the comparative quarter in fiscal 2024 (May 31, 2023 - $7,147). The Company's corporate office lease was effective May 1, 2024 and extends until April 20, 2027. Accretion expense can be expected to decrease as the maturity dates of the leases near and as installment payments reduce the principal amounts of the leases, thereby reducing accretion expense.

Depreciation expense of $48,470 in the first quarter of fiscal 2025 was lower than comparative quarter in fiscal 2024 (May 31, 2023 - $52,332). The acquisition of field equipment and the extensions of the office term resulted in increased depreciation expenses in fiscal 2024. Depreciation expense is expected to decrease for field equipment and office furniture and equipment which uses declining balance basis. The recognition of right of use asset from the office lease in May 2024, which is amortized evenly during the term of the office lease, would offset any decreases in the current quarter.

General exploration expenses were $73,354 for the first quarter of fiscal 2025 which is higher that the comparable quarter in fiscal 2024 (May 31, 2023 - $52,332). General exploration expenses include project generation costs as the Company continues its efforts to seek projects of merit and expand its portfolio of mineral property interests whether by staking new claims or entering into mineral property option agreements. Such efforts culminated in the staking of 583 new claims and expanding its combined Spring Peak and Lodestar land positions by 97% and expands the exploration potential of its portfolio for mineral projects.

Legal fees tend to be nominal both comparable periods (May 31, 2024 - $780 and May 31, 2023 - $1,956). Legal fees were mainly for continuous disclosure support. The corporate secretary who is an employee of the Company actively assists with regulatory compliance efforts.

Office and sundry expenses were higher in the first quarter of fiscal 2025 lower in the comparative quarter in fiscal 2024 (May 31, 2024 - $38,467 and May 31, 2023 - $26,542). Office expenses include insurance, office supplies and sundry, telephone, rent and IT support. Monthly rent charges nominally increased from the expansion of office facilities in May 2024. Exploration activities reduced during the current quarter resulting in lower allocations to the mineral projects. In general, office and sundry tend to remain fixed with nominal fluctuations.

Regulatory expenses of $9,757 in the current quarter in fiscal 2025 were nominally higher than in the comparative quarter in fiscal 2024 (May 31, 2023 – $7,787). Regulatory expenses include filing fees, listing fees on the CSE and OTC QB, transfer agent, AGM, news dissemination, and other expenses incurred to comply with the Company's continuing disclosure obligations. Listing fees were higher than in prior periods.

Renumerations paid to employees, management and directors were higher in the first quarter of fiscal 2025 than in the comparative quarter of fiscal 2024 (May 31, 2024 - $89,1377 and May 31, 2023 - $86,997) and reflects amounts earned by individuals employed directly by the Company that are not attributable to exploration activities. Conversely, technical personnel costs are allotted to exploration activities for each mineral project. The heightened level of exploration in fiscal 2024 contributed to higher allocations to mineral projects. The addition of a new director in April 2024 increased stipends to Board members.

Share-based payments of $8,917 in the first quarter of fiscal 2025 were significantly lower than in the comparative quarter in fiscal 2024 (May 31, 2023 - $132,797). In March 2023, stock options for 550,000 common shares were granted and fully vested on grant date, resulting in the full amount of the fair value of the stock options being recognized on grant date. However the 200,000 stock options grant on September 1, 2023 and 150,000 stock options grant on April 10, 2024 were subject to 6 month vesting provisions resulting in share based payments being amortized over the vesting periods.

Shareholder relations expenses of $66,595 in the first quarter of fiscal 2025 were lower than in the comparative quarter in fiscal 2024 (May 31, 2023 - $76,221). Shareholders relations expenses include advertising and marketing, market making, attendance at trade shows and conferences, and road shows. In fiscal 2024 given its active exploration programs on its mineral programs and heightened commodity prices, the Company needed to create more awareness of its exploration activities and progress in its mineral properties. However in the current quarter, capital markets have been somewhat subdued for junior exploration companies causing the Company to reduce shareholder relations activities.

Management fee income is the 10% operator's fee which the Company earns from Newmont on its Newmont earn in mineral projects. The management fee income of $104,914 in the first quarter of fiscal 2025 is higher than the income of $74,018 in the first quarter of fiscal 2024 and reflects the higher level of expenditures incurred by the Company in current period and recovered from Newmont cash calls for the Newmont earn in mineral projects. The 10% operator's fee is determined by the amount of exploration expenditures.

Rental income for both comparative quarters (May 31, 2024 - $48,379 and May 31, 2023 - $48,063) are similar. Rental income is for the rental recoveries for office and warehouse facilities and equipment from Newmont as used in exploration activities and from related parties on a cost recovery basis. Rental recoveries tend to be fixed pre-determined arrangements and would be similar from period to period.

Finance and interest income of $8,192 was lower in the first quarter of fiscal 2025 than the comparative quarter in fiscal 2024 (May 31, 2023 - $32,226). The income is earned from interest bearing investments and bank accounts which is from excess cash held by the Company. The closing of the private placement for $3,521,423 in fiscal 2023 allowed for investment in interest bearing instruments, resulting in higher interest earned in fiscal 2024.

The foreign exchange gain (loss) was from the net effects of transactional foreign currency for the Canadian parent company and its US based wholly owned subsidiary (May 31, 2024 – gain of $37,608 and May 31, 2023 – loss of $3,168). Depending on the volatility of the exchange rate from period-to-period, the impact on the statement of comprehensive loss could be significant.

Unrealized gain on investments of $13,583 in the first quarter of fiscal 2025 in contrast to the unrealized loss of $28,529 in the first quarter of fiscal 2024. The value of the Company's marketable securities increased in market value relative to the prior quarter.

4.3 Segment information

The Company undertakes administrative activities in Canada, and is engaged in the acquisition, exploration, and evaluation of certain mineral property interests in Nevada, Idaho and Oregon, USA. Accordingly, the Company's operations are in one operating segment and two geographic segments.

The Company is in the exploration stage and accordingly, has no reportable segment production revenues. Net income (loss) is distributed by geographic segment per the table below, for the three months ended:

	Three months ended May 31,	
	2024	2023
Canada	$ (96,958)	$ (260,552)
USA	(42,391)	(82,750)
	$ (139,349)	$ (343,302)

Mineral property interests and refundable security deposits are held in USA, and cash is held in Canada and USA with the latter receiving funds from earn in agreements with Newmont. The Company's assets are distributed by geographic segment, as per the tables below:

	May 31, 2024			February 29, 2024		
	Canada	USA	Total	Canada	USA	Total
Current assets	$ 825,995	$ 4,369,991	$ 5,195,986	$ 982,355	$ 4,171,073	$ 5,153,428
Right of use assets	202,407	147,460	349,867	3,376	175,754	179,130
Property and equipment	29,227	87,098	116,325	9,869	95,537	105,406
Exploration and evaluation assets	-	5,257,776	5,257,776	-	5,113,134	5,113,134
Deposits	-	143,189	143,189	-	142,485	142,485
Total assets	$ 1,057,629	$ 10,005,514	$ 11,063,143	$ 995,600	$ 9,697,983	$ 10,693,583
Total liabilities	$ 305,175	$ 2,494,050	$ 2,799,225	$ 92,276	$ 2,203,379	$ 2,295,655

4.4 Summary of Quarterly Results and First Quarter of 2025 Fiscal Year

The following table sets out selected quarterly financial information derived from the Company's unaudited quarterly financial statements prepared by management.

	May 31, 2024	Feb 29, 2024	Nov 30, 2023	Aug 31, 2023
Total revenue	$ -	$ -	$ -	$ -
Net income (loss) for the period	(139,349)	(227,536)	428,268	353,250
Earnings (loss) per share:				
Basic	-	-	0.01	0.01
Diluted	-	-	0.01	0.01
Total assets	11,063,143	10,693,583	13,794,995	15,559,135
Total long term liabilities	179,658	69,729	602,326	3,479,519
Dividends per share	-	-	-	-

	May 31, 2023	Feb 28, 2023	Nov 30, 2022	Aug 31, 2022
Total revenue	$ -	$ -	$ -	$ -
Net income (loss) for the period	(343,302)	(186,352)	(7,693)	(153,842)
Earnings (loss) per share:				
Basic	(0.01)	(0.02)	-	-
Diluted	(0.01)	(0.02)	-	-
Total assets	13,800,100	8,772,441	8,131,629	6,130,396
Total long term liabilities	5,628,320	376,343	1,378,139	45,638
Dividends per share	-	-	-	-

Because the Company is in the exploration stage, it did not earn any producing revenues nor realized any operating cash inflows except for management fee income from the Newmont earn in mineral properties whereby the Company earns a 10% management fee from exploration expenditures. The Company's expenditures and cash requirements may fluctuate and lack a degree of comparability from period to period as a result of a number of factors including seasonal fluctuations, the write-off of capitalized amounts, tax recoveries and other factors that may affect the Company's activities. In addition, the non-cash flow related impacts from foreign exchange, and vesting of share-based payments may give rise to variability in results from one period to the next comparable period.

The Company's primary source of funding is through the issuance of share capital; accordingly, the Company's activity level and the size and scope of planned exploration projects may also fluctuate depending upon the availability of equity financing with favourable terms. When capital markets strengthen, and the Company is able to secure equity financing with favourable terms, the Company's activity levels and the size and scope of planned exploration may increase.

For fiscal 2024 and 2023, the Company earns a 10% operator's fee from exploration expenditures from Newmont earn in mineral property interests. Management fee income resulted in quarterly net losses to reduce and for the realization of quarterly net income. Rental income is realized for the rental recoveries for office and warehouse facilities and equipment from Newmont as used in exploration activities and from related parties on a cost recovery basis.

An impairment of exploration and evaluation assets of $74,169 was recognized in fiscal 2024 and $29,954 in fiscal 2023. In the third quarter of fiscal 2024, the Company did not renew non core mineral claims for Agate Point, resulting in an impairment in the mineral property interest. In fiscal 2023, the impairment was for Hot Tub, select claim applications for Spring Peak and costs for Highland which was written off in fiscal 2022.

First Quarter

The Company's comprehensive loss for the first quarter of fiscal 2025 reflects depreciation, general exploration, wages and salaries; professional fees, shareholder relations, general office and administrative costs, and regulatory costs to administer the Company generally incurred on an ongoing basis, net of a foreign exchange gain or losses arising on the relative appreciation or depreciation of the Canadian dollar compared to the US dollar during the period.

Management fee income from Newmont earn in mineral projects was lower in the first quarter of fiscal 2025 than the quarterly management fee income in fiscal 2024 due to the reduced exploration activities in the current quarter.

Fourth quarter losses in fiscal 2024 were generally higher than prior comparative quarters due to year end accruals and adjustments.

Other liabilities tend to fluctuate depending on the timing of the receipts from Newmont cash calls which are based on calendar quarters and exploration expenditures incurred.

4.5 Financial Position

The following select financial data is derived from the Interim Financial Statements.

	May 31, 2024	February 29, 2024
Total current assets	$ 5,195,986	$ 5,153,428
Total assets	11,063,143	10,693,583
Total current liabilities	2,619,567	2,225,926
Total liabilities	2,799,225	2,295,655
Total shareholders equity	8,263,918	8,397,928

As at May 31, 2024, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a net loss of $139,349 for the three months ended May 31, 2024 (May 31, 2023 – net loss of $343,302), and, as of that date, the Company had an accumulated deficit of $3,259,042 (February 29, 2024 - $3,119,693). 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 $2,576,419 at May 31, 2024 (February 29, 2024 - $2,927,502). The Company has a commitment to spend $1,979,531 (February 29, 2024 - $1,634,308) in funds advanced by Newmont on qualifying earn-in expenditures based upon quarterly cash calls with Newmont.

Assets

Cash and cash equivalents were $5,009,821 at May 31, 2024 (February 29, 2024 - $4,974,318). Restricted cash was $20,005 at May 31, 2024 (February 29, 2024 - $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 4.6 "Cash Flows" below.

Short-term investments at May 31, 2024 (February 29, 2024 - $28,391) consist of marketable securities with a fair value of $41,976 which is higher than the prior quarter due to the increase in share prices of the investments.

Amounts and other receivable of $62,002 at May 31, 2024 (February 29, 2024 - $76,633) consist of GST input tax credits, interest receivable and office expense recoveries. Included in this amount is $41,793 (February 29, 2024 - $36,123) in amounts receivable from companies with common directors for rent and office overhead expense recoveries.

Prepaid expenses and deposits of $62,182 at May 31, 2024 (February 29, 2024 - $54,081) include rental deposits, insurance, OTCQB annual fee, investor communications and other regular operating expenses.

Right-of-use assets net of depreciation was $349,867 at May 31, 2024 (February 29, 2024 - $179,130). The Company has entered into leases for the rental of offices, warehouse and a vehicle for periods expiring up to October 31, 2025. In October 2023, the Company entered into a new office lease arrangement with expanded office facilities and a term of 3 years effective May 1, 2024.

Deposits of $143,189 at May 31, 2024 (February 29, 2024 - $142,485) include 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 $116,325 at May 31, 2024 (February 29, 2024 - $105,406) consists of field equipment, computer equipment, office furniture and equipment and leasehold improvements. Leasehold improvements were incurred in the first quarter of fiscal 2025 for the Company's expanded office facilities.

Exploration and evaluation assets of $5,257,776 at May 31, 2024 (February 29, 2024 - $5,113,134) consist of acquisition and exploration expenditures on the Company's mineral properties and are discussed in Section 3 "Exploration and Evaluation Activities". Expenditures for Newmont earn in mineral properties are fully funded from Newmont.

Liabilities

Trade and other payables were $451,803 at May 31, 2024 (February 29, 2024 - $460,395). Trade and other payables are unsecured and are usually paid within 30 days of recognition. Operating payables fluctuate based upon the exploration activities during the quarterly periods.

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 $367,891 at May 31, 2024 (February 29, 2024 - $200,952). For the three months ended May 31, 2024, accretion expense on the lease liabilities was $5,847 (May 31, 2023 - $7,147). Lease liabilities increased in the first quarter of fiscal 2025 from the lease on office facilities which became effective in May 2024.

Other liabilities consist of $1,979,531 (February 29, 2024 - $1,634,308) in net cash calls received from Newmont that the Company is committed to spend on qualifying earn-in expenditures. Cash calls are submitted by the Company to Newmont on a quarterly basis based upon approved budgets.

4.6 Cash Flows

The Company is still in the exploration stage and as such does not earn any revenue from production. Total cash used by operating activities was $104,960 for the first quarter of fiscal 2025 compared to cash used by operation activities of $1,153,165 for the comparative quarter in fiscal 2024. The Company incurred net loss of $139,349 whereas a net loss of $343,302 was incurred in the prior comparative quarter.

Total cash flows provided from investing activities was $196,869 in the first quarter of fiscal 2025 in contrast to cash provided from investing activities for $5,420,617 in the first quarter of fiscal 2024. In April 2024 cash calls of $1,468,511 were received from Newmont, whereas $5,651,388 were received in the prior comparative quarter. Subsequent to the prior quarter, the Company had mobilized active exploration programs on Newmont earn in projects in fiscal 2024. Exploration expenditures of $119,669 were incurred for non Newmont projects (May 31, 2023 - $43,764) and $1,131,357 (May 31, 2023 - $392,996) were incurred for Newmont mineral properties in first quarter of fiscal 2025; the increased expenditures in the current quarter contributed to the lower cash provided from investing activities relative to the comparative prior quarter in fiscal 2024.

Total cash flows used by financing activities was $48,009 in the first quarter of fiscal 2025 (May 31, - 2023 $28,500). In April 2023, exercise of stock option provided cash proceeds of $27,000. Lease payments for warehouse and office facilities and field equipment would reduce cash flow for financing activities.

For the first quarter of fiscal 2025, there was an increase in cash flow of only $35,503 whereas in the prior comparative quarter in fiscal 2024 an increase of $4,249,579.

5.0 Going Concern, Liquidity, Capital Management, and Contractual Obligations

5.1 Going Concern and Liquidity

The properties in which the Company currently holds an interest are in the exploration stage. The Company has not generated revenues or cash flows from operations since inception and does not expect to do so for the foreseeable future. The Company does earn a 10% management fee from exploration expenditures for its Newmont earn in mineral property interests. Exploration programs for Lodestar, Mahogany, Midas North and Spring Peak and previously Agate Point are fully funded by Newmont. As at May 31, 2024, the Company has working capital of $2,576,419 (February 29, 2024 - $2,927,502).

The Company’s financial liabilities of payables and accrued liabilities are generally payable within a 90-day period.

The Interim Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future; and do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company’s continuation as a going concern depends on its ability to successfully raise financing through the issuance of debt or equity.

5.2 Capital Management

The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company’s holdings of cash. To facilitate the management of its capital requirements, management prepare annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed administrative costs, to ensure that adequate levels of working capital are maintained. The Company believes that this approach is reasonable, given its relative size and stage.

There may be circumstances where, for sound business reasons, funds may be re-allocated at the Company's discretion. While the Company remains focused on the continued exploration and advancement of the Company's mineral property interests, management may (i) conclude to curtail certain operations; or (ii) should management enter into agreements in the future on new properties it may be necessary to make cash payments and complete work expenditure commitments under those agreements, which would change planned expenditures.

5.3 Contractual Obligations

In addition to normal course operating contracts and agreements relating largely to exploration activities and for the retention of exploration personnel, the Company is also party to agreements to acquire mineral properties that are disclosed in the accompanying Interim Financial Statements, and in this MD&A.

As at May 31, 2024, the Company has a commitment to incur exploration expenditures of $1,979,531 which represents remaining cash calls for which expenditures have not been incurred (February 29, 2024 - $1,634,308).

Also as at May 31, 2024, the Company has the following cash commitment obligations regarding its leases for warehouse, office and equipment:

	Payments due by Period (CAD$)					Payments due by Period (US$)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Office lease	$ 233,968	$ 77,512	$ 156,456	$ -	$ -	$ 60,662	$ 42,675	$ 17,987	$ -	$ -
Warehouse lease	-	-	-	-	-	42,834	39,527	3,307	-	-
Vehicle lease	-	-	-	-	-	24,147	18,110	6,037	-	-
Total, May 31, 2024	$ 233,968	$ 77,512	$ 156,456	$ -	$ -	$ 127,643	$ 100,312	$ 27,331	$ -	$ -

6. Financial Instruments

The Company's financial instruments include cash, restricted cash, term deposits, short term investments, amounts and other receivables, deposits, trade and other payables, and other liabilities. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

Marketable securities are measured using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian and USA financial institutions.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable, which may include amounts receivable from certain related parties, and records an expected credit loss based on its best estimate of potentially uncollectible amounts. Management believes that the credit risk with respect to these financial instruments is remote.

The financial instruments that potentially subject the Company to credit risk comprise investments, cash and cash equivalents and certain amounts receivable, the carrying value of which represents the Company's maximum exposure to credit risk.

As at May 31, 2024, the Company has no financial assets that are past due or impaired due to credit risk defaults.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at May 31, 2024, the Company had a working capital (current assets less current liabilities) of $2,576,419 (February 29, 2024 – $2,927,602). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in fiscal 2025.

Section 5.3 provides for contractual obligations related to leases for the Company's office, warehouse and vehicle as at May 31, 2024.

Trade and other payables are due in less than 90 days

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

Certain of the Company's mineral property interests and operations are in the USA which are incurred in US dollars. Fluctuations in the US dollars would affect the Company's consolidated statements of comprehensive income (loss) as the reporting currency is the Canadian dollar, and fluctuations in the US dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in Canadian dollars.

	Stated in Canadian Dollars (Held in US Dollars)	
	May 31, 2024	February 29, 2024
Cash	$ 4,323,647	$ 4,105,952
Marketable securities	41,976	28,391
Receivables and prepaids	4,368	36,730
Accounts payable and accrued liabilities	(350,061)	(376,297)
Lease liabilities	(164,459)	(192,774)
Other liabilities	(1,979,531)	(1,634,308)
Net financial assets (liabilities)	$ 1,875,940	$ 1,967,694

Based upon the above net exposure as at May 31, 2024 and assuming all other variables remain constant, a 5% (February 29, 2024 - 5%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately $93,800 (February 29, 2024 - $98,400) in the cumulative translation adjustment in the Company's shareholders' equity.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. The Company's investments in guaranteed investment certificates bear a fixed rate and are cashable at any time prior to maturity date. Interest rate risk is not significant to the Company as it has no interest bearing debt at year-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL.

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities.

7. Off-Balance Sheet Arrangements

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

8. Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, and expenses. A detailed presentation of all of the Company's significant accounting policies and the estimates derived therefrom, along with discussion as to judgments and estimates made by management which might impact the financial information, and a summary of new accounting pronouncements, please refer to our disclosures in the Financial Statements at Note 3.

9. Transactions Between Related Parties

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following general and administrative costs with related parties:

	Three months ended May 31,		Net balance receivable (payable)	
	2024	2023	May 31, 2024	February 29, 2024
Key management compensation:				
Executive salaries and benefits [1]	$ 132,060	$ 124,483	$ (37,418)	$ (33,926)
Directors fees	30,200	27,000	(10,500)	(4,000)
Share-based payments	8,917	31,618	-	-
	$ 171,177	$ 183,101	$ (47,918)	$ (37,926)
Net office, sundry, rent and salary allocations reimbursed from (to) companies sharing certain common	$ 26,433	$ 12,000	$ 41,793	$ 36,123

(1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

The above transactions are incurred in the normal course of business.

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 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 three months ended May 31, 2024, the Company paid $59,321 (May 31, 2023 - $59,021) 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 three months ended May 31, 2024, the Company paid $15,000 (May 31, 2023 - $15,000) 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 three months ended May 31, 2024, the Company paid $13,500 (May 31, 2023 - $nil) in salary to the CFO.

The Company has entered into a General Services Agreement with Greg Dering, the Vice President, Exploration (the "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 three months ended May 31, 2024, the Company paid $51,739 (May 31, 2023 - $45,962) 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 Corporate Secretary 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 Corporate Secretary resigns within 12 months following a change of control. During the three months ended May 31, 2024, the Company paid $7,500 (May 31, 2023 - $19,500) in salary to the Corporate Secretary.

10.0 Outstanding Securities

10.1 Common shares

The Company's authorized share capital consists of unlimited number of common shares without par value.

As at May 31, 2024, the Company held nil shares in escrow.

Changes in the Company's share capital for three months ended May 31, 2024 are as follows:

	Number of Shares	Amount
Balance at February 28, 2023	62,114,115	$ 10,645,071
Issued:		
Exercise of stock options	100,000	44,608
Share issue expenses	-	(144)
Balance at February 29, 2024 and May 31, 2024	62,214,115	$ 10,689,535

In July 2024, the Company issued 1,400,000 common shares priced at $0.10 for gross proceeds of $140,000 pursuant to a stock option exercise and with a fair value of $84,525.

As at July 30, 2024, there were 63,614,115 common shares issued and outstanding.

10.2 Stock options

The Company has a stock option plan under which it is authorized to grant stock options of up to a maximum of 10% of the issued and outstanding common shares to executive officers, directors, employees and consultants enabling the holder to acquire common shares. Vesting is at the discretion of the Board of Directors. In the absence of a vesting schedule, such stock options shall vest immediately.

The continuity of stock options for the three months ended May 31, 2024 is as follows:

	May 31, 2024	
	Number of Stock Options	Weighted average exercise price
Outstanding balance, beginning of period	6,050,000	$0.24
Granted	150,000	$0.27
Cancellation	(160,000)	$0.35
Outstanding balance, end of period	6,040,000	$0.23

During the three months ended May 31, 2024, the following stock options were granted:

- On April 10, 2024, 150,000 stock options with an exercise price of $0.27 and expiry date of April 10, 2029 were granted to a Director of the Company. The stock options fully vest in six months.

Subsequent to May 31, 2024, changes to stock options are as follows:

- In July 2024, 1.4 million stock options with an exercise price of $0.10 were exercised.
- In July 2024, the Company granted 1.7 million stock options with an exercise price of $0.20 and a term of 5 years and no vesting provisions.

At July 30, 2024, stock options for 6,340,000 common shares remain outstanding of which 6,190,000 stock options are exercisable.

10.3 Warrants

At May 31, 2024, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at February 28, 2024	Issued	Exercised	Expired	Outstanding at May 31, 2024
$0.55	February 15, 2025	3,644,960	-	-	-	3,644,960
		3,644,960	-	-	-	3,644,960

At July 30, 2024, warrants for 3,644,960 common shares remain outstanding.

11. Proposed Transactions

Other than disclosed in this MD&A and its continuous disclosure filings, the Company does not have any proposed transactions.

12. Changes in Accounting Polices Including Initial Adoption

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2024. The Company has not early adopted these new standards in preparing these unaudited condensed consolidated interim financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

13. Board of Directors and Officers

The directors of the Company are Graeme Currie, Tero Kosonen, Caleb Stroup, Alistair Waddell, Wendell Zerb and Fraser MacCorquodale.

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).

14. Management's Responsibility for Financial Reporting

The accompanying 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 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 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 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 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