



HEADWATER GOLD INC.

(An Exploration Stage Company)

SECOND QUARTER REPORT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**Notice of No Auditor Review of
Unaudited Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended August 31, 2024**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Headwater Gold Inc. (the "Company") for the three and six months ended August 31, 2024 (the "Interim Financial Statements") have been prepared by and are the responsibility of the Company's management. The Interim Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Accounting Standards 34 ("IAS 34") *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS").

The Company's independent auditor has not performed a review of these Interim Financial Statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Notes | August 31, 2024 | February 29, 2024 |
|---|--------|--------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 6,898,918 | \$ 4,974,318 |
| Restricted cash | | 20,005 | 20,005 |
| Short-term investments | 7 | 29,575 | 28,391 |
| Amounts and other receivable | 14 | 58,565 | 76,633 |
| Prepaid expenses and deposits | | 108,211 | 54,081 |
| Total Current Assets | | 7,115,274 | 5,153,428 |
| Non-Current Assets | | | |
| Right-of-use assets | 11 | 302,092 | 179,130 |
| Deposits | 8 | 141,656 | 142,485 |
| Property and equipment, net | 9 | 90,205 | 105,406 |
| Exploration and evaluation assets | 10 | 2,394,841 | 5,113,134 |
| Total Non-Current Assets | | 2,928,794 | 5,540,155 |
| Total Assets | | \$ 10,044,068 | \$ 10,693,583 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | \$ 764,715 | \$ 460,395 |
| Current portion of lease liabilities | 11 | 183,691 | 131,223 |
| Other liabilities | 10, 12 | 3,740,062 | 1,634,308 |
| Total Current Liabilities | | 4,688,468 | 2,225,926 |
| Non-Current Liabilities | | | |
| Lease liabilities | 11 | 137,811 | 69,729 |
| Total Non-Current Liabilities | | 137,811 | 69,729 |
| Total Liabilities | | 4,826,279 | 2,295,655 |
| Shareholders' Equity | | | |
| Share capital | 13 | 10,930,116 | 10,689,535 |
| Reserve for share-based payments | 13 | 1,226,473 | 1,012,923 |
| Accumulated other comprehensive loss | | (142,783) | (184,837) |
| Deficit | | (6,796,017) | (3,119,693) |
| Total Shareholders' Equity | | 5,217,789 | 8,397,928 |
| Total Liabilities and Shareholders' Equity | | \$ 10,044,068 | \$ 10,693,583 |

Nature of operations and going concern (Note 1)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 30, 2024:

/s/ "Alistair Waddell"

Director

/s/ "Caleb Stroup"

Director

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Notes | Three Months ended August 31, | | Six Months ended August 31, | |
|--|-----------|-------------------------------|-------------------|-----------------------------|-------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Expenses: | | | | | |
| Accounting and audit | | \$ 6,925 | \$ 11,794 | \$ 17,626 | \$ 48,129 |
| Accretion of lease liability | 11 | 8,158 | 6,188 | 14,005 | 13,335 |
| Depreciation | 9, 11 | 56,337 | 57,415 | 104,807 | 109,747 |
| General exploration | | 48,036 | 31,338 | 121,390 | 69,136 |
| Legal | | 754 | 2,132 | 1,534 | 4,088 |
| Office and sundry | | 40,795 | 20,655 | 79,262 | 47,197 |
| Regulatory | | 12,913 | 11,149 | 22,670 | 18,936 |
| Salaries, management, directors and benefits | 14 | 105,866 | 108,705 | 195,003 | 195,702 |
| Share-based payments | 13(c), 14 | 295,214 | - | 304,131 | 132,797 |
| Shareholder relations | | 50,839 | 80,433 | 117,434 | 156,654 |
| Total expenses | | (625,837) | (329,809) | (977,862) | (795,721) |
| Other income (expenses): | | | | | |
| Management fee income | 10 | 278,827 | 653,165 | 383,741 | 727,183 |
| Rental income | | 106,189 | 61,770 | 154,568 | 109,833 |
| Finance and interest income | | 21,183 | 31,012 | 29,375 | 63,238 |
| Foreign exchange gain (loss) | | (85,622) | (42,849) | (48,014) | (46,017) |
| Unrealized gain (loss) on investments | 7 | (12,343) | (20,039) | 1,240 | (48,568) |
| Impairment of mineral exploration projects | 10 | (3,219,372) | - | (3,219,372) | - |
| Total other income (expenses) | | (2,911,138) | 683,059 | (2,698,462) | 805,669 |
| Net (loss) income | | (3,536,975) | 353,250 | (3,676,324) | 9,948 |
| Other comprehensive income (loss): | | | | | |
| Items that may be reclassified to comprehensive income (loss): | | | | | |
| Cumulative translation adjustment | | 45,632 | 16,691 | 42,054 | 17,298 |
| Comprehensive (loss) income | | \$ (3,491,343) | \$ 369,941 | \$ (3,634,270) | \$ 27,246 |
| Basic and diluted (loss) earnings per share: | | | | | |
| Basic | | \$ (0.06) | \$ 0.01 | \$ (0.06) | - |
| Diluted | | \$ (0.06) | \$ 0.01 | \$ (0.06) | - |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | | 63,099,985 | 62,214,115 | 62,657,050 | 62,190,745 |
| Dilutive effect of stock options and warrants | | - | 4,080,000 | - | 4,080,000 |
| Diluted | | 63,099,985 | 66,294,115 | 62,657,050 | 66,270,745 |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

HEADWATER GOLD INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****FOR THE SIX MONTHS ENDED AUGUST 31, 2024 AND 2023**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | Accumulated Other | | Total |
|--|------------------|---------------|--------------|-----------------------------|---------------------|--------------|
| | Number of Shares | Amount | | Comprehensive Income (Loss) | Accumulated Deficit | |
| Balance, February 28, 2023 | 62,114,115 | \$ 10,645,071 | \$ 838,574 | \$ (195,991) | \$ (3,330,373) | \$ 7,957,281 |
| Exercise of stock options | 100,000 | 44,608 | (17,608) | - | - | 27,000 |
| Share issue expenses | - | (144) | - | - | - | (144) |
| Share-based payments | - | - | 191,957 | - | - | 191,957 |
| Comprehensive income (loss) for the year | - | - | - | 11,154 | 210,680 | 221,834 |
| Balance, February 29, 2024 | 62,214,115 | 10,689,535 | 1,012,923 | (184,837) | (3,119,693) | 8,397,928 |
| Exercise of stock options | 1,500,000 | 240,581 | (90,581) | - | - | 150,000 |
| Share-based payments | - | - | 304,131 | - | - | 304,131 |
| Comprehensive income (loss) for the period | - | - | - | 42,054 | (3,676,324) | (3,634,270) |
| Balance, August 31, 2024 | 63,714,115 | \$ 10,930,116 | \$ 1,226,473 | \$ (142,783) | \$ (6,796,017) | \$ 5,217,789 |
| Balance, February 28, 2023 | 62,114,115 | \$ 10,645,071 | \$ 838,574 | \$ (195,991) | \$ (3,330,373) | \$ 7,957,281 |
| Exercise of stock options | 100,000 | 44,608 | (17,608) | - | - | 27,000 |
| Share issue expenses | - | (144) | - | - | - | (144) |
| Share-based payments | - | - | 139,121 | - | - | 139,121 |
| Comprehensive income (loss) for the period | - | - | - | 17,298 | 9,948 | 27,246 |
| Balance, August 31, 2023 | 62,214,115 | \$ 10,689,535 | \$ 960,087 | \$ (178,693) | \$ (3,320,425) | \$ 8,150,504 |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

HEADWATER GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED AUGUST 31, 2024 AND 2023
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

| | Six Months ended August 31, | |
|--|-----------------------------|--------------|
| | 2024 | 2023 |
| Cash provided from (used by): | | |
| Operations: | | |
| Net (loss) income for the period | \$ (3,676,324) | \$ 9,948 |
| Items not involving cash: | | |
| Accretion of lease liability | 14,005 | 13,335 |
| Depreciation | 104,807 | 109,747 |
| Share-based payments | 304,131 | 132,797 |
| Unrealized (gain) loss on investments | (1,240) | 48,568 |
| Impairment of mineral property interests | 3,219,372 | - |
| | (35,249) | 314,395 |
| Changes in non-cash working capital items: | | |
| Amounts and other receivables | 18,068 | (9,082) |
| Prepaid expenses and deposits, current | (54,130) | (671,786) |
| Trade and other payables | 304,320 | (123,135) |
| Cash provided from (used by) operating activities | 233,009 | (489,608) |
| Financing: | | |
| Proceeds from share issuances | 150,000 | 27,000 |
| Share issue expenses | - | (144) |
| Lease payments | (101,259) | (106,449) |
| Cash provided from (used by) financing activities | 48,741 | (79,593) |
| Investing: | | |
| Expenditures on exploration and evaluation assets | (467,670) | (542,960) |
| Expenditures on earn-in exploration and evaluation assets | (4,145,890) | (5,200,280) |
| Cash received from third party earn-in expenditures | 6,339,669 | 11,215,178 |
| Cash received from option of properties | - | 94,053 |
| Redemption (purchase) of term deposits | - | 1,880,000 |
| Purchase of property and equipment | (5,012) | (58,086) |
| Prepaid, long term | - | 952 |
| Cash provided from investing activities | 1,721,097 | 7,388,857 |
| Foreign exchange (loss) gain on cash held in foreign currency | (78,247) | 25,184 |
| Increase in cash | 1,924,600 | 6,844,840 |
| Cash and cash equivalents, beginning of the period | 4,994,323 | 1,267,818 |
| Cash and cash equivalents, end of the period | \$ 6,918,923 | \$ 8,112,658 |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

HEADWATER GOLD INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED AUGUST 31, 2024 AND 2023**

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

| | Six Months ended August 31, | |
|--|-----------------------------|--------------|
| | 2024 | 2023 |
| Non cash financing and investing activities: | | |
| Recognition of right of use assets and lease liability | \$ 208,190 | \$ - |
| Fair value allocated to common shares from the exercise of stock options | 90,581 | - |
| Supplemental information: | | |
| Cash and cash equivalents | \$ 6,898,918 | \$ 8,092,653 |
| Restricted cash | 20,005 | 20,005 |
| Total cash and cash equivalents | \$ 6,918,923 | \$ 8,112,658 |
| Interest paid | \$ - | \$ - |
| Income taxes paid | - | - |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Headwater Gold Inc. (the “Company”) was incorporated on January 14, 2019 under the laws of British Columbia (Canada). 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’s shares were approved for trading on the Canadian Securities Exchange (“CSE”) under the symbol “HWG” on June 8, 2021.

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

These condensed consolidated interim financial statements for the three and six months ended August 31, 2024 (the “Interim Financial Statements”) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. For the six months ended August 31, 2024, the Company had a net loss \$3,676,324 (August 31, 2023 – net income of \$9,948), and as at August 31, 2024 had a working capital of \$2,426,806 (February 29, 2024 - \$2,927,502) and an accumulated deficit of \$6,796,017 (February 29, 2024 - \$3,119,693). It is the opinion of management that the Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests for the next year.

2. Basis of Preparation

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Standards Interpretations Committee. These Interim Financial Statements do not include all of the information and disclosures required for full and complete annual financial statements, and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended February 29, 2024. The Company has consistently applied the same accounting policies for all periods as presented.

(b) Approval of the Interim Financial Statements

These Interim Financial Statements were approved by the Company’s Board of Directors on October 30, 2024.

(c) Basis of Consolidation and Presentation

The Interim Financial Statements incorporate the financial statements of the Company and its sole wholly owned subsidiary, CP Holdings Corporation, which is incorporated in the United States. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

Certain of the prior periods’ comparative figures may have been reclassified to conform to the presentation adopted in the current period.

The Interim Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Material Accounting Policies

(a) Exploration and Evaluation Assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized and classified as intangible assets. Upon commencement of commercial production, the related accumulated costs will be amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties for impairment and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(a) Exploration and Evaluation Assets (continued)

The recoverability of the carrying amounts of exploration and evaluation assets (“E&E Asset”) is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as exploration and evaluation assets represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are reflected as a reduction of the cost of the property. If sale proceeds exceed costs, the excess is reported as a gain.

(b) Foreign Currency Translation

The presentation and functional currency of the Company is the Canadian dollar as this is the principal currency of the economic environment in which it operates. The functional currency of the subsidiary is the United States dollar.

The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary and non monetary assets and liabilities are translated at the exchange rates in effect at the condensed consolidated interim statement of financial position date. The resulting exchange gains or losses are recognized in the condensed consolidated interim statement of comprehensive income (loss).

A subsidiary that has a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

4. Critical Accounting Judgments, Estimates and Risks

The preparation of the Interim Financial Statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period.

Although management used historical experience and its best knowledge of the amount, events, or actions to form the basis for judgements and estimates, actual results could differ from these estimates.

Judgments

In the process of applying the Company’s accounting policies, management has made judgments regarding going concern assumption, functional currency and accounting for mineral property interests, all of which have the most significant effect on the amounts recognized in the Interim Financial Statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are provision for environmental rehabilitation and inputs used in the valuation of share-based payments and warrants. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

5. Management of Capital

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations except for management fee income from the Newmont earn in mineral properties whereby the Company earns a 10% management fee from exploration expenditures (Note 10). The Company's primary source of funds comes from the issuance of share capital and proceeds from debt and from management fees earned from its exploration programs (Note 10). The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. The Company will continue to rely on debt and equity financings and management fees earned from its exploration programs (Note 10) to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

There were no changes in the Company's approach to capital management during the three and six months ended August 31, 2024.

6. Management of Financial Risk

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.

Short term investments 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 August 31, 2024, the Company has no financial assets that are past due or impaired due to credit risk defaults.

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

6. Management of Financial Risk (continued)

(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 August 31, 2024, the Company had a working capital (current assets less current liabilities) of \$2,426,806 (February 29, 2024 – \$2,927,502).

The following schedule provides the contractual obligations related to leases for the Company's office, warehouse and vehicle (Note 11) as at August 31, 2024:

| | 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 | \$ 214,650 | \$ 78,228 | \$ 136,422 | \$ - | \$ - | \$ 50,166 | \$ 42,971 | \$ 7,195 | \$ - |
| Warehouse lease | - | - | - | - | - | 33,070 | 33,070 | - | - | - |
| Vehicle lease | - | - | - | - | - | 19,619 | 18,110 | 1,509 | - | - |
| Total, August 31, 2024 | \$ 214,650 | \$ 78,228 | \$ 136,422 | \$ - | \$ - | \$ 102,855 | \$ 94,151 | \$ 8,704 | \$ - | \$ - |

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 condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars.

| | Stated in Canadian Dollars (Held in US Dollars) | |
|---|--|---------------------|
| | August 31, 2024 | February 29, 2024 |
| Cash | \$ 6,277,984 | \$ 4,105,952 |
| Marketable securities | 29,575 | 28,391 |
| Receivables and prepaids | 4,175 | 36,730 |
| Accounts payable and accrued liabilities | (687,836) | (376,297) |
| Lease liabilities | (132,584) | (192,774) |
| Other liabilities | (3,740,062) | (1,634,308) |
| Net financial assets (liabilities) | \$ 1,751,252 | \$ 1,967,694 |

Based upon the above net exposure as at August 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 \$87,560 (February 29, 2024 - \$98,400) in the cumulative translation adjustment in the Company's shareholders' equity.

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

6. Management of Financial Risk (continued)

(c) Market risk: (continued)

(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 period-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. Short Term Investments

Short-term investments consist of term deposits and marketable securities. As at August 31, 2024 and February 29, 2024, the fair values of the short-term investments are as follows:

| | August 31, 2024 | February 29, 2024 |
|---|-----------------|-------------------|
| Term deposits: | | |
| Balance, begin of period | \$ - | \$ 3,000,000 |
| Purchase guarantee investment certificate | - | - |
| Redemptions | - | (3,000,000) |
| Balance, end of period | - | - |
| Marketable securities: | | |
| Balance, begin of period | 28,391 | 101,304 |
| Change in fair value of marketable securities | 1,240 | (72,877) |
| Foreign currency translation adjustment | (56) | (36) |
| Balance, end of period | 29,575 | 28,391 |
| Balance, end of period | \$ 29,575 | \$ 28,391 |

8. Deposits

The Company has established a surety bonding arrangement with a third party (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 were executed to 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.

As at August 31, 2024, the Surety Agent has provided the Company with a bonding of US\$242,839 (February 29, 2024 – US\$242,839).

As at August 31, 2024, the Company has a collateral of \$141,656 with the Surety Agent (February 29, 2024 - \$142,485).

HEADWATER GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

9. Property and Equipment

| | Computer Equipment | Furniture and Equipment | Field Equipment | Leasehold Improvements | Total |
|---|-----------------------|----------------------------|--------------------|---------------------------|------------|
| Cost: | | | | | |
| Balance, February 28, 2023 | \$ 4,633 | \$ 20,682 | \$ 46,512 | \$ 34,108 | \$ 105,935 |
| Acquisitions | - | - | 69,811 | - | 69,811 |
| Dispositions | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | (132) | (98) | (230) |
| Balance, February 29, 2024 | 4,633 | 20,682 | 116,191 | 34,010 | 175,516 |
| Acquisitions | - | 5,012 | - | - | 5,012 |
| Dispositions | - | - | - | - | - |
| Foreign currency translation adjustment | - | 1 | (303) | (31) | (333) |
| Balance, August 31, 2024 | 4,633 | 25,695 | 115,888 | 33,979 | 180,195 |
| Accumulated depreciation: | | | | | |
| Balance, February 28, 2023 | 1,755 | 9,375 | 17,597 | 2,036 | 30,763 |
| Depreciation | 925 | 3,392 | 22,357 | 12,550 | 39,224 |
| Dispositions | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | 64 | 59 | 123 |
| Balance, February 29, 2024 | 2,680 | 12,767 | 40,018 | 14,645 | 70,110 |
| Depreciation | 463 | 1,563 | 11,502 | 6,349 | 19,877 |
| Dispositions | - | - | - | - | - |
| Foreign currency translation adjustment | - | 3 | - | - | 3 |
| Balance, August 31, 2024 | 3,143 | 14,333 | 51,520 | 20,994 | 89,990 |
| Net book value: | | | | | |
| Balance, February 29, 2024 | \$ 1,953 | \$ 7,915 | \$ 76,173 | \$ 19,365 | \$ 105,406 |
| Balance, August 31, 2024 | \$ 1,490 | \$ 11,362 | \$ 64,368 | \$ 12,985 | \$ 90,205 |

HEADWATER GOLD INC.

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(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

10. Exploration and Evaluation Assets

| | 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 | 94,476 | 864,871 | 6,746 | 966,093 |
| Recovery from third party earn in | - | (679,690) | (2,428) | (682,118) |
| Impairment | (98,476) | (62,000) | (282,464) | (442,940) |
| Foreign exchange | (3,074) | (9,703) | (3,118) | (15,895) |
| Balance, August 31, 2024 | 640,612 | 585,188 | 18,796 | 1,244,596 |
| 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 performance | - | 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 | 3,151 | 107,044 | - | 110,195 |
| Advances and deposits | - | 269,820 | - | 269,820 |
| Drilling | 1,029 | 1,726,410 | 62,071 | 1,789,510 |
| Geology | 12,825 | 972,027 | 9,092 | 993,944 |
| Mapping, sampling geochemistry | - | 103,867 | - | 103,867 |
| Safety and social performance | 1,573 | 22,555 | - | 24,128 |
| Recovery from third party earn-in | - | (3,042,567) | (46,438) | (3,089,005) |
| Impairment | (105,266) | (150,442) | (2,520,724) | (2,776,432) |
| Foreign exchange | (3,320) | (1,112) | 34,972 | 30,540 |
| Balance, August 31, 2024 | 421,473 | 486,794 | 241,978 | 1,150,245 |
| Net book value: | | | | |
| Balance, February 29, 2024 | \$ 1,159,167 | \$ 950,902 | \$ 3,003,065 | \$ 5,113,134 |
| Balance, August 31, 2024 | 1,062,085 | 1,071,982 | 260,774 | 2,394,841 |

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10. Exploration and Evaluation Assets (continued)

(a) Earn-In Agreements with Newmont Corporation

Pursuant to four separate definitive option and earn-in agreements (each, an “Earn-In Agreement”) with a wholly-owned subsidiary of Newmont Corporation (formerly, Newcrest Mining Limited) (“Newmont”) 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 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. Effective August 15, 2024, Newmont terminated the Mahogany and Midas North projects.

Pursuant to a definitive option and earn-in agreement with Newmont dated May 8, 2023, Newmont has 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 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 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. Newmont has not maintained its 9.9% equity interest in the Company in further issuance of equity capital.

(b) Idaho Properties

Crane Creek Property

Crane Creek is comprised of various mineral claims, a state mining lease and a fee lease located in Washington County, Idaho.

Pursuant to an agreement dated July 22, 2020, the Company has acquired a 100% undivided interest in certain unpatented mining claims and State Mineral Lease E500007 located in Idaho for consideration of US \$60,000 and 200,000 common shares of the Company (issued October 1, 2020 with a fair value of \$44,000). The unpatented mining claims are subject to a 1% net smelter returns (“NSR”) royalty which the Company may purchase for US \$1 million at any time. State Mineral Lease E500007 expired on February 28, 2021. The Company has acquired a fresh lease in its place: State Mineral Lease E500034 with a twenty year term, beginning March 1, 2021 and terminating February 28, 2041.

Pursuant to a mining lease agreement effective October 28, 2020, the Company has agreed to lease certain fee lands in Washington County, Idaho for a twenty year term that may be extended by ten year increments, for consideration of US \$5,000 payable upon execution of the agreement and subsequent payments of US \$3,250 on each anniversary of the effective date. The property is subject to a NSR royalty of 2%, of which the first 1% may be purchased for US \$1 million at any time and the second 1% may be purchased for US \$2 million at any time.

The Company continues to hold interests in the Matador and Flint mineral property interests in Idaho, and wrote off the Opaline Gulch mineral property interest in August 2024.

(c) Nevada Properties

(i) Agate Point Property

Agate Point is comprised of various mineral claims located in Humboldt County, Nevada. The Company holds a 100% interest in the project.

Pursuant to the Agate Point Earn-In Agreement with Newmont dated August 15, 2022, Newmont had an option to acquire up to a 75% interest in the project by making a cash payment of US \$30,684 (paid) representing historical land fees, staking costs and certain exploration costs, sole fund guaranteed exploration expenditures of US \$500,000 (incurred) over a 24 month period (the “Minimum Commitment”), completing cumulative earn-in exploration expenditures of US \$30 million, and completing a Pre-Feasibility Study which included a minimum resource of 1.5 million gold or gold equivalent ounces.

HEADWATER GOLD INC.

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10. Exploration and Evaluation Assets (continued)

(c) Nevada Properties (continued)

(i) Agate Point Property (continued)

During the year ended February 28, 2023, Newmont completed the Minimum Commitment on the project and had elected not to proceed to the Stage I earn-in of 51% interest in Agate Point. Accordingly, Newmont provided notice to the Company that it was terminating its option on the project effective May 8, 2023.

In fiscal 2024, Newmont had advanced US \$641,302 (2023 – US \$518,967) towards the Minimum Commitment and incurred US \$590,862 (2023 - US\$561,792) in earn-in expenditures on the Agate Point project (Note 12).

During the six months ended August 31, 2024, the Company recognized an impairment of \$121,722 (August 31, 2023 -\$Nil) for mineral claims for Agate Point which were not renewed.

(ii) Midas North Property

Midas North is comprised of various mineral claims located in Elko County, Nevada. The Company holds a 100% interest in the project, which was 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 signed a surface rights agreement with the owner of certain surface estate fee lands within the project boundaries.

Pursuant to the Midas North Agreement with Newmont dated August 15, 2022, Newmont had an option to acquire up to a 75% interest in the project by making a cash payment of US \$88,629 (paid) representing historical land fees, staking costs and certain exploration costs, sole fund guaranteed exploration expenditures of US \$2 million (incurred) over a 24 month period (the "Minimum Commitment"), completing cumulative earn-in exploration expenditures of US \$30 million, and completing a Pre-Feasibility Study which included a minimum resource of 1.5 million gold or gold equivalent ounces. Newmont terminated Midas North Earn-In Agreement on August 15, 2024.

On June 6, 2023, the Company entered into a 30 year exploration lease with option to purchase a 100% interest in the Ellis Ranch property within the Midas North property. Under the Agreement, the Company has the right to purchase the Property for US \$900,000, for annual minimum payments of US \$5,000 within 30 days upon execution of the Agreement, US \$5,000 on the first to ninth anniversary of the Effective date, US \$10,000 on the tenth to nineteenth anniversary of the Effective Date, and US \$20,000 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. The Company has the right to construct a water well on the Property and up to US \$25,000 of the cost of the well construction and permit shall be credited in the Company's favour against the minimum payment obligations and surface disturbance fee obligations. If the Company transfers its interest in the Agreement to an unaffiliated third party, the Company must pay a US \$10,000 transfer fee.

As at August 31, 2024, Newmont had advanced US \$4,670,000 (February 29, 2024 - US \$4,670,000) towards the Minimum Commitment and incurred US \$4,338,279 (February 29, 2024 - US \$4,185,126) in earn-in expenditures on the Midas North project (Note 12).

At August 31, 2024, the Company recognized an impairment of \$55,847 (August 31, 2023 -\$Nil) for mineral claims for the Midas North project which were not renewed.

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10. Exploration and Evaluation Assets (continued)

(c) Nevada Properties (continued)

(iii) Spring Peak Property

The Company has entered into an Option to Purchase Agreement (the “Agreement”) dated July 12, 2021 to acquire a 100% interest, subject to retained royalties, in the Spring Peak gold/silver project located in Nevada from Renaissance Exploration Inc. (“REI”), a wholly owned subsidiary of Orogen Royalties Inc. The Company’s interest in the project 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.

Pursuant to the Agreement and in order to exercise the option to acquire a 100% interest in the Property, the Company shall make the following payments:

- (a) Pay US \$10,000 upon signing the Agreement (paid);
- (b) Incur US \$250,000 in exploration expenditures within 24 months of execution of the Agreement (incurred);
- (c) Pay US \$250,000 upon receipt of final approval from the United States Forest Service of the Company’s full Plan of Operations for exploration, which sum may be paid in common shares of the Company at the Company’s election;
- (d) Grant to REI a 0.5% NSR royalty of which the Company shall have the right of first offer to purchase the NSR if REI elects to sell it;
- (e) Grant to REI the option to purchase an additional 0.5% royalty for US \$1 million, exercisable prior to the commencement of commercial production; and
- (f) Pay all costs and payments due and payable under the Underlying Kuzma Mining Lease and Option to Purchase Agreement dated January 20, 2012, as amended September 5, 2013 and April 12, 2016, as follows:
 - (i) Pay annual lease payments on or before the anniversary of the receipt of approval of a notice of intent to operate or a plan of operations for drilling from the United States Forest Service (the “Permit Date”, December 1, 2019) as follow:
 - Second anniversary of Permit Date: US\$40,000 (paid);
 - Third through eleventh anniversaries of Permit Date: US \$50,000;
 - Twelfth through fifteenth anniversaries of Permit Date: US \$60,000;
 - Sixteenth and each succeeding anniversary of Permit Date: US \$60,000, as adjusted for inflation;
 - (ii) Pay US \$500,000 to exercise the Option at any time within one year after the completion of a Technical Report complying with NI 43-101 standards which documents a minimum 500,000 ounce gold equivalent inferred resource on the Property; and pay a 2.5% NSR royalty of which the Issuer shall have the right to purchase 1.5% of the NSR for US \$1.5 million.

The underlying Kuzma lease consists of various mineral claims. The Company has acquired 100% interest in additional mineral claims through staking.

Pursuant to the Spring Peak Earn-In Agreement with Newmont, Newmont shall make a cash payment of US \$438,660 (paid) representing historical land fees, staking costs and certain expenditures, and sole fund guaranteed exploration expenditures of US \$2.5 million (incurred) over a 24 month period (the “Minimum Commitment”). Newmont is obligated to spend an additional US \$2.5 million, bringing the total guaranteed exploration expenditures to US \$5 million, within a 12-month period following the later date of both receipt of a full Plan of Operations exploration permits and the end of the Option Period. If the exploration permit is not obtained within 24 months, then Newmont may elect to proceed to Stage 1 without having to fund the additional Minimum Commitment of US \$2.5 million. During this phase, the Company shall be the manager of the project and earn a 10% management fee on expenditures.

During Stage 1, Newmont may elect to earn a 51% interest in the project by sole funding expenditures of US \$15,000,000, inclusive of the Minimum Commitment, within 36 months of the Execution Date. If Newmont fails to meet either the Minimum Commitment or the Stage 1 earn-in expenditure amount, 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 with the payment of US \$150,000.

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10. Exploration and Evaluation Assets (continued)

(c) Nevada Properties (continued)

(iii) Spring Peak Property (continued)

During Stage 2, Newmont may earn an additional 14% interest in the project, for a total 65% interest, by sole funding additional expenditures of US \$40,000,000 within 36 months from the date Newmont notifies CP Holdings. 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 with the payment of US \$250,000.

During Stage 3, Newmont may earn an additional 10% interest in the project, for a total 75% interest, by completing the following: (i) granting a 1% net smelter return (“NSR”) royalty to the Company, which Newmont retains the right to buy back 0.5% 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 from the date Newmont notifies CP Holdings. Newmont has the option to extend the Stage 3 period by 12 months with the payment of US \$500,000.

As at August 31, 2024, Newmont has advanced US \$15,841,760 (February 29, 2024 - US \$11,490,000) towards the Minimum Commitment and incurred US \$13,806,018 (February 29, 2024 - US \$11,127,076) in earn-in expenditures on the Spring Peak project (Note 12).

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 | US\$10,000 (paid) |
| 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 | US\$10,000 (paid) |
| 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 |

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10. Exploration and Evaluation Assets (continued)

(c) Nevada Properties (continued)

(iii) Spring Peak Property (continued)

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.

(iv) TJ Property

TJ is comprised of various mineral claims that the Company staked and a mining lease of various mineral claims located in Elko County, Nevada.

Pursuant to an exploration lease and option to purchase agreement effective October 31, 2022, the Company has agreed to lease certain lands in Elko County, Nevada for a thirty year term for the following annual minimum payments (“Minimum Payment”):

- Upon execution of agreement (“Effective Date”): US \$15,000 (paid);
- First anniversary of Effective Date: US \$20,000; (paid)
- Second anniversary of Effective Date: US \$25,000;
- Third anniversary of Effective Date: US \$35,000;
- Fourth anniversary of Effective Date: US \$50,000;
- Fifth through tenth anniversary of Effective Date: US \$50,000 adjusted for inflation; and
- Eleventh and each succeeding anniversary of Effective Date: US \$100,000 adjusted for inflation.

The lease is further subject to a work commitment of US \$250,000 to be incurred on or before the second anniversary of the Effective Date.

The leased property is subject to NSR royalties of 2.5% on the leased claims and 1.5% applicable on claims within an area of interest, of which 40% of the NSR may be purchased for US \$2,000,000 adjusted for inflation at any time and 40% of the NSR may be purchased for fair value within 90 days after completion of a NI 43-101 compliant pre-feasibility report.

The Company retains an option to acquire 100% interest in the leased property, subject to the NSR, for US \$1.5 million and the Minimum Payments shall be applied towards the purchase price.

(v) Lodestar Property

Lodestar is comprised of various mineral claims totalling 1,237 hectares that the Company staked and a mining lease of various mineral claims located in Mineral County, Nevada.

Pursuant to an exploration lease and option to purchase agreement effective February 15, 2023, the Company has agreed to lease 12 unpatented mining claims (the “Vendor Claims”) for a 30 year term, subject to the Company’s right to purchase the Vendor Claims for US \$1.5 million (the “Option”), for annual minimum payments of US \$20,000 upon execution of the Agreement, US \$25,000 on the first anniversary of the Effective Date, US \$30,000 on the second anniversary of the Effective Date, US \$40,000 on the third anniversary of the Effective Date, and US \$50,000 on the fourth and each succeeding anniversary of the Effective Date, such minimum payments to be credited against the purchase price should the Company elect to exercise the Option to purchase the Vendor Claims, and such obligation to make the minimum payments to cease should the Company exercise and close the Option.

The Vendor Claims are subject to a 3.0% production royalty of which the Company may purchase 1.0% for US \$1 million and 1.0% for US \$2 million at any time. The Company is further obligated to incur US \$50,000 in exploration expenditures on or before the first anniversary of the Effective Date and US \$250,000 in qualified expenditures within twelve (12) 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.

Pursuant to an option and earn-in agreement with Newmont dated May 8, 2023 (the “Execution Date”), Newmont will have an option to acquire up to a 75% interest in the Company’s Lodestar project in Nevada.

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10. Exploration and Evaluation Assets (continued)

(c) Nevada Properties (continued)

(v) Lodestar Property (continued)

Newmont shall make a cash payment of US \$77,759 (paid) as a reimbursement of 100% of the Company's acquisition and exploration expenditures incurred to date on the project, and sole fund guaranteed exploration expenditures of US \$2 million over a 24-month period as a minimum commitment or pay the difference to the Company. Upon completion of the upfront cash payment and minimum commitment expenditures, Newmont may elect to proceed to the earn-in phase of the transaction.

During Stage 1, Newmont may elect to earn a 51% interest in the project by sole funding expenditures of US \$10 million (which includes the Minimum Commitment) within 36 months of the Execution Date. If Newmont fails to meet the Stage 1 earn-in expenditure amount, the Company will retain 100% ownership of the project with no interest earned by Newmont.

During Stage 2, Newmont may elect to earn an additional 14% interest in the project, for a total 65% interest, by sole funding additional expenditures of US \$20 million 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.

During Stage 3, Newmont may elect to earn an additional 10% interest in the project, for a total 75% interest, by completing the following:

- (i) Granting a 2% NSR royalty to the Company on claims owned outright by the Company, and a 1% NSR royalty on claims subject to an underlying option agreement. Newmont retains the right to buy back 50% of the NSR for fair value at any time; and
- (ii) Delivering to the Company a pre-feasibility study for the project, solely funded by Newmont, and 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.

As at August 31, 2024, Newmont has advanced US\$786,259 (February 29, 2024 - US\$501,454) towards the Minimum Commitment and incurred US \$614,600 (February 29, 2024 - US \$393,625) in earn-in expenditures on the Lodestar project (Note 12).

The Company continues to hold interests in the Dome Hill, Rock Creek, Hot Creek, Whiskey, Jupiter and Long Valley mineral properties in Nevada.

(d) Oregon Properties

(i) Katey Property

Katey is comprised of various mineral claims located in Malheur County, Oregon.

During the six months ended August 31, 2024, the Company incurred \$33,193 (February 29, 2024 - \$1,237,613) in exploration expenditures. At August 31, 2024, the Company recognized an impairment of \$1,892,618 (August 31, 2023 -\$Nil) for mineral claims for the Katey property which were not renewed.

(ii) Mahogany Property

Mahogany is comprised of various mineral claims located in Malheur County, Oregon. The Company holds a 100% interest in the project, which was 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.

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10. Exploration and Evaluation Assets (continued)

(d) Oregon Properties (continued)

(ii) Mahogany Property (continued)

Pursuant to the Mahogany Agreement with Newmont dated August 15, 2022, Newmont had an option to acquire up to a 75% interest in the project by making a cash payment of US \$55,016 (paid) representing historical land fees, staking costs and certain exploration costs, sole funded guaranteed exploration expenditures of US \$1 million (incurred) over a 24 month period (the “Minimum Commitment”), completing cumulative earn-in exploration expenditures of US \$30 million, and completing a Pre-Feasibility Study which included a minimum resource of 1.5 million gold or gold equivalent ounces. Newmont terminated the Mahogany North Earn-In Agreement on August 15, 2024.

As at August 31, 2024, Newmont has advanced US \$1,421,678 (February 29, 2024 - US \$1,421,678) towards the Minimum Commitment and incurred US \$1,251,968 (February 29, 2024 - US \$1,215,567) in earn-in expenditures on the Mahogany project (Note 12). At August 31, 2024, the Company recognized an impairment of \$799,730 (August 31, 2023 - \$Nil) for mineral claims for the Mahogany property which were not renewed.

11. Right of Use Assets and Lease Liabilities

A summary of the Company's right-of-use asset balances by class of assets at August 31, 2024 and February 29, 2024 and the changes for the periods then ended is presented below:

| | Office | Warehouse | Vehicle | Total |
|----------------------------|------------|------------|-----------|------------|
| Balance, February 28, 2023 | \$ 160,237 | \$ 104,459 | \$ 56,177 | \$ 320,873 |
| Additions | 57,184 | - | - | 57,184 |
| Depreciation | (131,133) | (44,411) | (21,950) | (197,494) |
| Foreign exchange | (378) | (299) | (756) | (1,433) |
| Balance, February 29, 2024 | 85,910 | 59,749 | 33,471 | 179,130 |
| Additions | 208,190 | - | - | 208,190 |
| Depreciation | (51,357) | (22,468) | (11,105) | (84,930) |
| Foreign exchange | (100) | (198) | - | (298) |
| Balance, August 31, 2024 | \$ 242,643 | \$ 37,083 | \$ 22,366 | \$ 302,092 |

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11. Right of Use Assets and Lease Liabilities (continued)

A summary of the Company's lease liability by class of assets at August 31, 2024 and February 29, 2024 and the changes for the periods then ended is presented below:

| | Office | Warehouse | Vehicle | Total Lease Liability |
|------------------------------|------------|------------|-----------|-----------------------|
| Balance, February 28, 2023 | \$ 168,631 | \$ 108,888 | \$ 58,159 | \$ 335,678 |
| Lease liabilities recognized | 57,184 | - | - | 57,184 |
| Lease payments | (138,546) | (50,220) | (24,449) | (213,215) |
| Accretion | 12,883 | 8,534 | 3,303 | 24,720 |
| Foreign exchange | (2,678) | (516) | (221) | (3,415) |
| Balance, February 29, 2024 | 97,474 | 66,686 | 36,792 | 200,952 |
| Lease liabilities recognized | 208,190 | - | - | 208,190 |
| Lease payments | (62,643) | (26,247) | (12,370) | (101,260) |
| Accretion | 10,261 | 2,658 | 1,086 | 14,005 |
| Foreign exchange | (215) | (96) | (74) | (385) |
| Balance, August 31, 2024 | \$ 253,067 | \$ 43,001 | \$ 25,434 | \$ 321,502 |
| Current portion | \$ 117,264 | \$ 42,992 | \$ 23,435 | \$ 183,691 |
| Non-current portion | 135,816 | - | 1,995 | 137,811 |
| Balance, August 31, 2024 | \$ 253,080 | \$ 42,992 | \$ 25,430 | \$ 321,502 |

At August 31, 2024, the annual maturities of undiscounted lease payments are below:

| | 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 | \$ 214,650 | \$ 78,228 | \$ 136,422 | \$ - | \$ - | \$ 50,166 | \$ 42,971 | \$ 7,195 | \$ - | \$ - |
| Warehouse lease | - | - | - | - | - | 33,070 | 33,070 | - | - | - |
| Vehicle lease | - | - | - | - | - | 19,619 | 18,110 | 1,509 | - | - |
| Total, August 31, 2024 | \$ 214,650 | \$ 78,228 | \$ 136,422 | \$ - | \$ - | \$ 102,855 | \$ 94,151 | \$ 8,704 | \$ - | \$ - |

12. Other Liabilities

Other liabilities consist of net cash advances from Newmont that the Company is committed to spend on qualifying earn-in expenditures (Note 10).

| | August 31, 2024 | February 29, 2024 |
|---|-----------------|-------------------|
| Cash received from Newmont earn-in expenditures | \$ 31,522,215 | \$ 25,408,982 |
| Earn-in expenditures incurred | (27,782,153) | (23,774,674) |
| Earn-in expenditure commitment | \$ 3,740,062 | \$ 1,634,308 |
| Earn-in expenditure commitment: | | |
| Earn-in exploration expenditure commitment | \$ 3,310,933 | \$ 1,514,700 |
| Unearned management fee revenue | 429,129 | 119,608 |
| Earn-in expenditure commitment | \$ 3,740,062 | \$ 1,634,308 |

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13. Share Capital

(a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued

(i) Six months ended August 31, 2024

In July and August 2024, the Company issued 1,500,000 common shares priced at \$0.10 for gross proceeds of \$150,000 pursuant to stock option exercises and with fair values of \$90,581.

(ii) Year ended February 29, 2024

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 and with a fair value of \$17,608.

Share issue expenses of \$144 were incurred during the year.

(c) Stock Options

The Company has a Stock Option Plan dated May 16, 2019 (the "Plan"). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding common shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding common shares. The Plan is administered by the Board and stock options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other requirements under the Plan. Options granted under the Plan are subject to vesting terms determined by the Board. The term of the stock option grants shall not be more than ten years after the grant date.

A summary of the Company's stock options at August 31, 2024 and the changes for the periods then ended is presented below:

| | August 31, 2024 | |
|--|----------------------------|--|
| | Number of Stock Options | Weighted average exercise price |
| Outstanding balance, beginning of period | 6,150,000 | \$0.24 |
| Granted | 1,850,000 | \$0.21 |
| Exercised | (1,500,000) | \$0.10 |
| Cancellation | (505,000) | \$0.33 |
| Outstanding balance, end of period | 5,995,000 | \$0.25 |

During the six months ended August 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.
- On July 22, 2024, 1,700,000 stock options with an exercise price of \$0.20 and expiry date of July 22, 2029 were granted to directors, officers, employees and consultants of the Company. The stock options fully vested on grant date.

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13. Share Capital (continued)

(c) Stock Options (continued)

During the year ended February 29, 2024, the following stock options were granted:

- On March 16, 2023, 550,000 stock options with an exercise price of \$0.38 and expiry date of March 16, 2028 were granted to a director, officer, employees and consultants of the Company. The stock options vested immediately.
- On September 1, 2023, 200,000 stock options with an exercise price of \$0.32 and expiry date of September 1, 2028 were granted to an officer of the Company. The stock options fully vest in six months.

Details of stock options outstanding as at August 31, 2024 are as follows:

| Expiry Date | Weighted Average Exercise Prices | Options Outstanding | | Options Exercisable | |
|-------------------|----------------------------------|------------------------------------|---|------------------------------------|---|
| | | Number Outstanding at Aug 31, 2024 | Weighted Average Remaining Contractual Life (Number of Years) | Number Exercisable at Aug 31, 2024 | Weighted Average Remaining Contractual Life (Number of Years) |
| August 12, 2025 | \$0.20 | 1,300,000 | 0.95 | 1,300,000 | 0.95 |
| November 24, 2025 | \$0.22 | 735,000 | 1.23 | 735,000 | 1.23 |
| July 2, 2026 | \$0.36 | 1,100,000 | 1.84 | 1,100,000 | 1.84 |
| October 28, 2027 | \$0.27 | 510,000 | 3.16 | 510,000 | 3.16 |
| March 16, 2028 | \$0.38 | 300,000 | 3.54 | 300,000 | 3.54 |
| September 1, 2028 | \$0.32 | 200,000 | 4.01 | 200,000 | 4.01 |
| April 10, 2029 | \$0.27 | 150,000 | 4.61 | - | - |
| July 22, 2024 | \$0.20 | 1,700,000 | 4.89 | 1,700,000 | 4.89 |
| | \$0.25 | 5,995,000 | 2.78 | 5,845,000 | 2.66 |

The Company applies the fair value method in accounting for its stock options applying the Black-Scholes Option Pricing Model using the following estimates for stock options awarded in the respective periods:

| | Six months ended August 31, | |
|---------------------------------|-----------------------------|--------|
| | 2024 | 2023 |
| Risk-free interest rate | 3.29% | 2.92% |
| Expected dividend yield | 0% | 0% |
| Expected stock price volatility | 152.29% | 82.00% |
| Forfeiture rate | 0% | 0% |
| Expected option life in years | 5.00 | 5.00 |

For the purposes of estimating the fair value of options using the Black-Scholes Option Pricing Model, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the stock options.

During the six months ended August 31, 2024, the Company recognized \$304,131 (August 31, 2024 - \$132,797) in share-based compensation for the stock options vested during the period. The value of which is captured in the equity reserves account until such time as the stock options are exercised, upon which the corresponding amount will be transferred to share capital.

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13. Share Capital (continued)

(d) Share Purchase Warrants

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

| Exercise Prices | Expiry Dates | Outstanding at February 29, 2024 | Issued | Exercised | Expired | Outstanding at August 31, 2024 |
|-----------------|-------------------|----------------------------------|--------|-----------|---------|--------------------------------|
| \$0.55 | February 15, 2025 | 3,644,960 | - | - | - | 3,644,960 |
| | | 3,644,960 | - | - | - | 3,644,960 |

(e) Escrow Shares

On April 9, 2021, the Company entered into an escrow agreement under which 20,089,167 common shares would be held in escrow and are scheduled for release as follows: 10% on the date the shares are listed on a Canadian exchange (the "listing date", June 8, 2021) and 15% will be released in 6, 12, 18, 24, 30 and 36 months thereafter.

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

(f) Reserves

| | August 31, 2024 |
|---|-----------------|
| Fair value of stock options granted or vested | \$ 1,212,780 |
| Fair value of warrants issued | 13,693 |
| Reserves | \$ 1,226,473 |

14. Related Party Transactions

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 Interim Financial Statements, the Company had the following general and administrative costs with related parties:

| | Six months ended August 31, | | Net balance receivable (payable) | |
|---|-----------------------------|------------|----------------------------------|-------------------|
| | 2024 | 2023 | August 31, 2024 | February 29, 2024 |
| Key management compensation: | | | | |
| Executive salaries and benefits ⁽¹⁾ | \$ 240,333 | \$ 254,650 | \$ (19,562) | \$ (33,926) |
| Directors fees | 65,750 | 59,000 | (4,200) | (4,000) |
| Share-based payments | 238,038 | 31,618 | - | - |
| | \$ 544,121 | \$ 345,268 | \$ (23,762) | \$ (37,926) |
| Net office, sundry, rent and salary allocations reimbursed from (to) companies sharing certain common directors | \$ 51,152 | \$ 24,000 | \$ 33,697 | \$ 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.

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15. Segmented Information

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:

| | August 31, 2024 | | |
|----------------------|-----------------|--------------|--------------|
| | Canada | USA | Total |
| Current assets | \$ 803,540 | \$ 6,311,734 | \$ 7,115,274 |
| Right-of-use-assets | 185,058 | 117,034 | 302,092 |
| Property & equipment | 12,855 | 77,350 | 90,205 |
| E&E assets | - | 2,394,841 | 2,394,841 |
| Deposits | - | 141,656 | 141,656 |
| Total assets | 1,001,453 | 9,042,615 | 10,044,068 |
| Total liabilities | 265,797 | 4,560,482 | 4,826,279 |
| Net income (loss) | (271,442) | (3,404,882) | (3,676,324) |

16. Subsequent Events

On September 16, 2024, the Company closed a non brokered private placement for 7 million common shares at \$0.22 per share for total proceeds of \$1.54 million with Centerra Gold Inc. ("Centerra") resulting in Centerra having a 9.9% interest in the issued and outstanding common shares of the Company. Centerra has the right to participate in future equity transactions to maintain its percentage interest in the Company.