

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Headwater Gold Inc.** (the “Issuer” or the “Company” or “Headwater”).

Trading Symbol: **HWG**

Number of Outstanding Listed Securities: **49,567,718**

Date: **September 7, 2021 (for the month ended August 31, 2021)**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer’s ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer’s business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Issuer is a technically-driven mineral exploration company focused on exploring for high-grade precious metal deposits in the Western USA. Headwater is actively exploring one of the most well-endowed and mining-friendly jurisdictions in the world with a goal of making world-class precious

metal discoveries. Headwater has a large portfolio of epithermal vein exploration projects, and a technical team composed of experienced geologists with diverse capital markets, junior company, and major mining company experience. The Company is well funded and plans an aggressive 2021 exploration season, with the intent to drill several of its 100% owned projects in Nevada, Idaho, and Oregon.

The Issuer's principal projects are the 100% owned Katey and Mahogany properties located in Malheur County, Oregon, United States (the "Properties"). The Properties are composed of 224 unpatented lode claims totalling 1,842 hectares (4,551 acres) in two separate blocks that are 30 km apart from each other. The Issuer has planned a US\$2,262,000 drill program on the Properties to commence later this summer.

The Issuer successfully completed a seven-hole RC drill program totalling approximately 2,100 metres at the 100% optioned Highland Project, Nevada.

The Issuer commenced drilling at the 100% optioned Spring Peak Project in Nevada. The Issuer has completed a thorough technical review of the Spring Peak data and has prioritized a series of drill targets which will be tested with a five-hole, 1,500 metre program.

The Issuer has completed a listing on the OTCQB Venture Market in the United States under the symbol "HWAUF" and has secured Depository Trust Company ("DTC") eligibility for its common shares traded in the United States.

2. Provide a general overview and discussion of the activities of management.

Management has been overseeing and managing the progress of the business and operations described in Item 1 above.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Highland Project Drill Program

In August 2021, the Issuer successfully completed a seven-hole RC drill program totalling approximately 2,100 metres at the 100% optioned Highland Project, Nevada, prior to mobilizing the drill rig to Spring Peak. Drilling was completed on schedule and below budget, with each hole reaching the targeted depth or beyond. Four holes were completed in the West Vein Zone target area, with the goal of offsetting historic drill hole H03-013, which intercepted gold grades of 9.93 grams per tonne ("g/t") and silver grades of 128.7 g/t over a drilled thickness of 9.1 metres. Each hole in the current drill program encountered quartz veining and alteration. Three holes were also completed in the Big Hammer Zone, each of which intersected significant zones of alteration. Samples have been dispatched to the laboratory, with initial assay results expected in approximately four to six weeks.

In August 2021, the Issuer commenced drilling at the 100% optioned Spring Peak Project in Nevada. The Issuer has completed a thorough technical review of the Spring Peak data and has prioritized a series of drill targets which will be tested with a five-hole, 1,500 metre program.

Spring Peak Project Drill Program

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. A large hydrothermal alteration cell occurs in the center of the Spring Peak Project area, which is interpreted by Headwater as representing the high-level manifestations of an epithermal precious metal system. Using a variety of geological and geophysical targeting tools, Headwater geologists have identified several high-grade vein targets at depth beneath this high-level alteration cap. The highest priority targets will be tested with this drill program, which is planned to consist of five holes totalling approximately 1,500 metres. The planned drill holes are designed to cut across the interpreted principal structural controls on the alteration cell at vertical depths of 150-250 metres, where they are expected to cut the inferred epithermal boiling zone. No historic drilling has penetrated to these depths at Spring Peak.

OTCQB Listing and DTC Eligibility

The Issuer has qualified for and commenced trading on the OTCQB Venture Market in the United States under the symbol "HWAUF". The Company has additionally secured DTC eligibility for its common shares traded in the United States.

Caleb Stroup, Headwater Gold's President and CEO, commented: "*The OTCQB listing with DTC eligibility marks an important milestone for the Company. This listing will allow the Company to broaden our shareholder base in the USA, as well as promote greater liquidity as we continue an aggressive exploration campaign on our portfolio of 100% owned properties in the Western USA*".

The OTCQB offers early stage and developing U.S. and international companies the benefits of being publicly traded in the U.S. The OTCQB helps companies build shareholder value with a goal of enhancing liquidity and achieving fair valuation. U.S. investors can find current financial disclosure and Real-Time level 2 quotes for the Issuer on www.otcmarkets.com. The Issuer's listing on the CSE and the trading of its shares on the OTCQB contribute to a larger global presence and offers investors preeminent access to trading.

The Depository Trust Company is a subsidiary of The Depository Trust & Clearing Corporation and manages the electronic clearing and settlement of publicly traded companies. Securities that are eligible to be electronically cleared and settled through the DTC are considered "DTC eligible". This electronic method of clearing securities speeds up the receipt of stock and

cash, and thus accelerates the settlement process for investors trading the Issuer 's shares on the OTCQB.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Not applicable.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable.

8. Describe the acquisition of new customers or loss of customers.

Not applicable.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Not applicable.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Not applicable.

11. Report on any labour disputes and resolutions of those disputes if applicable.

Not applicable.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not applicable.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

Not applicable.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Not applicable.			

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.

Not applicable.

16. Provide details of any changes in directors, officers or committee members.

Not applicable.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

- **Operating trends – The Issuer has no history of earnings, has limited cash reserves, a limited business history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Issuer is in the “start-up” phase of its business. As the Issuer is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Issuer to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Issuer will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.**
- **Commodity trends – The gold sector remains volatile but favourable and factors broadly positively in the Issuer's efforts to raise equity financing and execute its planned exploration programs.**
- **Economic trends – The CSE Composite Index closed August 31, 2021 at 676.63 which is a recovery from its five year low of 218.31 on March 18, 2020 during the early days of the COVID-19 pandemic and the comparative year indicator of 490.48 on August 31, 2020 but remains below the five year high of 1,436.34 reached on January 31, 2018 and the current year high of 1030.94 achieved on February 10, 2021. Interest in the Canadian small cap market waned during August 2021 compared to the previous month.**
- **Competition trends – The Issuer is targeting “bonanza” epithermal vein deposits which are among the highest grade and most profitable**

gold deposits in the world. Examples in the Western United States include Midas, Sleeper, Aurora and Comstock. The Western United States is a mining-friendly region with strong mining culture. Nevada is ranked #1 and Idaho ranked #9 for mining investment attractiveness, according to the Fraser Institute, 2020 Global review. Annually Nevada produces approximately 84% of all gold in the United States or approximately 5% of the world's annual production (USGS 2019 & World Gold Council 2019). Northern Nevada, Western Idaho and Eastern Oregon in particular offer high-quality greenfield opportunities in a business-friendly environment.

- **Pandemic trends – On March 11, 2020, the World Health Organization declared the outbreak and spread of a novel coronavirus, COVID-19, a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including implementing travel restrictions, border closures, non-essential business closures, quarantines, self-isolation and physical distancing.**

The outbreak of COVID-19 may cause disruptions to the Issuer's business and operational plans, which may include: (i) restriction of travel by management to and from the United States; (ii) unavailability of contractors and subcontractors; (iii) interruption of supplies from third parties upon which the Issuer relies; (iv) restrictions imposed by governments to address the COVID-19 pandemic; and (v) restrictions that the Issuer and its contractors and subcontractors impose to ensure the safety of employees and others. It is not currently possible to predict the extent or duration of these potential disruptions, which may have a material adverse effect on the Issuer's business, financial condition and results of operations. These disruptions may impact the Issuer's ability to carry out its business plans for 2021.

The Issuer has implemented precautionary measures at its corporate and satellite offices, including limiting visits to essential personnel and ensuring proper protocols are followed with respect to health, hygiene and physical distancing.

Stringent testing and quarantine requirements upon re-entry to Canada has prevented Canadian management from visiting the Issuer's properties in the United States. However, the Issuer's President and CEO and other technical personnel are residents of the United States and manage the planned exploration programs on the Properties unimpeded by international travel restrictions and deterrents. Starting July 5, 2021, the government of Canada will allow exemptions to quarantine and testing requirements for fully vaccinated travellers who meet specific conditions. This will make management travel more conducive.

The Issuer's exploration activities planned for 2021 are expected to continue in an orderly fashion while ensuring the safety of employees. The Issuer will implement health, hygiene and physical distancing measures that meet any requirements of state and local authorities. The Issuer will ensure ongoing compliance with governmental announcements and any subsequent orders.

Forward-Looking Statements:

This report includes certain forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding future capital expenditures, anticipated content, commencement, and cost of exploration programs in respect of the Issuer's projects and mineral properties, and the anticipated business plans and timing of future activities of the Issuer, are forward-looking statements. Although the Issuer believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Often, but not always, forward looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, statements as to the anticipated business plans and timing of future activities of the Issuer, including the Issuer 's exploration plans. the proposed expenditures for exploration work thereon, the ability of the Issuer to obtain sufficient financing to fund its business activities and plans, delays in obtaining governmental and regulatory approvals (including of the Canadian Securities Exchange), permits or financing, changes in laws, regulations and policies affecting mining operations, the Issuer 's limited operating history, currency fluctuations, title disputes or claims, environmental issues and liabilities, as well as those factors discussed under the heading "Risk Factors" in the Issuer 's prospectus dated May 26, 2021 and other filings of the Issuer with the Canadian Securities Authorities, copies of which can be found under the Company's profile on the SEDAR website at www.sedar.com.

Readers are cautioned not to place undue reliance on forward-looking statements. The Issuer undertakes no obligation to update any of the forward-looking statements in this presentation or incorporated by reference herein, except as otherwise required by law.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: September 7, 2021.

Caleb Stroup

Name of Director or Senior
Officer

"Caleb Stroup"

Signature

President, CEO and Director

Official Capacity

<i>Issuer Details</i> Name of Issuer Headwater Gold Inc.	For Month End August 31, 2021	Date of Report YY/MM/D 21/09/07
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Contact Name Caleb Stroup	Contact Position President, CEO, Director	Contact Telephone No. 604-681-9100
Contact Email Address info@headwatergold.com	Web Site Address www.headwatergold.com	