FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Headwater Gold Inc. (the "Issuer").

Trading Symbol: HWG

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement 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 the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement 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 following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed 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.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Related party transactions are included in Schedule A.

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Summary of securities issued and options granted during the period are included in Schedule A.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Summary of securities as at the end of the reporting period are included in Schedule A.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

The following are the directors of the Issuer:

Graeme Currie
Tero Kosonen
Caleb Stroup
Alistair Waddell
Wendell Zerb

The following are the officers of the Issuer:

Caleb Stroup	– President and Chief Executive Officer
Alistair Waddell	– Chairman
Sandra Wong	– Chief Financial Officer and Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

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 Quarterly Listing Statement.

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 5 Quarterly Listing Statement is true.

Dated July 29, 2021.

Sandra Wong
Name of Director or Senior Officer

/s/"Sandra Wong"
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer Headwater Gold Inc.	For Quarter Ended May 31, 2021	Date of Report YY/MM/D 21/07/29
Issuer Address Suite 1210 – 1130 West Pender Street		
City/Province/Postal Code Vancouver, British Columbia, V6E 4A4	Issuer Fax No. (604) 681-9101	Issuer Telephone No. (604) 681-9100
Contact Name Sandra Wong	Contact Position CFO	Contact Telephone No. 604-681-9100
Contact Email Address info@headwatergold.com	Web Site Address www.headwatergold.com	

HEADWATER GOLD INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020

UNAUDITED

(Expressed in Canadian Dollars)

NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020
(UNAUDITED – SEE "NOTICE TO READER" BELOW)

NOTICE TO READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Headwater Gold Inc. and the accompanying condensed consolidated interim statements of financial position as at May 31, 2021 and the condensed consolidated interim statements of comprehensive loss, statements of changes in equity and cash flows for the three months ended May 31, 2021 and 2020 are the responsibility of the Company's management.

The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with IAS 34 *Interim Financial Reporting* under International Financial Reporting Standards as issued by the IASB. The Audit Committee of the Board of Directors, consisting of three members, has reviewed the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

"Caleb Stroup"	*"Sandra Wong"*
Caleb Stroup	Sandra Wong
Chief Executive Officer	Chief Financial Officer
July 29, 2021	July 29, 2021

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

	Note	May 31, 2021 $	February 28, 2021 $
Assets			
Current assets			
Cash		380,121	326,410
Restricted cash	9	4,078,342	4,075,342
Marketable securities	4	1,418,375	3,024,625
Amounts and other receivable	11	24,626	3,050
Prepaid expenses and deposits	5	152,016	3,782
Deferred share issuance costs	9	183,616	183,616
		6,237,096	7,616,825
Non-current assets			
Office lease	8	143,623	-
Equipment	6	11,576	-
Exploration and evaluation assets	7	1,514,982	1,451,151
Total assets		7,907,277	9,067,976
Liabilities			
Current liabilities			
Trade and other payables	11	360,242	283,288
Income taxes payable		187,262	187,738
Lease liability	8	61,486	-
		608,990	471,026
Non-current liabilities			
Lease liability	8	83,334	-
Deferred income taxes payable		198,263	208,331
Total liabilities		890,587	679,357
Equity			
Share capital	9	3,296,978	3,296,978
Subscription receipts	9	4,070,224	4,070,224
Reserves	9	382,285	323,079
Accumulated other comprehensive loss		(97,526)	(68,243)
Retained earnings (deficit)		(635,271)	766,581
		7,016,690	8,388,619
Total liabilities and equity		7,907,277	9,067,976

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2021 and are signed on its behalf by:

/s/"Alistair Waddell" Director *</s/"Caleb Stroup"* Director

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	Three months ended May 31, 2021 $	May 31, 2020 $
Expenses			
Accounting and audit		1,101	12,000
Accretion of office lease liability		1,197	-
Consulting		23,261	3,608
Depreciation		358	-
Filing fees		28,475	514
General exploration		60,621	16,580
Investor communication		5,792	3,309
Legal		44,193	1,231
Management		42,609	12,594
Office		43,092	11,615
Salaries and benefits		24,981	1,410
Share-based payments		38,665	-
Travel		19	5,170
Total expenses		(314,364)	(68,029)
Other income (expenses)			
Finance income		3,536	434
Foreign exchange gain (loss)		(25,938)	22,328
Unrealized loss on investments		(1,056,250)	-
Total other income (expenses)		(1,078,652)	22,762
Loss before tax		(1,393,016)	(45,267)
Income tax expense		(8,836)	-
Net loss		(1,401,852)	(45,267)
Other comprehensive loss			
Items that may be reclassified to comprehensive loss:			
Cumulative translation adjustment		(29,283)	(8,420)
Comprehensive loss		(1,431,135)	(53,687)
Loss per common share, basic		(0.04)	(0.00)
Weighted average number of common shares outstanding, basic		37,938,506	29,909,050

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Subscription Receipts and Share Subscriptions $	Reserves $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total $
Balance, February 29, 2020	27,766,842	1,278,776	55,000	96,619	(5,318)	(420,018)	1,005,059
Shares issued for private placement	2,291,664	343,750	(55,000)	-	-	-	288,750
Share issue costs	-	(13,500)	-	-	-	-	(13,500)
Net loss	-	-	-	-	-	(45,267)	(45,267)
Other comprehensive loss	-	-	-	-	(8,420)	-	(8,420)
Balance, May 31, 2020	30,058,506	1,609,026	-	96,619	(13,738)	(465,285)	1,226,622
Balance, February 28, 2021	37,938,506	3,296,978	4,070,224	323,079	(68,243)	766,581	8,388,619
Share-based payments	-	-	-	59,206	-	-	59,206
Net loss	-	-	-	-	-	(1,401,852)	(1,401,852)
Other comprehensive loss	-	-	-	-	(29,283)	-	(29,283)
Balance, May 31, 2021	37,938,506	3,296,978	4,070,224	382,285	(97,526)	(635,271)	7,016,690

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	May 31, 2021 $	May 31, 2020 $
Operating activities		
Net loss	(1,401,852)	(45,267)
Items not involving cash:		
Accretion of office lease liability	1,197	-
Depreciation	358	-
Foreign exchange	30,169	(23,546)
Unrealized loss on investments	1,056,250	-
Share-based payments	59,206	-
Changes in non-cash working capital accounts:		
Amounts and other receivable	(21,576)	640
Prepaid expenses and deposits	(151,996)	1,567
Trade and other payables	41,949	(13,240)
Income taxes payable	8,836	-
Cash used in operating activities	(377,459)	(79,846)
Investing activities		
Expenditures on exploration and evaluation assets	(94,800)	(69,972)
Redemption of term deposits	550,000	-
Purchase of equipment	(11,934)	-
Cash provided by (used in) investing activities	443,266	(69,972)
Financing activities		
Proceeds from share issuances	-	288,750
Share issuance costs	-	(13,500)
Cash provided by financing activities	-	275,250
Effect of foreign exchange on cash	(9,096)	986
Increase in cash	56,711	126,418
Cash, beginning of period	4,401,752	368,309
Cash, end of period	4,458,463	494,727
Supplemental information		
Cash on hand	380,121	489,727
Restricted cash	4,078,342	5,000
	4,458,463	494,727

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Headwater Gold Inc. (the "Company") was incorporated on January 14, 2019 under the laws of British Columbia. 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.

As at May 31, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The Company has not generated revenue or cash flows from operations. The Company's ability to continue its operations, develop its properties and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

The outbreak and spread of a novel coronavirus (COVID-19), declared a pandemic by the World Health Organization, has already had significant human, political, and economic consequences around the world. The coronavirus is still evolving, and its full impact remains to be determined. However, its wide-ranging effects include financial market volatility, interest rate cuts, disrupted movement of people and goods, and diminished consumer confidence. The effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and as an industry or issuer-specific basis. This is an uncertain issue where actual effects will depend on many factors beyond the control and knowledge of the Company.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2021 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2021 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2021. Note 2e) sets out the impact of new standards, interpretations and amendments that have had a material effect on the financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 29, 2021.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CP Holdings Corporation. Inter-company balances and transactions are eliminated on consolidation.

b) Leases

The Company recognizes lease liability related to its lease commitments for its office lease. The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate. The associated right-of-use asset will be measured at the amount of the lease liability.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Equipment

Equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the following rates and methods:

Computer equipment	20% straight line basis
Office furniture and equipment	30% declining balance basis

d) 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 assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in the statement of comprehensive 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 balance sheet presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the period, and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

e) Adoption of New and Revised Standards and Interpretations

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2021. The Company has not early adopted these new standards in preparing these condensed consolidated interim financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's 2021 annual financial statements.

4. MARKETABLE SECURITIES

Short-term investments consist of term deposits and marketable securities. As at May 31, 2021 and February 28, 2021, the fair values of the short-term investments are as follows:

	May 31, 2021		February 28, 2021	
	Fair Value ($)	**Cost ($)**	**Fair Value ($)**	**Cost ($)**
Term deposits	200,000	200,000	750,000	750,000
Shares in Eclipse (a) and Huntsman (b)	1,218,375	2,380,250	2,274,625	2,380,250
	1,418,375	2,580,250	3,024,625	3,130,250

a) Eclipse Gold Mining Corporation

On November 24, 2020, pursuant to a property sale agreement, the Company received 500,000 common shares of Eclipse Gold Mining Corporation ("Eclipse"), a public company listed for trading on the TSX Venture Exchange ("TSXV"), which were recorded at market value of $310,000 (Note 7(b)).

In February 2021, Northern Vertex Mining Corp. ("Northern Vertex") acquired Eclipse via a statutory plan of arrangement under the Business Corporations Act (British Columbia) pursuant to which Northern Vertex acquired all of the issued and outstanding common shares of Eclipse. Pursuant to the transaction, Eclipse shareholders are entitled to receive 1.09 common shares of Northern Vertex in exchange for each Eclipse share held by such shareholder immediately prior to the completion of the transaction. The plan of arrangement was completed on February 16, 2021 and the Eclipse shares were delisted from the TSXV on February 19, 2021. The Company is entitled to receive 545,000 common shares of Northern Vertex in exchange for its 500,000 common shares of Eclipse (received June 15, 2021).

A summary table of the Company's investment in Eclipse is as follows:

	Number of shares	**Fair value $**
Balance, February 29, 2020	-	-
Eclipse shares received on November 24, 2020	500,000	310,000
Unrealized loss	-	(105,625)
Balance, February 28, 2021 and May 31, 2021	500,000	204,375

b) Huntsman Exploration Inc.

On December 21, 2020, pursuant to a property sale agreement, the Company received 8,450,000 common shares of Huntsman Exploration Inc. ("Huntsman"), a public company trading on the TSXV, which were recorded at market value of $2,070,250 (Note 7(a)). The shares are restricted from trading until December 21, 2021.

4. MARKETABLE SECURITIES (CONTINUED)

b) Huntsman Exploration Inc. (continued)

A summary table of the Company's investment in Huntsman is as follows:

	Number of shares	Fair value $
Balance, February 29, 2020	-	-
Huntsman shares received on December 21, 2020	8,450,000	2,070,250
Balance, February 28, 2021	8,450,000	2,070,250
Unrealized loss	-	(1,056,250)
Balance, May 31, 2021	8,450,000	1,014,000

5. 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.

During the period ended May 31, 2021, the Company advanced US $105,000 to the Surety Agent as collateral against US $210,000 in bonding that will be placed by the Surety Agent. The bonds will be 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.

6. EQUIPMENT

	Computer Equipment $	Furniture & Equipment $	Total $
Cost			
Balance at February 28, 2021	-	-	-
Acquired	4,078	7,856	11,934
Balance at May 31, 2021	4,078	7,856	11,934
Depreciation			
Balance at February 28, 2021	-	-	-
Depreciation	161	197	358
Balance at May 31, 2021	161	197	358
Carrying amounts			
At February 28, 2021	-	-	-
At May 31, 2021	3,917	7,659	11,576

7. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Additions	250,118	352,986	134,426	14,163	751,693
Impairment	-	(6,648)	-	-	(6,648)
Sale of E&E Asset	(134,404)	(198,171)	-	(45,133)	(377,708)
Foreign exchange	(15,709)	(21,322)	(9,374)	(2,384)	(48,789)
Balance, February 28, 2021	332,455	256,553	195,600	-	784,608
Additions	11,471	5,781	370	-	17,622
Foreign exchange	(13,705)	(12,554)	(9,462)	-	(35,721)
Balance, May 31, 2021	330,221	249,780	186,508	-	766,509
Exploration costs					
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793
Additions					
Administration	9,890	12,544	12,184	-	34,618
Drilling	-	1,399	8,316	-	9,715
Geology	83,101	108,598	208,592	6,077	406,368
Mapping, sampling, geochem	4,801	14,806	38,188	-	57,795
Reports	-	-	17,244	-	17,244
Technical review	12,767	17,166	10,684	-	40,617
	110,559	154,513	295,208	6,077	566,357
Sale of E&E Asset	(46,369)	(53,496)	-	(7,102)	(106,967)
Foreign exchange	(10,868)	(10,676)	(13,588)	(508)	(35,640)
Balance, February 28, 2021	182,951	163,197	320,395	-	666,543
Additions					
Administration	5,766	7,684	7,684	-	21,134
Drilling	-	-	6,722	-	6,722
Geology	18,593	21,565	32,888	-	73,046
Mapping, sampling, geochem	295	-	-	-	295
Technical review	4,338	5,962	5,824	-	16,124
	28,992	35,211	53,118	-	117,321
Foreign exchange	(9,627)	(8,842)	(16,922)	-	(35,391)
Balance, May 31, 2021	202,316	189,566	356,591	-	748,473
Total acquisition costs and exploration expenditures					
February 28, 2021	515,406	419,750	515,995	-	1,451,151
May 31, 2021	532,537	439,346	543,099	-	1,514,982

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Idaho Properties

The Company holds a 100% interest in three mineral properties in Idaho that it has acquired by way of staking federal land or arm's length vendor acquisition.

(i) Matador Property - Matador is comprised of 30 mineral claims totalling approximately 251 hectares located in Owyhee County, Idaho.

(ii) Opaline Gulch Property - Opaline Gulch is comprised of 31 mineral claims totalling approximately 259 hectares located in Owyhee County, Idaho.

(iii) Crane Creek Property – Crane Creek is comprised of 123 mineral claims totalling approximately 996 hectares 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 royalty which the Company may purchase for US $1,000,000 at any time. State Mineral Lease E500007 expired on February 28, 2021 and the Company is in the process of pursuing a fresh lease with the State.

Pursuant to mining lease agreement effective October 28, 2020 (the "Effective Date"), 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 net smelter returns royalty of 2%, of which the first 1% may be purchased for US $1,000,000 at any time and the second 1% may be purchased for US $2,000,000 at any time.

(iv) Flint Property - Pursuant to an agreement dated December 3, 2020, the Company sold 100% interest in the Flint property to Huntsman for consideration of US $100,000 and 8,450,000 common shares of Huntsman with a fair value of $2,070,250, subject to a 2% net smelter returns royalty retained by the Company. This transaction was completed on December 21, 2020 and a gain on disposal of exploration and evaluation assets of $2,095,461 was recorded during the year ended February 28, 2021.

b) Nevada Properties

The Company holds a 100% interest in five mineral properties in Nevada that it has acquired by way of staking federal land.

(i) Agate Point Property - Agate Point is comprised of 94 mineral claims totalling approximately 761 hectares located in Humboldt County, Nevada.

(ii) Castle Ridge Property – Castle Ridge is comprised of 240 mineral claims totalling approximately 1,943 hectares located in Elko County, Nevada.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

(iii) Dome Hill Property - Dome Hill is comprised of 50 mineral claims totalling approximately 411 hectares located in Mineral County, Nevada and Mono County, California.

(iv) Long Valley Property – Long Valley is comprised of 51 mineral claims totalling approximately 426 hectares located in Esmeralda and Mineral County, Nevada.

(v) Spring Peak Property – Spring Peak is comprised of 28 mineral claims totalling approximately 227 hectares located in Mineral County, Nevada.

(vi) Como Property - Pursuant to an agreement dated November 5, 2020, the Company sold 100% interest in the Como property to Eclipse for consideration of US $100,000 and 500,000 common shares of Eclipse with a fair value of $310,000 (Note 4(a)), subject to a net smelter returns royalty retained by the Company of 1.25% to 2.5% on certain of the claims. This transaction was completed on November 24, 2020 and a gain on disposal of exploration and evaluation assets of $313,845 was recorded during the year ended February 28, 2021.

(vii) Pursuant to option agreements dated October 1, 2020, the Company sold its interests in certain non-core mineral claims located in Nevada and Utah to a private company with common directors for US $150,000 and realized a gain on disposal of exploration and evaluation assets of $17,694 during the year ended February 28, 2021. Each of the properties disposed are subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time.

c) Oregon Properties

The Company holds a 100% interest in four mineral properties in Oregon that it has acquired by way of staking federal land.

(i) Katey Property - Katey is comprised of 85 mineral claims totalling approximately 711 hectares located in Malheur County, Oregon.

(ii) Mahogany Property - Mahogany is comprised of 139 mineral claims totalling approximately 1,162 hectares located in Malheur County, Oregon.

(iii) Hot Tub Property – Hot Tub is comprised of 30 mineral claims totalling approximately 251 hectares in Malheur County, Oregon.

(iv) Birch Creek Property – Birch Creek is comprised of 12 mineral claims totalling approximately 100 hectares in Malheur County, Oregon.

8. OFFICE LEASE

The Company has entered into a lease for the rental of its office space for a two year term commencing August 1, 2021 that includes a rent-free period from May 1, 2021 to July 31, 2021 and free basic rent for the twelfth and twenty-fourth months. The Company recognized lease liability of $143,623 in the statement of financial position. The liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 10% for a 27 month term at the date of initial occupancy, May 1, 2021. The lease term matures on July 31, 2023.

For the period ended May 31, 2021, depreciation of the right-of-use asset was $nil. The right-of-use asset is depreciated on a straight-line basis over the term of the lease. A summary of the Company's right-of-use asset balance at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	Right-of-use Asset $
Balance, February 29, 2020 and February 28, 2021	-
Additions	143,623
Depreciation	-
Balance, May 31, 2021	143,623

For the period ended May 31, 2021, interest expense on the lease liability was $1,197. A summary of the Company's lease liability at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	Lease Liability $
Balance, February 29, 2020 and February 28, 2021	-
Office lease liability recognized	143,623
Office lease payments	-
Accretion	1,197
Balance, May 31, 2021	144,820

	Lease Liability $
Current lease liability	61,486
Non-current lease liability	83,334
Balance, May 31, 2021	144,820

The Company expensed $8,264 (May 31, 2020: $6,747) in short-term leases included in office expenses for the period ended May 31, 2021.

9. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

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

The Company issued the following common shares during the year ended February 28, 2021:

(i) On March 6, 2020, the Company raised gross proceeds of $343,750 by way of a non-brokered private placement of 2,291,664 common shares priced at $0.15. Finder's fees of $13,500 was paid to a registered representative on $225,000 of the placement.

(ii) On June 18, 2020, the Company raised gross proceeds of $15,000 by way of a non-brokered private placement of 100,000 common shares priced at $0.15.

(iii) On September 28, 2020, the Company raised gross proceeds of $1,667,600 by way of a non-brokered private placement of 7,580,000 common shares priced at $0.22. Finder's fees of $38,648 was paid to registered representatives on $772,970 of the placement.

(iv) On October 1, 2020, the Company issued 200,000 common shares with a fair value of $0.22 per share pursuant to the Crane Creek property acquisition described in Note 7(a).

(v) On February 11, 2021, the Company raised gross proceeds of $4,070,224 by way of a non-brokered private placement of 11,629,212 subscription receipts (each, a "Subscription Receipt") priced at $0.35. Each Subscription Receipt entitles the holder to acquire, for no additional consideration, one common share pursuant to the terms and conditions in the Subscription Receipt Certificate. The conversion of the Subscription Receipts to common shares is anticipated to occur on the completion of certain conditions, specifically (i) the issuance of a receipt for a Prospectus and (ii) the confirmation from the Canadian Securities Exchange (the "CSE") that the Company has met all CSE requirements for the Proposed Listing, subject to the conversion of the Subscription Receipts. The gross proceeds from the sale of the Subscription Receipts were deposited in escrow and are held by the Company in a separate interest-bearing account, with such Escrowed Funds not to be released until the satisfaction of the Escrow Release Conditions at which time the Escrowed Funds together with interest earned thereon will be accessible by the Company. Finder's fees of $182,203 was recorded as payable on $3,036,725 of the placement.

The Escrow Release Conditions were met subsequent to period end and the Subscription Receipts were converted into common shares on June 3, 2021.

b) Reserves

	May 31, 2021 $	February 28, 2021 $
Fair value of stock options granted or vested	382,285	323,079
Reserves	382,285	323,079

9. SHARE CAPITAL (CONTINUED)

c) Escrow Shares

On April 9, 2021, the Company entered into an escrow agreement under which 20,089,167 common shares will 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 May 31, 2021, the Company held 20,089,167 shares in escrow.

10. SHARE-BASED PAYMENTS

a) Option Plan Details

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 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.

A summary of the Company's stock options at May 31, 2021 and February 28, 2021 and the changes for the periods then ended is presented below:

	May 31, 2021		**February 28, 2021**	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	3,735,000	$0.16	1,600,000	$0.10
Granted	-	-	2,135,000	$0.21
Ending balance	3,735,000	$0.16	3,735,000	$0.16

On August 12, 2020, the Company granted 1,400,000 stock options exercisable at $0.20 per share to directors, officers and a consultant of the Company. The options vested over a six month period.

On November 24, 2020, the Company granted 735,000 stock options exercisable at $0.22 per share to directors, officers, employees and consultants of the Company. The options vested over a six month period.

10. SHARE-BASED PAYMENTS

a) Option Plan Details (continued)

Details of stock options outstanding and exercisable as at May 31, 2021 and February 28, 2021 are as follows:

Expiry Date	Exercise Price	May 31, 2021	February 28, 2021	Weighted Average Remaining Contractual Life (Years)
July 24, 2024	$0.10	1,500,000	1,500,000	3.15
September 1, 2024	$0.10	100,000	100,000	3.26
August 12, 2025	$0.20	1,400,000	1,400,000	4.20
November 24, 2025	$0.22	735,000	735,000	4.49
		3,735,000	3,735,000	3.81

The weighted average remaining contractual life of stock options outstanding at May 31, 2021 was 3.81 years (February 28, 2021 - 4.06 years).

b) Fair Value of Options Issued During the Periods Ended

The weighted average fair value at grant date of options granted during the period ended May 31, 2021 was $nil per option (February 28, 2021: $0.13 per option). The total fair value of options granted during the period was $nil (May 31, 2020: $nil). During the period ended May 31, 2021, $59,206 (May 31, 2020: $nil) of the options vested and were realized as share based payments. The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	May 31, 2021	February 28, 2021
Expected stock price volatility	-	109% - 112%
Risk-free interest rate	-	0.38% – 0.44%
Dividend yield	-	-
Expected life of options	-	5 years
Stock price on date of grant	-	$0.15 - $0.22
Forfeiture rate	-	-

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Key Management Compensation (continued)

	2021 $	2020 $
Short-term employee benefits and director fees	91,455	58,644
Share-based payments	30,610	-
	122,065	58,644

The Company has entered into a Management Agreement with a company controlled by the President and Chief Executive Officer effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the President will receive a monthly fee of US $13,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the President resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $48,391 (May 31, 2020: $38,235) in fees to the company controlled by the President.

The Company has entered into a Management Agreement with a company controlled by the Chairman effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the Chairman will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the Chairman resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,563 (May 31, 2020: $7,986) in fees and benefits to the company controlled by the Chairman.

The Company has entered into an Employment Agreement with the Chief Financial Officer and Corporate Secretary effective January 4, 2021 for no fixed term. As compensation for the services to be provided, the CFO will receive a monthly salary of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the CFO resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,501 (May 31, 2020: $423) in salary and benefits to the CFO.

During the period ended May 31, 2021, the Company recorded $12,000 (May 31, 2020: $nil) in director fees payable to three directors.

b) Private Placements

In connection with the private placement that closed on June 18, 2020, one insider of the Company purchased a total of 100,000 common shares for total proceeds of $15,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Private Placements (continued)

In connection with the private placement that closed on September 28, 2020, three insiders of the Company purchased a total of 390,000 common shares for total proceeds of $85,800. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on February 11, 2021, four insiders of the Company purchased a total of 410,000 subscription receipts for total proceeds of $143,500. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

c) Related Party Payables

As at May 31, 2021, the Company has $46,826 (February 28, 2021: $22,910) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements, which are due on demand, unsecured and are non-interest bearing.

d) Related Party Receivables

As at May 31, 2021, the Company has $16,693 (February 28, 2021: $nil) receivable from companies with common directors for office overhead expense recoveries, which are due on demand, unsecured and are non-interest bearing.

e) Sale of Exploration and Evaluation Assets

On February 23, 2021, a private company with common directors exercised options to purchase certain non-core mineral claims as described in Note 7(b)(vii).

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair values

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

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	May 31, 2021		February 28, 2021	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	5,876,838	5,876,838	7,426,377	7,426,377
Amortized cost liabilities (ii)	692,324	692,324	471,026	471,026

(i) Cash, restricted cash and marketable securities
(ii) Trade and other payables, income taxes payable and lease liability

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at May 31, 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	4,458,463	-	-	4,458,463
Marketable securities	1,418,375	-	-	1,418,375

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk, the Company only holds its cash with high credit chartered Canadian financial institutions. As at May 31, 2021, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables, income taxes payable and lease liability. The Company has a working capital surplus of $5,628,106 as at May 31, 2021 and does not require additional financing for operations and to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 14. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

The following are the contractual maturities of financial liabilities as at May 31, 2021:

	Carrying Amount $	Contractual Cash Flows $	Within 1 year $	Within 2 years $	Within 3 years $	Over 3 years $
Trade and other payables	360,242	360,242	360,242	-	-	-
Income taxes payable	187,262	187,262	187,262	-	-	-
Lease liability	144,820	144,820	61,486	76,013	7,321	-

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no variable interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in Equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash and cash equivalents.

14. 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:

	May 31, 2021			February 28, 2021		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Current assets	5,993,844	243,252	6,237,096	7,338,116	278,709	7,616,825
Equipment and office lease	155,199	-	155,199	-	-	-
E&E assets	-	1,514,982	1,514,982	-	1,451,151	1,451,151
Total assets	6,149,043	1,758,234	7,907,277	7,338,116	1,729,860	9,067,976
Total liabilities	393,485	497,102	890,587	217,414	461,943	679,357

15. SUBSEQUENT EVENTS

a) Conversion of Subscription Receipts

On June 8, 2021, the Company satisfied the conditions set by the CSE, as described in Note 9(a)(v), and the 11,629,212 subscriptions receipts were converted into common shares of the Company.

b) Highland Property

The Company has entered into an Exploration and Option to Enter Joint Venture Agreement Highland Project (the "Agreement") dated June 29, 2021 to earn up to a 100% interest in the Highland gold/silver project (the "Property"), located in Lander County, Nevada, from Bravada Gold Corporation together with its wholly owned subsidiary Rio Fortuna Exploration (U.S.), Inc. ("RFE") (the "Transaction"). The Property is subject to a 3% retained net smelter returns ("NSR") royalty of which 1% of the NSR may be purchased for US$1,000,000 at any time prior to the commencement of commercial production.

Pursuant to the Agreement and in order to acquire up to a 100% interest in the Property, the Company shall perform the following obligations:

Option Stage 1 – Initial Earn-In Obligation to acquire a 51% interest in the Property:

(i) Pay US$10,000 upon execution of the Agreement (paid);

(ii) Make all payments due under the Underlying Agreement including annual advance minimum royalty ("AMR") payments starting at US$30,000 due November 1, 2021 and increasing by US$5,000 increments to a maximum of US$50,000;

(iii) RFE has paid approximately US$580,000 in AMR that will be credited against royalty payments following the commencement of production;

(iv) Incur US$5,000,000 in exploration expenditures over five years of which US$250,000 is incurred within 18 months.

Upon completion of the Initial Earn-In Obligation, the parties shall form a joint venture (the "Joint Venture") for the management and ownership of the Property.

Option Stage 2 – Additional Earn-In Obligation to acquire an additional 24% interest in the Property to bring the Company's ownership interest to 75%:

(i) Within 60 days following completion of the Earn-In Obligation, pay US$250,000 of which up to US$125,000 may be paid in common shares of the Company; and

(ii) Incur an additional US$5,000,000 in exploration expenditures over four years.

Option Stage 3 – Final Earn-In Option to acquire an additional 25% interest in the Property to bring the Company's ownership interest to 100%:

(i) The parties shall negotiate in good faith the purchase price for RFE's participating interest. If the parties cannot agree on the purchase price for the Final Earn-In Option, the purchase price shall be the fair market value of RFE's 25% participating interest as determined by an independent expert.

15. SUBSEQUENT EVENTS (CONTINUED)

b) Highland Property (continued)

(ii) If either party chooses not to participate at the level of its interest in the Joint Venture, its interest will be diluted through the standard dilution formula. If at any time a party's participating interest in the Joint Venture is diluted to or below 10%, such diluted party shall be deemed to have withdrawn and be converted to a 1% NSR royalty. The non-diluted party shall have the option and right to purchase 0.5% of the NSR for US$1,000,000 before the commencement of commercial production and shall have the right of first refusal to acquire all or any part of the royalty which the diluted party elects to sell or transfer to a third party.

c) Spring Peak Property

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

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:

(i) Pay US$10,000 upon signing the Agreement (paid);

(ii) Incur US$250,000 in exploration expenditures within 24 months of execution of the Agreement;

(iii) 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;

(iv) Grant to REI a 0.5% NSR royalty of which the Issuer shall have the right of first offer to purchase the NSR if REI elects to sell it;

(v) Grant to REI the option to purchase an additional 0.5% royalty for US$1,000,000, exercisable prior to the commencement of commercial production; and

(vi) 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 follow:

1) 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 (December 1, 2021): US$40,000;
- 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;

15. SUBSEQUENT EVENTS (CONTINUED)

c) Spring Peak Property (continued)

2) 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 (c) pay a 2.5% NSR royalty of which the Issuer shall have the right to purchase 1.5% of the NSR for US$1,500,000.

d) Stock Options

On July 2, 2021, the Company granted 1,220,000 stock options exercisable at $0.36 per share to directors, officers, employees and consultants of the Company. The options will vest six months after the date of grant.

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HEADWATER GOLD INC.

INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MAY 31, 2021

The following interim MD&A – Quarterly Highlights of the financial position of Headwater Gold Inc. ("the Company") and results of operations of the Company should be read in conjunction with the unaudited condensed consolidated interim financial statements including the notes thereto for the period ending May 31, 2021 and the audited financial statements for the year ending February 28, 2021.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards for interim financial statements and accordingly do not include all disclosures required for annual financial statements. These statements, together with the following interim MD&A – Quarterly Highlights dated **July 29, 2021** ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the interim MD&A – quarterly highlights may contain forward-looking statements.

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

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

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

1. CORE BUSINESS

Headwater Gold Inc. ("Headwater" or the "Company") was incorporated on January 14, 2019 under the laws of British Columbia and is currently a reporting issuer in British Columbia, Alberta and Ontario. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading on June 8, 2021 under the symbol "HWG". The Company's principal business activities include the acquisition and exploration of mineral property assets in the United States. The address of the Company's corporate office and its principal place of business is Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada.

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

The Company is focused on high-grade precious metal exploration in the mining-friendly western United States. The Company has access to a proprietary target generation software combined with extensive local knowledge to generate new projects. Through its wholly owned subsidiary, CP Holdings Corporation, the Company has acquired a 100% interest, royalty free, in a portfolio of mineral projects in Idaho, Nevada and Oregon that it has staked on federal land. The Company has acquired additional mineral projects through third party agreements and has entered into two property option agreements to acquire drill-ready projects in Nevada.

The Company'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 Company intends to begin drilling the Katey and Mahogany projects in the fourth quarter of 2021.

In June 2021, the Company entered into a definitive agreement with Bravada Gold Corporation to earn up to a 100% interest in the **Highland** epithermal gold-silver project in Lander County, Nevada, which the Company began drilling in July 2021. In July 2021, the Company entered into a definitive agreement with Orogen Royalties Inc. to acquire a 100% interest in the **Spring Peak** epithermal gold-silver project in Mineral County, Nevada, which the Company intends to begin drilling in August 2021.

As at May 31, 2021, the Company's mineral resource properties include the following:

- Idaho – **Matador** (Owyhee County), **Opaline Gulch** (Owyhee County) and **Crane Creek** (Washington County);

- Nevada – **Spring Peak** (Mineral County), **Agate Point** (Humboldt County), **Castle Ridge** (Elko County), **Dome Hill** (Mineral County, NV and Mono County, CA) and **Long Valley** (Mineral County); and

- Oregon – **Katey** (Malheur County), **Mahogany** (Malheur County), **Birch Creek** (Malheur County) and **Hot Tub** (Malheur County).

See Section 7.1 "Exploration and Evaluation Activities" below for a description of the Properties and the planned work programs.

1.1 Headwater Gold Inc. Commences Trading on the Canadian Securities Exchange

On May 31, 2021, the Company filed a final prospectus with the British Columbia Securities Commission qualifying the distribution of common shares in the capital of the Company issuable for no additional consideration upon deemed exercise of the 11,629,212 subscription receipts of the Company issued on February 11, 2021 (the "Subscription Receipts"). On June 3, 2021, the CSE confirmed that the Company had met all CSE requirements for listing, subject to the conversion of the Subscription Receipts. The Subscription Receipts were converted into common shares of the Company on June 3, 2021 and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $4,070,424 have been released to the Company. The funds will be used by Headwater to fund the advancement of its mineral properties and the operation of the Company. The Company's common shares commenced trading on the CSE at the open of market on June 8, 2021 under the symbol "HWG".

The outbreak and spread of a novel coronavirus (COVID-19), declared a pandemic by the World Health Organization, has already had significant human, political, and economic consequences around the world. The coronavirus is still evolving, and its full impact remains to be determined. However, its wide-ranging effects include financial market volatility, interest rate cuts, disrupted movement of people and goods, and diminished consumer confidence. The effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and as an industry or issuer-specific basis. This is an uncertain issue where actual effects will depend on many factors beyond the control and knowledge of the Company.

2. FINANCIAL CONDITION

As at May 31, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had net loss of $1,401,852 for the three months ended May 31, 2021 and, as of that date, the Company had an accumulated deficit of $635,271. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company had a working capital surplus of $5,628,106 at May 31, 2021 (February 28, 2021: $7,145,799).

Cash was $380,121 at May 31, 2021 (February 29, 2020: $326,410). Restricted cash was $4,078,342 at May 31, 2021 (February 28, 2021: $4,075,342) and consists of $4,073,317 in gross proceeds and interest from the Company's subscription receipts financing that was released from escrow on June 3, 2021, and a term deposit of $5,025 held at a financial institution as security against a company credit card. The Company's sources and uses of cash are discussed in Section 4 "Cash Flows" below.

Short-term investments of $1,418,375 consist of $200,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $1,218,375 which consist of 500,000 common shares of Eclipse Gold Mining Corporation valued at $204,375 (February 28, 2021: $204,375) and 8,450,000 common shares of Huntsman Exploration Inc. valued at $1,014,000 (February 28, 2021: $2,070,250).

Amounts and other receivable of $24,626 at May 31, 2021 (February 28, 2021: $3,050) consist of GST input tax credits, interest receivable on term deposit and office expense recoveries from subtenants.

Prepaid expenses and deposits of $152,016 at May 31, 2021 (February 28, 2021: $3,782) includes US $105,000 in advances to a Surety Agent as collateral against US $210,000 in bonding that was placed by the Surety Agent with the Nevada Bureau of Land Management, Oregon Bureau of Land Management and USDA Forest Service in June 2021 or will be placed shortly with the Oregon State Office. The Company has established a surety bonding arrangement with the Surety Agent under which 50% of the Company's reclamation bonding obligations will be replaced by deposits made by the Surety Agent. A finance fee of 2.5% will be charged on the balance of the amounts advanced and deposited by the Surety Agent. The bonds will provide state-wide coverage for operations conducted by the Company on its mining claims in

Nevada and Oregon. The bond deposit is returnable to the Company only after the government agencies are satisfied that there is no outstanding reclamation liability associated with the land or after the bond is replaced by another bond.

Deferred share issuance costs of $183,616 relate to the private placement financing of 11,629,212 subscription receipts priced at $0.35 issued on February 11, 2021 and that were converted into common shares on June 3, 2021.

The Company has entered into a lease for the rental of its office space for a two year term commencing August 1, 2021 that includes a rent-free period from May 1, 2021 to July 31, 2021 and free basic rent for the twelfth and twenty-fourth months. The Company recognized a right-of-use asset of $143,623 in the statement of financial position. For the period ended May 31, 2021, depreciation of the right-of-use asset was $nil.

Equipment of $11,576 consists of computer equipment and office furniture and equipment.

Exploration and evaluation assets of $1,514,982 at May 31, 2021 (February 28, 2021: $1,451,151) consist of acquisition and exploration expenditures on the Company's mineral properties and are discussed in Section 7 "Exploration and Evaluation Activities" below.

Trade and other payables were $360,242 at May 31, 2021 (February 28, 2021: $283,288). Trade and other payables are unsecured and are usually paid within 30 days of recognition. Included in trade and other payables is $182,204 in accrued finder's fees from the subscription receipts financing that were paid subsequent to period end on June 3, 2021. Also included in trade and other payables is $46,826 (February 28, 2021: $22,910) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements.

In connection with the Company's office lease, the Company recognized a lease liability that was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 10% for a 27 month term at the date of initial occupancy, May 1, 2021. The amount of the lease liability was $144,820 at May 31, 2021 (February 28, 2021: $nil). For the period ended May 31, 2021, interest expense on the lease liability was $1,197.

Income taxes payable were $187,262 at May 31, 2021 (February 28, 2021: $187,738). Deferred tax liability of $198,263 (February 28, 2021: $208,331) reflects the difference between the carrying value of the common shares under IFRS and the cost basis for US Tax purposes for the Huntsman shares received on the sale of the Flint property.

3. FINANCIAL PERFORMANCE

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States.

Because the Company is in the exploration stage, it did not earn any significant revenue from production and its expenses relate to the costs of operating a private company of its size. Net loss for the three months ended May 31, 2021 was $1,401,852 and comprehensive loss after cumulative translation adjustment was $1,431,135 or $0.04 per share, compared to a net loss of $45,267 and comprehensive loss of $53,687 for the three months ended May 31, 2020 or $0.00 per share. The current period loss is largely attributed to an

unrealized loss on investment of $1,056,250 recorded on the Company's shares of Huntsman Exploration Inc.

3.1 Total expenses for the three months ended May 31, 2021

Total expenses for the three months ended May 31, 2021 were $314,364 compared to total expenses of $68,029 for the three months ended May 31, 2020.

Accounting and audit fees were $1,101 for the three months ended May 31, 2021 compared to $12,000 in expenses recorded in the 2020 comparative period. During the three months ended May 31, 2020, accounting fees of $12,000 were charged by a company controlled by the former CFO.

Accretion of office lease liability of $1,197 was recognized during the three months ended May 31, 2021.

Employee costs were $129,516 for the three months ended May 31, 2021 compared to $17,611 in employee costs recorded in the 2020 comparative period. Employee costs consist of consulting fees, management fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the three months ended May 31, 2021 and 2020.

	Three months ended May 31, 2021 $	Three months Ended May 31, 2020 $
Consulting fees	23,261	3,608
Management fees	42,609	12,594
Salaries and benefits	24,981	1,409
Share-based payments	38,665	-
	129,516	17,611

Consulting fees of $23,261 for the three months ended May 31, 2021 include payments for administrative, marketing, recruitment and geological services. Consulting fees of $3,608 for the 2020 comparative period were paid for a property valuation report.

Management fees consist of payments to the officers and directors of the Company. Salaries and benefits consist of salaries and group health benefits paid to the officers and employees of the Canadian head office.

Share-based payments of $38,665 for the three months ended May 31, 2021 represent stock options granted on November 24, 2020 that vested during the period. A further $20,541 in share-based payments that vested on May 24, 2021 was capitalized to mineral properties.

Filing fees of $28,475 were paid in connection with the Company's listing application during the three months ended May 31, 2021.

Legal fees were $44,193 for the three months ended May 31, 2021 compared to $1,231 in legal fees recorded for the 2020 comparative period and were largely incurred in connection with Company's listing application.

General exploration expenses were $60,621 for the three months ended May 31, 2021 compared to $16,580 in general exploration expenses recorded for the 2020 comparative period. General exploration expenses

include project reconnaissance costs and expenditures on data acquisition and development of proprietary target generation software.

Investor communication expenses were $5,792 for the three months ended May 31, 2021 compared to $3,309 in expenses incurred during the 2020 comparative period. Investor communication expenses include advertising, promotional materials, trade shows and conferences and website design and maintenance.

Office expenses were $43,092 for the three months ended May 31, 2021 compared to $11,615 in expenses recorded for the 2020 comparative period. The increase reflects the Company's growing operations and level of activity. The following is a breakdown of the Company's office expenses for the three months ended May 31, 2021 and 2020.

	Three months ended May 31, 2021 $	Three months Ended May 31, 2020 $
Bank charges and interest	911	731
Information technology	4,929	1,265
Insurance	12,093	-
Meals and entertainment	1,912	748
Office supplies and expenses	12,406	1,149
Rent expense	12,677	7,631
Rent recovery	(4,000)	-
Telephone	2,164	91
	43,092	11,615

3.2 Total other income and expenses for the three months ended May 31, 2021

Finance income was $3,536 for the three months ended May 31, 2021 compared to $434 recorded for the 2020 comparative period and consists of term deposit interest and cashback rewards on the Company's credit card.

Foreign exchange loss of $25,938 was recorded during the three months ended May 31, 2021 compared to a gain of $22,328 recorded in the 2020 comparative period. Foreign exchange gains and losses arise from transactions denominated in U.S. dollars, the functional currency of the Company's subsidiary.

Unrealized loss on investments of $1,056,250 recorded during the three months ended May 31, 2021 relate to the Company's investments in Huntsman Exploration Inc. ("HMAN"). The Company received 8,450,000 common shares of HMAN from the sale of the Flint property in December 2020 that are restricted from trading until December 21, 2021. The shares were priced at $0.245 on February 28, 2021 and $0.12 on May 31, 2021.

4. CASH FLOWS

The Company is still in the exploration and development stage and as such does not earn any significant revenue from production. Total cash used in operating activities was $377,459 for the three months ended May 31, 2021 compared to cash used of $79,846 during the 2020 comparative period. The Company incurred net loss of $1,401,852 with adjustments to add back items not involving cash (accretion of office lease liability, depreciation, foreign exchange, unrealized loss on short-term investments and share-based

payments) and adjustments for non-cash working capital items (amounts receivable, prepaid expenses and deposits, trade and other payables, taxes payable) to calculate the cash used in operating activities.

Total cash flows provided by investing activities was $443,266 during the three months ended May 31, 2021 and consist of $94,800 in expenditures on exploration and evaluation assets, $550,000 in proceeds from sale of term deposits and $11,934 spent on the purchase of computers, office furniture and equipment. Cash flows used in investing activities for the 2020 comparative period consisted of $69,972 in expenditures on exploration and evaluation assets.

Total cash flows provided by financing activities was $nil during the three months ended May 31, 2021. Cash flows provided by financing activities was $275,250 for the 2020 comparative period and consisted of $288,750 in proceeds from share issuances less $13,500 in share issue costs.

5. SELECTED ANNUAL INFORMATION

N/A

6. MAJOR OPERATING MILESTONES

6.1 Period from March 1, 2021 to May 31, 2021

On March 1, 2021, Caleb Stroup was appointed as Chief Executive Officer of the Company and Alistair Waddell was appointed the Executive Chair.

6.2 Period from June 1, 2021 to the date of this Report

On May 31, 2021, the Company filed a final prospectus with the British Columbia Securities Commission qualifying the distribution of common shares in the capital of the Company issuable for no additional consideration upon deemed exercise of the 11,629,212 Subscription Receipts of the Company issued on February 11, 2021. On June 3, 2021, the CSE confirmed that the Company had met all CSE requirements for listing, subject to the conversion of the Subscription Receipts. The Subscription Receipts were converted into common shares of the Company on June 3, 2021 and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $4,070,424 have been released to the Company.

On June 8, 2021, the Company's common shares began trading on the CSE under the symbol "HWG".

On June 29, 2021, the Company entered into an Exploration and Option to Enter Joint Venture Agreement Highland Project to earn up to a 100% interest in the Highland gold/silver project, located in Lander County, Nevada, from Bravada Gold Corporation. The Highland property is subject to a 3% retained net smelter returns ("NSR") royalty of which 1% of the NSR may be purchased for US$1,000,000 at any time prior to the commencement of commercial production.

On July 2, 2021, the Company granted 1,220,000 stock options exercisable at $0.36 per share to directors, officers, employees and consultants of the Company. The options will vest over a six month period.

On July 12, 2021, the Company entered into an Option to Purchase Agreement Spring Peak Project to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project located in Nevada from Orogen Royalties Inc.

On July 15, 2021, the Company announced that it has begun drilling on the Highland project. The Phase 1 program will consist of eight holes totalling 2,000 metres.

The Company has initiated the process to list the Company's common shares on the OTCQB Market in the United States.

7.1 Exploration and Evaluation Activities for the Three Months Ended May 31, 2021

The Company is in the mineral exploration stage and as such has no revenues. Mineral interests in the form of exploration and acquisition costs totalled $1,514,982 as at May 31, 2021 (February 28, 2021 - $1,451,151).

Total costs incurred on exploration and evaluation assets for the three months ended May 31, 2021 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
Balance, February 28, 2021	332,455	256,553	195,600	-	784,608
Additions	11,471	5,781	370	-	17,622
Foreign exchange	(13,705)	(12,554)	(9,462)	-	(35,721)
Balance, May 31, 2021	330,221	249,780	186,508	-	766,509
Exploration costs					
Balance, February 28, 2021	182,951	163,197	320,395	-	666,543
Additions					
Administration	5,766	7,684	7,684	-	21,134
Drilling	-	-	6,722	-	6,722
Geology	18,593	21,565	32,888	-	73,046
Mapping, sampling, geochem	295	-	-	-	295
Technical review	4,338	5,962	5,824	-	16,124
	28,992	35,211	53,118	-	117,321
Foreign exchange	(9,627)	(8,842)	(16,922)	-	(35,391)
Balance, May 31, 2021	202,316	189,566	356,591	-	748,473
Total acquisition costs and exploration expenditures					
May 31, 2021	532,537	439,346	543,099	-	1,514,982

Total costs incurred on exploration and evaluation assets for the three months ended May 31, 2020 are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $

Acquisition costs					
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Additions	4,093	34,037	-	-	38,130
Foreign exchange	3,503	2,957	1,881	889	9,230
Balance, May 31, 2020	240,046	166,702	72,429	34,243	513,420
Exploration costs					
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793
Additions					
Drilling	-	1,399	-	-	1,399
Geology	8,802	15,048	7,410	3,509	34,769
Mapping and sampling	-	2,331	1,164	-	3,495
Technical review	5,762	7,691	3,845	-	17,298
	14,564	26,469	12,419	3,509	56,961
Foreign exchange	3,241	1,553	851	(12)	5,633
Balance, May 31, 2020	147,434	100,878	52,045	5,030	305,387
Total acquisition costs and exploration expenditures					
May 31, 2020	387,480	267,580	124,474	39,273	818,807

7.2 Katey and Mahogany (Malheur County, Oregon)

The Company owns a 100% interest in the Katey and Mahogany properties, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $370 in acquisition costs (2020 - $nil) and $38,702 in exploration costs (2020 - $12,420) on the Properties. As at May 31, 2021, total acquisition and exploration expenditures recorded on Katey and Mahogany were $321,427 (2020 - $52,046). Katey and Mahogany are the Company's principal properties.

About the Katey and Mahogany Projects

The Katey and Mahogany Properties are located in Malheur County, Oregon, United States and are composed of 224 unpatented lode claims totaling 4551 acres in two separate blocks that are 30 km apart from each other. The Mahogany Property ("Mahogany") comprises 139 unpatented lode claims totaling 2795 acres, centered at 43.26° Latitude and -117.04° Longitude. The Katey Property ("Katey") is 85 unpatented lode claims totaling 1,756 acres, centered at 43.42° Latitude and -117.16° Longitude. The 224 unpatented lode claims are registered to CP Holdings Corp., a wholly owned United States subsidiary of Headwater Gold Inc.

Gold mineralization on the Properties is interpreted to be related to hot spring-type low sulphidation epithermal systems of Miocene age. Alteration, mineralization, and geochemical anomalies are associated with high-angle extensional faults. The presence of sinter and other high-level alteration features indicate that the uppermost parts of the mineralizing system are partially preserved.

Gold mineralization on the Properties is associated with regional mid-Miocene bimodal volcanism and rifting within the northern Basin and Range Province. The Properties are situated near a major lithospheric domain boundary that marks the western margin of the North American craton to the east and accreted

oceanic terranes to the west. Pre-Cenozoic basement rocks are entirely concealed by a thick sequence of mid-Tertiary and younger volcanic and sedimentary rocks.

The geology of the Katey Property is characterized by Miocene ash flow tuffs, tuffaceous and clastic sediments, and rhyolitic volcanics. The highest gold values occur in two separate areas of the property, referred respectively as the West and East Zones. The West Zone is characterized by hydrothermal veins and vent breccias crosscutting both clastic and tuffaceous sediments and ash flow tuffs. Mineralization in the East Zone is associated with chalcedonic stockwork veins and breccias that crosscut rhyolitic intrusions. Surface channel samples outlined mineralization in both zones where historical gold values averaged 0.02 - 0.03 opt, over 30 m. Additional areas of significant alteration at Katey includes zone of silicification and silica-pyrite veining in sediments and rhyolite intrusions (South Zone); and a broad zone of chalcedonic veining and argillic alteration within ash flow tuff (West Canyon Zone).

Rock chip sampling by Headwater geologists confirmed gold mineralization in hydrothermal vent breccias on the Mahogany Property, and in chalcedonic stockwork veins and breccias on the Katey Property. Headwater geologists have also followed alteration along strike of a major high-angle fault at Mahogany, referred to as the Main Ridge Fault, and encountered gold mineralization in silicified and brecciated tuffaceous sandstone (rock samples: RX512448 with 23 ppm Au, RX984619 with 25.1 ppm Au, and RX984620 Float with 55.2 ppm Au).

The Company undertook an exploration program on the Katey and Mahogany Properties from September 5, 2019 to October 18, 2020, consisting of soil sampling, stream sediment sampling, rock sampling, 1:5,000 scale bedrock and alteration mapping, and drone-based magnetic surveys. The program resulted in the collection of 721 soil samples, 24 stream sediment samples, 129 rock samples and 448 line-kilometres of drone magnetics (of which, 172.8 line-kilometres are on the Properties).

Preliminary interpretation of the drone magnetic survey at Mahogany has highlighted strong horizontal gradients across the southern extension of the Main Ridge Fault, and a broad magnetic low across the area of most intense argillic alteration and silicification (Wright, 2020a). Numerous magnetic lows peripheral to the Main Ridge Fault at Mahogany represent potential drill targets under thin alluvial cover.

Drone magnetics from the Katey property shows two strongly contrasting magnetic domains separated by north-northwest-striking structures that underlie the East Zone target area, consistent with the interpretation that Katey lies at the margin of a Miocene caldera. The western half of the property is covered by a non-magnetic domain, consisting of intra-caldera tuffs and tuffaceous sediments. The eastern domain is characterized by strong magnetic response from flat-lying lavas that lie outboard of the interpreted caldera margin.

A NI 43-101 technical report on the Katey and Mahogany Properties dated December 27, 2020 was prepared by Derrick Strickland, P.Geo. (the "Author"). The Author recommended that for continuing evaluation of the Properties, the Company should test the presence of bonanza-type vein targets at depths of 300 m down-dip of mineralized faults identified by mapping and sampling programs completed in the fall of 2020.

7.3 Birch Creek (Malheur County, Oregon)

The Company owns a 100% interest in the Birch Creek property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $nil (2020 - $nil) in

acquisition costs and $7,208 (2020 - $nil) in exploration costs on the Birch Creek property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Birch Creek were $24,057 (2020 - $nil).

7.4 Hot Tub (Malheur County, Oregon)

The Company owns a 100% interest in the Hot Tub property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $nil (2020 - $nil) in acquisition costs and $7,208 (2020 - $nil) in exploration costs on the Hot Tub property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Hot Tub were $34,452 (2020 - $nil).

7.5 Matador (Owyhee County, Idaho)

The Company owns a 100% interest in the Matador property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $9,757 in exploration costs (2020 - $4,949) on the Matador property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Matador were $135,631 (2020 - $108,573).

7.6 Opaline Gulch (Owyhee County, Idaho)

The Company owns a 100% interest in the Opaline Gulch property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $7,208 in exploration costs (2020 - $4,949) on the Opaline Gulch property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Opaline Gulch were $147,285 (2020 - $126,558).

7.7 Crane Creek (Washington County, Idaho)

The Company owns a 100% interest in the Crane Creek property, which it acquired by way of staking federal land and an arm's length vendor acquisition subject to a 1% net smelter returns royalty which the Company may purchase for US $1,000,000 at any time. In addition, a portion of the project is comprised of a 20 year mining lease agreement subject to a net smelter returns royalty of 2%, of which the first 1% may be purchased for US $1,000,000 at any time and the second 1% may be purchased for US $2,000,000 at any time. During the three months ended May 31, 2021, the Company expended $11,471 in acquisition costs and $12,027 in exploration costs on the Crane Creek property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Crane Creek were $249,621 (2020 - $nil).

7.8 Agate Point (Humboldt County, Nevada)

The Company owns a 100% interest in the Agate Point property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $1,210 in acquisition costs (2020 - $nil) and $7,457 in exploration costs (2020 - $5,261) on the Agate Point property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Agate Point were $99,798 (2020 - $27,179).

7.9 Long Valley (Mineral County, Nevada)

The Company owns a 100% interest in the Long Valley property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $nil in acquisition costs (2020 - $nil) and $7,661 in exploration costs (2020 - $6,150) on the Long Valley property. As at May

31, 2021, total acquisition and exploration expenditures recorded on Long Valley were $85,007 (2020 - $38,930).

7.10 Dome Hill (Mineral County, Nevada and Mono County, California)

The Company owns a 100% interest in the Dome Hill property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $2,987 in acquisition costs (2020 - $297) and $9,243 in exploration costs (2020 - $5,258) on the Dome Hill property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Dome Hill were $65,750 (2020 - $28,601).

7.11 Castle Ridge (Elko County, Nevada)

The Company owns a 100% interest in the Castle Ridge property, which it acquired by way of staking federal land. During the three months ended May 31, 2021, the Company expended $217 in acquisition costs and $10,416 in exploration costs on the Castle Ridge property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Castle Ridge were $187,038 (2020 - $nil).

7.12 Spring Peak (Mineral County, Nevada)

The Company has entered into an Option to Purchase Agreement Spring Peak Project (the "Agreement") dated July 12, 2021 to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project (the "Property") located in Nevada from Renaissance Exploration Inc. ("REI"), a wholly owned subsidiary of Orogen Royalties Inc. ("Orogen"). The terms of the option are to pay US$10,000 on signing, incur exploration expenditures of US$250,000 within 24 months of signing, pay a cash or share payment totaling US$250,000 (subject to receipt of certain future permitting milestones), and maintain all required underlying option payments and royalties. Orogen will retain a 0.5% net smelter return ("NSR") royalty and an option to purchase an additional 0.5% NSR royalty for US$1,000,000. The underlying option payments include an annual lease payment commencing at US$40,000 and escalating up to US$60,000 (indexed to inflation) and a US$500,000 buyout. The underlying optionor will retain a 2.5% NSR royalty of which 1.5% of the NSR may be purchased for US$1,500,000 at any time.

During the three months ended May 31, 2021, the Company staked 28 claims within the Spring Peak area of interest and expended $1,367 in acquisition costs and $434 in exploration costs on the Spring Peak property. As at May 31, 2021, total acquisition and exploration expenditures recorded on Spring Peak were $1,753 (2020 - $nil).

About the Spring Peak Project

The Spring Peak Project is located in the Aurora Mining District of west-central Nevada, approximately 50 kilometres southwest of the town of Hawthorne.

A large hydrothermal alteration cell occurs in the center of the Spring Peak Project area, which is interpreted by Headwater as representing high-level manifestations of an epithermal precious metal system. An approximate 5-metre thick silica sinter, which extends over 500 metres in strike, occurs in the center of this alteration cell. This sinter displays various vent facies textures interpreted by Headwater to reflect a high-energy hydrothermal vent environment, suggesting good potential for epithermal vein mineralization in feeder structures at depth. Several other linear exposures of intense silicification, with corresponding CSAMT resistivity anomalies at depth, present additional vein targets elsewhere on the Project.

Historic rock float samples of banded quartz vein material on the Property reportedly returned assays of up to 5.52 g/t Au and select vein sampling of narrow banded epithermal veins cutting a granite in outcrop have returned values up to 35.70 g/t Au. The only historic drilling on the Property took place in the 1980's and consisted of mostly vertical, shallow reverse-circulation (RC) holes targeting low-grade, bulk tonnage mineralization within 100 metres of the surface. Most of these holes reportedly encountered gold mineralization ranging from 0.1 g/t Au to 1.93 g/t Au, with many ending in anomalous gold values. The potential for high-grade gold mineralization in epithermal veins below approximately 100 metres depth remains untested.

The most recent work on the Property was performed by OceanaGold ("Oceana"), who completed 10 line-kilometres of CSAMT geophysics, 465 soil samples, detailed geologic mapping, and drill targeting. Oceana permitted the Project for drilling but completed no drilling before returning the Project to Orogen following the closure of their Nevada exploration office. The Oceana drill permit has been transferred to Headwater and allows for drill pad construction and drilling immediately.

2021 Work Plan

Several high-priority drill targets have been identified by the Company which it intends to test with an initial RC drilling program, projected to begin in August 2021, immediately following the completion of the drill program at the Company's Highland project. Concurrently with the drill program, the Company intends to conduct a geologic mapping and rock sampling program, with the goal of expanding the footprint of known mineralization elsewhere on the existing Spring Peak Project.

7.13 Highland (Lander County, Nevada)

The Company has entered into an Exploration and Option to Enter Joint Venture Agreement Highland Project (the "Agreement") dated June 29, 2021 to earn up to a 100% interest in the Highland gold/silver project (the "Property"), located in Lander County, Nevada, from Bravada Gold Corporation ("Bravada"). The Property is subject to a 3% retained net smelter returns ("NSR") royalty of which 1% of the NSR may be purchased for US$1,000,000 at any time prior to the commencement of commercial production.

The Company may earn up to a 100% undivided interest in the Project by completing the following:

Stage 1: Headwater may earn an initial 51% interest in the Project by 1) paying Bravada US$10,000 cash upon signing a definitive agreement (paid); 2) incurring minimum exploration expenditures of US$5,000,000 within the six-year period following the Agreement date, with no less than US$250,000 to be spent in the initial 18 months.

Stage 2: Headwater may earn an additional 24% interest in the Property, bringing its total ownership interest to 75%, by 1) paying Bravada US$250,000 in a combination of cash and Headwater shares within 60 days of completing Stage 1; and 2) incurring additional exploration expenditures of US$5,000,000 within the four-year period following the completion of Stage 1.

Stage 3: Following the completion of the 75% earn-in, Headwater retains the additional right to acquire the remaining 25% interest in the Property at a fair market value, as determined either through negotiations with Bravada or by a qualified independent evaluator.

The Property is subject to an Underlying Agreement wherein the Underlying Optionors retain a 3% net smelter returns ("NSR") royalty which can be bought down to a 2% NSR for a US$1,000,000 payment.

The Underlying Optionors are entitled to annual advance royalty payments, which shall escalate annually in US$5,000 increments from US$30,000 to a cap of US$50,000. Approximately US$580,000 in advanced royalty payments have been paid by previous operators to date, which shall be credited against any future production royalty payment.

About the Highland Project

Gold-bearing, epithermal quartz veins were first recognized and exploited at Highland by small-scale mining in the early 1900's, with brief periods of minor production from trenches and shallow inclined shafts occurring from the 1930's through the 1950's. Short-lived exploration programs targeting bulk-tonnage and shallow vein-hosted mineralization between 1980 through 2007 were carried out by companies including Bravada, Hochschild, and Newcrest. In late 2018, Oceana entered into a Joint Venture agreement and conducted an extensive target definition program consisting of historic data compilation, 1,405 soil samples, 35 line-kilometres of CSAMT geophysics, and property-wide detailed sinter facies mapping and sampling.

The geology of the Highland area consists of a bimodal volcanic and volcaniclastic sequence which is intruded by a number of andesite and rhyolite flow dome complexes, and dissected by a series of northwest-trending graben bounding faults. Moderate rotation along the graben bounding faults has exposed different paleo-elevations in the Project area, ranging from the top of the boiling zone to the paleosurface, which is marked by widespread sinter outcrops in the eastern part of the Property.

West Vein Zone: The majority of previous work on the Property has focussed on partially outcropping veins of the West Vein Zone, which occupy a northwest striking zone approximately 1,400 metres long by 250 metres wide. Two principal veins occupy the center of the West Vein Zone, the "A-Vein" and the "B-Vein". The best drill intercepts on the Property to date (Table 1) come from the A-Vein. Headwater has developed several new drill targets testing for extensions of the A-Vein immediately north of historic drill hole H03013, as well as up-plunge and down-plunge extensions along an interpreted mineralized shoot. Additional vein targets along the B-Vein, as well as other un-named veins, are also currently being evaluated.

Hole	Company	Year	Type	Start Depth (m)	Drilled Width (m)	Avg. Grade (g/t Au)
H02010	Bravada	2002	RC	134.1	6.1	12.24
		including		135.6	3.0	21.74
H03013	Bravada	2002	RC	173.7	9.1	9.93
		including		178.3	1.5	50.16
MHH-02	Hochschild	2004	Core	205.1	9.7	6.50
		including		213.4	1.5	23.93

Table 1: Select intercepts from the Highland Project, West Vein Zone, "A-Vein"

Big Hammer Zone: A large rhyolite flow dome with a coincident historic gold in soil anomaly, forms the center of the Big Hammer Zone on the eastern portion of the Highland Project. Mineralization at the surface is manifested by opaline silica, widespread clay alteration, and interpreted eruption breccias. Historic rock samples with grades up to 15.2 g/t gold demonstrate the capacity for high grades in the area. Shallow (100–150 metre), mostly vertical RC drilling conducted by Cordex in 1980 encountered gold values up to 1.05 grams per tonne, but was focused on exploring for near surface, bulk tonnage mineralization. Headwater believes that vein potential in the projected boiling zone between 150–300 metres below surface has not been adequately tested. East of the main Big Hammer soil anomaly sits a ledge of silica sinter which dips

into a pronounced half-graben bounding fault and varies from 1 to >10 metres in thickness. The sinter locally hosts a series of northeast trending eruptive breccias which Headwater geologists believe may represent the high-level expression of feeder structures, with vein targets immediately beneath these structures at depths of approximately 150–300 metres.

Geyser Zone: The Geyser Zone is a newly recognized and highly underexplored zone of widespread siliceous alteration, ranging from distal silicified and opalized sediments at the periphery, to high-temperature vent facies sinter in the core. Detailed sinter facies mapping by Oceana and Bravada geologists has highlighted a core vent area which appears, from limited sampling, to be coincident with the best gold and trace element signatures in rock and soil samples.

2021 Work Plan

Headwater has completed a thorough technical review of the Highland Project data and has prioritized a series of drill targets which will be tested with a Phase I reverse-circulation ("RC") drilling program, which began in July 2021, that will consist of approximately eight holes totalling 2,000 metres. Current plans call for four holes in the West Vein Zone and the Big Hammer Zone. Boart Longyear has been contracted to perform RC drilling services and necessary permits with the BLM are in place for drilling in the West Vein Zone. An additional BLM permit is in process for the Big Hammer Zone. Concurrently with the drill program, Headwater geologists will conduct a detailed rock sampling and geologic mapping program to expand the sinter facies mapping work begun by Oceana in the Geyser Zone. The objective of this program will be to further understand the structural controls on the Geyser Zone feeders and develop drill targets which can be tested in a potential Phase II program. Headwater has also contracted Magee Geophysical to conduct a detailed gravity survey which will compliment the mapping and existing CSAMT, and further aid the ongoing drill targeting.

The scientific and technical information contained in this document has been reviewed and approved by Derrick Strickland, P.Geo. (10000315), a "Qualified Person" ("QP") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

8. SUMMARY OF QUARTERLY RESULTS

N/A

9. LIQUIDITY

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

Factors that could impact on the Company's liquidity are monitored regularly and include market changes, gold price changes, and economic upturns or downturns that affect the market price of the Company's securities for the purposes of raising financing. The current state of equity markets has been favourable towards raising financing and Management believes that this condition will continue over the next twelve months.

Cash was $380,121 at May 31, 2021 (February 28, 2021: $326,410). Restricted cash was $4,078,342 at May 31, 2021 (February 28, 2021: $4,075,342) and consists of $4,073,317 in gross proceeds and interest from the Company's subscription receipts financing that was released from escrow on June 3, 2021, and a term deposit of $5,025 held at a financial institution as security against a company credit card.

Short-term investments consist of $200,000 in term deposits held with the Bank of Montreal and marketable securities with a fair value of $1,218,375 which consist of 500,000 common shares of Eclipse Gold Mining Corporation (subsequently exchanged to 545,000 common shares of Northern Vertex Mining Corp. on June 15, 2021) valued at $204,375 and 8,450,000 common shares of Huntsman Exploration Inc. valued at $1,014,000.

Amounts and other receivable consist of GST input tax credits, interest receivable on term deposit and office overhead recoveries. Prepaid expenses and deposits include $130,284 (US $105,000) in advances for reclamation bond obligations.

Current liabilities total $608,990 at May 31, 2021 compared to $471,026 at February 28, 2021. Current liabilities consist of trade payables, accrued liabilities, income taxes payable and lease liability. Included in trade and other payables is $182,204 in accrued finder's fees from the subscription receipts financing that were paid subsequent to period end on June 3, 2021.

Working capital surplus was $5,628,106 at May 31, 2021 compared to a surplus of $7,145,799 at February 28, 2021.

The Company has no debt or debt arrangements other than the loan referenced above.

Based on the financial condition at May 31, 2021, the Company can meet its financial obligations as they become payable in the current fiscal year but will need to raise additional equity financing in order to expand its planned exploration and evaluation activities.

10. CAPITAL RESOURCES

The Company does not have any commitments for capital expenditures. The Company does not have any capital resources in the form of debt, equity and any other financing arrangements.

11. OFF-BALANCE SHEET ARRANGEMENTS

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

12. TRANSACTIONS BETWEEN RELATED PARTIES

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

12.1 Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	Three months ended May 31, 2021 $	Three months ended May 31, 2020 $
Short-term employee benefits and director fees	91,455	58,644
Share-based payments	30,610	-
	122,065	58,644

The Company has entered into a Management Agreement with Hunter Gold LLC ("Hunter", a company controlled by Caleb Stroup ("Stroup"), the President) effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Hunter will receive a monthly fee of US $13,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the President resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $48,391 (May 31, 2020: $38,235) in fees to Hunter.

The Company has entered into a Management Agreement with Waddell Consulting Inc. ("Waddell", a company controlled by Alistair Waddell, the Chairman) effective March 1, 2021 for no fixed term. As compensation for the services to be provided, Waddell will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the Chairman resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,563 (May 31, 2020: $7,986) in fees and benefits to Waddell.

The Company has entered into an Employment Agreement with Sandra Wong, the Chief Financial Officer and Corporate Secretary, effective January 4, 2021 for no fixed term. As compensation for the services to be provided, the CFO will receive a monthly salary of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the CFO resigns within 12 months following a change of control. During the period ended May 31, 2021, the Company paid $15,501 (May 31, 2020: $423) in salary and benefits to the CFO.

During the period ended May 31, 2021, the Company recorded $12,000 (May 31, 2020: $nil) in director fees payable to three directors as follows: Graeme Currie $3,000; Tero Kosonen $6,000; and Wendell Zerb $3,000.

12.2 Private Placements

On June 18, 2020, the Company raised gross proceeds of $15,000 by way of a non-brokered private placement of 100,000 common shares priced at $0.15. Wong purchased 100,000 shares.

On September 28, 2020, the Company raised gross proceeds of $1,667,600 by way of a non-brokered private placement of 7,580,000 common shares priced at $0.22. Stroup purchased 50,000 shares, Waddell Consulting purchased 100,000 shares, and Wendell Zerb, a director, purchased 240,000 shares.

On February 11, 2021, the Company raised gross proceeds of $4,070,224 by way of a non-brokered subscription receipt private placement of 11,629,212 subscription receipts priced at $0.35. Graeme Currie,

a director of the Company, purchased 100,000 receipts, Kosonen purchased 250,000 receipts, Stroup purchased 30,000 receipts, and Waddell Consulting purchased 30,000 receipts.

12.3 Property Option Agreements

On February 23, 2021, a private company controlled by directors of the Company exercised options to purchase the Bob Creek property for US $55,000, the Danny Boy property for US $15,000, the Ziggurat property for US $35,000 and the Keg property for US $45,000.

12.4 Due to Related Parties

As at May 31, 2021, the Company has $46,826 (February 28, 2021: $22,910) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements, which are due on demand, unsecured and are non-interest bearing.

12.5 Receivable from Related Parties

As at May 31, 2021, the Company has $16,693 (February 28, 2021: $nil) receivable from companies with common directors for office overhead expense recoveries, which are due on demand, unsecured and are non-interest bearing.

13. FOURTH QUARTER

N/A

14. PROPOSED TRANSACTIONS

The Company is engaged in the search for potential joint venture partners, mineral property acquisitions and financings, but there are currently no proposed asset or business acquisitions or dispositions other than disclosed in this Report. Other than disclosed in this Report, the Company does not have any proposed transactions.

15. COMMITMENTS, EXPECTED OR UNEXPECTED EVENTS, OR UNCERTAINTIES

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

16. SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE

N/A

17. CHANGES IN ACCOUNTING POLICES INCLUDING INITIAL ADOPTION

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2021. The Company has not early adopted these new standards in preparing these consolidated financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

18. KNOWN TRENDS, RISKS OR DEMANDS

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at May 31, 2021, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables. The Company has a working capital surplus of $5,628,106 as at May 31, 2021 and does not require additional financing for operations and to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 13 of the financial statements. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no variable interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars.

19. DISCLOSURE OF OUTSTANDING SHARE DATA

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

As at July 29, 2021, the Company has 49,567,718 common shares issued and outstanding.

As at July 29, 2021, the Company has 4,955,000 stock options outstanding.

As at July 29, 2021, the Company held 18,080,251 common shares in escrow.

20. BOARD OF DIRECTORS AND OFFICERS

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

The officers of the Company are Alistair Waddell (Executive Chairman), Caleb Stroup (President and Chief Executive Officer) and Sandra Wong (Chief Financial Officer and Corporate Secretary).

21. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

This Management's Discussion & Analysis contains "forward-looking statements, within the meaning of applicable Canadian Securities legislation", that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and copper, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", or "might" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: risks relating to the integration of acquisitions, risk relating to international operations, the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; fluctuations in metal prices; as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the period ended May 31, 2021. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ

materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

22. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company and all the information in this Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and two of its members are independent directors. The Committee meets at least once a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

HEADWATER GOLD INC.

Caleb Stroup

President and Chief Executive Officer