

EDGEWATER EXPLORATION LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars - Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2017

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51-102, the Company discloses that its independent auditors have not reviewed the condensed interim consolidated financial statements for the period ended March 31, 2017.

EDGEWATER EXPLORATION LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars - Unaudited)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current			
Cash		\$ 49,538	\$ 387,074
GST and other receivables	5	4,896	2,684
Short-term investment		300,000	15,000
Prepaid expenses		44,443	57,768
		398,877	462,526
Non-current			
Reclamation deposits and restricted cash		879,901	873,266
		\$ 1,278,778	\$ 1,335,793
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Trade and other payables		\$ 562,828	\$ 558,372
Provision for government grants		48,171	47,808
		610,999	606,180
Non-current			
Deferred revenue		3,618,308	3,591,022
Provision for reclamation		78,184	77,595
		4,307,491	4,274,797
Shareholders' deficit			
Share capital		30,805,679	30,805,679
Share-based payments reserve		4,799,488	4,799,488
Warrants reserve		6,472,830	6,472,830
Accumulated other comprehensive income		1,236,173	1,274,276
Accumulated deficit		(46,342,883)	(46,291,276)
		(3,028,713)	(2,939,003)
		\$ 1,278,778	\$ 1,335,793

Nature of operations and going concern

1

On behalf of the Audit Committee:

"Danny Lee"

Director

"Douglas Forster"

Director

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

EDGEWATER EXPLORATION LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

	Common shares		Share-based payments reserve	Warrants reserves	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Number	Amount					
Balance – January 1, 2017	31,173,609	\$30,805,679	\$4,799,488	\$6,472,830	\$1,274,276	\$(46,291,276)	(\$2,939,003)
Net loss for the period	-	-	-	-	-	(51,607)	(51,607)
Foreign currency translation	-	-	-	-	(38,103)	-	(38,103)
Balance – March 31, 2017	31,173,609	\$30,805,679	\$4,799,488	\$6,472,830	\$1,236,173	\$(46,342,883)	(\$3,028,713)

	Common shares		Share-based payments reserve	Warrants reserves	Accumulated other comprehensive income	Accumulated deficit	Total
	Number*	Amount					
Balance – January 1, 2016	26,173,609	\$30,416,443	\$4,798,518	\$6,377,023	\$1,052,512	\$(46,029,024)	(\$3,384,529)
Share-based compensation	-	-	969	-	-	-	969
Net loss for the period	-	-	-	-	-	(97,152)	(97,152)
Foreign currency translation	-	-	-	-	96,415	-	96,415
Balance – March 31, 2016	26,173,609	\$30,416,443	\$4,799,487	\$6,377,023	\$1,148,927	\$(46,126,176)	(\$3,384,296)

*During 2016, the Company consolidated its share capital, stock options, and warrants on a four-to-one basis. All share and per share amounts have been retroactively restated to reflect the share consolidation.

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

EDGEWATER EXPLORATION LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31

	2017	2016
EXPENSES		
Accounting and audit fees	\$ 5,000	\$ 6,250
Consultants	-	3,000
Foreign exchange loss	-	2,651
Field costs	9,226	21,851
Insurance	4,275	6,569
Legal	545	1,791
Office costs	2,296	3,178
Rent	(1,314)	18,555
Salaries and benefits	28,178	27,425
Share-based compensation	-	969
Trust and regulatory fees	3,550	6,033
	51,757	98,272
OTHER INCOME		
Finance income	(150)	(1,120)
Net loss for the period	\$ 51,607	\$ 97,152
OTHER COMPREHENSIVE LOSS (INCOME)		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation	38,103	(96,415)
Comprehensive loss for the period	\$ 89,710	\$ 737
Loss per share – basic and diluted	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding:		
Basic and diluted*	31,173,609	26,173,609

*During 2016, the Company consolidated its share capital, stock options, and warrants on a four-to-one basis. All share and per share amounts have been retroactively restated to reflect the share consolidation.

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

EDGEWATER EXPLORATION LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31

	2017	2016
CASH PROVIDED BY (USED IN):		
Cash flows from operating activities:		
Net loss for the period	\$ (51,607)	\$ (97,152)
Interest income reclassified to cash flow from investing activities	(150)	(1,120)
Non-cash items:		
Share-based compensation	-	969
Unrealized foreign exchange	(14,996)	8,295
Changes in non-cash working capital:		
GST and other receivables	(2,191)	(10,837)
Prepaid expenses	13,326	6,959
Trade and other payables	2,906	24,809
	(52,712)	(68,077)
Cash flows from investing activities:		
Cash received from sale of furniture and equipment	-	1,200
Return of reclamation deposits	-	24,224
Finance income	150	1,120
Redemption (purchase) of short-term investment	(285,000)	40,000
	(284,850)	66,544
Effect of exchange rate on cash	26	(1,237)
Decrease in cash	(337,536)	(2,770)
Cash – beginning of period	387,074	160,455
Cash – end of period	\$ 49,538	\$ 157,685

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

EDGEWATER EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

Edgewater Exploration Ltd. and its subsidiaries (collectively, “Edgewater” or the “Company”) are in the mineral property exploration and development business. Edgewater Exploration Ltd., the parent, is a public company that is listed on the NEX board of the TSX Venture Exchange (symbol: EDW.H). It is incorporated in Canada and its head office is located at Suite 413 – 595 Burrard Street, Vancouver, British Columbia, V7X 1J1.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information and footnotes required by the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2016. The same accounting policies and methods of computation are used in the preparation of these unaudited condensed interim consolidated financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS for the interim periods presented.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of this assumption. The Company has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its administrative expenses. The Company has incurred operating losses since inception. As at March 31, 2017, the Company had \$46,342,883 in accumulated deficit and negative working capital of \$212,122.

The Company’s ability to meet its administrative expenses is dependent upon management’s ability to obtain additional financing and settle its dispute with the Galician Government in Spain. On October 21, 2015, the Company served the Kingdom of Spain a notice of dispute pursuant to the terms of the bilateral investment treaty (“BIT”) between Spain and Panama (the Corcoesto Gold Project is indirectly owned by the Company’s Panama subsidiary). Should Spain fail to promptly offer full compensation for the loss of investment and opportunity, the Company will prosecute its claims in international arbitration under the BIT to secure such full compensation. The Company intends to exercise all available remedies to protect the rights and the interests of its shareholders including international arbitration. There is no assurance that the Company will be able to obtain additional financing or resolve its dispute with Spain in the future. There are no recent updates or developments to the litigation status as at the date of these statements.

The Company’s condensed interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, such adjustments could be material.

The unaudited condensed interim financial statements were authorized for issue by the Audit Committee on May 24, 2017.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Critical estimates and assumptions are made in particular with regard to: (i) the assumptions used in calculating the fair value of warrants and share-based payments; and (ii) provision for reclamation.

EDGEWATER EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd.)

Fair value of warrants and share-based payments

The Company uses the fair-value method of accounting for share-based payments related to incentive stock options and warrants granted, issued, modified or settled. Under this method, compensation cost attributable to options is measured at fair value at the grant date and expensed over the vesting period. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options or warrants, and an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the options and warrants being less than or greater than the amount recorded.

Provision for reclamation

The Company assesses its provision for reclamation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

3. CHANGES IN ACCOUNTING POLICIES

Recently issued but not adopted accounting guidance are as follows:

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes nine primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and FVTPL. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. The Company will not be early adopting this new standard. The Company is currently assessing the impact of IFRS 9.

In January 2016, the IASB issued a new standard IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

EDGEWATER EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

4. SHARE CAPITAL

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

(a) *Stock Options*

The total fair value of stock options that vested during 2017 was \$nil (2016 - \$969). A summary of the Company's stock options as at March 31, 2017 is presented below:

Exercise price	January 1, 2017	Expired	March 31, 2017	Expiry date	Remaining contractual life in years	Number of options vested
\$2.08	100,000	(100,000)	-	January 9, 2017	-	-
\$1.60	387,500	-	387,500	October 11, 2017	0.53	387,500
\$1.60	6,250	-	6,250	November 22, 2017	0.65	6,250
\$2.00	87,500	-	87,500	April 5, 2018	1.01	87,500
\$0.80	75,000	-	75,000	August 30, 2018	1.42	75,000
\$0.40	762,500	-	762,500	July 14, 2019	2.29	762,500
	1,418,750	(100,000)	1,318,750			1,318,750
	\$0.97	\$0.52	\$0.89	Weighted average exercise price		

b) *Share Purchase Warrants*

A summary of the Company's share purchase warrants as at March 31, 2017 is presented below:

Exercise price	January 1, 2017	March 31, 2017	Expiry date	Remaining contractual life in years
\$0.40	3,975,000	3,975,000	January 7, 2019	1.77
\$0.20	5,000,000	5,000,000	September 8, 2021	4.44
	8,975,000	8,975,000		
	\$0.29	\$0.29	Weighted average exercise price	

5. RELATED PARTY TRANSACTIONS

Key management personnel include directors and officers that provide management and consulting services to the Company.

Included in trade and other receivables is a receivable from related companies amounting to \$2,481 (2016 - \$nil). The amounts receivable relates to shared rent.

During the period ending March 31, 2017, the Company recovered \$2,481 (2016 - \$23,138) in rent expense from related companies. The rental office sharing arrangement with the related companies was made in order to minimize administration costs and is on a month-to-month basis.

Share-based payments to key management personnel of the Company amounted to \$nil during the period ending March 31, 2017 (2016 - \$826).

EDGEWATER EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

6. SEGMENTED INFORMATION

The Company's business is the acquisition, exploration, evaluation, and development of mineral resource properties, which was previously conducted in Spain. The Company has no reportable segment revenues.

	March 31, 2017	March 31, 2016
Assets by geographic location, at cost		
Canada		
Total assets	\$ 251,686	\$ 275,838
Total liabilities	\$ 347,787	\$ 422,883
Net loss for the period	\$ 12,100	\$ 44,712
Spain		
Total assets	\$ 1,027,092	\$ 955,110
Total liabilities	\$ 3,959,703	\$ 4,192,361
Net loss for the period	\$ 39,506	\$ 52,440

7. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities consist of cash, GST and other receivables, short-term investments, reclamation deposits and restricted cash, trade and other payables, and government grants.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure there is sufficient access to funds to meet short-term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company prepares annual budgets which are approved by the Board of Directors and prepares cash flows and liquidity forecasts when appropriate. The Company's cash is held as cash deposits or invested in GICs which are available on demand to fund the Company's short-term financial obligations. All current liabilities are due within the next 12 months. For further discussion, see Note 1 of the financial statements.

(b) Credit Risk

The Company's credit risk is primarily attributable to its cash and GST and other receivables. The risk exposure is limited to their carrying values at the balance sheet date. Cash are held as cash deposits or invested in GICs with counterparties that carry investment grade ratings as assessed by external rating agencies. GST and other receivables consist mainly of refundable value added tax credits.

(c) Market Risks

The significant market risks to which the Company is exposed are currency risk and interest rate risk. The Company does not currently use derivative or hedging instruments to reduce its exposure to fluctuations in such risks.

i) Currency Risk

The Company's functional currencies are the Canadian dollar and Euro. The Company is exposed to foreign currency risk on cash and receivable balances and the settlement of purchases that are denominated in other than the functional currencies. With all other variables held constant, the Company's shareholders' equity and earnings after tax would both increase (decrease) due to changes in the carrying value of monetary assets and liabilities.

ii) Interest Rate Risk

The Company's interest rate risk arises from the interest earned on its deposits, short-term investments, and the interest charged on the repayable government grants. Deposits including its short-term investments are invested on a short-term basis to enable adequate liquidity for payment of operational expenditures. The Company's other financial assets and liabilities are not subject to interest rate risk since they do not bear interest.

EDGEWATER EXPLORATION LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars - Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

7. FINANCIAL INSTRUMENTS (cont'd.)

(d) *Capital Management*

The Company's objectives in managing its capital resources are to safeguard the entity's ability to continue as a going concern and maximize returns to shareholders in the context of the market. The Company satisfies its capital requirements through management of its cash resources and by utilizing equity issues, as necessary, based on the prevailing economic conditions of both the industry and the capital markets and the underlying risks characteristics of the related assets. The Company's principal source of capital is from the issuance of common shares. To meet the objectives, management monitors the Company's ongoing capital requirements against net working capital and assesses additional capital requirements on a case-by-case basis. The Company is not subject to any externally imposed capital requirements. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, share-based payments reserve, warrants reserve, accumulated other comprehensive income, and accumulated deficit.