

EDGEWATER EXPLORATION LTD.

Interim Management's Discussion and Analysis – Quarterly Highlights

For the Period Ended September 30, 2019

(Expressed in Canadian Dollars – Unaudited)

Introduction

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.

This interim Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of Edgewater Exploration Ltd. (“Edgewater” or the “Company”) for the period ended September 30, 2019. The Company reports its financial position, results of operations, changes in shareholders' equity, and cash flows in accordance with International Financial Reporting Standards (“IFRS”). Additional information relating to the Company including the most recent Company filings can be located on SEDAR at www.sedar.com.

This MD&A is prepared as of November 14, 2019. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Forward Looking Statements and Risk Factors

This interim MD&A includes certain statements that may be deemed “forward-looking statements.” All statements in this discussion, other than statements of historical facts, that address events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

For a detailed listing of the risk factors, please refer to the Company's annual MD&A for the year ended December 31, 2018.

Results of Operations

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's consolidated financial statements and related notes.

As at September 30, 2019, the Company had total assets of \$1,154,445 compared to \$1,262,394 as at December 31, 2018. Cash and short-term investment account for majority of the assets as at September 30, 2019.

As at September 30, 2019, the Company had a working capital of \$934,168 compared to a working capital of \$1,021,946 as at December 31, 2018.

There is no new information to report on the arbitration with the Kingdom of Spain in regards to the Corcoesto Gold Project as at September 30, 2019 and the date of this MD&A report.

3 months ended September 30, 2019 vs. 3 months ended September 30, 2018

- During the three months ended September 30, 2019, the Company recorded a net loss of \$35,667 as compared to a net loss of \$320,120 during the same period in the prior year. The net loss per share for the quarter ended September 30, 2019 was \$nil compared to \$0.01 during the same period in the prior year.
- Salaries and benefits were \$nil during the three months ended September 30, 2019 (2018 - \$286,380). The higher expense in 2018 was due to the Company paying out termination severance benefits to an employee in Spain. There were no employees during 2019.

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9 months ended September 30, 2019 vs. 9 months ended September 30, 2018

- During the nine months ended September 30, 2019, the Company recorded a net loss of \$89,039 as compared to a net loss of \$456,849 during the same period in the prior year. The net loss per share for the period ended September 30, 2019 was \$nil compared to \$0.01 during the same period in the prior year.
- During the nine months ended September 30, 2019, the Company expensed \$29,525 in accounting and audit fees (2018 - \$46,350). The higher fees in 2018 was due to the Company engaging its external auditors for tax and restructuring advice.
- Salaries and benefits were \$nil during the nine months ended September 30, 2019 (2018 - \$347,589). The higher expense in 2018 was due to the Company paying out termination severance benefits to an employee in Spain. There were no employees during 2019.
- During the nine months ended September 30, 2019, the Company expensed \$4,186 in legal fees (2018 - \$14,948). The higher fees in 2018 was due to the Company obtaining advice on share restructuring.

Summary of Quarterly Results

The following information is derived from the Company's unaudited interim consolidated financial statements for the past eight quarters.

		Revenue		Net loss (income)		Loss (income) per share
September 30, 2019 ⁽¹⁾	\$	Nil	\$	35,667	\$	0.00
June 30, 2019	\$	Nil	\$	29,257	\$	0.00
March 31, 2019	\$	Nil	\$	24,115	\$	0.00
December 31, 2018	\$	Nil	\$	(2,971)	\$	0.00
September 30, 2018 ⁽²⁾	\$	Nil	\$	320,120	\$	0.01
June 30, 2018 ⁽³⁾	\$	Nil	\$	119,315	\$	0.00
March 31, 2018	\$	Nil	\$	17,414	\$	0.00
December 31, 2017 ⁽⁴⁾	\$	Nil	\$	(3,928,255)	\$	(0.12)

⁽¹⁾Refer to section "Results of Operations" for an explanation of some of the items making up the loss for the quarter.

⁽²⁾Includes \$277,101 in termination severance benefits paid to an employee in Spain.

⁽³⁾Includes costs associated with obtaining tax and share restructuring advice.

⁽⁴⁾During Q4 2017, as a result of ongoing arbitration with the Kingdom of Spain and the determination that the Company does not see any prospect of continuing to advance the Corcoesto project, the Company de-recognized the deferred revenue balance of \$3,820,911 and recognized it into income. Also included in the Q4 2017 net income is the de-recognition of the Carles reclamation liability of \$80,866. The Company de-recognized the reclamation liability associated with the Carles property to correspond with the return of the reclamation deposits to the Company during 2017.

Liquidity and Capital Resources

The Company has financed the majority of its operations and work programs to date through equity issuances. There can be no assurance of continued access to sufficient equity funding. Management believes it will be able to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond their control. The Company has no outstanding debt facility upon which to draw. Cash is invested in business accounts with large financial institutions, and is available on demand for the Company's operations. All current liabilities of the Company are of a short-term nature and payable within the next 12 months.

During the nine months ended September 30, 2019, cash outflows from operations totaled \$88,816. Cash inflows from investing activities during the period was \$55,412.

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Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Included in GST and other receivables is a receivable from a related company amounting to \$4,018 (December 31, 2018 - \$3,956). The amounts receivable relates to shared rent.

During the period ending September 30, 2019, the Company expensed \$10,620 (2018 – (\$11,033)) in rent which is net of \$7,653 rent recovery from a related company. The rental office sharing arrangement with the related company was made in order to minimize administration costs and is on a month-to-month basis.

Proposed Transactions

None.

Critical Accounting Estimates and Change in Accounting Policies including Initial Adoption

The significant accounting policies applied in the preparation of the financial statements are consistent with those applied and disclosed in Note 2 of the Company's 2018 audited consolidated financial statements. Critical accounting estimates remain the same as disclosed in the 2018 audited annual consolidated financial statements.

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 has one lease which relates to an office lease that is subject to expire on June 2020. During 2015, the office space was sublet to a third party ("Sub-lessee") for the remaining lease term and a loss from the sublease arrangement of \$63,872 was realized during that year. The lease does not require significant cash outlays from the Company since the shortfall in rent received from the Sub-lessee is mainly covered by a related party (see MD&A section, "Transactions with Related Parties"). The Company therefore does not realize any significant economic benefits or incur liabilities from the lease.

Based on this analysis, the Company's adoption of IFRS 16 did not have a material measurement or disclosure impact on its interim consolidated financial statements.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivables, short-term investment, and trade and other payables. All of the financial instruments are held at amortized cost. Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve-month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

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The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

The Company does not use derivative instruments or hedges to manage various risks because the Company's exposure to credit risk, liquidity risk, and market risks (including interest rate risk and currency risk) is relatively low. Cash is held through large financial institutions. Additional disclosures relating to the Company's financial instruments can be found in Note 8 of the consolidated financial statements.

Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at November 14, 2019. Note 5 of the Company's condensed interim consolidated financial statements for the period ended September 30, 2019 contain additional information on the Company's share capital.

	Number Outstanding
Common shares	38,673,609
Warrants to purchase common shares	5,000,000
