

EDGEWATER EXPLORATION LTD.

Interim Management's Discussion and Analysis – Quarterly Highlights

For the Period Ended June 30, 2023

(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 1560 – 200 Burrard Street, Vancouver, British Columbia, V6C 3L6.

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 June 30, 2023. The Company reports its financial position, results of operations, changes in shareholders’ deficit, 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 July 26, 2023. 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, 2022.

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 June 30, 2023, the Company had total assets of \$631,413 compared to \$667,342 as at December 31, 2022. Short-term investment accounts for the majority of the assets as at June 30, 2023 and December 31, 2022.

Three Months Ended June 30, 2023 vs. Three Months Ended June 30, 2022

- During the three months ended June 30, 2023, the Company recorded a net income of \$22,820 as compared to a net income of \$971,072 during the same period in the prior year. The net income per share for the three months ending June 30, 2023 and 2022 were \$0.00 and \$0.02, respectively.
- During the three months ended June 30, 2022, the Company sold its Spain subsidiary, Mineira de Corcoesto, S.L. (“Mineira”) to an arm’s length party for €1. The sale resulted to the Company recognizing a gain of \$1,094,677 on the income statement, which is derived from the accumulated other comprehensive income of \$1,100,980 and the excess of net assets over the consideration received of \$6,303.
- Foreign exchange gain was \$41,252 for the three months ended June 30, 2023 compared to an exchange loss of \$58,100 during the same period in the prior year. The gain during the current quarter is due to the stronger Canadian dollar.
- Legal expense was \$1,340 during the three months ended June 30, 2023 compared to \$11,196 during the same period in the prior year. The higher legal costs in 2022 are due to the sale of Mineira to the arm’s length party.

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- Repairs and maintenance were \$21,205 during the three months ended June 30, 2022 compared to \$nil during the current period. During 2022, the Company incurred expenses associated with emptying Mineira's warehouses as a result of the sale.

Six Months Ended June 30, 2023 vs. Six Months Ended June 30, 2022

- During the six months ended June 30, 2023, the Company recorded a net loss of \$16,579 as compared to a net income of \$927,192 during the same period in the prior year. The net income per share for the six months ending June 30, 2023 and 2022 were \$0.00 and \$0.02, respectively.
 - During the six months ended June 30, 2022, the Company sold Mineira to an arm's length party for €1. The sale resulted to the Company recognizing a gain of \$1,094,677 on the income statement, which is derived from the accumulated other comprehensive income of \$1,100,980 and the excess of net assets over the consideration received of \$6,303.
 - Foreign exchange gain was \$21,369 for the six months ended June 30, 2023 compared to an exchange loss of \$83,241 during the same period in the prior year. The gain during the current quarter is due to the stronger Canadian dollar.
 - Legal expense was \$4,298 during the six months ended June 30, 2023 compared to \$11,196 during the same period in the prior year. The higher legal costs in 2022 are due to the sale of Mineira to the arm's length party.
 - Repairs and maintenance were \$21,205 during the six months ended June 30, 2022 compared to \$nil during the current period. During 2022, the Company incurred expenses associated with emptying Mineira's warehouses as a result of the sale.
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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
June 30, 2023 ⁽¹⁾	\$ Nil	\$ (22,820)	\$ 0.00
March 31, 2023	\$ Nil	\$ 39,399	\$ 0.00
December 31, 2022	\$ Nil	\$ (91,352)	\$ 0.00
September 30, 2022	\$ Nil	\$ 83,527	\$ 0.00
June 30, 2022 ⁽²⁾	\$ Nil	\$ (971,072)	\$ (0.02)
March 31, 2022	\$ Nil	\$ 43,880	\$ 0.00
December 31, 2021	\$ Nil	\$ 42,460	\$ 0.00
September 30, 2021	\$ Nil	\$ 60,956	\$ 0.00

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

⁽²⁾During Q2 2022, the Company sold its Spanish subsidiary to an arm's length party for €1. The sale resulted to the Company recognizing a gain of \$1,094,677 on the income statement, which is derived from the accumulated other comprehensive income of \$1,100,980 and the excess of net assets over the consideration received of \$6,303.

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 recognizes 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. During the period ended June 30, 2023, cash outflows from operations totaled \$32,765 (2022 - \$96,772). The Company did not complete any financings during 2023.

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As at June 30, 2023, the Company had a working capital deficit of \$1,478,134, as a result of the arbitration award costs in the Company's Panamanian subsidiary. Management considers that the Company has sufficient available cash and cash equivalents to be able to continue in operations for at least the next twelve months. With regards to the arbitration settlement liability, management's view is that this award of costs relates solely to Corcoesto S.A. and accordingly, Spain has no recourse against Edgewater.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

The Company did not have any related party transactions during the period.

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 2022 audited consolidated financial statements. Critical accounting estimates remain the same as disclosed in the 2022 audited annual 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 measured 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 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. 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 7 of the consolidated financial statements.

Disclosure of Outstanding Share Data

The following table describes the outstanding share data of the Company as at July 26, 2023:

	Number Outstanding
Common shares	38,923,609

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Outlook

The Company continues to look for project acquisition and/or development opportunities.
