BLUE LAGOON RESOURCES INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MAY 31, 2019

(expressed in Canadian dollars)

(unaudited)

BLUE LAGOON RESOURCES INC.
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

	Note		**May 31, 2019**		**November 30, 2018**
			(unaudited)		
<u>**ASSETS**</u>					
Current assets					
Cash		$	297,788	$	333,292
Prepaid expenses			8,079		15,000
Total current assets			305,867		348,292
Non-current assets					
Exploration and evaluation assets	4		15,000		25,000
Total assets		**$**	**320,867**	**$**	**373,292**
<u>**LIABILITIES AND SHAREHOLDERS' EQUITY**</u>					
Current liabilities					
Accounts payable and accrued liabilities		$	11,391	$	13,205
Due to related party			280		280
Total liabilities			11,671		13,485
Shareholders' equity					
Share capital			20,020		20,020
Special warrants			403,050		358,050
Deficit			(113,874)		(18,263)
Total shareholders' equity			309,196		359,807
Total liabilities and shareholders' equity		**$**	**320,867**	**$**	**373,292**

Going concern (Note 1)
Subsequent event (Note 7)

Approved for issuance on behalf of the Board of Directors on July 26, 2019:

(Signed) *"Rana Vig"* Director

(Signed) *"Gurdeep Bains"* Director

(The accompanying notes are an integral part of these interim condensed financial statements)

BLUE LAGOON RESOURCES INC.
INTERIM CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(expressed in Canadian dollars)
(unaudited)

	Note		For the Three months ended May 31, 2019		For the Three months ended May 31, 2018		For the Six months ended May 31, 2019		For the Six months ended May 31, 2018
Expenses									
Bank charges		$	24	$	14	$	24	$	32
Transfer agent fees			709		–		709		–
Professional fees			19,011		–		63,359		–
Meals and Entertainment			3,844		–		3,844		–
Marketing			50		–		50		–
Exploration Expenses			2,625		–		2,625		–
Write-off of exploration and evaluation asset	4		–		–		25,000		–
Total expenses			26,263		14		95,611		32
Net loss and comprehensive loss		**$**	**(26,263)**		**(14)**		**(95,611)**	**$**	**(32)**
Basic and diluted loss per share		**$**	**(0.03)**		**(0.07)**		**(0.10)**	**$**	**(0.16)**
Weighted average number of common shares outstanding			**1,000,200**		**200**		**1,000,200**		**200**

(The accompanying notes are an integral part of these interim condensed financial statements)

BLUE LAGOON RESOURCES INC.
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
(expressed in Canadian dollars)
(unaudited)

	Share capital				
	Number of shares	**Amount**	**Special warrants**	**Deficit**	**Total shareholders' equity (deficit)**
Balance, November 30, 2018	**1,000,200**	**$ 20,020**	**$ 358,050**	**$ (18,263)**	**$ 359,807**
Special warrants issued for cash (note 5)	–	–	45,000	–	45,000
Net loss	–	–	–	(95,611)	(95,611)
Balance, May 31, 2019	**1,000,200**	**$ 20,020**	**$ 403,050**	**$ (113,874)**	**$ 309,196**

Balance, November 30, 2017	**200**	**$ 20**	**$ –**	**$ (39)**	**$ (19)**
Net loss	–	–	–	(32)	(32)
Balance, May 31, 2018	**200**	**$ 20**	**$ –**	**$ (71)**	**$ (51)**

(The accompanying notes are an integral part of these interim condensed financial statements)

BLUE LAGOON RESOURCES INC.
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
(unaudited)

		For the six months ended May 31, 2019		For the six months ended May 31, 2018
Operating activities				
Net loss	$	(95,611)	$	(18)
Items not involving cash:				
Write-off of exploration and evaluation asset		25,000		
Changes in non-cash working capital:				
Prepaid expenses		6,921		–
Accounts payable and accrued liabilities		(1,814)		
Net cash used in operating activities		**(65,504)**		**(18)**
Investing activities				
Exploration and evaluation assets		(15,000)		–
Net cash used in investing activities		(15,000)		–
Financing activities				
Proceeds from issuance of special warrants		45,000		–
Net cash provided by financing activities		45,000		–
Change in cash		(35,504)		(18)
Cash, beginning		333,292		261
Cash, ending	**$**	**297,788**	**$**	**243**

(The accompanying notes are an integral part of these interim condensed financial statements)

1. NATURE OF OPERATIONS AND GOING CONCERN

Blue Lagoon Resources Inc. (formerly Blue Lagoon Capital Inc.) (the "Company") was incorporated under the British Columbia Business Corporations Act on March 17, 2017. On December 17, 2018, the Company changed its name from Blue Lagoon Capital Inc. to Blue Lagoon Resources Inc. The Company is in the business of acquiring, exploring, and evaluating mineral resource interests.

On June 25, 2019, the company obtained a receipt for its final prospectus filed with the securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario. The Company's common shares began trading on the CSE on July 4, 2019, under the stock symbol "BLLG". (Note 7)

The address of the Company's corporate office and principal place of business is Suite 610, 700 West Pender Street, Vancouver, British Columbia.

These interim condensed financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. The Company has an accumulated deficit of $113,874 since inception and expects to incur losses from operations for the foreseeable future. These conditions indicate the existence of material uncertainty, which casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Such adjustments have not been included in these interim condensed financial statements and could be material.

2. BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including IAS 34, "Interim Financial Reporting" and using the same accounting policies and methods of computation as the Company's most recent annual financial statements.

These interim condensed financial statements do not include all the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Application of New IFRS

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, "Financial Instruments: Recognition and Measurement".

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective January 1, 2018 using the full retrospective method, with no significant impact on the Company's consolidated financial statements.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for future accounting periods. The following has not yet been adopted by the Company:

- IFRS 16, "Leases: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact on the Company's financial statements from adopting the above new standard.

(expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

		Lac Gainsmoor Gold Project		Golden Wonder Project
Acquisition cost:				
Balance, March 17, 2017 (date of incorporation) and November 30, 2017	$	–	$	–
Payment		25,000		–
Balance, November 30, 2018		25,000		–
Write-off of exploration and evaluation asset		(25,000)		–
Acquisition Cost		–		15,000
Balance, May 31, 2019	$	–		15,000

Lac Gainsmoor Gold Project

On October 15, 2018, the Company entered into an option agreement whereby the Company has the right to earn a 100% interest in the Lac Gainsmoor Gold Project located in Quebec, Canada. To earn the 100% interest, the Company is obligated to do the following:

- Payment of $25,000 within 5 days of execution of the agreement (paid)
- Issuance of 200,000 common shares of the Company within 5 business days of the Canadian Securities Exchange (“CSE”) bulletin giving notice that the shares have been approved for listing on the CSE.
- Incur exploration expenditures of $150,000 within 14 months of having the shares approved for listing on the CSE.
- Payment of $25,000 within 14 months of having the shares approved for listing on the CSE.
- Issuance of 500,000 common shares to the optionor within 14 months of having the shares approved for listing on the CSE.
- Incur additional exploration expenditures of $700,000 within 28 months of having the shares approved for listing on the CSE.
- Payment of $100,000 within 28 months of having the shares approved for listing on the CSE.
- Issuance of 750,000 common shares to the optionor within 28 months of having the shares approved for listing on the CSE.

If the CSE approval of the Company’s listing is later than May 1, 2019, the Company is required to pay an additional $25,000 on or before May 5, 2019.

The optionor retains a 1% net smelter royalty interest.

During the six month period ended May 31, 2019, the Company terminated the option agreement. As a result, the Company recognized a write-down of $25,000 as at May 31, 2019.

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Golden Wonder Project

On April 18, 2019, the Company entered into an purchase and sale agreement whereby the Company has the right to purchase a 100% interest in the Golden Wonder Project located in British Columbia, Canada. To purchase the 100% interest, the Company is obligated to do the following:

- Payment of $15,000 on execution of the agreement. (paid)
- Payment of $10,000 within 3 days of final receipt for of prospectus. (Paid subsequent to period end. Note 7)
- Issuance of 200,000 common shares of the Company within 10 business days after the company's share commence trading on the Canadian Securities Exchange ("CSE"). (Issued subsequent to period end. Note 7)

The seller retains a 2% net smelter royalty interest. The company has the right to purchase 1% of this royalty for $1.0 million any time prior to the commencement of Commercial Production.

5. SPECIAL WARRANTS

On December 3, 2018, the Company issued 450,000 special warrants at a price of $0.10 per special warrant for proceeds of $45,000. Each special warrant is exercisable at any time without additional consideration into one common share by the subscriber.

On November 30, 2018, the Company issued 3,580,500 special warrants at a price of $0.10 per special warrant for proceeds of $358,050. This included proceeds of $17,000 from the President of the Company, $43,000 from the spouse of the President of the Company, and $12,000 from immediate family members of the President of the Company. Each special warrant is exercisable at any time without additional consideration into one common share by the subscriber.

All unexercised special warrants will deem to be exercised on the earlier of: (i) the 3rd business day after the day on which the Company receives a receipt for a final prospectus and (ii) November 30, 2019.

In connection to the receipt of its final prospectus subsequent to the period ended May 31, 2019, the company issued 4,030,500 common shares by converting 4,030,500 special warrants. (Note 7)

(expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at May 31, 2019 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, May 31, 2019 $
Cash	297,788	–	–	297,788

The fair values of other financial instruments, which include accounts payable and accrued liabilities, and amount due to related party, approximate their carrying values due to the relatively short-term maturity of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at May 31, 2019, the Company had cash of $297,788 to settle current liabilities of $11,671. The Company intends to finance future requirements from its existing cash reserves together with share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet their payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

7. SUBSEQUENT EVENT

On June 25, 2019, the company obtained a receipt for its final prospectus filed with the securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario. The Company has also filed its listing statement supporting its listing application with the Canadian Securities Exchange ("CSE"). The Company's common shares began trading on the CSE on July 4, 2019, under the stock symbol "BLLG"

In connection to the receipt of its final prospectus, the company issued 4,030,500 common shares by converting 4,030,500 special warrants. (Note 5)

On July 16, 2019, the company executed on its right to purchase 100% interest in the Golden Wonder property by making its final cash payment of $10,000 and issuing 200,000 shares to the vendor. (Note 4)

On July 19, 2019, the company granted incentive stock options to certain directors and officers of the Company to purchase up to an aggregate of 302,500 common shares in the capital stock of the Company. The options are exercisable at a price of $0.45 per share for a period of two years from the date of grant.