BLUE LAGOON RESOURCES INC.
(formerly Blue Lagoon Capital Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended August 31, 2019 and 2018

This Management's Discussion and Analysis ("MD&A") of Blue Lagoon Resources Inc. (formerly Blue Lagoon Capital Inc.) ("Blue Lagoon" or the "Company"), should be read in conjunction with the interim consolidated financial statements and the notes thereto for the nine months ended August 31, 2019 and 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

DESCRIPTION OF BUSINESS

The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) 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.

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

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".

EXPLORATION PROJECTS

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. The Company paid $25,000 on the execution of the agreement in fiscal year 2017.

On April 23, 2019, the Company terminated its option agreement to acquire the Lac Gainsmoor Gold Project, and no longer has an interest in that property. As a result, the Company recognized a write-down of $25,000 as at August 31, 2019, and the Company had no further obligations to fulfill the above terms.

(Expressed in Canadian dollars)

	$
Acquisition Costs:	
Balance, November 30, 2017	–
Additions	25,000
Balance, November 30, 2018	25,000
Write-off of exploration and evaluation asset	(25,000)
Balance, August 31, 2019	–

Golden Wonder Project

On April 18, 2019, the Company entered into an agreement to purchase a 100% interest in the Golden Wonder Property located in British Columbia, Canada by:

- Payment of $15,000 (paid) on execution of the agreement,
- Payment of $10,000 (paid) within three days of the final receipt of the prospectus; and
- Issuance of 200,000 (issued) within 10 business days after the company commence trading on the Canadian Stock Exchange.

On July 16, 2019, the Company executed on its rights to purchase 100% interest in the Golden Wonder property by making its final cash payment $10,000 and issuing 200,000 shares to the vendor.

Pellaire Gold Property

On August 27, 2019, the Company acquired all of the issued and outstanding shares of ASIC Mining Inc. ("ASIC") in exchange for a total of 11,600,000 common shares of the Company. ASIC is a private Canadian company.

The Company has determined that ASIC does not have the inputs and processes capable of producing outputs that are necessary to meet the definition of a business as defined by IFRS 3. Therefore, the acquisition is accounted for as an asset acquisition whereby the Company has acquired all of the net assets of ASIC. The primary assets of ASIC consist of an option to acquire 100% interest in the Pellaire Gold Property located in the Clinton Mining Division of British Columbia.

Consideration		
11,600,000 common shares	$	322,880
The cost of the acquisition was allocated to assets and liabilities as follows:		
Cash	$	25,759
Prepaid expenses		118,557
Exploration and evaluation assets		223,952
Accounts payable and accrued liabilities		(45,388)
Net assets acquired	$	322,880

The Company can earn a 100% interest in the Pellaire Gold Property by:

- Payment of $325,000 (USD) to the property vendors;
- Issuance of 800,000 common shares to the property vendors;
- Incurring $500,000 (USD) in expenditures on the property over a period of four years

(Expressed in Canadian dollars)

The seller retains a 2% net smelter royalty interest ("NSR"). The Company has the right to purchase one-half of the NSR for $1,000,000 at any time prior to commencement of commercial production.

RESULTS OF OPERATIONS

For the 9 months ended August 31, 2019, the Company had a net loss of $386,432.

For the 3 months ended August 31, 2019, the Company had a net loss of $290,821 (2018 - $18) which is composed of general and administrative expenses of $9,230 (2018 - $18), professional fees of $46,492 (2018 - $Nil), exploration expenses of $14,890 (2018 – $Nil), consulting fees of $155,486 (2018 - $Nil) and stock-based compensation of $64,723 (2018 - $Nil).

SUMMARY OF QUARTERLY RESULTS

A summary of selected information for each of the eight most recent quarters is as follows:

	Net	Net Loss	
	Revenues	Total	Per Share
Three Months Ended	($)	($)	($)
2019-Aug 31	-	(290,821)	(0.03)
2019-May 31	-	(26,263)	(0.01)
2019-February 28	-	(69,348)	(0.02)
2018-November 30	-	(18,170)	(0.00)
2018-August 31	-	(18)	(0.00)
2018-May 31	-	(18)	(0.00)
2018-February 28	-	(18)	(0.02)
2017-November 30	-	(18)	(0.02)

PRIVATE PLACEMENTS

Share Issuances

On August 27, 2019, for the acquisition date of ASIC Mining Inc., the Company issued 11,600,000 common shares on a post-split basis for the transaction for a value of $322,800 in exchange for common shares of AISC Mining Inc.

On July 16, 2019, the Company issued 200,000 common shares for the execution of the Golden Wonder Project agreement for an addition in exploration and evaluation assets of $20,000.

On February 27, 2018, the Company issued 1,000,000 (4,000,000 post 4:1 stock-split) common shares pursuant to a private placement at a price of $0.005 per share for proceeds of $20,000. Included in this issuance were 333,367 (1,333,468 post 4:1 stock-split) common shares issued to the President of the Company for proceeds of $6,667.

On March 17, 2017, the Company issued 200 (800 post 4:1 stock-split) shares to the Company's founders at a price of $0.025 per share for proceeds of $20.

Special Warrants

On December 3, 2018, the Company issued 450,000 (1,800,000 post 4:1 stock-split) special warrants 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 (14,322,000 post 4:1 stock-split) special warrants 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.

As of August 31, 2019, a total of 4,030,500 (16,122,000 post 4:1 stock-split) special warrants have been exercised and converted to 4,030,500 (16,122,000 post 4:1 stock-split) common shares.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2019, the Company had cash of $192,026 (2018 - $207). As at August 31, 2019, the Company had working capital of $117,026 (November 30, 2018 – $334,807).

The Company may have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Period ended August 31, 2019:

Operating activities

For the nine months ended August 31, 2019, the Company's operating activities used cash of $147,025 (2018 - $20,054).

Investing activities

For the nine months ended August 31, 2019, the Company used $65,000 on exploration and evaluation assets and acquire $25,759 from the acquisition of subsidiary. For the comparative period, the Company used cash of $nil in investing activities.

Financing activities

For the nine months ended August 31, 2019, the Company was provided cash of $45,000 by financing activities from proceeds from the issuance of special warrants. For the comparative period, the Company was provided cash of $20,000 from financing activities from the issuance of shares.

The Company has no operating revenues and therefore must utilize its income from financing transactions to maintain its capacity to meet ongoing operating activities.

The Company has minimal debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities and due to related party are short-term and non-interest-bearing.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its business objectives. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms.

FINANCIAL INSTRUMENTS AND RISKS

The fair values of the Company's financial instruments, which include cash, 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 August 31, 2019, the Company had cash of $192,026 to settle current liabilities of $201,636. 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.

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at August 31, 2019, the Company does not have any interest-bearing loans or liabilities outstanding. All accounts payable and accrued liability balances as at August 31, 2019 are current and as such, are not subject to interest.

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.

(Expressed in Canadian dollars)

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2019, or later periods.

- New standard IFRS 16, "Leases" – is effective for annual periods beginning on or after January 1, 2019

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

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Summary of key management personnel compensation:
Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers.

	For the nine months ended August 31, 2019	For the nine months ended August 31, 2018
Management and consulting fees	**$ 132,000**	-
Share-based compensation	**64,723**	-
	$ 196,723	-

As at August 31, 2019, there was $132,280 (2018 - $280) owing to the officers or directors of the Company.

ADDITIONAL DISCLOSURE FOR COMPANIES WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the nine months ended August 31, 2019 and 2018 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

As of October 30, 2019, the Company had 32,472,800 shares issued and outstanding.

Special Warrants

As of October 30, 2019, the Company had no special warrants outstanding.

Stock Options

As of October 30, 2019, the Company had 1,310,000 stock options outstanding.

OTHER

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

SUBSEQUENT EVENTS

On September 16, 2019, the Company closed the first tranche of financing for proceeds of $300,000 and issued 300,000 common shares to the CEO of the Company.

On September 20, 2019, the Company appointed Bill Cronk as the Company's Chief Geologist and issued 100,000 incentive stock options at exercisable price of $1.20 per option.

On October 10, 2019, the Company closed the second tranche of financing for proceeds of $250,000 and issued 250,000 common shares.