
BLUE LAGOON RESOURCES INC.

(Formerly Blue Lagoon Capital Inc.)

Interim Consolidated Condensed Financial Statements

For the nine months ended August 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Blue Lagoon Resources Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note	August 31, 2019 (unaudited)	November 30, 2018
<u>ASSETS</u>			
Current assets			
Cash		\$ 192,026	\$ 333,292
Prepaid expenses	4	126,636	15,000
Total current assets		318,662	348,292
Non-current assets			
Exploration and evaluation assets	5	308,952	25,000
Total Assets		\$ 627,614	\$ 373,292
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 69,356	\$ 13,205
Due to related party	7	132,280	280
Total Liabilities		\$ 201,636	\$ 13,485
Shareholders' equity			
Share capital	8	\$ 765,950	\$ 20,020
Special warrants	8	-	358,050
Reserves	8	64,723	-
Deficit		(404,695)	(18,263)
Total Shareholders' Equity		425,978	359,807
Total Liabilities and Shareholders' Equity		\$ 627,614	\$ 373,292

Going concern (Note 1)

Subsequent event (Note 10)

Approved for issuance on behalf of the Board of Directors on October 30, 2019:

(Signed) "Rana Vig" Director

(Signed) "Gurdeep Bains" Director

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

BLUE LAGOON RESOURCES INC.
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended August 31, 2019	For the three months ended August 31, 2018	For the nine months ended August 31, 2019	For the nine months ended August 31, 2018
Expenses				
General and Administrative Expenses	\$ 9,230	\$ 18	\$ 13,857	\$ 54
Consulting Fees (Note 7)	155,486	-	157,986	-
Exploration Expenses	14,890	-	17,515	-
Professional Fees	46,492	-	107,351	-
Stock based compensation (Note 8)	64,723	-	64,723	-
Total Operating Expenses	290,821	18	361,432	54
Other Items				
Write-off of exploration and evaluation asset (Note 5)	-	-	(25,000)	-
Net loss and comprehensive loss	\$ 290,821	\$ 18	\$ 386,432	\$ 54
Basic and diluted loss per share	\$ (0.03)	\$ 0.00	\$ (0.03)	\$ 0.00
Weighted average number of common shares outstanding	8,685,712	4,000,800	14,901,517	4,000,800

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

BLUE LAGOON RESOURCES INC.
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	<u>Share Capital</u>						
	Number of Shares	Amount	Special Warrants	Reserves	Deficit	Total shareholders' equity (deficit)	
Balance, November 30, 2017	800	\$ 20	\$ -	\$ -	\$ (39)	\$ (19)	
Shares issued for cash	4,000,000	20,000	-	-	-	20,000	
Special warrants issued for cash	-	-	358,050	-	-	358,050	
Net loss	-	-	-	-	(54)	(54)	
Balance, August 31, 2018	4,000,800	\$ 20,020	\$ 358,050	\$ -	\$ (93)	\$ 377,977	
Balance, November 30, 2018	4,000,800	\$ 20,020	\$ 358,050	\$ -	\$ (18,263)	\$ 359,807	
Special warrants issued for cash	-	-	45,000	-	-	45,000	
Special warrants converted to common shares	16,122,000	403,050	(403,050)	-	-	-	
Shares issued for acquisition of Golden Wonder Project	200,000	20,000	-	-	-	20,000	
Shares issued for the acquisition of subsidiary	11,600,000	322,880	-	-	-	322,880	
Share based compensation	-	-	-	64,723	-	64,723	
Net loss	-	-	-	-	(386,432)	(386,432)	
Balance, August 31, 2019	31,922,800	\$ 765,950	\$ -	\$ 64,723	\$ (404,695)	\$ 425,978	

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

BLUE LAGOON RESOURCES INC.
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	For the nine months ended August 31, 2019	For the nine months ended August 31, 2018
Cash flows used in operating activities		
Net loss	\$ (386,432)	\$ (54)
Items not involving cash:		
Write-off of exploration and evaluation asset	25,000	-
Stock-based compensation	64,723	-
Changes in non-cash working capital:		
Accounts Receivable	-	(20,000)
Prepaid Expenses	6,921	-
Accounts payable and accrued liabilities	10,763	-
Due to related parties	132,000	-
Net cash used in operating activities	(147,025)	(20,054)
Cash flows used in investing activities		
Exploration and evaluation assets	(65,000)	-
Cash acquired from acquisition of subsidiary	25,759	-
	(39,241)	-
Cash flows used in financing activities		
Proceeds from issuance of special warrants	45,000	-
Proceeds from issuance of shares	-	20,000
	45,000	20,000
Change in cash	(141,266)	(54)
Cash, beginning	333,292	261
Cash, ending	\$ 192,026	\$ 207
Non-cash transactions:		
Shares issued for exploration and evaluation assets	\$ 243,952	\$ -
Conversion of special warrants to common shares	\$ 403,050	\$ -

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

BLUE LAGOON RESOURCES INC.

NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018

(Expressed in Canadian dollars)

(Unaudited)

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. 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 Canadian Stock Exchange on July 4, 2019, under the stock symbol “BLLG”.

These interim consolidated 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 \$404,695 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 consolidated 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 consolidated 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 consolidated condensed financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

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 consolidated financial statements from adopting the above new standard.

BLUE LAGOON RESOURCES INC.**NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018**

(Expressed in Canadian dollars)

(Unaudited)

4. PREPAID EXPENSES

	August 31, 2019	November 30, 2018
Prepaid expenses	93,021	15,000
Deposits	33,615	-
	126,636	15,000

5. EXPLORATION AND EVALUATION ASSETS**EXPLORATION AND EVALUATION ASSETS**

	<i>Lac Gainsmoor Gold Project</i>	<i>Golden Wonder Project</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Balance, March 17, 2017 (date of incorporation) and November 30, 2017	\$ -	\$ -	\$ -	\$ -
Acquisition Cost	25,000	-	-	25,000
Balance, November 30, 2018	25,000	-	-	25,000
Write-off of exploration and evaluation asset	(25,000)	-	-	(25,000)
Acquisition Cost – cash	-	65,000	-	65,000
Acquisition Cost – shares	-	20,000	223,952	243,952
Balance, August 31, 2019	\$ -	\$ 85,000	\$ 223,952	\$ 308,952

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.

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.

BLUE LAGOON RESOURCES INC.

NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

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
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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

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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2019	November 30, 2018
Accounts payable	54,318	-
Accrued liabilities	15,038	13,205
	69,356	13,205

BLUE LAGOON RESOURCES INC.

NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018

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7. RELATED PARTY TRANSACTION

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.

8. SHARE CAPITAL AND RESERVES

COMMON SHARES

On August 27, 2019, the acquisition date of ASIC Mining Inc., the Company issued 11,600,000 common shares for the acquisition of the net assets of ASIC which were determined to have a fair value of \$322,880. (Note 5).

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, 1,000,000 (4,000,000 post 4:1 stock-split) common shares were issued for proceeds of \$20,000.

On March 13, 2017, the incorporation date, 200 (800 post 4:1 stock-split) common shares were issued 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.

During the period ended 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) 16,122,000 common shares.

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8. SHARE CAPITAL AND RESERVES (continued)

STOCK OPTIONS

On July 19, 2019, the Company issued 302,500 (1,210,000 post stock-split) stock options with an exercisable price of \$0.1125 per option to the directors and officers. The options vested immediately upon grant and will expire on July 18, 2021. The fair value of the stock options were determined to have a fair value of \$64,723 using the Black-Scholes option pricing model determined using the following assumptions: estimated volatility of 88%, risk free interest rate of 1.71%, expected life of 2 years, exercise price of \$0.1125 and a share price of \$0.1125.

	Number	Weighted Average Exercise Price
Balance, November 30, 2018 and 2017	-	-
Granted	1,210,000	0.1125
Balance, August 31, 2019	1,210,000	0.1125

As of August 31, 2019, the weighted average remaining life for outstanding options was 1.88 years.

STOCK SPLIT

On August 20, 2019, the Company completed a four-for-one (4:1) share split of the issued and outstanding common shares. All shares and per share amounts have been retrospectively restated to reflect the share split.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, The Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

All of the company's financial instruments are classified as level 1. The fair value of the of the Company's financial assets and financial liabilities are assumed to approximate their carrying values due to their short term nature.

10. 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.