

BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended September 30, 2020 and 2019

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of November 30, 2020 and should be read in conjunction with the condensed consolidated interim financial statements for the three and six months ended September 30, 2020, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of Blue Lagoon Resources Inc. (formerly Blue Lagoon Capital Inc.) ("Blue Lagoon" or the "Company") unless specifically noted.

The Company has changed its fiscal year end from November 30 to March 31 to align with acquired subsidiaries during the four-month period ended March 31, 2020. Based on the change of year end from November 30 to March 31, the Company has a transition year of four months from December 1, 2019 to March 31, 2020. Pursuant to section 4.8(3) of National Instrument 51-102, the Company filed a notice of Change in Year End on www.sedar.com on April 20, 2020. On a go forward basis, the Company will shift to a fiscal year based on a March 31, 2020 financial year, with fiscal quarters ending on the last day in June, September, and December of each year.

FORWARD-LOOKING STATEMENTS

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. The Company is in the business of acquiring, exploring, and evaluating mineral resource interests in Canada.

The address of the Company's registered office is Suite 1200, 750 West Pender Street, Vancouver, British Columbia.

The Company's common shares trade on the CSE under the stock symbol "BLLG".

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On March 27, 2020, the Company completed the acquisition of all the issued and outstanding shares of Metal Mountain Resources Inc. ("Metal Mountain") in exchange for a total of 12,153,651 common shares of the Company. Metal Mountain Resources Inc. is a private Canadian company. Metal Mountain holds a 50.84% interest in Gavin Mines Inc. ("Gavin Mines"), which holds a 100% interest in the Dome Mountain mine. Metal Mountain also holds 100% of Lloyd Minerals Inc., which holds a 100% interest in the Big Onion porphyry copper project. Both projects are located in northwest British Columbia. Concurrently with the transaction, the Company issued 1,372,000 common shares of the Company to AGC Investments Inc. to acquire an additional 27.44% interest in Gavin Mines Inc. ("Gavin Mines").

EXPLORATION PROJECTS

	<i>Golden Wonder Project</i>	<i>Pellaire Gold Property</i>	<i>Gordon Lake Project</i>	<i>Dome Mountain Mine</i>	<i>Big Onion Project</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Balance, November 30, 2019	45,000	4,912,354	-	-	-	4,957,354
Acquisition cost – cash	-	-	25,000	75,000	-	100,000
Acquisition - shares	-	85,000	-	16,405,396	6,059,114	22,549,510
Write off of exploration and evaluation asset	-	-	(25,000)	-	-	(25,000)
Balance, March 31, 2020	45,000	4,997,354	-	16,480,396	6,059,114	27,581,864
Acquisition cost – cash	-	35,000	-	20,000	-	55,000
Acquisition - shares	-	552,000	-	-	-	552,000
Balance, September 30, 2020	45,000	5,584,354	-	16,500,396	6,059,114	28,188,864

Golden Wonder Project

The Company has a 100% interest in the Golden Wonder Property located in British Columbia, Canada.

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. 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.

On March 28, 2019, as amended on July 5, 2019 and July 31, 2019, ASIC entered into an option agreement to acquire a 100% interest in the Pellaire Gold Property by the following:

- Cash payment of \$25,000 USD on March 28, 2019 (paid);
- Cash payment of \$100,000 USD on July 5, 2019 (paid) and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2019 (50,000 shares issued during the year ended November 30, 2019, 50,000 shares issued during the period ended March 31, 2020);
- Cash payment of \$50,000 USD, incur \$200,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2020;
- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2021;

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- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2022;
- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2023;

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

On November 27, 2019, the Company issued 50,000 common shares towards earning a 100% interest in the Pellarie Gold Property. The shares were determined to have a fair value of \$69,500.

On February 27, 2020, the Company issued 50,000 shares in connection with the Pellaire Gold Property option agreement. The shares were determined to have a fair value of \$85,000.

During the six months ended September 30, 2020, the Company exercised its option to acquire 100% interest in the Pellaire gold project after having re-negotiated improved terms with the vendor. The improved terms included a reduction in the remaining cash payments from US \$200,000 to CAD \$35,000 (paid on May 27, 2020), and a reduction in the remaining consideration shares from 700,000 shares to 600,000 shares, which the Company issued on May 26, 2020 (note 11).

The consideration shares are subject to a release schedule that allows for the shares to be released in equal installments of 50,000 shares every 3 months over a 36-month period. In addition, the right to repurchase a 2% NSR royalty from the vendor was reduced from US\$2 million to US\$1 million, which if exercised would leave the vendor with a 0.5% NSR royalty.

Dome Mountain Mine Group and Big Onion Project

On March 27, 2020, the Company acquired the Dome Mountain Mine group of properties and the Big Onion Project, both located near the town of Smithers in northwest British Columbia from the acquisition of Metal Mountain Resources Inc.

- Issuance of 12,153,651 common shares (issued).

In addition, the Company acquired a 0.25% NSR in the Dome Mountain project in consideration for \$75,000 (paid).

The Company holds reclamation deposits of \$600,000 and \$35,000 related to the Dome Mountain Mine and Big Onion Project, respectively.

The Company owns 100% interest in the following mineral properties of the Dome Mountain Mine Group:

- Dome Mountain Project
 - Upon the property commencing production, pay an NSR of 2%, or not less than \$40,000 per annum. In the event that the property is not in production by January 28, 2011, an advance royalty payment in the amount of \$40,000 per annum must be paid. An agreement was reached by both parties to defer 2016, 2017, 2018 and 2019 annual royalty payments to the one-year anniversary date of the arrival of the 1st truckload of Dome ore at the Nicola Mining Inc mill. The Company agreed to pay 7% interest on those deferred payments. The Company has further agreed that, upon the commencement of production, royalty payments will be paid within 5 business days of the Company and Nicola Mining Inc.

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receiving payment from the sale of the concentrates.

- Freegold Property
 - The interest in the property will be subject to a 2% NSR and the Company is required to make annual royalty payments for \$20,000. The Company has the right to purchase 1% of the NSR for the aggregate sum of \$1,000,000.
 - During the period ended June 30, 2020, the Company paid \$20,000 for the 2020 royalty advance.
- McKendrick Property
 - The interest in the property will be subject to an NSR of 2.5% and the Company is required to make advance annual royalty payment of \$25,000 per annum commencing on the anniversary of exercise of this option. An agreement was reached by both parties to extend 2016, 2017, and 2018 annual royalty payments. The annual royalty payment for 2020 has been agreed by both parties to be deferred to December 2020.
- Hilo Property; and
- Federal Creek Property
 - The interest in the property will be subject to a 3% NSR.

Exploration and evaluation expenses

The Company incurred the following expenses related to evaluation and exploration:

For the three months ended September 30, 2020

	<i>Dome Mountain Mine</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Exploration costs	\$ 685,467	\$ 461,114	\$ 1,146,581
Total	\$ 685,467	\$ 461,114	\$ 1,146,581

For the six months ended September 30, 2020

	<i>Dome Mountain Mine</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Exploration costs	\$ 792,892	\$ 491,566	\$ 1,284,458
Total	\$ 792,892	\$ 491,566	\$ 1,284,458

RESULTS OF OPERATIONS – EXPENSES

Three months ended September,	2020	2019	Change \$	Change %
General and administrative				
Bank charges and interest	2,469	331	2,138	646%
Meals and entertainment	-	3,512	(3,512)	-100%
Marketing	11,529	-	11,529	100%
Office and miscellaneous expenses	27,353	43,789	(16,436)	-38%
Total general and	41,351	47,632	(6,281)	-13%

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administrative expenses				
Consulting	191,304	167,136	24,168	14%
Investor relations	68,142	19,843	48,299	243%
Exploration	1,146,581	14,890	1,131,691	7,600%
Professional fees	61,612	64,723	(3,111)	-5%
Stock based compensation	319,243	-	319,243	100%
Total operating Expenses	1,828,233	314,224	1,514,009	482%
Interest income	9,952	-	9,952	100%
Write-off of exploration and evaluation asset	-	-	-	-
Net Loss and comprehensive loss	1,818,281	314,224	1,504,057	479%

The following summarizes the Company's financial results for the three months ended September 30, 2020 compared to the three months ended September 30, 2019:

For the three months ended September 30, 2020, the Company had a net loss of \$1,818,281 compared to a net loss of \$314,224 for the three months ended September 30, 2019. Net loss is significantly higher during the three months ended September 30, 2020 due to the fact that the Company's operations have expanded significantly since 2019, including the acquisition of Metal Mountain.

Six months ended September,	2020	2019	Change \$	Change %
General and administrative				
Bank charges and interest	4,289	360	3,929	1,091%
Filing fees	546	708	(162)	-23%
Meals and entertainment	549	4,017	(3,468)	-86%
Marketing	21,529	50	21,479	42,958%
Office and miscellaneous expenses	44,708	47,128	(2,420)	-5%
Total general and administrative expenses	\$ 71,621	\$ 52,263	\$ 19,358	37%
Consulting	369,620	169,636	199,984	118%
Investor relations	135,406	64,003	71,403	112%
Exploration	1,284,458	17,515	1,266,943	7,233%
Professional fees	148,050	64,723	83,327	129%
Stock based compensation	462,311	-	462,311	100%
Total operating Expenses	\$ 2,471,466	\$ 368,140	2,103,326	571%
Interest income	14,397	-	14,397	100%
Write-off of exploration and evaluation asset	-	(25,000)	25,000	100%
Net Loss and comprehensive loss	\$ 2,457,069	\$393,140	2,063,929	525%

The following summarizes the Company's financial results for the six months ended September 30, 2020 compared to the six months ended September 30, 2019:

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For the six months ended September 30, 2020, the Company had a net loss of \$2,457,069 compared to a net loss of \$393,140 for the six months ended September 30, 2019. Net loss is significantly higher during the six months ended September 30, 2020 due to the fact that the Company's operations have expanded significantly since 2019, including the acquisition of Metal Mountain.

Net loss is composed to general and administrative expenses of \$71,621 (2019 - \$52,263), consulting fees of \$369,620 (2019 - \$169,636), investor relations of \$135,406 (2019 - \$64,003), exploration expenses of \$1,284,458 (2019 - \$17,515), professional fees of \$148,050 (2019 - \$64,723) and stock-based compensation of \$462,331 (2019 - \$nil).

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the financial results of the Company for the three months ended September 30, 2020 and each of the seven most recently completed three-month periods prepared under IFRS, including the four month period ended March 31, 2020.

Period Ended	Net Revenues (\$)	Net Loss Total (\$)	Per Share (\$)
2020-September-30	-	(1,818,281)	(0.03)
2020-June-30	-	(638,788)	(0.01)
2020-March-31	-	(489,177)	(0.02)
2019-November 30	-	(315,949)	(0.01)
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)

SHARE CAPITAL ACTIVITY

Share Issuances

For the six-months ended September 30, 2020

On May 26, 2020, the Company issued 600,000 shares in connection with the Pellaire Gold Property option agreement. The shares have a fair value of \$552,000 (note 6).

On June 9, 2020, the Company entered into an agreement with Fundamental Research Corp. ("Fundamental") whereby Fundamental agrees to prepare research reports to the Company in consideration for \$19,500 plus GST, of which \$17,500 was paid by the issuance of 17,500 common shares of the Company.

On August 11, 2020, the Company closed a private placement for 21,496,300 units at a price of \$0.35 per unit for gross proceeds of \$7,523,705. Each unit consists of one common share and one-half share

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purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.50 for a period of two years from the closing of the private placement. In addition, 669,951 share purchase warrants were issued as Finders' warrants with a fair value of \$276,774 estimated using the Black-Scholes option pricing model. Each Finders' warrant entitles the holder to purchase one share at a price of \$0.50 per share until August 11, 2022. The Company also issued 71,429 common shares as Finders' shares with a fair value of \$25,000 and incurred cash share issue costs of \$259,483 relating to the private placement.

On August 17, 2020, the Company entered into an agreement for investor relations services in exchange for \$50,000 in common shares of the Company. During the period ended September 30, 2020, an obligation to issue shares of \$11,956 has been recorded to represent the investor relations fees incurred in connection to this agreement.

For the period ended March 31, 2020

On January 21, 2020, the Company closed the first tranche of a non-brokered private placement for proceeds of \$850,000 and issued 566,667 non-flow-through common shares.

On January 31, 2020, the Company closed the second tranche of a non-brokered private placement for proceeds of \$150,000 and issued 100,000 non-flow-through common shares.

On February 27, 2020, the Company issued 50,000 shares in connection with the Pellaire Gold Property option agreement. The shares were determined to have a fair value of \$85,000.

On March 27, 2020, the Company issued 12,153,651 common shares in connection to the Metal Mountain transaction. The shares were determined to have a fair value of \$11,059,822.

The Company issued 1,372,000 common shares in exchange for purchasing an additional 27.44% ownership interest in Gavin Mines. The shares were determined to have a fair value of \$1,248,520.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had cash of \$5,609,552 (March 31, 2020 - \$1,248,567). As at September 30, 2020, the Company had working capital of \$6,294,400 (March 31, 2020 - \$970,479).

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.

Operating activities

For the six months ended September 30, 2020, the Company's operating activities used cash of \$2,928,237 (2019 - \$159,392). Cash used in operating activities during the six months ended September 30, 2020 was drastically higher than the six months ended September 30, 2019 due to the increase in the business operations that occurred after 2019. General and administrative expenses increased by \$19,358 compared to the six months ended September 30, 2019, consulting fees increased by \$199,984 compared to the prior

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comparative period, and exploration activities increased by \$1266,943 as compared to the prior comparative period.

Investing activities

For the six months ended September 30, 2020, the Company used cash of \$55,000 (2019 - \$236,147) on exploration and evaluation assets.

Financing activities

For the six months ended September 30, 2020, the Company received proceeds of \$80,000 from the Canada Emergency Business Loan that was made available by the Canadian government to businesses affected by the COVID-19 pandemic.

The Company also received net proceeds of \$7,264,222 from the issuance of shares in connection to a private placement that closed on August 11, 2020.

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.

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 September 30, 2020, the Company had cash of \$5,609,552 to settle current liabilities of \$110,776. 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 September 30, 2020, the Company does not have any interest-bearing loans or liabilities outstanding. All accounts payable and accrued liability balances as

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well as third party loans and dues from related parties as at September 30, 2020 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.

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 six months ended	September 30, 2020	September 30, 2019
Management and consulting fees	\$ 72,000	\$ 132,000
Share-based compensation	132,644	64,723
	\$ 204,644	\$ 196,723

As at September 30, 2020 there was \$280 (March 31, 2020 - \$132,280) 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 condensed consolidated interim financial statements for the three and six months ended September 30, 2020 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

As at September 30, 2020, and November 30, 2020, the Company had 69,500,347 and 71,850,709 shares issued and outstanding, respectively.

Warrants

As at September 30, 2020, and November 30, 2020, the Company had 11,418,101 and 12,673,241 warrants outstanding, respectively.

Special Warrants

As at September 30, 2020 and November 30, 2020, the Company had no special warrants outstanding.

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Stock Options

As at September 30, 2020, and November 30, 2020, the Company had 3,437,500 stock options outstanding.

SUBSEQUENT EVENTS

- On November 23, 2020, the Company completed a private placement of 2,202,000 flow through units at a price of \$1.00 per Unit and 148,362 common shares at a price of \$0.91 per share for aggregate gross proceeds to the company of \$2,337,000. Each Unit is comprised of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$1.30 per share for a period of 36 months from the closing date. The Company issued 152,120 warrants as a finder's fee in connection with the Private Placement. The finder's warrants may be exercised to acquire common shares of the Company at a price of \$1.30 per common share for a period of 36 months from the date of closing.

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.