

BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2021, and four-month period ended March 31, 2020

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(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 July 29, 2021, and should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2021 and four month period ended March 31, 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.

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.

COVID – 19

In March of 2020, the World Health Organization declared an outbreak of COVID-19 Global pandemic. The COVID-19 has impacted vast array of businesses through the restrictions put in place by most governments internationally, including the Canadian federal government as well as provincial and municipal governments, regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown to what extent the impact of the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place world-wide to fight the virus. While the extent of the impact is unknown, the COVID-19 outbreak may hinder the Company's ability to raise financing for exploration or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

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".

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
Sale of property	(45,000)	-	-	-	-	(45,000)
Asset retirement obligation-change in estimate	-	-	-	123,752	-	123,752
Balance, March 31, 2021	-	5,584,354	-	16,624,148	6,059,114	28,267,616

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 common shares (issued) within 10 business days after the company commence trading on the Canadian Stock Exchange.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

On July 16, 2019, the Company executed on its rights to purchase 100% interest in the Golden Wonder property.

On February 2, 2021, the Company entered into an agreement with a third party, whereby the Company sold its 100% interest in the Golden Wonder property for consideration of:

- \$50,000 in cash
- 1,000,000 common shares of the third party
- 0.5% net smelter return royalty.

The fair value of the common shares of the third party were determined to be \$100,000 measured using level 2 of the fair value hierarchy and has been recorded as a long-term investment. A gain of \$105,000 was recorded in connection with this sale.

Gordon Lake Gold Property

On December 3, 2019, the Company entered into an option agreement with Exgen Resources Inc. ("Exgen") to acquire 80% interest in the Gordon Lake gold property located in the Northwest Territories of Canada by:

- Incurring \$250,000 in exploration expenditures during the first year of the option;
- A cash payment of \$100,000 and issuance of 100,000 common shares of the Company over a period of two years; (\$25,000 paid)
- A cash payment of \$50,000 per year until the commencement of commercial production;
- Issuance of 100,000 shares upon obtaining a NI 43-101 technical report establishing a resource estimate;
- Issuance of 200,000 common shares upon obtain a further technical report establishing economics on the property; and
- Issuance of 350,000 common shares upon commencing commercial production.

In addition, the Company will grant a 2.5% net smelter royalty to Exgen, with all prior cash payments being credited towards royalty payments.

As at March 31, 2020, the Company decided to terminate the Gordon Lake Option Agreement and wrote off the 25,000 capitalized for the property balance.

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.

During the year ended March 31, 2020, the Company issued 100,000 common shares with a fair value of \$154,500 toward earning a 100% interest in the Pellaire Gold Property. During the year ended March 31, 2021, the Company amended the option agreement which reduced the remaining cash payments from US \$200,000 to CAD \$35,000 (paid on May 27, 2020) and reduced the remaining consideration shares from 700,000 common shares to 600,000 common shares which were issued on May 26, 2020 at a fair value of

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

\$552,000. During the year ended March 31, 2021, the Company exercised its option to acquire the 100% interest in the Pellaire Gold Project.

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.

The 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 Dome Mountain Mine group of properties and Big Onion Project, both located near the town of Smithers in northwest British Columbia. from the acquisition of Metal Mountain Resources Inc (Note 5).

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, the Company will 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. 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 of \$20,000 before March 1, 2021. The Company has the right to purchase 1% of the NSR for the aggregate sum of \$1,000,000.
 - During the year ended March 31, 2021, the Company paid \$20,000 for the 2020 royalty advance on February 26, 2021.
- 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 due on July 1, 2021 for the year 2020.
 - An agreement was reached by both parties to extend 2016, 2017, and 2018 annual royalty payments. The annual royalty payment for 2020 has been paid on July 1, 2021.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

- 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:

	<i>Dome Mountain Mine</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Exploration costs	\$ 4,700,484	\$ 574,104	\$ 5,274,588
Total	\$ 4,700,484	\$ 574,104	\$ 5,274,588

FINANCIAL INFORMATION & ANALYSIS

Summary of Selected Annual Results

The following table presents a summary of selected annual financial information prepared under IFRS.

	Year ended March 31, 2021	Four month period ended March 31, 2020	Year ended November 30, 2019
	\$	\$	\$
Total Revenue	-	-	-
Total operating net loss	(7,863,632)	(415,792)	(677,381)
Operating loss per share (basic & diluted)	(0.10)	(0.01)	(0.05)
Net loss attributable to parent	(4,975,906)	(382,928)	(702,381)
Net loss	(6,016,757)	(489,177)	(702,381)
Net Loss per Share (basic & diluted)	(0.10)	(0.02)	(0.05)
Total Assets	33,162,154	29,568,637	5,765,861
Asset Retirement Obligation	768,326	585,977	-
Dividends declared	-	-	-

Analysis:

Total assets as of March 31, 2021, were \$33,162,154 (2020- \$29,568,637). The increase in total assets is due to an increase in cash and cash equivalents, long-term investment of \$100,000 resulting from sale of a property as well as an increase of \$685,752 in exploration and evaluation assets due to acquisition of Pellaire property.

Net loss for the year ended March 31, 2021 was \$6,016,757 (2020- \$489,177). The overall increase of \$5,527,580 was due to an increase in operating expenses of \$7,447,840 primarily due to increase in exploration expenses of \$5,221,740 and an increase in consulting fees of \$662,755 offset against an income from sale of property of \$105,000 and flow through recovery premium of \$198,190.

RESULTS OF OPERATIONS – EXPENSES

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

The following summarizes the Company's financial results for the year ended March 31, 2021 compared to the four-month period ended March 31, 2020:

	For the year ended March 31, 2021 \$	For the four- month period ended March 31, 2020 \$	Change \$	Change %
General and administrative				
Bank charges and interest	22,518	551	21,967	3,987%
Filing fees	10,975	2,366	8,609	364%
Meals and entertainment	-	3,838	(3,838)	-100%
Marketing	232,735	9,240	223,495	2,419%
Office and miscellaneous expenses	118,790	30,670	118,721	172,059%
Total general and administrative expenses	385,018	46,665	368,954	2,297%
Consulting	785,684	122,929	662,755	539%
Exploration	5,274,588	52,848	5,221,740	9,881%
Investor relations	645,327	-	645,327	100%
Professional fees	215,033	177,557	37,476	21%
Stock based compensation	557,982	15,793	542,189	3,433%
Total operating Expenses	7,863,632	415,792	7,447,840	1,791%
Accretion	(63,439)	-	(63,439)	100%
Interest income	25,146	1,615	23,531	1,457%
Gain on sale of property	105,000	-	105,000	100%
Gain on modification of debt	1,546,330	-	-	-
Income from government assistance	35,658	-	35,658	100%
Write-off of investment	-	50,000	(50,000)	-100%
Write-off of exploration and evaluation asset	-	25,000	(25,000)	-100%
Flow through recovery	198,180	-	198,190	100%
Net Loss and comprehensive loss	6,016,757	489,177	7,015,312	1,446%

For the year ended March 31, 2021, the Company had a net loss of \$6,016,757 compared to a net loss of \$489,177 for the four-months period ended March 31, 2020. Net loss is significantly higher during the year ended March 31, 2021, the increase is primarily due to the increase in the number of months in the reporting periods, 12 months in the current year as compared to 4 months in the prior period. During the year ended March 31, 2021, there was an increase in marketing cost, consulting, exploration, investor relation expenses, professional fees, and stock-based compensation, offset against an increase in other incomes from sale of property and flow through recovery premium.

The increase in marketing cost by \$223,495 related to the Company's significant efforts into marketing as a result of exploration activities at its Dome Mountain Mine property, after the acquisition of Metal Mountain during the four months period ended March 31, 2020. The increase in consulting fees by \$662,755 is due to the increase in advisory services to the Company in relation to exploration and capital market fund raisings.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

The increase in exploration expenses by \$5,221,740 is due to the expansion in exploration activities at Dome Mountain Mine and Dome project. The Company incurred \$645,327 more in investor relations costs during the year ended March 31, 2021 as compared to the four-month period ended March 31, 2020. This is primarily due to the increase in the number of months in the reporting period from the comparative four month period ended March 31, 2020, as well as an increased focus on marketing the Company's brand. The increase in stock-based compensation expense by \$542,189 is related to more options issued in the current period, which were not issued in prior period.

An increase in professional fees by \$37,476 was due to an increase in legal, accounting and audit expenses incurred during the current period.

Other income (expenses)

The increase in other income primarily related to the gain on sale of property, income received from government assistance, gain on modification of debt and flow through recovery premium. The Company earned a gain on sale of property of \$105,000 in the current period, there was no such gain during the four-months ended March 31, 2020. The Company received an interest free loan from the Government of Canada which the Company intends to pay back by December 31, 2022, the forgivable portion was considered as income in the current period, there was no such loan in the prior period. The Company has recorded a Flow through recovery income of \$198,180 resulting from the fulfilment of its commitment to incur specified amounts by March 31, 2021, in exploration expenses. The Company negotiated to pay the long-term payables by issuance of common shares which resulted in a gain on modification of debt of \$1,546,330.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the financial results of the Company for the three months quarter ended March 31, 2021, 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	Net Loss	
	Revenues	Total	Per Share
	(\$)	(\$)	(\$)
2021-March-31	-	(1,338,365)	(0.03)
2020-December-31	-	(2,221,323)	(0.03)
2020-September-30	-	(1,818,281)	(0.03)
2020-June-30	-	(638,788)	(0.01)
2020-March-31	-	(489,177)	(0.02)
2019-December 31	-	(246,168)	(0.01)
2019-September 30	-	(314,224)	(0.01)
2019-June 30	-	(52,991)	(0.01)
2019-February 28	-	(69,348)	(0.02)

- i. The Company's net loss increased in the three months ended March 31, 2021, as compared to the preceding quarter largely due to an increase in exploration expenses in the current quarter as compared to the quarter ending December 31, 2020.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

- ii. The Company's net loss increased in the three months ended December 31, 2020, as compared to the preceding quarter ending September 30, 2020, largely due to increase in exploration and other expense.
- iii. The Company's net loss increased in the three-months ended September 30, 2020, as compared to the preceding quarter primarily due to increase in exploration expenses, professional fees and other expenses.
- iv. The Company's net loss increased in the three-months ended June 30, 2020, as compared to the preceding quarter due to increase in overall operating expenses including consulting, investor relation, exploration and stock-based compensation.

SHARE CAPITAL ACTIVITY

Share Issuances

For the year ended March 31, 2021

- 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 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, 711,665 finder's warrants were issued with a fair value of \$294,633 estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield- 0%, risk-free rate- 0.25%, expected volatility- 97.1%, exercise price- \$0.50, share price - \$0.70 and an expected life- two years. 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 cost of \$418,034 in connection with 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 year ended March 31, 2021, the company issued 73,530 common shares to represent the investor relations fees of \$50,000 incurred in connection to this agreement.
- On November 23, 2020, the Company closed a private placement offering of 2,202,000 units at a price of \$1.00 per unit and 148,352 common shares at a price of \$0.91 per share for aggregate gross proceeds of \$2,337,000. Each unit is comprised of one flow-through common share and one-half share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$1.30 per common share for a period of three years from the closing of the private placement. The Company issued 152,120 share purchase warrants as Finders' warrants

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

with a fair value of \$68,871 estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield- 0%, risk-free rate- 0.26%, expected volatility- 97.4%, exercise price- \$1.30, share price - \$0.87 and an expected life- three years. Each Finder's warrant entitles the holder to purchase one common share at a price of \$1.30 per share until November 23, 2023.

The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$198,180. The Company is committed to spend \$2,202,000 in Qualifying Canadian Exploration Expenditure ("CEE") by December 31, 2021. By March 31, 2021, the Company had fulfilled its commitment to incur \$2,202,000 in exploration expenses and as a result the Company has recorded \$198,180 in flow through recovery income.

- During the year March 31, 2021 the Company issued 481,820 common shares pursuant to the exercise of 481,820 warrants with a weighted average exercise price of \$0.50 per share for proceeds of \$240,910. In connection with the exercise, an amount of \$5,090 was reclassified from reserves to share capital.
- During the year March 31, 2021, the Company issued 1,000,000 common shares pursuant to the exercise of 1,000,000 stock options with a weighted average exercise price of \$0.11 per share for proceeds of \$112,500. In connection with the exercise, an amount of \$50,000 was reclassified from reserves to share capital.

For the four-month 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 March 31, 2021, the Company had cash of \$3,539,683 (March 31, 2020 - \$148,567) and cash equivalents of \$Nil (March 31, 2020 - \$1,100,000). As at March 31, 2021, the Company had working capital of \$3,628,556 (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

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

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 year ended March 31, 2021, the Company's operating activities used cash of \$7,579,965 (2020 - \$394,336). Cash used in operating activities during the year ended March 31, 2021, was higher than the four-month period ended March 31, 2020 due to the increase in the business operations and change in reporting period. General and administrative expenses increased by \$338,353 compared to the four-month period ended March 31, 2020, consulting fees increased by \$662,755 compared to the prior comparative period, and exploration activities increased by \$5,221,740 as compared to the prior comparative period.

Investing activities

For the year ended March 31, 2021, the Company used cash of \$5,000 (2020 - \$147,636) on exploration and evaluation assets, which consisted of \$50,000 received for the sale of Golden Wonder Property and \$55,000 paid towards acquiring 100% interest in the Pellaire Gold project.

Financing activities

For the year ended March 31, 2021, 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 \$9,860,705 from the issuance of shares in connection to a private placement that closed on August 11, 2020 and November 23, 2020. During the year ended March 31, 2021, the Company issued 401,320 common shares pursuant to the exercise of 401,320 warrants for proceeds of \$240,940 and 1,000,000 common shares pursuant to the exercise of 1,000,000 options for proceeds of \$112,500. The Company paid \$418,034 in share issuance costs.

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 March 31, 2021, the Company had cash of \$3,539,683 to settle current liabilities of \$520,982. The Company intends to finance future requirements from its existing cash reserves together

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

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 future cash flows will fluctuate because of changes in market interest rates. The Company does not have any variable rate debt, The interest earned on cash and cash equivalents is insignificant and the Company does not rely on interest to fund its operations. As a result, the Company is not exposed to significant interest rate risk.

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 year ended March 31, 2021	For the four-month period ended March 31, 2020
Management fees	\$ 144,000	\$ 37,800
Share-based compensation	132,644	15,793
	<u>276,644</u>	<u>53,593</u>

Related part payables

As at March 31, 2021, due to related parties of \$280 (March 31, 2020 - \$132,280) consists of management and consulting fees. These amounts are non-interest bearing, unsecured and due on demand.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

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 year ended March 31, 2021 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

As at July 29, 2021 the Company had 88,608,980 shares issued and outstanding.

Warrants

As at July 29, 2021 , the Company had 17,506,770 warrants outstanding.

Stock Options

As at July 29, 2021 , the Company had 2,227,500 stock options outstanding.

SUBSEQUENT EVENTS

- On April 15, 2021, the Company issued 50,000 common shares pursuant to the exercise of 50,000 warrants with a exercise price of \$0.50 per share for proceeds of \$25,000.
- On May 4, 2021, the company issued 7,142 common shares pursuant to the exercise of 7,142 warrants with a exercise price of \$0.50 per share for proceeds of \$3,142
- On May 28, 2021, the Company issued 11,400 common shares pursuant to the exercise of 11,400 warrants with an exercise price of \$0.50 per warrant for proceeds of \$5,700
- On May 28, 2021, the Company issued 210,000 common shares pursuant to the exercise of 210,000 stock options with an exercise price of \$0.1125 per option for proceeds of \$23,625
- On June 14, 2021, the Company issued 494,406 common shares pursuant to an exercise of 494,406 warrants with an exercise price of \$0.50 and 500,000 common shares pursuant to the exercise of 500,000 stock options at a price of \$0.70 per share.
- On July 9, 2021, the Company issued 322,000 units at a price of \$0.50 per share. Each unit will be comprised of one common share and one-half of one transferrable share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.50 per share for a period of 24 months from the closing date of the offering.
- On July 15, 2021, the Company issued 4,761,154 flow-through units at a price of \$0.7425 per FT1 unit. Each unit will be comprised of one flow-through common share and one-half of one non-transferrable share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.75 per share for a period of 24 months from closing date of the offering.
- On July 15, 2021, the Company issued 609,758 flow-through units at a price of \$0.82 per FT1 unit. Each unit will be comprised of one flow-through common share and one-half of one non-transferrable share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$1.10 per share for a period of 24 months from closing date of the offering.
- On July 15, 2021, the Company issued 7,446,818 units at a price of \$0.55 per unit. Each unit will

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the year ended March 31, 2021, and four-month period ended March 31, 2020.

(Expressed in Canadian dollars)

be comprised of one common share and one-half of one non-transferrable share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.75 per share for a period of 24 months from closing date of the offering.

- On July 15, 2021, the Company granted 960,000 stock options at an exercise price of \$0.70 vesting on grant date and expiring on July 15, 2026
- On July 20, 2021, the Company issued 390,253 common shares pursuant to the exercise of 390,253 warrants with an exercise price of \$0.50 per warrant for proceeds of \$195,127.
- On July 21, 2021, the Company increased its ownership interest in Gavin Mines Inc. to 100% by acquiring an additional 21.73% ownership interest by way of a cash payment of \$125,000 and issuance of 400,00 common shares

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.