

# **BLUE LAGOON RESOURCES INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and six months ended September 30, 2023 and 2022

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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### **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 29, 2023, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended September 30, 2023 and 2022, 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. ("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 Company. The Company 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 Company 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 outbreak has impacted a 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.

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### 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 Canadian Securities Exchange under the stock symbol "BLLG" and in the United States on the OTCQB under the symbol "BLAGF."

Refer to "Exploration Projects" below for a detailed discussion of the Company's mineral resource interests.

### EXPLORATION PROJECTS

The following table summarizes the balance of exploration and evaluation assets as at September 30, 2023 and March 31, 2023 and the changes in exploration and evaluation assets for the periods then ended.

	<i>Pellaire Gold Property</i>	<i>Dome Mountain Mine</i>	<i>Big Onion Project</i>	<i>Total</i>
	\$	\$	\$	\$
<b>Balance, March 31, 2022</b>	<b>5,584,354</b>	<b>18,254,512</b>	<b>700,000</b>	<b>24,538,866</b>
Acquisition costs – cash	-	150,000	-	150,000
Asset retirement obligation – change in estimate	102,000	1,033,055	-	1,135,055
Impairment of exploration and evaluation assets	(5,686,354)	-	-	(5,686,354)
<b>Balance, March 31, 2023</b>	<b>-</b>	<b>19,437,567</b>	<b>700,000</b>	<b>20,137,567</b>
Cash received per option agreement with Gama	-	-	(50,000)	(50,000)
Acquisition costs – cash	-	25,000	-	25,000
<b>Balance, September 30, 2023</b>	<b>-</b>	<b>19,462,567</b>	<b>650,000</b>	<b>20,112,567</b>

During the year ended March 31, 2023, the balance of exploration and evaluation assets decreased by \$4,401,299 primarily as a result of the Company recording an impairment loss on the Pellaire Gold Property of \$5,686,354. The decrease was offset by additions of \$150,000 in royalty payments on the McKendrick Property, Freegold Property, and Dome Mountain Mine as detailed below and a \$1,135,055 increase in the estimated asset retirement obligation for the Pellaire Gold Property and Dome Mountain Mine.

During the six months ended September 30, 2023, the balance of exploration and evaluation assets decreased by \$25,000 as a result of the Company receiving payment of \$50,000, pursuant to the option agreement for the 100% beneficial ownership in the Big Onion Project, offset by acquisition costs paid in cash of \$25,000 for royalty payments on the McKendrick Property.

During the three and six months ended September 30, 2023, the Company incurred exploration and evaluation expenses of \$522,506 and \$960,917, respectively, which related to the Dome Mountain Mine and the 2023 drilling program.

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During the three and six months ended September 30, 2022, the Company incurred exploration and evaluation expenses of \$2,224,072 and \$3,366,763, respectively, which related to the Dome Mountain Mine, including the completion of the first phase of the 2022 drilling program and related assays, and the commencement of the second phase of the 2022 drilling program and soil sampling.

A breakdown of exploration and evaluation expenses by nature are summarized in the table below.

<b>For the three months ended September 30,</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Drilling	26,674	777,138
Salaries and wages	168,152	355,186
Geological consulting	130,022	208,080
Environmental and permitting	89,798	408,331
Sampling and assays	3,500	131,281
Equipment, vehicles, and freight	81,500	155,383
Supplies and other	61,365	304,775
Recovery	(38,505)	(116,102)
	<b>522,506</b>	<b>2,224,072</b>

<b>For the six months ended September 30,</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Drilling	28,567	922,653
Salaries and wages	433,889	644,196
Geological consulting	174,085	320,174
Environmental and permitting	145,703	606,538
Sampling and assays	12,465	282,826
Equipment, vehicles, and freight	100,967	220,209
Supplies and other	189,869	486,269
Recovery	(124,628)	(116,102)
	<b>960,917</b>	<b>3,366,763</b>

Refer to the Company's press releases for detailed results of the drill, soil sampling, and ground geophysical programs which are available on the SEDAR+ website at <https://www.sedarplus.ca> and on the Company's website.

Additionally, on February 2, 2022, the Company filed a technical report titled "*Mineral Resource Estimate for the Dome Mountain Gold Project, Smithers, British Columbia, Canada*" (the "Technical Report") which can be found on the SEDAR+ website at <https://www.sedarplus.ca> and on the Company's website. Refer to the Technical Report and the Company's press release dated February 3, 2022 for additional detail of the resource estimate on the Dome Mountain Mine.

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### *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 of the Company commencing trading on the Canadian Securities Exchange.

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

On February 2, 2021, the Company entered into an agreement with Gama Explorations Inc. ("Gama"), whereby the Company sold its 100% interest in the Golden Wonder property for consideration of:

- \$50,000 in cash (received);
- 1,000,000 common shares of Gama (received); and
- 0.5% net smelter return royalty.

On November 12, 2021, the Company and Gama agreed to terminate the sale of the Golden Wonder property. Pursuant to the termination agreement, the Company and Gama agreed to apply the consideration previously exchanged of \$50,000 and 1,000,000 common shares of Gama to the option or purchase of an alternate property from the Company. On December 6, 2021, this consideration was applied to an option agreement related to the Big Onion project (described below).

During the year ended March 31, 2022, the Company recorded an impairment with respect to the Golden Wonder Property resulting in a carrying value of \$nil on the basis that the Company does not intend to further advance the property.

### *Pellaire Gold Property*

During the year ended March 31, 2021, the Company exercised its option to acquire the 100% interest in the Pellaire Gold Property located in the Clinton Mining Division of British Columbia.

The seller retains a 2.5% net smelter royalty interest ("NSR"). The Company has the right to purchase 2% of the NSR for US\$1,000,000 at any time prior to commencement of commercial production, which if exercised would leave the vendor with a 0.5% NSR.

During the year ended March 31, 2023, the Company purchased a reclamation bond in the amount of \$7,000 with respect to the Pellaire Gold Property. The Company recorded an impairment loss of \$5,686,354 with respect to the Pellaire Gold Property during the year ended March 31, 2023, on the basis that the Company does not intend to further advance the property.

### *Dome Mountain Mine Group*

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.

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

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The Company holds a reclamation deposit of \$600,000 related to the Dome Mountain Mine. As at September 30, 2023, the accrued interest on the reclamation deposit of \$19,312 (March 31, 2023 - \$7,644) was re-invested into the reclamation deposit's principal amount.

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 agreed to pay an NSR of 2%, or not less than \$40,000 per annum. In the event that the property was not in production by January 28, 2011, an advance royalty payment in the amount of \$40,000 per annum was required to be paid. An agreement was reached by both parties to defer certain annual royalty payments to the one-year anniversary date of the arrival of the 1<sup>st</sup> truckload of Dome ore at the Nicola Mining Inc. mill which was made on June 15, 2021. The Company had agreed to pay 7% interest on those deferred payments. The Company had 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.
  - As a result of removing the mineralized material during the year ended March 31, 2022, an agreement was reached by both parties to settle all deferred and current royalty payment and accrued interest for total cash consideration of \$210,000 which the Company paid during the year ended March 31, 2023.
  - During the year ended March 31, 2022, the Company issued 1,937,500 common shares valued at \$843,250 as consideration for the purchase of various NSRs. The value of the shares was estimated using the market price on grant date. As a result, the annual royalty payment was reduced to \$30,000 per annum beginning in January 2023. The Company made the annual royalty payment of \$30,000 on January 30, 2023.
  - As at September 30, 2023, the Dome Mountain Project had not commenced commercial production.
- 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 per annum. The Company has the right to purchase 1% of the NSR for the aggregate sum of \$1,000,000.
- McKendrick Property
  - The interest in the property will be subject to an NSR of 2.5% and the Company is required to make annual royalty payment of \$25,000 per annum.
  - An agreement was reached by both parties to defer certain annual royalty payments to the one-year anniversary date of the arrival of the 1<sup>st</sup> truckload of Dome ore at the Nicola Mining Inc. mill which was made on June 15, 2021. The Company paid the deferred royalty payments totalling \$75,000 and 2022 annual royalty payments for total cash consideration of \$100,000 on June 30, 2022.
  - The Company paid the 2023 annual royalty payment of \$25,000 on July 5, 2023.
- Hilo Property; and
- Federal Creek Property
  - The interest in the property will be subject to a 3% NSR.

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### *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.

The Company holds a reclamation deposit of \$35,000 related to the Big Onion Project.

On December 6, 2021, the Company entered into an option agreement with Gama for a 100% ownership and beneficial interest in the Big Onion property. In order to exercise its option on the Big Onion property, Gama is required to make cash and share payments to the Company and incur exploration and development expenditures on the property, as summarized below. The property is subject to an aggregate 3% net smelter return held by Metal Mountain Resources Inc. (1.125%) and an unrelated third party (1.875%).

- \$500,000 in cash paid in the following installments:
  - o \$50,000 upon execution of the agreement (assigned from Golden Wonder);
  - o \$50,000 on or before 12 months from the date on which the common shares of Gama are listed on a Canadian stock exchange (April 11, 2022, the "Purchaser's Listing Date") (received);
  - o \$50,000 on or before 24 months following the Purchaser's Listing Date;
  - o \$100,000 on or before 36 months following the Purchaser's Listing Date; and
  - o \$250,000 on or before 48 months following the Purchaser's Listing Date.
- 2,000,000 common shares of Gama issued in the following installments:
  - o 1,000,000 common shares upon execution of the agreement (assigned from Golden Wonder) issued into escrow and released in the following installments:
    - 100,000 on the Purchaser's Listing Date (released)
    - 150,000 6 months following the Purchaser's Listing Date (released)
    - 150,000 12 months following the Purchaser's Listing Date (released)
    - 150,000 18 months following the Purchaser's Listing Date (released subsequent to period end)
    - 150,000 24 months following the Purchaser's Listing Date
    - 150,000 30 months following the Purchaser's Listing Date
    - 150,000 36 months following the Purchaser's Listing Date
  - o 250,000 common shares on or before 24 months following the Purchaser's Listing Date;
  - o 250,000 common shares on or before 36 months following the Purchaser's Listing Date; and
  - o 500,000 common shares on or before 48 months following the Purchaser's Listing Date.
- \$1,500,000 expenditures on the Big Onion project as follows:
  - o \$250,000 on or before 12 months following the Purchaser's Listing Date (fulfilled);
  - o An additional \$250,000 on or before 24 months following the Purchaser's Listing Date;
  - o An additional \$250,000 on or before 36 months following the Purchaser's Listing Date; and
  - o An additional \$750,000 on or before 48 months following the Purchaser's Listing Date.

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### RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended September 30, 2023 and 2022.

<b>Three months ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
General and administrative expenses	45,167	55,025	(9,858)	(18)
Consulting fees	36,350	17,035	19,315	113
Exploration expenses	522,506	2,224,072	(1,701,566)	(77)
Marketing	1,115	104,746	(103,631)	(99)
Professional fees	54,415	103,252	(48,837)	(47)
<b>Total operating expenses</b>	<b>659,553</b>	<b>2,504,130</b>	<b>(1,844,577)</b>	<b>(74)</b>
Accretion	18,362	12,815	5,547	43
Interest income	(5,198)	(35,898)	30,700	86
Fair value (gain) loss on marketable securities	75,000	(97,500)	172,500	177
Flow-through premium recovery	-	(395,005)	395,005	100
<b>Net loss and comprehensive loss</b>	<b>747,717</b>	<b>1,988,542</b>	<b>(1,240,825)</b>	<b>(62)</b>

For the three months ended September 30, 2023, the Company incurred a loss of \$747,717 compared to a loss of \$1,988,542 for the prior period. The decrease in loss of \$1,240,825 is explained below.

The Company experienced a decrease of \$9,858 in general and administrative expenses during the three months ended September 30, 2023 primarily due to a decrease in travel expenses, office supplies and software expenses.

During the three months ended September 30, 2023 and 2022 the Company incurred consulting expenses of \$36,350 and \$17,035, respectively. The increase of \$19,315 is due to the allocation of management fees between consulting fees versus exploration expenses.

Exploration expenses incurred for the three months ended September 30, 2023 totaled \$522,506 (2022 - \$2,224,072). The decrease in exploration expenses of \$1,701,566 is due to the timing of drilling and soil sampling programs. Refer to "Exploration Projects" for additional detail.

The Company incurred marketing expenses for the three months ended September 30, 2023 and 2022 of \$1,115 and \$104,746, respectively, representing a decrease of \$103,631 period over period. The decrease in marketing expenses is a result of the Company not renewing service agreements with third parties to execute marketing campaigns. These campaigns included the creation and dissemination of digital advertising and publications related to the Company's exploration results and corporate developments.

Professional fees for the three months ended September 30, 2023 totaled \$54,415 (2022 - \$103,252), resulting in a decrease of \$48,837 compared to the same period of the prior year. Professional fees fluctuate based on the nature and timing of corporate and property related transactions.

The Company incurred accretion expense for the three months ended September 30, 2022 of \$12,815 which related to accretion on the Company's CEBA loans payable and asset retirement obligation. During the three months ended September 30, 2023, the Company incurred accretion expense of \$18,362 which related



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solely to the Company's asset retirement obligation. The increase in accretion expense is due to an increase in the estimated future cashflows of the asset retirement obligation. This increase was partially offset by the decrease in accretion expense attributable to the CEBA loans payable since these were fully repaid as of March 31, 2023.

The Company earns interest income on cash and deposit balances. Interest income decreased by \$30,700 during the three months ended September 30, 2023 compared to the same period in prior year due to lower average cash balances held.

As of September 30, 2023, the fair value of the common shares of Gama was determined to be \$165,000 based on the closing share price of Gama on that date which exceeded the carrying value of the investment, and as a result the Company recorded a loss on fair value of \$75,000 during the three months ended September 30, 2023.

During the year ended March 31, 2022, the Company completed flow-through financing and recognized a flow-through premium liability of \$1,307,030 to reflect the value of income tax benefits transferred to the shareholders. During the three months ended September 30, 2022, the Company reduced this liability and recognized flow-through premium recovery income of \$395,005 in the statement of loss as qualifying exploration expenditures were incurred in the period. As at September 30, 2023 and March 31, 2023, the flow-through liability premium was \$nil and the Company recognized flow-through premium recovery income of \$nil for the three months ended September 30, 2023.

The following table summarizes the Company's financial results for the six months ended September 30, 2023 and 2022.

<b>Six months ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
General and administrative expenses	85,309	108,120	(22,811)	(21)
Consulting fees	73,050	112,646	(39,596)	(35)
Exploration expenses	960,917	3,366,763	(2,405,846)	(71)
Marketing	5,019	367,751	(362,732)	(99)
Professional fees	97,059	126,276	(29,217)	(23)
Stock-based compensation	-	43,250	(43,250)	(100)
<b>Total operating expenses</b>	<b>1,221,354</b>	<b>4,124,806</b>	<b>(2,903,452)</b>	<b>(70)</b>
Accretion	36,723	25,567	11,156	44
Interest income	(13,100)	(53,254)	40,154	(75)
Fair value (gain) loss on marketable securities	1,200,000	(450,000)	1,650,000	(367)
Gain on sale of investments	-	(136,555)	136,555	(100)
Flow-through premium recovery	-	(590,889)	590,889	(100)
<b>Net loss and comprehensive loss</b>	<b>2,444,977</b>	<b>2,919,675</b>	<b>(474,698)</b>	<b>(16)</b>

For the six months ended September 30, 2023, the Company incurred a loss of \$2,444,977 compared to a loss of \$2,919,675 for the prior period. The decrease in loss of \$474,698 is explained below.

The Company experienced a decrease of \$22,811 in general and administrative expenses during the six months ended September 30, 2023 with the main contributing factors being decreased office supply expenditures, computer software expenses, and travel expenses.

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During the six months ended September 30, 2023 and 2022 the Company incurred consulting expenses of \$73,050 and \$112,646, respectively. The decrease of \$39,596 is due to the expiry of service agreements for management support services which were not renewed.

Exploration expenses incurred for the six months ended September 30, 2023 totaled \$960,917 (2022 - \$3,366,763). The decrease in exploration expenses of \$2,405,846 is due to the timing of drilling and soil sampling programs. Refer to "Exploration Projects" for additional detail.

The Company incurred marketing expenses for the six months ended September 30, 2023 and 2022 of \$5,019 and \$367,751, respectively, representing a decrease of \$362,732 period over period. The decrease in marketing expenses is a result of the Company not renewing service agreements with third parties to execute marketing campaigns. These campaigns included the creation and dissemination of digital advertising and publications related to the Company's exploration results and corporate developments.

Professional fees for the six months ended September 30, 2023 totaled \$97,059 (2022 - \$126,276), resulting in a decrease of \$29,217 compared to the same period of the prior year. Professional fees fluctuate based on the nature and timing of corporate and property related transactions.

The Company recorded stock-based compensation for the six months ended September 30, 2023 and 2022 in the amounts of \$nil and \$43,250, respectively, to reflect the fair value of stock options vested in the period. The amount of stock-based compensation recorded is a function of various factors, including the number of stock options granted and the underlying vesting terms.

The Company incurred accretion expense for the six months ended September 30, 2022 of \$25,567 which related to accretion on the Company's CEBA loans payable and asset retirement obligation. During the six months ended September 30, 2023, the Company incurred accretion expense of \$36,723 which related solely to the Company's asset retirement obligation. The increase in accretion expense is due to an increase in the estimated future cashflows of the asset retirement obligation. This increase was partially offset by the decrease in accretion expense attributable to the CEBA loans payable since these were fully repaid as of March 31, 2023.

The Company earns interest income on cash and deposit balances. Interest income decreased by \$40,154 during the six months ended September 30, 2023 compared to the same period in prior year due to lower average cash balances held.

As of September 30, 2023, the fair value of the common shares of Gama was determined to be \$165,000 based on the closing share price of Gama on that date which exceeded the carrying value of the investment, and as a result the Company recorded a loss on fair value of \$1,200,000 during the six months ended September 30, 2023.

During the six months ended September 30, 2022, the Company sold 100,000 common shares of Gama for gross proceeds of \$146,555. The carrying value of the common shares sold was determined to be \$10,000, resulting in a gain on the sale of marketable securities of \$136,555 during the six months ended September 30, 2022.

During the year ended March 31, 2022, the Company completed flow-through financing and recognized a flow-through premium liability of \$1,307,030 to reflect the value of income tax benefits transferred to the shareholders. During the six months ended September 30, 2022, the Company reduced this liability and recognized flow-through premium recovery income of \$590,889 in the statement of loss as qualifying exploration expenditures were incurred in the period. As at September 30, 2023, the flow-through liability

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premium was \$nil and the Company recognized flow-through premium recovery income of \$nil for the six months ended September 30, 2023.

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes the financial results of the Company for each of the eight most recently completed three-month periods prepared under IFRS.

Three months ended	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss and comprehensive loss	(747,717)	(1,697,260)	(6,750,094)	(2,543,882)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.07)	(0.03)
Loss attributable to owners of the parent	(747,717)	(1,697,260)	(6,750,094)	(2,543,882)
Loss per share attributable to owners of the parent (basic and diluted)	(0.01)	(0.02)	(0.07)	(0.03)
Three months ended	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss and comprehensive loss	(1,988,542)	(931,133)	(8,104,563)	(3,217,831)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.08)	(0.04)
Loss attributable to owners of the parent	(1,988,542)	(931,133)	(8,245,386)	(3,217,831)
Loss per share attributable to owners of the parent (basic and diluted)	(0.02)	(0.01)	(0.09)	(0.04)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's expenditures are driven by the availability of financing to fund continued operations and exploration programs. The increase in net loss for the periods ended December 31, 2021 and March 31, 2022 is explained by increased exploration activities, including ongoing drilling and soil sampling and updates to the Technical Report. Net loss for the period ended March 31, 2022 also includes an impairment loss recorded on exploration and evaluation assets of \$5,254,114. The decrease in net loss for the three months ended June 30, 2022 is primarily attributable to the gains on the sale of and change in fair value of marketable securities and flow-through premium recovery. The increases in net loss for the three months ended September 30, 2022 and December 31, 2022 are primarily attributable to the increases in exploration activities. The increase in net loss for the three months ended March 31, 2023 was a result of an impairment loss recorded on exploration and evaluation assets of \$5,686,354. The substantial decrease in the net loss for the three months ended June 30, 2023 was a result of the absence of impairment loss on exploration and evaluation assets, as compared to the previous quarter. Net loss decreased further for the three months ended September 30, 2023 due to a decrease in the fair value loss on marketable securities as a result of fluctuations in the fair value of marketable securities compared to the previous quarter.

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### SHARE CAPITAL

The Company has authorized an unlimited number of common shares without par value for issuance.

The Company has securities outstanding as follows:

<b>Security Description</b>	<b>September 30, 2023</b>	<b>Date of Report</b>
Common shares	104,927,389	104,927,389
Warrants	6,702,825	5,449,705
Stock options	3,787,500	3,787,500
<b>Fully diluted shares</b>	<b>115,417,714</b>	<b>114,164,594</b>

For the six months ended September 30, 2023:

On August 28, 2023, the Company closed a non-brokered private placement financing and issued 3,571,429 common shares at a price of \$0.14 per share for gross proceeds of \$500,000. In connection with the non-brokered private placement, the Company incurred cash share issuance costs of \$3,035 for associated legal fees.

As at September 30, 2023 and March 31 2023, the balance of obligation to issue shares includes long-term accounts payable to be settled of \$2,271,767 on the date of the commencement of commercial production on the Dome Mountain Mine.

### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had cash of \$427,767 (March 31, 2023 - \$1,056,756) and working capital of \$420,183 (March 31, 2023 - \$1,941,640). The decrease in working capital of \$1,521,457 during the six months ended September 30, 2023 is primarily due to the decrease in the fair value of short-term investments of \$823,500, the decrease in cash of \$628,989, and the decrease in receivables of \$85,996 primarily as a result of decreased sales tax receivables, offset by an increase in prepaid expenses of \$2,042 and a decrease in accounts payable and accrued liabilities of \$14,986.

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.

## BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

The Company's cash flows for the six months ended September 30, 2023 and 2022 are summarized below.

<b>Six months ended September 30,</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	(1,153,989)	(4,290,596)
Cash provided by (used in) investing activities	25,000	(320,445)
Cash provided by financing activities	500,000	1,663,707
Change in cash during the period	(628,989)	(2,947,334)
Cash, beginning of the period	1,056,756	8,688,697
<b>Cash, end of the period</b>	<b>427,767</b>	<b>5,741,363</b>

### Operating activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, accretion expense, stock-based compensation, impairment losses, flow-through premium recovery, and gains and losses recorded on investments. Cash used in operating activities also reflects changes in working capital items, such as receivables, prepaid expenses and amounts payable, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends almost entirely on sources of external financing to fund operations. Refer also to "Results of Operations" above.

### Investing activities

Cash provided by investing activities for the six months ended September 30, 2023 totalled \$25,000 which relate to a \$50,000 option payment received pursuant to the option agreement for the sale of the Big Onion Project, offset by a royalty payment of \$25,000 for the McKendrick Property.

Investing activities for the six months ended September 30, 2022 totalled \$320,445 and included the purchase of additional common shares of Gama Explorations Inc. for \$150,000, the payment of royalties of \$310,000 related to the Dome Mountain Mine Group which included royalties of \$210,000 accrued as of March 31, 2022, and a reclamation deposit paid on the Pellaire Gold Property in the amount of \$7,000. These cash outflows were partially offset by proceeds of \$146,555 received from the sale of marketable securities during the period.

### Financing activities

During the six months ended September 30, 2023, the Company received total gross proceeds of \$500,000 from the issuance of common shares. Share issuance costs of \$3,035 were incurred for associated legal fees, and are included in accounts payable and accrued liabilities as of September 30, 2023.

During the six months ended September 30, 2022, the Company received total gross proceeds of \$1,712,107 from the issuance of common shares, and incurred share issuance costs of \$48,400.

The Company has no operating revenues and therefore must utilize its cashflows 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 are short-term and non-interest-bearing.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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### **FINANCIAL INSTRUMENTS AND RISKS**

The fair values of the Company's assets and current financial liabilities are assumed to approximate their carrying values due to their short-term nature. The fair value of the Company's long-term accounts payable is assumed to approximate their carrying value, due to the nature of the item and are classified as long-term as the Company is not expected to reach commercial production within the next 12 months.

#### *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, 2023, the Company had cash of \$427,767 to settle current liabilities of \$239,614. 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 of cash, deposits and receivables. The Company limits its exposure to credit loss by placing its cash and deposits with high credit quality financial institutions. The Company's receivables primarily consist of input tax credits due from the Government of Canada, and as such, receivables are not subject to significant credit risk. The Company's maximum credit risk is equal to the carrying amount of its cash, receivables, and deposits.

#### *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 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.

The Company is also exposed to price risk with respect to its investment in Gama. The Company closely monitors those prices to determine the appropriate course of action. There can be no assurance that the Company can exit its position, if required, resulting in proceeds approximating the carrying value of the investment.

#### *Currency Risk*

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. As at September 30, 2023, the Company does not hold any financial instruments denominated in foreign currencies; as such the Company is not exposed to currency risk.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

### **ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AND RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and has determined that there are no new standards that are relevant to the Company.

### **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 consist of members of the Company's Board of Directors and corporate officers.

Remuneration attributable to key management personnel is summarized in the table below.

<b>For the six months ended</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Consulting fees <sup>(1)</sup>	\$ 72,000	\$ 72,000

(1) R2A2 Holdings Inc., a company controlled by Rana Vig, President, CEO and Director

As at September 30, 2023, accounts payable and accrued liabilities include \$6,145 (March 31, 2023 - \$52,275) owing to Rana Vig, President, CEO and director of the Company. The amount payable is unsecured, non-interest bearing and has no fixed terms of repayment.

As at September 30, 2023, prepaid expenses include \$nil (March 31, 2023 - \$12,000) for management fees paid to R2A2 Holdings Inc., a company controlled by Rana Vig, President, CEO and director of the Company, to be applied to services rendered subsequent to year end.

### **OTHER**

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR+ website at <https://www.sedarplus.ca>.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.