

# **BLUE LAGOON RESOURCES INC.**

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

For the three and six months ended September 30, 2024 and 2023

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(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 28, 2024, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended September 30, 2024 and 2023, 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.

### **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.

## BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

### EXPLORATION PROJECTS

The following table summarizes the balance of exploration and evaluation assets as at September 30, 2024 and March 31, 2024 and the changes in exploration and evaluation assets for the periods then ended.

	<i>Dome Mountain Mine</i>	<i>Big Onion Project</i>	<i>Total</i>
	\$	\$	\$
<b>Balance, March 31, 2023</b>	<b>19,437,567</b>	<b>700,000</b>	<b>20,137,567</b>
Cash received per option agreement with Blackbird	-	(50,000)	(50,000)
Asset retirement obligation – change in estimate	3,260,242	-	3,260,242
Acquisition costs – cash	75,000	-	75,000
Impairment of exploration and evaluation assets	-	(650,000)	(650,000)
<b>Balance, March 31, 2024</b>	<b>22,772,809</b>	<b>-</b>	<b>22,772,809</b>
Acquisition costs – cash	25,000	-	25,000
<b>Balance, September 30, 2024</b>	<b>22,797,809</b>	<b>-</b>	<b>22,797,809</b>

During the year ended March 31, 2024, the balance of exploration and evaluation assets increased by \$2,635,242 primarily as a result of an increase in the estimate for the asset retirement obligation in relation to Dome Mountain Mine, as well as acquisition costs for Dome Mountain Mine of \$75,000. The increase was offset by an impairment of \$650,000 on the Big Onion Project. The balance of exploration and evaluation assets also decreased by \$50,000 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.

During the six months ended September 30, 2024, the balance of exploration and evaluation assets increased by \$25,000 pursuant to the acquisition costs paid in cash of \$25,000 for royalty payments on the McKendrick Property.

During the three and six months ended September 30, 2024, the Company incurred exploration and evaluation expenses of \$148,047 and \$357,545, which related to the Dome Mountain Mine and the 2024 drilling program.

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

**BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

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

	<b>2024</b>	<b>2023</b>
<b>For the three months ended September 30,</b>	<b>\$</b>	<b>\$</b>
Drilling	2,072	26,674
Salaries and wages	105,660	168,152
Geological consulting	33,466	130,022
Environmental and permitting	1,575	89,798
Sampling and assays	47	3,500
Equipment, vehicles, and freight	-	81,500
Supplies and other	5,227	61,365
Recovery	-	(38,505)
	<b>148,047</b>	<b>522,506</b>

	<b>2024</b>	<b>2023</b>
<b>For the six months ended September 30,</b>	<b>\$</b>	<b>\$</b>
Drilling	5,386	28,567
Salaries and wages	170,934	433,889
Geological consulting	125,752	174,085
Environmental and permitting	30,685	145,703
Sampling and assays	15,243	12,465
Equipment, vehicles, and freight	-	100,967
Supplies and other	9,545	189,869
Recovery	-	(124,628)
	<b>357,545</b>	<b>960,917</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.

*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).

The Company holds a reclamation deposit of \$659,306 related to the Dome Mountain Mine.

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

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

---

- 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, 2024, 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. The Company made the annual royalty payments of \$20,000 in February 2023 and 2024.
- 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 and current royalty payments for total cash consideration of \$100,000 on June 30, 2022.
  - The Company paid the 2024 and 2023 annual royalty payments of \$25,000 on July 5, 2024 and 2023.
- Hilo Property; and
- Federal Creek Property
  - The interest in the property will be subject to a 3% NSR.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

---

### *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 Blackbird for a 100% ownership and beneficial interest in the Big Onion property. In order to exercise its option on the Big Onion property, Blackbird 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; (received)
  - o \$50,000 on or before 12 months from the date on which the common shares of Blackbird 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 Blackbird issued in the following installments:
  - o 1,000,000 common shares upon execution of the agreement 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)
    - 150,000 24 months following the Purchaser's Listing Date (released)
    - 150,000 30 months following the Purchaser's Listing Date (released subsequent to period end)
    - 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.

On April 11, 2024, Blackbird terminated the option agreement. During the year ended March 31, 2024, the Company recorded an impairment with respect to the Big Option Property resulting in a carrying value of \$nil.

## BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

### RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended September 30, 2024 and 2023.

<b>Three months ended September 30,</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
General and administrative expenses	38,966	45,167	(6,201)	(14)
Consulting fees	36,450	36,350	100	0
Exploration expenses	148,047	522,506	(374,459)	(72)
Marketing	120	1,115	(995)	(89)
Professional fees	66,157	54,415	11,742	22
<b>Total operating expenses</b>	<b>289,740</b>	<b>659,553</b>	<b>(369,813)</b>	<b>(56)</b>
Accretion	50,161	18,362	31,799	173
Interest income	(9,848)	(5,198)	(4,650)	89
Fair value loss on marketable securities	15,000	75,000	(60,000)	(80)
<b>Net loss and comprehensive loss</b>	<b>345,053</b>	<b>747,717</b>	<b>(402,664)</b>	<b>(54)</b>

For the three months ended September 30, 2024, the Company incurred a loss of \$345,053 compared to a loss of \$747,717 for the same period last year. The decrease in loss of \$402,664 is explained below.

The Company experienced a decrease of \$6,201 in general and administrative expenses during the three months ended September 30, 2024, with the main contributing factors being decreased insurance expenses and filing fees.

During the three months ended September 30, 2024 and 2023, the Company incurred consulting expenses of \$36,450 and \$36,350, respectively. The increase of \$100 is due to minor changes in relation to web hosting services.

Exploration expenses incurred for the three months ended September 30, 2024, totaled \$148,047 (2023 - \$522,506). The decrease in exploration expenses of \$374,459 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, 2024 and 2023 of \$120 and \$1,115, respectively, representing a decrease of \$995 period over period. The decrease in marketing expenses is a result of the Company not renewing marketing service agreements with third parties for services including the creation and dissemination of digital advertising and news dissemination.

Professional fees for the three months ended September 30, 2024, totaled \$66,157 (2023 - \$54,415), resulting in an increase of \$11,742 compared to the same period of the prior year. Professional fees fluctuate based on the nature and timing of corporate and property related transactions.

During the three months ended September 30, 2024, the Company incurred accretion expense of \$50,161, as compared to \$18,362 during the same period in the prior year relating 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.

## BLUE LAGOON RESOURCES INC.

### Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

The Company earns interest income on cash and deposit balances. Interest income increased by \$4,650 during the three months ended September 30, 2024 compared to the same period in prior year due to higher average cash balances held.

As of September 30, 2024, the fair value of the common shares of Blackbird was determined to be \$52,500, based on the closing share price of Blackbird on that date, resulting in the recognition of a fair value loss on marketable securities during the three months ended September 30, 2024, of \$15,000 (September 30, 2023 - \$75,000).

The following table summarizes the Company's financial results for the six months ended September 30, 2024 and 2023.

<b>Six months ended September 30,</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
General and administrative expenses	69,468	85,309	(15,841)	(19)
Consulting fees	76,300	73,050	3,250	4
Exploration expenses	357,545	960,917	(603,372)	(63)
Marketing	342	5,019	(4,677)	(93)
Professional fees	93,647	97,059	(3,412)	(4)
<b>Total operating expenses</b>	<b>597,302</b>	<b>1,221,354</b>	<b>(624,052)</b>	<b>(51)</b>
Accretion	100,322	36,723	63,599	173
Interest income	(22,643)	(13,100)	(9,543)	73
Fair value loss on marketable securities	165,000	1,200,000	(1,035,000)	(86)
<b>Net loss and comprehensive loss</b>	<b>839,981</b>	<b>2,444,977</b>	<b>(1,604,996)</b>	<b>(66)</b>

For the six months ended September 30, 2024, the Company incurred a loss of \$839,981 compared to a loss of \$2,444,977 for the same period last year. The decrease in loss of \$1,604,996 is explained below.

The Company experienced a decrease of \$15,841 in general and administrative expenses during the six months ended September 30, 2024, with the main contributing factors being decreased insurance expenses and filing fees.

During the six months ended September 30, 2024 and 2023, the Company incurred consulting expenses of \$76,300 and \$73,050, respectively. The increase of \$3,250 is due to new web hosting services and general business consulting services.

Exploration expenses incurred for the six months ended September 30, 2024, totaled \$357,545 (2023 - \$960,917). The decrease in exploration expenses of \$603,372 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, 2024 and 2023 of \$342 and \$5,019, respectively, representing a decrease of \$4,677 period over period. The decrease in marketing expenses is a result of the Company not renewing marketing service agreements with third parties for services including the creation and dissemination of digital advertising and news dissemination.

Professional fees for the six months ended September 30, 2024, totaled \$93,647 (2023 - \$97,059), resulting in an increase of \$3,412 compared to the same period of the prior year. Professional fees fluctuate based on the nature and timing of corporate and property related transactions.



## BLUE LAGOON RESOURCES INC.

### Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

During the six months ended September 30, 2024, the Company incurred accretion expense of \$100,322, as compared to \$36,723 during the same period in the prior year relating 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.

The Company earns interest income on cash and deposit balances. Interest income increased by \$9,543 during the six months ended September 30, 2024 compared to the same period in prior year due to higher average cash balances held.

As of September 30, 2024, the fair value of the common shares of Blackbird was determined to be \$52,500, based on the closing share price of Blackbird on that date, resulting in the recognition of a fair value loss on marketable securities during the six months ended September 30, 2024, of \$165,000 (September 30, 2023 - \$1,200,000).

## 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.

<b>Three months ended</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss and comprehensive loss	(345,053)	(494,928)	(910,222)	(540,651)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.01)	(0.01)

  

<b>Three months ended</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$	\$	\$
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)

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 increases in net loss for the three months ended December 31, 2022 is primarily attributable to the increases in exploration activities. The increase in net loss for the three months ended March 31, 2022 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 and December 31, 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. Net loss increased for the three months ended March 31, 2024 due to impairment of the Big Onion. Net loss decreased for the three months ended June 30, 2024, due to the impairment of the Big Onion property recognized in the prior quarter. The net loss decreased for the three months ended September 30, 2024, was due to the decrease in exploration costs due to reduced activity.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

---

### **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, 2024</b>	<b>Date of Report</b>
Common shares	114,035,246	117,585,244
Warrants	Nil	3,549,998
Stock options	3,787,500	3,787,500
<b>Fully diluted shares</b>	<b>117,822,746</b>	<b>124,922,742</b>

There was no share capital activity during the six months ended September 30, 2024.

On October 29, 2024, the Company closed a non-brokered private placement issuing 3,549,998 units at a price of \$0.11 per unit for aggregate gross proceeds of \$390,500. Each Unit consists of one common share of the Company and one transferrable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.14 per share until October 30, 2026.

As at September 30, 2024 and March 31 2024, 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, 2024, the Company had cash of \$106,383 (March 31, 2024 - \$816,615) and a working capital surplus of \$112,520 (March 31, 2024 - \$888,423). The decrease in working capital of \$775,903 during the six months ended September 30, 2024, is primarily due to the decrease in the fair value of short-term investments of \$143,250, and the decrease in cash of \$710,232.

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.

The Company's cash flows for the six months ended September 30, 2024 and 2023 are summarized below.

## BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	2024	2023
Six months ended September 30,	\$	\$
Cash used in operating activities	(685,232)	(1,153,989)
Cash provided by (used in) investing activities	(25,000)	25,000
Cash provided by financing activities		500,000
Change in cash during the period	(710,232)	(628,989)
Cash, beginning of the period	816,615	1,056,756
<b>Cash, end of the period</b>	<b>106,383</b>	<b>427,767</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

During the six months ended September 30, 2024, there was an investment of \$25,000 in relation to the royalty payments on the McKendrick Property.

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.

### Financing activities

During the six months ended September 30, 2024, there were no 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.

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.

## 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.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

---

### *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, 2024, the Company had cash of \$106,383 to settle current liabilities of \$120,021. 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, 2024, the Company does not hold any financial instruments denominated in foreign currencies; as such the Company is not exposed to currency risk.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

## **BLUE LAGOON RESOURCES INC.**

Management's Discussion and Analysis

For the three and six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

---

### **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 three months ended</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Management 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, 2024, accounts payable and accrued liabilities include \$nil (March 31, 2024 - \$3,794) 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, 2024, prepaid expenses include \$nil (March 31, 2024 - \$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.