

BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended June 30, 2021 and 2020

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(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 August 27, 2021, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2021 and 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. ("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 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 June 30, 2021 and March 31, 2021.

	<i>Golden Wonder Project</i>	<i>Pellaire Gold Property</i>	<i>Dome Mountain Mine</i>	<i>Big Onion Project</i>	<i>Total</i>
	\$	\$	\$	\$	\$
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 and June 30, 2021	-	5,584,354	16,624,148	6,059,114	28,267,616

During the three months ended June 30, 2021, the Company incurred exploration and evaluation expenses of \$1,714,101 which related to the Dome Mountain Mine.

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 on its rights to purchase 100% interest in the Golden Wonder property.

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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; and
- 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 during the year ended March 31, 2021 in connection with this sale. As of June 30, 2021, the fair value of the common shares was determined to be \$100,000.

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 \$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 2.5% 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.

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 cash payment for the right to purchase a 2% NSR 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.

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.

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.

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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 made royalty payments of \$20,000.
- 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. The payment was made on July 1, 2021.
 - An agreement was reached by both parties to extend 2016, 2017, and 2018 annual royalty payments.
- Hilo Property; and
- Federal Creek Property
 - The interest in the property will be subject to a 3% NSR.

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RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended June 30, 2021 and 2020.

Three months ended June 30,	2021 \$	2020 \$	Change \$	Change %
General and administrative				
Bank charges and interest	948	1,820	(872)	(48)
Filing fees	1,313	546	767	140
Meals and entertainment	-	549	(549)	(100)
Marketing	17,775	10,000	7,775	78
Office and miscellaneous	7,589	17,355	(9,766)	(56)
Total general and administrative expenses	27,625	30,270	(2,645)	(9)
Consulting	179,201	178,316	885	1
Exploration	1,714,101	137,877	1,576,224	1,143
Investor relations	206,748	67,264	139,484	207
Professional fees	49,698	86,438	(36,740)	(43)
Stock-based compensation	50,121	143,068	(92,947)	(65)
Total operating expenses	2,227,494	643,233	1,584,261	246
Accretion	14,856	-	14,856	--
Interest income	(5,499)	(4,445)	(1,054)	(24)
Net loss and comprehensive loss	2,236,851	638,788	1,598,063	250

For the three months ended June 30, 2021, the Company incurred a net loss of \$2,236,851 compared to a net loss of \$638,788 for the same period of the prior year. The increase in net loss of \$1,598,063 is primarily explained by increased exploration activities related to the Dome Mountain Project. Refer to "Exploration Projects" above. Investor relations expenses also increased by \$139,484 which is explained by initiatives to disseminate the Company's exploration results and developments.

Professional fees for the three months ended June 30, 2021 totaled \$49,698 (2020 - \$86,438) and decreased by \$36,740 compared to the same period of the prior year. Professional fees fluctuate based on the nature and timing of corporate transactions contemplated or completed.

The Company recorded stock-based compensation for the three months ended June 30, 2021 and 2020 in the amounts of \$50,121 and \$143,068, respectively, to reflect the fair value of stock options vested in the period.

Accretion expense for the three months ended June 30, 2021 reflects the change in carrying value during the period for the asset retirement obligation and CEBA loans payable.

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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.

Period Ended	Net	Net Loss	Per Share
	Revenues	Total	
	(\$)	(\$)	(\$)
June 30, 2021	-	(2,236,851)	(0.03)
March 31, 2021	-	(1,338,365)	(0.03)
December 31, 2020	-	(2,221,323)	(0.03)
September 30, 2020	-	(1,818,281)	(0.03)
June 30, 2020	-	(638,788)	(0.01)
March 31, 2020	-	(489,177)	(0.02)
December 31, 2019	-	(246,168)	(0.01)
September 30, 2019	-	(314,224)	(0.01)

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. Quarterly net loss has remained consistent since the period ended September 30, 2020 which is explained by the completion of financings to support exploration and evaluation projects and expenditures. The slight decrease for the period ended March 31, 2021 is explained by non-recurring and non-cash transactions, including gains on the modification of debt and sale of property and flow-through recovery. Prior to the quarter ended September 30, 2020, the Company operated at reduced corporate and exploration levels based on the availability of working capital.

SHARE CAPITAL

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

The Company has securities outstanding as follows:

Security Description	June 30, 2021	Date of Report
Common shares	74,678,997	88,776,682
Warrants	11,668,167	17,399,270
Stock options	1,877,500	2,837,500
Fully diluted shares	88,224,664	109,013,452

During the three months ended June 30, 2021:

- On April 15, 2021, the Company issued 50,000 common shares pursuant to the exercise of 50,000 warrants with an 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 an exercise price of \$0.50 per share for proceeds of \$3,571.

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- 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 share for proceeds of \$5,700. In connection with the exercise, an amount of \$574 was reclassified from reserves to share capital.
- 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 share for proceeds of \$23,625. In connection with the exercise, an amount of \$11,233 was reclassified from reserves to share capital.
- 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 for proceeds of \$247,203. In connection with the exercise, an amount of \$15,336 was reclassified from reserves to share capital.
- On June 14, 2021, the Company issued 500,000 common shares pursuant to the exercise of 500,000 stock options with an exercise price of \$0.70 per share for proceeds of \$350,000. In connection with the exercise, an amount of \$147,790 was reclassified from reserves to share capital.

During the three months ended June 30, 2021, the Company received proceeds of \$271,714 for which common shares were issued subsequent to the three months ended June 30, 2021.

As at June 30, 2021, the balance of obligation to issue shares includes cash proceeds received of \$271,714 (March 31, 2021 - \$Nil) and long-term accounts payable to be settled of \$2,271,767 (March 31, 2021 - \$2,271,767).

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, the Company had cash of \$2,426,224 (March 31, 2021 – \$3,539,683) and working capital of \$2,383,495 (March 31, 2021 – \$3,628,556).

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 three months ended June 30, 2021 and 2020 are summarized below.

	2021	2020
Three months ended June 30,	\$	\$
Cash used in operating activities	(2,040,272)	(613,413)
Cash used in investing activities	-	(55,000)
Cash provided by financing activities	926,813	80,000
Change in cash during the period	(1,113,459)	(588,413)
Cash, beginning of the period	3,539,683	1,248,567
Cash, end of the period	2,426,224	660,154

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Operating activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, accretion expense and stock-based compensation. 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

There was no cash flows used in or provided by investing activities for the three months ended June 30, 2021.

During the three months ended June 30, 2020, cash used in investing activities related to payments of \$55,000 towards acquiring 100% interest in the Pellaire Gold project.

Financing activities

During the three months ended June 30, 2021, cash provided by financing activities included proceeds from the issuance of common shares totaling \$655,099 pursuant to the exercise of stock options and warrants during the period and proceeds received from the exercise of warrant of \$271,714 for which common shares were issued subsequent to the three months ended June 30, 2021. Refer to "Share Capital" above.

During the three months ended June 30, 2020, cash provided by financing activities included \$80,000 received from debt issuance.

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 and due to related party 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 carrying values of the CEBA loan approximate its fair value given the market rate of interest. 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 June 30, 2021, the Company had cash of \$2,426,224 to settle current liabilities of \$786,657. 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.

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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.

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 June 30, 2021, 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.

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.

For the three months ended	June 30, 2021		June 30, 2020	
Management fees ⁽¹⁾	\$	36,600	\$	37,450
Stock-based compensation		-		5,344
	\$	36,600	\$	42,794

(1) Company controlled by the President, CEO and Director - \$36,600 (2020 - \$36,000)

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As at June 30, 2021, there was \$280 (March 31, 2021 - \$280) owing to the President, CEO and Director. The amount is non-interest bearing, unsecured and due on demand.

SUBSEQUENT EVENTS

- On July 9, 2021, the Company issued 322,000 common shares pursuant to the exercise of 322,000 warrants with an exercise price of \$0.50 per warrant for proceeds of \$161,000.
- On July 15, 2021, the Company issued 4,761,154 flow-through units at a price of \$0.7425 per flow-through unit. Each flow-through 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 the closing date of the offering.
- On July 15, 2021, the Company issued 609,758 flow-through units at a price of \$0.82 per flow-through 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 the 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 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 the closing date of the offering.
- On July 15, 2021, the Company issued 159,516 finder's warrants in connection with private placements completed. 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 the date of issuance.
- On July 15, 2021, the Company issued 42,683 finder's warrants in connection with private placements completed. 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 the date of issuance.
- On July 15, 2021, the Company granted 960,000 stock options with an exercise price of \$0.70 which vested upon grant and expire 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 400,000 common shares. The cash payment of \$125,000 was advanced on May 28, 2021 and is included in the balance of prepaid expenses as at June 30, 2021.
- On August 3, 2021, the Company issued 60,202 common shares pursuant to the exercise of 60,202 warrants with an exercise price of \$0.50 per warrant for proceeds of \$30,101.
- On August 17, 2021, the Company issued 107,500 common shares pursuant to the exercise of 107,500 warrants with an exercise price of \$0.50 per warrant for proceeds of \$53,750.

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.

APPROVAL

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