

BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended December 31, 2025 and 2024

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and nine months ended December 31, 2025 and 2024

(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 March 2, 2026, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended December 31, 2025 and 2024, 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's main focus is on exploring and developing its **Dome Mountain Gold Project** located near Smithers, BC Canada, most importantly, the reopening of the underground mining operations at the **Dome Mountain Gold Mine** and the commencement of gold and silver production, achieved in October 2025.

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."

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CORPORATE HIGHLIGHTS

- In February 2025, the **Company obtained their final mine permit for its Dome Mountain Project** from the Ministry of Mining and Critical Minerals and its effluent/discharge permit from the Ministry of Environment and Parks of British Columbia for its 100% owned Dome Mountain Gold Project, allowing for initial production of up to 55,000 tonnes per year.
- Immediately after the receipt of the Mining Permit in February 2025, the Company focused on finishing last **preparatory activities and tasks related to the safe and secure opening of the Dome Mountain Gold Mine**, including the required installation of a planned water treatment facility at site.
- In February and March 2025, the Company announced the formation and strengthening respectively of a **Mining Committee of industry experts**, that was tasked with successfully guiding the Company's transition from an exploration-focused company to a near-term gold and silver producer.
- On April 16, 2025, the Company **successfully concluded the last tranche of a non-brokered financing** that totalled \$4,446,750, in order to be able to advance the Gold Mountain Gold Project to production.
- The Company holds an active milling agreement with Nicola Mining and once in mining operations, it will ship its mined mineralized material to their milling facilities at Merritt, B.C. for processing. On June 23, 2025, the Company **secured a \$2M unsecured, line of credit with Nicola Mining** enhancing financial flexibility ahead of production. The credit facility is still valid and hasn't been utilized to date, showing the financial strength of the Company's treasury.
- On July 9, 2025, the **Company officially inaugurated the Dome Mountain Gold Mine**. The celebration brought together over 100 guests from across Canada and abroad, including dignitaries from the Federal and the BC governments, as well as the local communities and the town of Smithers. In a powerful display of cultural heritage and support, 18 Hereditary Chiefs and Guardians from the Lake Babine Nation (LBN) attended the opening ceremonies.
- On September 15, 2025, the Company announced **the commissioning of the newly built state-of-the-art Water Treatment Plant** at site. The plant was designed to meet all regulatory discharge standards at a capacity of 400 litres per minute, more than six times the current requirements, ensuring ample capacity as operations scale. This robust infrastructure underscores Blue Lagoon's commitment to environmental stewardship while supporting safe and efficient underground development.
- On September 25, 2025, the Company announced the first blasting activities at the mine, **officially starting active mining operations at the Dome Mountain Gold Mine**.
- On September 29, 2025, the Company announced the **extension of its milling agreement with Nicola Mining to 10 years**, securing the efficient long-term processing of Dome Mountain Gold Mine's mineralized material.
- On December 15, 2025 the Company announced the delivery of the first mineralized material to the Nicola Mining's processing facilities at Merritt, BC, an update on the continued underground

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mining operations, as well as the fact that Blue Lagoon was selected to receive the Prospectors & Developers Association of Canada (PDAC) 2026 Sustainability Award, recognizing leadership in environmental stewardship and meaningful community relations in mining.

- On December 30, 2025, the Company announced its first gold and silver sale of approximately \$970,000 in proceeds from mineralized material that was delivered earlier December 2025 to the Company's milling partner, Nicola Mining, for processing.

Subsequent to December 31, 2025, Nicola Mining confirmed completion of its third-party processing obligations and dedicated milling capacity exclusively to Blue Lagoon's gold-rich mineralized material, supporting improved processing continuity and production throughput.

KEY OPERATING & FINACIAL ACTIVITIES

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

The following table summarizes the balance of exploration and evaluation assets as at December 31, 2025 and March 31, 2025 and the changes in exploration and evaluation assets for the periods then ended.

	<i>Dome Mountain mine</i>		<i>Total</i>
Balance, March 31, 2024	\$	22,772,809	\$ 22,772,809
Acquisition costs - cash		20,000	20,000
Acquisition costs - non-cash		25,000	25,000
Transfer to development asset		(22,817,809)	(22,817,809)
Balance, March 31, 2025 and December 31, 2025	\$	-	\$ -

During the year ended March 31, 2025, the balance of exploration and evaluation assets decreased by \$22,772,809 as a result of the reclassification of the Dome Mountain costs to mineral property development asset under property, plant and equipment.

During the three and nine months ended December 31, 2025, the Company incurred exploration and evaluation recoveries of \$22,597 and expenses of \$1,267,456, respectively, which related to the development of the Dome Mountain Mine.

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

Exploration and evaluation expenses	Three months ended December 31,		Nine months ended December 31,	
	2025	2024	2025	2024
Drilling	\$ -	\$ 12,132	\$ 19,217	\$ 17,518
Salaries and wages	-	60,261	745,385	231,195
Geological consulting	-	22,297	147,759	148,049
Environmental and permitting	-	274	7,886	30,959
Sampling and assays	-	30,278	4,506	45,521
Equipment, vehicles, and freight	18,777	947	182,166	947
Supplies and other	73,336	12,656	230,053	22,201
Total	\$ 92,113	\$ 138,845	\$ 1,336,972	\$ 496,390

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During the three months ended December 31, 2025, the Company incurred exploration and evaluation expenses of \$92,113 compared to \$138,845 during the three months ended December 31, 2024. The decrease of \$46,732 was primarily attributable to the completion of drilling, geological consulting, environmental permitting, and sampling programs undertaken in the prior year as part of pre-production development activities. Current quarter expenditures primarily relate to equipment, vehicles and freight, and supplies and other site-support costs incurred during the transition to production. The overall reduction in exploration and evaluation expenses reflects the Company's shift from development-stage activities to gold-rich mineralized material production at the Dome Mountain Mine, which commenced production on October 1, 2025.

During the nine months ended December 31, 2025, the Company incurred exploration and evaluation expenses of \$1,336,972 compared to \$496,390 during the nine months ended December 31, 2024, representing an increase of \$840,582. The increase was primarily attributable to higher salaries and wages of \$745,385 (2024 – \$231,195), reflecting the expansion of the operations team and site personnel in advance of production. Additional increases were driven by higher supplies and other expenditures and equipment, vehicles and freight costs incurred as the Company advanced underground development and completed commissioning activities at the Dome Mountain Mine. These elevated expenditures are consistent with the Company's transition from development to production, culminating in the commencement of production on October 1, 2025.

The elevated level of exploration and evaluation expenditures during the period is consistent with the Company's transition from development to production, culminating in the commencement of production on October 1, 2025.

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.

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.

The Company holds a surety bond of \$539,500 (March 31, 2025 - \$659,306) with a maturity value of \$1,079,000 related to the Dome Mountain Mine.

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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 agreed to pay an NSR equal to the greater of 1.5% or \$30,000 per annum as an advanced royalty. The Company made the annual royalty payment of \$30,000 on January 30, 2024 and 2023. In January 2025, the optionor agreed to extend the annual royalty payment to October 2, 2025.
 - As at December 31, 2024, the Dome Mountain Project had not commenced commercial production. On February 2025, the Company received permits from the Ministry of Mining and Critical Minerals and its effluent/discharge permit from the Ministry of Environment and Parks. During 2025, the Company commenced mining and shipment of gold-rich mineralized material from the Dome Mountain Project. As at December 31, 2025, the Project had transitioned from exploration and evaluation to development and production activities, however the Project has not reached commercial production. Commercial production will be achieved when the Dome Mountain Mine achieves 30+ consecutive days of operations at 75% its permitted capacity.
- 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 payment of \$20,000 on February 29, 2024. On March 4, 2025, the Company issued 70,175 common shares in settlement of the \$20,000 annual royalty payment due February 2025. The February 2026 royalty payment was paid subsequent to December 31, 2025.
- 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 Company paid the 2024 and 2025 annual royalty payments of \$25,000 on July 5, 2024 and July 3, 2025.
- Hilo Property; and
- Federal Creek Property
 - The interest in the property will be subject to a 3% NSR.

On December 15, 2023, the Company entered in an agreement with the Lake Babine Nation to restart the Dome Mountain Mine. The obligations for this agreement are as follows:

- \$10,000 in cash payable within a week from December 15, 2023 (paid)
- \$25,000 in cash payable within a week of the issuance of all Crown Authorizations for mine restart (paid subsequent to December 31, 2025)
- \$50,000 in cash payable within a week of the mine starting commercial production

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.

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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 payments totaling \$500,000, issue total of 2,000,000 common shares of Blackbird to the Company and incur \$1,500,000 in exploration and development expenditures on the property. 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%).

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 Onion Property resulting in a carrying value of \$nil.

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, impaired the property to \$nil.

As of December 31, 2025, the Company held a reclamation deposit of \$49,000 related to the Pellaire Gold Property.

OPERATING STATISTICS

Production at the Dome Mountain Mine commenced on October 1, 2025. As a result, the Company began reporting operating statistics during the period ended December 31, 2025. These metrics provide insight into mining activity, production levels and inventory build during the initial quarter of operations.

Although no revenue was recognized during the quarter, the Company mined and processed mineralized material which was recorded as inventory at period end. The following table summarizes key operating statistics for the three months ended December 31, 2025:

Operating statistics	Units	Q3 2025	Total
Mineralized material mined	tonnes	1,490	1,490
Waste mined	tonnes	4,062	4,062
Strip ratio	waste / ore	2.73	2.73
Total mined	tonnes	5,552	5,552
Gold-rich mineralized material stockpiles	tonnes		197
Mineralized material In-transit	tonnes		1,293
Finished inventory	tonnes		-

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RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended December 31, 2025 and 2024.

Three months ended December 31,	2025	2024	Change
	\$	\$	\$
General and administrative expenses	163,503	36,373	127,130
Depreciation	8,985	-	8,985
Consulting fees	143,079	37,400	105,679
Exploration expenses	92,113	138,845	(46,732)
Marketing	61,999	1,996	60,003
Professional fees	168,891	43,671	125,220
Share-based compensation	1,544,317	874,466	669,851
Total operating expenses	2,182,887	1,132,751	1,050,136
Other items			
Accretion	44,648	50,162	(5,514)
Interest income	(1,727)	(8,701)	6,974
Interest on lease liabilities	986	-	986
Fair value (gain) loss on marketable securities	(16,343)	19,500	(35,843)
Loss and comprehensive loss	2,210,451	1,193,712	1,016,739

For the three months ended December 31, 2025, the Company incurred a loss of \$2,210,451 compared to a loss of \$1,193,712 for the prior period. The increase in loss of \$1,016,739 is explained below.

General and administrative expenses

During the three months ended December 31, 2025, the Company incurred general and administrative expenses of \$163,503 compared to \$36,373 during the three months ended December 31, 2024, representing an increase of \$127,130. The increase was primarily attributable to higher corporate and administrative costs associated with the Company's transition to production, including increased travel, and administrative support required to sustain operations following the commencement of production at the Dome Mountain Mine on October 1, 2025.

Depreciation

During the three months ended December 31, 2025, the Company recognized depreciation expense of \$8,985 compared to nil in the prior-year period. The expense relates primarily to depreciation of right-of-use assets recognized in connection with lease agreements entered into during December 2025.

Consulting fees

During the three months ended December 31, 2025, the Company incurred consulting fees of \$143,079 compared to \$37,400 during the three months ended December 31, 2024, representing an increase of \$105,679. The increase was primarily attributable to higher consulting expenditures related to operational readiness activities at the Dome Mountain Mine and corporate advisory services incurred as the Company transitioned from development to production.

Exploration expenses

Exploration and evaluation expenses for the three months ended December 31, 2025 totaled \$92,113 compared to \$138,845 in the prior-year period, representing a decrease of \$46,732. The decline reflects the

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completion of drilling, geological consulting, and sampling programs conducted in the prior year as part of pre-production development activities. No comparable exploration programs were undertaken during the current quarter following the commencement of commercial production on October 1, 2025, with remaining expenditures primarily related to site-support costs.

Marketing

Marketing expenses for the three months ended December 31, 2025 totaled \$61,999 compared to \$1,996 in the prior-year period, representing an increase of \$60,003. The increase reflects expanded investor relations, corporate communications, and market awareness initiatives undertaken as the Company transitioned to production and began generating production-related milestones.

Professional fees

Professional fees for the three months ended December 31, 2025 totaled \$168,891 compared to \$43,671 in the prior-year period, representing an increase of \$125,220. The increase was primarily attributable to higher legal, accounting, and advisory costs associated with the Company's transition to production, including regulatory compliance, financing activities, and operational matters.

Share based compensation

Share-based compensation for the three months ended December 31, 2025 totaled \$1,544,317 compared to \$874,466 in the prior-year period. The increase is primarily attributable to stock options granted during the quarter, including 3,200,000 stock options granted on December 19, 2025, which vested immediately and resulted in the recognition of the associated fair value expense during the period.

Accretion expense

Accretion expense for the three months ended December 31, 2025 totaled \$44,648 compared to \$50,162 in the prior-year period, representing a decrease of \$5,514. Accretion expense primarily relates to the unwinding of the discount on the Company's asset retirement obligation and the accretion of the related party loan recognized at amortized cost. The period-over-period change reflects variations in the underlying discounted balances and timing of recognition during the respective periods.

Interest on lease liability

Interest expense on lease liabilities for the three months ended December 31, 2025 relates to lease agreements entered into during the quarter. The expense reflects financing costs associated with equipment and leases required to support the Company's transition to production.

Interest income

Interest income for the three months ended December 31, 2025 totaled \$1,727, compared to \$8,701 during the same period in 2024. The increase of \$6,974 is due to higher average cash balances.

Fair value (gain) loss on marketable securities

During the three months ended December 31, 2025, the Company recognized a fair value gain of \$16,343 on marketable securities compared to a loss of \$19,500 in the prior-year period. The change reflects fluctuations in market prices of the Company's investment holdings during the respective periods.

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The following table summarizes the Company's financial results for the nine months ended December 31, 2025 and 2024.

Nine months ended December 31,	2025	2024	Change
	\$	\$	\$
General and administrative expenses	554,955	105,841	449,114
Depreciation	8,985	-	8,985
Consulting fees	693,343	113,700	579,643
Exploration expenses	1,336,972	496,390	840,582
Marketing	118,661	2,338	116,323
Professional fees	286,284	137,318	148,966
Share-based compensation	3,107,588	874,466	2,233,122
Total operating expenses	6,106,788	1,730,053	4,376,735
Other items			
Accretion	131,388	150,484	(19,096)
Interest income	(39,972)	(31,344)	(8,628)
Interest on lease liabilities	986	-	986
Fair value (gain) loss on marketable securities	(14,925)	184,500	(199,425)
Loss and comprehensive loss	6,184,265	2,033,693	4,150,572

For the nine months ended December 31, 2025, the Company incurred a loss of \$6,184,265 compared to a loss of \$2,033,693 for the prior period. The increase in loss of \$4,150,572 is explained below.

General and administrative expenses

General and administrative expenses totaled \$554,954 compared to \$105,841 in the prior-year period, an increase of \$449,113. The increase reflects higher corporate and administrative costs required to support production activities, including travel to industry events, and increase operational support functions.

Depreciation

Depreciation of \$8,985 was recognized during the period relating to right-of-use assets associated with lease agreements entered into in December 2025. No comparable expense was recorded in the prior year.

Consulting fees

Consulting fees totaled \$693,343 compared to \$113,700 in the prior-year period, an increase of \$579,643. The increase reflects higher advisory and operational readiness costs incurred as the Company advanced underground development, commissioning, and transition to production.

Exploration expenses

Exploration and evaluation expenses totaled \$1,336,972 compared to \$496,390 in the prior-year period, an increase of \$840,582. The increase was primarily driven by higher salaries and wages, geological consulting, and site-support costs incurred during the buildout of the operations team and advancement of the Dome Mountain Mine prior to achieving production.

Marketing

Marketing expenses totaled \$118,661 compared to \$2,338 in the prior-year period, an increase of \$116,323. The increase reflects expanded investor relations and corporate communications activities as the Company transitioned to production and achieved key operational milestones.

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Professional fees

Professional fees totaled \$286,284 compared to \$137,318 in the prior-year period, an increase of \$148,966. The increase was primarily attributable to higher legal, accounting, and advisory costs associated with regulatory compliance, financing activities, and operational matters.

Share-based compensation

Share-based compensation for the nine months ended December 31, 2025 totaled \$3,661,588 (2024 – \$874,466), reflecting an increase of \$2,787,122. The increase is attributable to the issuance and vesting of equity-based awards during the period, including stock options granted on April 1, May 15, June 9, August 7, and December 19, 2025, as well as 3,000,000 restricted share units granted on December 19, 2025, which vested immediately and resulted in the recognition of the associated grant-date fair value expense during the period.

Accretion expense

During the nine months ended December 31, 2025, the Company incurred accretion expense of \$131,388 compared to \$150,484 in the prior-year period, representing a decrease of \$19,096. Accretion expense primarily relates to the Company's asset retirement obligation ("ARO") and the related party loan. The decrease is largely attributable to the updated ARO assessment completed as at March 31, 2025, which incorporated a lower discount rate and revised inflation assumptions, resulting in a lower accretion rate applied during the current period. Accretion also includes the financing component of the related party loan, which is recognized over the term of the loan.

Interest on lease liability

Interest expense on lease liabilities for the nine months ended December 31, 2025 relates to lease agreements entered into during the quarter. The expense reflects financing costs associated with equipment and leases required to support the Company's transition to production.

Interest income

Interest income totaled \$39,972 compared to \$31,344 in the prior-year period, reflecting higher average cash balances earlier in the year prior to increased production-related expenditures.

Fair value (gain) loss on marketable securities

As at December 31, 2025, the fair value of the Company's investment in Blackbird Critical Metals Corp. was \$1,957 (March 31, 2025 – \$3,375). During the nine months ended December 31, 2025, the Company recognized a fair value gain of \$14,925 compared to a fair value loss of \$184,500 in the prior-year period.

During the period, Blackbird completed a reverse takeover transaction, changed its corporate name, and effected a post-consolidation share consolidation on a 1.5:1 basis. The variance in fair value reflects changes in the quoted market price of the underlying shares following these corporate actions, as well as broader market fluctuations during the respective periods.

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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.

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
	\$	\$	\$	\$
Total revenue	-	-	-	-
Loss and comprehensive loss	(2,210,451)	(2,584,027)	(1,389,787)	(1,391,106)
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.01)	(0.01)

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
	\$	\$	\$	\$
Total revenue	-	-	-	-
Loss and comprehensive loss	(1,193,712)	(345,053)	(494,928)	(910,222)
Loss per share (basic and diluted)	(0.01)	(0.00)	(0.00)	(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. 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. The net loss increase for the three months ended December 31, 2024, was due to share-based compensation recognized in relation to the October 30, 2024 grant. The net loss increase for the three months ended March 31, 2025, was due to an increase in accretion expenses, exploration expenses and share-based compensation. Net loss increased for the three months ended June 30, 2025 due to the increase in exploration costs due to higher level of activity as the Company prepared for the Dome Mountain mine opening which took place on July 9, 2025. The increase in net loss for the quarter ended December 31, 2025 was primarily driven by higher non-cash share-based compensation expense related to equity grants issued on December 19, 2025, as well as increased operating costs associated with the Company's transition to gold-rich mineralized material production at the Dome Mountain Mine.

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	December 31, 2025	Date of report
Common shares	147,688,303	150,074,329
Restricted share units vested	2,425,000	5,425,000
Restricted share units unvested	175,000	175,000
Warrants	7,421,634	7,162,992
Stock options vested	16,098,000	12,325,000
Stock options unvested	162,500	125,000
Fully diluted shares	173,970,437	175,287,321

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For the nine months ended December 31, 2025:

- On April 29, 2025, the Company closed the fourth tranche of their non-brokered private placement issuing 8,900,000 units at a price of \$0.25 per unit, for aggregate gross proceeds of \$2,225,000. Each unit consists of one common share in the capital of the Company and one-half of 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 \$0.35 per share until April 29, 2027. A value of \$2,225,000 was allocated to the common shares in accordance with the residual value method. In connection with the non-brokered private placement, the Company incurred cash finders' fees of \$46,000 and issued 4,000 finder's warrants with an estimated fair value of \$1,281 calculated using the Black-Scholes pricing model and following inputs: risk-free interest rate of 2.56%, expected life of 2 years, annualized volatility of 135.6%, exercise price of \$0.35, and share price of \$0.45. Additionally, the Company incurred cash share issuance costs of \$115,539.
- During the nine months ended December 31, 2025, 1,589,500 common shares were issued upon the exercise of stock options, generating gross proceeds of \$648,515. Upon exercise, \$461,856 was transferred from reserves to share capital.
- During the nine months ended December 31, 2025, 3,524,567 common shares were issued upon the exercise of warrants, generating gross proceeds of \$1,325,235. Upon exercise, \$2,996 was transferred from reserves to share capital.
- During the nine months ended December 31, 2025, the Company issued 2,250,000 common shares in settlement of restricted share units ("RSUs") previously granted to key management personnel. The RSUs were fully vested, and upon settlement, the Company reclassified the related obligation to issue shares to share capital.

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As at December 31, 2025, the balance of obligation to issue shares is \$5,013,767 and includes:

- \$154,500 (March 31, 2025 - \$nil) relating to management fees owing to the President and CEO, which is classified as a liability. This amount will be settled through the issuance of common shares at the market price on the date of issuance.
- Long-term accounts payable to be settled of \$2,271,767 (March 31, 2025 - \$2,271,767) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 9). The shares will be subject to a hold period which will expire in accordance with the following schedule:
 - 10% on each of 12 and 15 months of the date of issuance
 - 15% on each of 18 and 24 months from the date of issuance; and
 - 25% on each of 30 and 36 months from the date of issuance
- \$87,500 (March 31, 2025 - \$nil) relating to restricted share units ("RSUs") that vested during the period and had not yet been settled. The Company is required to issue common shares with an equivalent value, to be settled at the market price at the time of issuance.
- \$100,000 (March 31, 2025 - \$nil) relating to 151,515 bonus common shares to be issued in connection with the related party loan described in Note 14 of the financial statements.
- \$420,000 (March 31, 2025 - \$nil) relating to the exercise of warrants for which shares had not been issued as of December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, the Company had cash of \$1,588,083 (March 31, 2025 - \$1,410,147) and working capital surplus of \$1,951,722 (March 31, 2025 - \$2,231,015). The decrease in working capital of \$279,239 was primarily attributable to increases in accounts payable and accrued liabilities, loans, deferred revenue, and obligations to issue shares, partially offset by an increase in inventory related to initial production activities and higher cash balances at period end. The period-over-period change also reflects the collection of subscriptions receivable outstanding at March 31, 2025.

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.

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(Expressed in Canadian dollars)

The Company's cash flows for the nine months ended December 31, 2025 and 2024 are summarized below.

	2025	2024
Nine months ended December 31,	\$	\$
Cash used in operating activities	(2,650,849)	(921,828)
Cash used by investing activities	(1,748,670)	(25,000)
Cash provided by financing activities	4,577,455	381,500
Change in cash during the period	177,936	(565,328)
Cash, beginning of the period	1,410,147	816,615
Cash, end of the period	1,588,083	251,287

Operating activities

Cash used in operating activities totaled \$2,650,849 compared to \$921,828 in the prior-year period. The increase in cash used reflects higher operating expenditures associated with the advancement of the Dome Mountain Mine toward and into production, including increased personnel, consulting, and site-related costs. Changes in non-cash working capital also contributed to the higher outflow, including an increase in inventory of \$1,972,550 and higher prepaid expenses, partially offset by increases in accounts payable and accrued liabilities and deferred revenue. Refer also to "Results of Operations" above.

Investing activities

Net cash used in investing activities totaled \$1,748,670 compared to \$25,000 in the prior-year period. The increase was primarily attributable to additions to property, plant and equipment of \$1,814,261, largely related to construction and infrastructure development at the Dome Mountain Mine, including expenditures associated with the water treatment plant. The prior-year period primarily reflected a royalty payment relating to the McKendrick Property.

Financing activities

Net cash provided by financing activities totaled \$4,577,455 compared to \$381,500 in the prior-year period. During the period, the Company received \$2,225,000 from the issuance of common shares in private placements, \$1,325,235 from warrant exercises, \$648,515 from stock option exercises, and \$500,000 in loan proceeds. These inflows were partially offset by share issuance costs and lease payments. The increased financing activity reflects the Company's funding requirements associated with advancing the Dome Mountain Mine to production.

The Company has not yet recognized operating revenue and therefore continues to rely on cash flows from financing activities to fund ongoing operations, working capital requirements, and development activities. Although actual underground production commenced on October 1, 2025, the timing of revenue recognition is dependent on the completion of gold sales and related settlement terms. The Company has minimal long-term debt and limited exposure to credit and interest rate risk. Accounts payable and accrued liabilities are primarily short-term and non-interest-bearing.

BLUE LAGOON RESOURCES INC.

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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. Long-term accounts payable are measured at amortized cost and approximate their carrying value. These liabilities are classified as non-current based on their contractual terms, which require settlement beyond twelve months from the reporting date.

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 December 31, 2025, the Company had cash of \$1,588,083 to settle current financial liabilities of \$2,177,799. 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 December 31, 2025, the Company does not hold any financial instruments denominated in foreign currencies; as such the Company is not exposed to currency risk.

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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.

	For the three months ended		Nine months ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Management fees ⁽¹⁾	\$ 75,000	\$ 36,000	\$ 225,000	\$ 108,000
Share-based compensation	1,980,000	683,326	1,980,000	683,326
	\$2,055,000	\$ 719,326	\$2,205,000	\$ 791,326

⁽¹⁾ R2A2 Holdings Inc, companies controlled by Rana Vig, President, CEO and Director

As at December 31, 2025, accounts payable and accrued liabilities include \$50,200 (March 31, 2025 - \$36,000) in connection with consulting fees and \$32,874 (March 31, 2025 - \$30,163) in connection with expense reimbursements owing to the President, CEO and director of the Company. The amount payable is unsecured, non-interest bearing and has no fixed terms of repayment. As at December 31, 2025, the Company has also recorded \$154,500 (March 31, 2025 - \$nil) as an obligation to issue shares to the President and CEO in connection with management fees to be settled through the issuance of shares. In addition, the Company has recorded \$100,000 as an obligation to issue 151,515 common shares in connection with the related party loan described above, which remain outstanding as at December 31, 2025.

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.