

BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended September 30, 2025 and 2024

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 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 December 1, 2025, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended September 30, 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 as a Subsequent Event 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.

Subsequent to September 30, 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 mining

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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.

KEY OPERATING & FINANCIAL 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 September 30, 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 September 30, 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 six months ended September 30, 2025, the Company incurred exploration and evaluation expenses of \$584,970 and \$1,147,121, 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 September 30,		Six months ended September 30,	
	2025	2024	2025	2024
Drilling	\$ -	\$ 2,072	\$ 19,217	\$ 5,386
Salaries and wages	379,246	105,659	745,385	170,934
Geological consulting	73,726	33,466	147,759	125,752
Environmental and permitting	7,078	1,575	7,886	30,685
Sampling and assays	3,440	47	4,506	15,243
Equipment, vehicles, and freight	70,848	-	163,389	-
Supplies and other	148,370	5,228	156,717	9,545
Total	\$ 682,708	\$ 148,047	\$ 1,244,859	\$ 357,545

During the three months ended September 30, 2025, the Company incurred exploration and evaluation expenses of \$682,708 compared to \$148,047 during the three months ended September 30, 2024. The increase was primarily driven by higher salaries and wages of \$379,246 (2024 - \$105,659) as the Company continued to add personnel to support pre-production activities. The increase also reflects higher geological consulting costs, environmental and permitting expenditures, sampling and assays, supplies, and other

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operating support costs, consistent with the elevated level of activity as the Dome Mountain Mine advanced towards production.

During the six months ended September 30, 2025, the Company incurred exploration and evaluation expenses of \$1,244,859 compared to \$357,545 during the six months ended September 30, 2024. The increase is largely due to higher salaries and wages of \$745,385 (2024 - \$170,934), reflecting the continued buildout of the operational team ahead of commercial production. Increased geological consulting, and supplies and other expenditures also contributed to the overall increase. The increase is consistent with the Company's continuous efforts advancing towards production and achieving the following key milestones at Dome Mountain: opening of the Dome Mountain mine and commencement of pre-production work on July 9, 2025, first underground blast on September 25, 2025, and commencement of underground mining marking the official transition from development to production stage 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.

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 on or before October 1, 2025 (paid subsequent to September 30, 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.

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- 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
- 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 September 30, 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.

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.

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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 September 30, 2025, the Company held a reclamation deposit of \$49,000 related to the Pellaire Gold Property.

RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended September 30, 2025 and 2024.

Three months ended September 30,	2025	2024	Change
	\$	\$	\$
General and administrative expenses	152,573	38,966	113,607
Consulting fees	354,426	36,450	317,976
Exploration expenses	682,708	148,047	534,661
Marketing	38,745	120	38,625
Professional fees	94,795	66,157	28,638
Share-based compensation	1,231,377	-	1,231,377
Total operating expenses	2,554,624	289,740	2,264,884
Other items			
Accretion	43,371	50,161	(6,790)
Interest income	(15,200)	(9,848)	(5,352)
Fair value gain (loss) on marketable securities	1,232	15,000	(13,768)
Loss and comprehensive loss	2,584,027	345,053	2,238,974

For the three months ended September 30, 2025, the Company incurred a loss of \$2,584,027 compared to a loss of \$345,053 for the prior period. The increase in loss of \$2,238,974 is explained below.

General and administrative expenses

During the three months ended September 30, 2025, the Company incurred general and administrative expenses of \$152,573 compared to \$38,966 during the three months ended September 30, 2024, representing an increase of \$113,607. The increase is primarily due to higher travel and administrative costs associated with participation in investor events and mining industry conferences as the Company prepares for production.

Consulting fees

During the three months ended September 30, 2025 and 2024, the Company incurred consulting fees of \$354,426 and \$36,450, respectively. The increase of \$317,976 is due to higher consulting expenditures related to operational readiness activities for the Dome Mountain Mine and corporate advisory services.

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Exploration expenses

Exploration expenses incurred for the three months ended September 30, 2025 totaled \$682,708 (2024 - \$148,047). The increase of \$534,661 reflects higher activity levels as the Company advances preparatory work for the Dome Mountain Mine, including increased staffing, geological consulting, environmental and permitting work, sampling and assays, supplies, and equipment-related costs. Refer to "Exploration Projects" for additional detail.

Marketing

The Company incurred marketing expenses of \$38,745 during the three months ended September 30, 2025 compared to \$120 during the same period in 2024. The increase of \$38,625 is due to expanded marketing efforts, including third-party services to enhance investor engagement, corporate visibility, and news dissemination.

Professional fees

Professional fees for the three months ended September 30, 2025 totaled \$94,795 (2024 - \$66,157), representing an increase of \$28,638. The increase reflects the timing of legal, accounting, and corporate compliance activities during the quarter.

Share based compensation

Share-based compensation for the three months ended September 30, 2025 totaled \$1,231,377 (2024 - \$nil). The increase is attributable to the vesting of stock options during the period, including 3,500,000 options granted on August 7, 2025 that vested immediately.

Accretion expense

During the three months ended September 30, 2025, the Company incurred accretion expense of \$43,371 compared to \$50,161 during the same period in 2024, a decrease of \$6,790. The decrease reflects the impact of the updated asset retirement obligation ("ARO") assessment completed at March 31, 2025, including the application of a lower discount rate and updated inflation assumptions, which reduced the accretion rate applied to the ARO during the current period.

Interest income

Interest income for the three months ended September 30, 2025 totaled \$15,200, compared to \$9,848 during the same period in 2024. The increase of \$5,352 is due to higher average cash balances.

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The following table summarizes the Company's financial results for the six months ended September 30, 2025 and 2024.

Six months ended September 30,	2025	2024	Change
	\$	\$	\$
General and administrative expenses	391,452	69,468	321,984
Consulting fees	550,264	76,300	473,964
Exploration expenses	1,244,859	357,545	887,314
Marketing	56,662	342	56,320
Professional fees	117,393	93,647	23,746
Share-based compensation	1,563,271	-	1,563,271
Total operating expenses	3,923,901	597,302	3,326,599
Other items			
Accretion	86,740	100,322	(13,582)
Interest income	(38,245)	(22,643)	(15,602)
Fair value gain (loss) on marketable securities	1,418	165,000	(163,582)
Loss and comprehensive loss	3,973,814	839,981	3,133,833

For the six months ended September 30, 2025, the Company incurred a loss of \$3,973,814 compared to a loss of \$839,981 for the prior period. The increase in loss of \$3,133,833 is explained below.

General and administrative expenses

During the six months ended September 30, 2025, the Company incurred general and administrative expenses of \$391,452 compared to \$69,468 during the six months ended September 30, 2024, representing an increase of \$321,984. The increase reflects higher travel, office, and administrative costs associated with participation in investor events and mining industry conferences.

Consulting fees

During the six months ended September 30, 2025 and 2024, the Company incurred consulting fees of \$550,264 and \$76,300, respectively. The increase of \$473,964 is primarily due to additional consulting services related to operational readiness and corporate development activities.

Exploration expenses

Exploration expenses for the six months ended September 30, 2025 totaled \$1,244,859 (2024 - \$357,545), representing an increase of \$887,314. The increase reflects higher levels of activity as the Company advances preparatory work at the Dome Mountain Mine, including increased staffing, geological consulting, environmental and permitting costs, sampling and assays, supplies, and equipment-related expenditures. Refer to "Exploration Projects" for further detail.

Marketing

Marketing expenses increased to \$56,662 for the six months ended September 30, 2025, compared to \$342 for the six months ended September 30, 2024. The increase of \$56,320 reflects expanded marketing initiatives, including third-party services aimed at enhancing investor engagement, corporate visibility, and news dissemination.

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Professional fees

Professional fees for the six months ended September 30, 2025 totaled \$117,393 (2024 - \$93,647), representing an increase of \$23,746. The change reflects the timing and nature of legal, accounting, and corporate compliance work during the period.

Share-based compensation

Share-based compensation for the six months ended September 30, 2025 totaled \$1,563,271 (2024 – \$nil), reflecting an increase of \$1,563,271. The increase is due to the issuance and vesting of equity-based awards during the period, including stock options granted on April 1, May 15, June 9, and August 7, 2025.

Accretion expense

During the six months ended September 30, 2025, the Company incurred accretion expense of \$86,740, compared to \$100,322 during the same period in 2024, a decrease of \$13,582. The decrease is attributable to the updated asset retirement obligation assessment completed at March 31, 2025, which incorporated a lower discount rate and updated inflation assumptions, resulting in a lower accretion rate applied to the ARO during the current period.

Interest income

The Company earns interest income on cash and deposit balances. Interest income increased to \$38,245 for the six months ended September 30, 2025, compared to \$22,643 for the prior period, an increase of \$15,602 due to higher average cash balances.

Fair value gain (loss) on marketable securities

As at September 30, 2025, the fair value of the Company's investment in Blackbird Critical Metals Corp. was \$1,957 (March 31, 2025 - \$3,375). The Company recognized a fair value loss on marketable securities of \$1,418 during the six months ended September 30, 2025, compared to a \$165,000 loss during the six months ended September 30, 2024. The variance reflects changes in the market price of Blackbird shares.

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.

	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
	\$	\$	\$	\$
Total revenue	-	-	-	-
Loss and comprehensive loss	(2,584,027)	(1,389,787)	(1,391,106)	(1,193,712)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.01)

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
	\$	\$	\$	\$
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)

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 six months ended September 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

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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 September 30, 2025 compared to the prior period due to the higher level of activity as the Company prepared for the Dome Mountain Mine opening, which took place on July 9, 2025, resulting in increased exploration and evaluation expenses, consulting costs, administrative expenses, and share-based compensation.

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	September 30, 2025	Date of report
Common shares	144,439,712	144,539,712
Restricted share units vested	175,000	175,000
Restricted share units unvested	175,000	175,000
Warrants	11,630,725	11,630,725
Stock options vested	13,037,500	13,200,000
Stock options unvested	262,500	225,000
Fully diluted shares	169,720,437	169,720,437

For the six months ended September 30, 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 \$19,203.
- During the six months ended September 30, 2025, 1,350,000 common shares were issued upon exercise of 1,350,000 stock options for proceeds of \$556,000. Upon exercise, the Company transferred \$405,786 from reserves to share capital.
- During the six months ended September 30, 2025, 515,476 common shares were issued upon exercise of 515,476 warrants for gross proceeds of \$84,962. Upon exercise, a fair value of \$2,996 was transferred from reserves to share capital.
- During the six months ended September 30, 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 September 30, 2025, the balance of obligation to issue shares is \$2,476,267 and includes:

- 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. 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
- The balance also includes \$117,000 related to management fees owing to the President and CEO, which is classified as a current liability. This amount is to be settled through the issuance of common shares at the market price on 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.

As at March 31, 2025, the balance of obligation to issue shares includes:

- long-term accounts payable to be settled of \$2,271,767 (March 31, 2024 - \$2,271,767) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project. 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
- \$393,750 (March 31, 2024 - \$nil) in connection with 2,250,000 common shares to be issued upon vesting of RSUs on February 6, 2025.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2025, the Company had cash of \$1,600,678 (March 31, 2025 - \$1,410,147) and working capital surplus of \$1,386,581 (March 31, 2025 - \$2,231,015). The decrease in working capital of \$844,434 during the six months ended September 30, 2025 is primarily due to an increase in accounts payable and accrued liabilities as well as an increase in obligation to issue shares, partially offset by an increase in prepaid expenses of \$526,769 and an increase in cash of \$190,531.

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.

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The Company's cash flows for the six months ended September 30, 2025 and 2024 are summarized below.

Six months ended September 30,	2025	2024
	\$	\$
Cash used in operating activities	(1,288,838)	(685,232)
Cash used by investing activities	(1,271,054)	(25,000)
Cash provided by financing activities	2,750,423	-
Change in cash during the period	190,531	(710,232)
Cash, beginning of the period	1,410,147	816,615
Cash, end of the period	1,600,678	106,383

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, 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

Investing activities for the six months ended September 30, 2025 totalled \$1,271,054 which relate mostly to additions to property, plant and equipment in connection with the development of the Dome Mountain property. During the six months ended September 30, 2025, the Company incurred \$944,993 in construction costs associated to the water treatment plant at the Dome Mountain mine.

During the six months ended September 30, 2025, there was an advanced royalty payment of \$25,000 (2024 - \$25,000) in relation to the royalty payments on the McKendrick Property which was capitalized to the Dome Mountain project.

Financing activities

During the six months ended September 30, 2025, the Company received gross proceeds of \$2,225,000 from the issuance of common shares in connection with the closing of private placements and incurred \$115,539 in cash share issuance costs. The Company also received \$556,000 from the exercise of stock options and \$84,962 from the exercise of common share purchase warrants.

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

The Company has no operating revenues and therefore must utilize its cashflows from financing transactions to maintain its capacity to meet ongoing operating activities. The Company has minimal debt, and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2025 and 2024

(Expressed in Canadian dollars)

FINANCIAL INSTRUMENTS AND RISKS

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

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at September 30, 2025, the Company had cash of \$1,600,678 to settle current financial liabilities of \$855,201. 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, 2025, the Company does not hold any financial instruments denominated in foreign currencies; as such the Company is not exposed to currency risk.

BLUE LAGOON RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2025 and 2024

(Expressed in Canadian dollars)

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 September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Management fees ⁽¹⁾	\$ 114,000	\$ 36,000	\$ 150,000	\$ 72,000
	\$ 114,000	\$ 36,000	\$ 150,000	\$ 72,000

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

As at September 30, 2025, accounts payable and accrued liabilities include \$37,800 (March 31, 2025 - \$36,000) in connection with consulting fees and \$151,462 (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 September 30, 2025, the Company has also recorded \$117,000 (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.

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.