BLUE LAGOON RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended June 30, 2026 and 2025

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 31, 2026, and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended June 30, 2026 and 2025, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of Blue Lagoon Resources Inc. ("Blue Lagoon" or the "Company") unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding future results of operations, performance, and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties, and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

DESCRIPTION OF BUSINESS

The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on March 17, 2017. The Company is a Canadian gold and silver producer engaged in the mining, development, and exploration of mineral resource properties in British Columbia, Canada. The Company's flagship asset is its 100%-owned Dome Mountain Gold and Silver Project located near Smithers, BC, operated through its wholly-owned subsidiary, Gavin Mines Inc. The Dome Mountain Mine achieved commercial production on May 19, 2026. Mineralized material extracted at the mine is processed under a long-term toll milling agreement with Nicola Mining Inc. at its Merritt, British Columbia facility, with the resulting gold and silver concentrate sold to Ocean Partners Holdings Ltd. under a offtake arrangement.

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."

CORPORATE HIGHLIGHTS

In February 2025, the Company received the final mine and effluent discharge permits for its 100%-owned Dome Mountain Gold Project, authorizing initaial production of up to 55,000 tonnes annually. Following receipt of the permits, the Company completed the remaining infrastructure and operational preparations required to commence mining, including construction and commissioning of its on-site water treatment facility. During 2025, the Company also completed a $5.26 million non-brokered financing, secured a $2.0 million unsecured line of credit from Nicola Mining Inc., and extended its toll milling agreement with Nicola Mining to ten years. Underground mining operations commenced in September 2025, followed by the first delivery of mineralized material to Nicola Mining's Merritt processing facility in December 2025 and the Company's first gold and silver sale later that month.

During 2026, the Company continued to ramp up underground operations at Dome Mountain, achieving approximately 100 tonnes per day and gold recoveries of approximately 93.4% through its toll milling arrangement with Nicola Mining. By April 2026, cumulative concentrate sales had reached approximately US$4.1 million as the Company advanced toward its targeted production rate of 150 tonnes per day. On May 19, 2026, the Company announced that Dome Mountain had achieved commercial production following sustained underground mining rates above 100 tonnes per day for more than 30 consecutive days. During the period, Ocean Partners UK Limited, the Company's concentrate offtaker, also agreed to make a strategic equity investment in Blue Lagoon at market price, further aligning the Company's mining, milling and offtake partners. The Company's progress at Dome Mountain was additionally recognized through receipt of the 2026 PDAC Sustainability Award for its environmental stewardship and partnership with the Lake Babine Nation.

KEY OPERATING & FINANCIAL ACTIVITIES

OPERATING STATISTICS

Underground mining at the Dome Mountain Mine commenced in September 2025, with production taking place during fiscal 2026 and commercial production levels achieved on May 19, 2026. As a result, the Company began reporting operating statistics during the period ended March 31, 2026. These metrics provide insight into mining activity and production levels for the three months ended June 30, 2026, year ended March 31, 2026.

During the period, the Company mined 7,738 tonnes of mineralized material and delivered 7,827 dry tonnes to Nicola Mining Inc. for toll milling (year ended March 31, 2026 – 5,953 tonnes of mineralized material and delivered 5,577 tonnes). Revenue of $4,812,244 was recognized during the year from the sale of gold and silver ore, representing the Company's proportionate share of gross proceeds from ore deliveries to Nicola Mining Inc. for processing. Revenue is recognized at the point of delivery to the mill based on estimated payable metal content and prevailing gold and silver market prices, with final pricing determined over the quotational period following shipment.

(Expressed in Canadian dollars)

The following table summarizes key operating statistics for the three months ended June 30, 2026:

Operating statistics	**Units**	**Apr-Jun 2026**
Mineralized material mined	tonnes	7,738
Waste mined	tonnes	15,176
Total mined	**tonnes**	**22,914**
Mineralized material milled	tonnes	5,712
Concentrate produced	tonnes	349

The following table summarizes key operating statistics for the year ended March 31, 2026:

Operating statistics	**Units**	**Oct-Dec 2025**	**Jan-Mar 2026**	**Year ended Mar 31, 2026**
Mineralized material mined	tonnes	1,490	4,463	5,953
Waste mined	tonnes	4,287	5,394	9,681
Total mined	**tonnes**	**5,777**	**9,857**	**15,634**
Mineralized material milled	tonnes	-	5,577	5,577
Concentrate produced	tonnes	-	341	341

RESULTS OF OPERATIONS

The following table summarizes the Company's financial results for the three months ended June 30, 2026, and 2025.

Three months ended June 30,	**2026 $**	**2025 $**	**Change $**	**Change %**
Revenue	4,812,244	-	4,812,244	100%
Cost of revenue	3,152,762	-	3,152,762	100%
Gross Profit	**1,659,482**	**-**	**1,659,482**	**100%**
General and administrative expenses	219,300	238,879	(19,579)	-8%
Depreciation	28,122	-	28,122	100%
Consulting fees	46,459	195,838	(149,379)	-76%
Exploration expenses	-	562,151	(562,151)	-100%
Marketing	56,848	17,917	38,931	217%
Mine Operating Expenses	220,006	-	220,006	100%
Professional fees	117,802	22,598	95,204	421%
Share-based compensation	138,540	331,894	(193,354)	-58%
Total operating expenses	**827,077**	**1,369,277**	**(542,200)**	**-40%**

(Expressed in Canadian dollars)

Three months ended June 30,	2026 $	2025 $	Change $	Change %
Other items				
Accretion	101,940	43,369	58,571	135%
Interest income	(3,384)	(23,045)	19,661	-85%
Interest on lease liabilities	9,116	-	9,116	100%
Reversal of impairment	(500,000)	-	(500,000)	100%
Fair value (gain) loss on marketable securities	-	186	(186)	-100%
Loss and comprehensive loss (income)	**(1,224,733)**	**1,389,787**	**(2,614,520)**	**-188%**

For the three months ended June 30, 2026, the Company had net income of $1,224,733 compared to a loss of $1,389,787 for the prior period. The decrease in loss of $2,614,520 is explained below.

Revenue and cost of revenue

Revenue of $4,812,244 was recognized during the three months ended June 30, 2026 representing the Company's share of proceeds from the sale of gold and silver mineralized material produced at the Dome Mountain Mine and received by Nicola Mining Inc. There was no revenue in the prior period as production had not yet commenced. Cost of revenue of $3,152,762 represents the inventory production, trucking, and production overhead costs associated with gold and silver mineralized material sold during the year, including depreciation of mining production assets of $287,631 capitalized to inventory and recognized in cost of sales. This resulted in gross profit of $1,659,482 for the year. Gross profit during the year reflects the early-stage ramp-up of mining operations, during which the Company incurred higher unit costs associated with mine start-up activities and significant underground development work. This development work was undertaken to establish access to additional mining areas and support more consistent and efficient production as the operation progresses toward steady-state conditions.

General and administrative expenses

General and administrative expenses decreased by $19,579 (5%) to $219,300, primarily driven by lower office and general costs ($116,636), travel ($7,255), and investor relations and regulatory fees ($32,307), reflecting the significant decrease in corporate level activity is associated with the Company's transition to active production and prioritizing further development the Dome Mountain Mine site.

Depreciation

Depreciation of $28,122 was recognized for the three months ended June 30, 2026. This represents depreciation of right-of-use assets and other non-production assets not capitalized through inventory. During the three months ended June 30, 2025, the Company did not recognize depreciation since the assets did not meet the criteria required to commence depreciation until January 18, 2026.

Consulting fees

Consulting fees decreased by $149,379 (76%) to $46,459, due to the Company focusing their cash resources on developing new areas of the Dome Mountain Mine site. Consequently, consulting fees incurred during the three months ended June 30, 2026 were capitalized or recognized under mine operating expenses. Consulting fees incurred during the three months ended June 30, 2025 relate to operational and strategic consulting activity supporting the production ramp-up at the Dome Mountain Mine.

Exploration expenses
Exploration expenses decreased by $562,151 (100%) to nil. Upon recognition of a mine development asset and subsequent reclassification to a mine asset, all Dome Mountain expenditures were capitalized as mine development costs or expensed through cost of revenue. The prior year balance of $562,151 primarily consisted of salaries and wages, geological consulting, and supplies costs incurred in advancing the property toward production.

Marketing
Marketing expenses increased by $38,931 (217%) to $56,848, primarily reflecting the engagement of a marketing and corporate awareness program during the period to support the Company's change in status from exploration to production.

Mine operating expenses
Mine operating expenses of $220,006 were incurred for the first time in the current period, representing site-level operating costs at the Dome Mountain Mine not directly attributable to the production of inventory, including site management services, technical and environmental consulting, supplies, and crew accommodation.

Professional fees
Professional fees increased by $95,204 (421%) to $117,802, reflecting higher audit, legal, and compliance costs associated with the Company's increased operational activity and reporting obligations as a producing company.

Share-based compensation
Share-based compensation decreased by $193,354 (58%) to $138,540, driven by a lower volume and value of equity grants during the year compared to the prior period. During the three months ended June 30, 2025, the Company granted stock options on April 1, May 15, and June 9, 2025,.

Accretion expense
Accretion expense of $101,940 increased by $58,571 as compared with the prior quarter accretion expense of $43,369, representing the unwinding of the discount on the asset retirement obligation of $60,750, the unwinding of the discount on the long-term accounts payable of $9,677, and the financing component of the related party loans of $31,513. During the year ended March 31, 2026, the Company completed an updated ARO assessment reflecting revised cost estimates for site reclamation and closure activities at the Dome Mountain Mine, resulting in a change in estimate of $1,016,508 which increased the ARO balance to $7,465,623 (March 31, 2025 - $6,275,637). The updated estimate reflects an increase in the total undiscounted cash flows from $6,641,203 to $8,072,147, discounted at a revised rate of 3.30% (2025 - 2.81%) and adjusted for inflation at 2.20% (2025 - 2.14%). The change in estimate was capitalized to the mineral property development asset and does not impact the income statement.

Interest on lease liabilities
Interest on lease liabilities of $9,116 was recognized for the first time compared to prior quarter. The increase is due to recognition of new leases subsequent to June 30, 2025.

Interest income
Interest income of $3,384 decreased by $19,661 (85%) with the prior year ($23,045).

(Expressed in Canadian dollars)

Fair value (gain) loss on marketable securities
A fair value loss of $nil was recognized in the current year compared to a loss of $186 in the prior year, representing the change in fair value of the Company's investment in LIR Life Sciences Corp. (formerly Blackbird Critical Metals Corp.).

MINERAL PROPERTY ASSET

Cost		*Mineral property development asset*	*Mine asset*
Balance, March 31, 2025	**$**	**20,093,163**	**-**
Additions		4,588,937	-
Change in estimate of asset retirement obligation		1,016,508	-
Transfer to mine asset [1]		(25,698,608)	25,698,608
Balance, March 31, 2026	**$**	**-**	**25,698,608**
Additions		-	3,477,857
Balance, June 30, 2026	**$**	**-**	**29,176,465**
Accumulated depreciation			
Balance, March 31, 2025	**$**	**-**	**-**
Additions		-	166,484
Balance, March 31, 2026	**$**	**-**	**166,484**
Additions		-	348,355
Balance, June 30, 2026	**$**	**-**	**514,839**
Net Book Value			
March 31, 2026	**$**	**-**	**25,532,124**
June 30, 2026	**$**	**-**	**28,661,626**

As at June 30, 2026 the Company had mine assets of $28,661,626 (March 31, 2025 - $25,532,124) relating to the capitalized costs of the Dome Mountain Mine. During the three months ended June 30, 2026 the Company incurred $3,477,857 in additions to the mine asset relating to the new developments within the Dome Mountain Mine.

(Expressed in Canadian dollars)

EXPLORATION AND EVALUATION ASSET

The following table summarizes the balance of exploration and evaluation assets as at June 30, 2026, and March 31, 2026, and the changes in exploration and evaluation assets for the periods then ended.

		Dome Mountain mine		***Big Onion mine***		***Total***
Balance, March 31, 2025 and March 31, 2026	**$**	**-**	**$**	**-**	**$**	**-**
Reversal of impairment		-		500,000		500,000
Assignment of consideration		-		(150,000)		(150,000)
Balance, June 30, 2026	**$**	**-**	**$**	**350,000**	**$**	**350,000**

During the year ended March 31, 2025, the balance of exploration and evaluation assets decreased by $19,840,826 as a result of the reclassification of the Dome Mountain costs to mineral property development asset under property, plant and equipment.

During the year ended March 31, 2026, the Company did not incur any exploration and evaluation expenses, as the Dome Mountain property transitioned to active mine development ahead of the commencement of production on January 18, 2026. Costs incurred during the year related to the development of the Dome Mountain Mine were capitalized as mine development costs. This compares to $562,151 in exploration and evaluation expenses during the three months ended June 30, 2025, which primarily consisted of salaries and wages, geological consulting, and supplies costs incurred in advancing the property toward production.

During the three months ended June 30, 2026, the Company recorded a reversal of impairment with respect to the above option to purchase agreement of $500,000. $150,000 was received in cash in relation to this agreement during the three months ended June 30, 2026, resulting in a carrying value of $350,000.

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

	Three months ended June 30,			
Exploration and evaluation expenses		**2026**		**2025**
Drilling	$	-	$	19,217
Salaries and wages		-		366,139
Geological consulting		-		74,033
Environmental and permitting		-		808
Sampling and assays		-		1,066
Equipment, vehicles, and freight		-		92,541
Supplies and other		-		8,347
Total	**$**	**-**	**$**	**562,151**

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 details 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 has made payments of $1,289,500 (March 31, 2025 - $nil) towards a surety bond of $1,579,000 related to the Dome Mountain Mine, and held reclamation deposits of $28,000 (March 31, 2025 - $638,306) related to the Dome Mountain Mine.

The Company's remaining commitments relating to the surety bond are as follows:

- $716,667 due December 31, 2026
- $716,667 due December 31, 2027
- $716,667 due December 31, 2028

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

- Dome Mountain Project
  - Upon the property commencing commercial production, the Company agreed to pay an NSR equal to the greater of 1.5% or $30,000 per annum as an advanced royalty. Commercial production is reached once the Company mines an average of 100 tonnes per day for more than 30 consecutive days.
  - During the year ended March 31, 2026, the Company commenced mining and shipment of gold-rich mineralized material from the Dome Mountain Project.

- 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. The Company has the right to purchase 1% of the NSR for the aggregate sum of $1,000,000. On March 4, 2025, the Company issued 70,175 common shares in settlement of the $20,000 annual royalty payment due February 2025.
  - As of June 30, 2026, the Freegold Property has not commenced production

- 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.
  - As of June 30, 2026, the Freegold Property has not commenced production

- Hilo Property; and
  - As of June 30, 2026, the Freegold Property has not commenced production

- Federal Creek Property
    - The interest in the property will be subject to a 3% NSR.
    - As of June 30, 2026, the Freegold Property has not commenced production

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)
- $50,000 in cash payable within a week of the mine starting commercial production (accrued)

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.

The Company entered into an agreement dated April 7, 2026, and amended June 30, 2026, whereby the Company granted a British Columbia company the option to purchase the Big Onion project. The option may be exercised in exchange for payment to the Company of $500,000 in cash over two years and the issuance of 2,000,000 shares of the British Columbia company payable over three years subject to the British Columbia company completing a going public transaction within a prescribed period of time. In addition, the British Columbia company must incur at least $2,000,000 of exploration expenditures on the property within four years in order to complete the exercise of the option. The Company will retain a 1.125% net smelter returns royalty on the Big Onion property, which may be reduced at the rate of $250,000 per 0.25%. As of result of this agreement, the Company recorded a reversal of impairment of $500,000. During the three months ended June 30, 2026, the Company received $150,000 in cash towards the purchase of the Big Onion project.

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

(Expressed in Canadian dollars)

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 June 30, 2026, the Company held a reclamation deposit of $21,000 related to the Pellaire Gold Property.

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.

	June 30, 2026 $	March 31, 2026 $	December 31, 2025 $	September 30, 2025 $
Total revenue	4,812,244	3,719,524	-	-
Comprehensive income (loss)	1,224,733	(626,398)	(2,210,451)	(2,584,027)
Loss per share (basic and diluted)	0.01	(0.00)	(0.02)	(0.02)

	June 30, 2025 $	March 31, 2025 (Restated) $	December 31, 2024 (Restated) $	September 30, 2024 (Restated) $
Total revenue	-	-	-	-
Comprehensive income (loss)	(1,389,787)	(1,430,114)	(1,232,720)	(384,061)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.00)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's results have been significantly influenced by non-cash items, changes in exploration and development activity, and the commencement of production on January 18, 2026, with the initial ramp-up period taking place between September 24, 2025, and January 17, 2026.

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, due to a decrease in exploration costs driven by reduced activity. The net loss increased for the three months ended December 31, 2024, due to share-based compensation recognized in relation to the October 30, 2024, grant. The net loss increased for the three months ended March 31, 2025, due to increases in accretion expense, exploration expenses, and share-based compensation.

Net loss increased for the three months ended June 30, 2025, due to higher exploration and development costs as the Company advanced preparations for the opening of the Dome Mountain Gold Mine, which was officially inaugurated on July 9, 2025. Net loss increased for the three months ended September 30, 2025, due to higher development activity at the Dome Mountain Mine, including the commencement of underground mining operations on September 25, 2025, and share-based compensation related to equity grants issued on September 29, 2025. The net loss increased significantly for the three months ended December 31, 2025, primarily driven by higher non-cash share-based compensation related to equity grants issued on December 19, 2025, as well as increased operating costs associated with the Company's transition to active production at the Dome Mountain Mine.

(Expressed in Canadian dollars)

For the three months ended March 31, 2026, the Company recorded a net loss of $626,398 compared to a net loss of $2,210,451 for the three months ended December 31, 2025. During the three months ended March 31, 2026, the Company recognized revenue of $3,719,524 and gross profit of $484,194 from gold and silver ore sales for the first time, and a recovery of exploration expenses of $1,336,972 reflecting the reclassification of costs upon determination of the January 18, 2026 production date, the net loss position was primarily driven by share-based compensation of $1,465,779 which includes a charge of $1,387,574 relating to stock options granted on March 20, 2026. Gross profit during the year reflects the early-stage ramp-up of mining operations, during which the Company incurred higher unit costs associated with mine start-up activities and significant underground development work. This development work was undertaken to establish access to additional mining areas and support more consistent and efficient production as the operation progresses toward steady-state conditions.

For the three months ended June 30, 2026, the Company recorded net income of $1,224,733 compared to a net loss of $626,398 for the three months ended March 31, 2026. During the three months ended June 30, 2026, the Company recognized revenue of $4,812,244 and gross profit of $1,659,482 from gold and silver ore sales for the first time. Gross profit during the year reflects the ramp-up of mining operations, during which the Company incurred costs associated with mine start-up activities and significant underground development work. This development work was undertaken to establish access to additional mining areas and support more consistent and efficient production as the operation progresses toward steady-state conditions. Costs associated to this development work were partially capitalized to the mine asset and will be amortized based on units of production.

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, 2026	Date of report
Common shares	156,563,934	175,611,888
Restricted share units vested	350,000	-
Restricted share units unvested	-	-
Warrants	6,843,350	6,843,350
Stock options vested	14,871,000	13,811,000
Stock options unvested	-	-
Fully diluted shares	**178,628,284**	**196,266,238**

For the three months ended June 30, 2026:

- On May 19, 2026, the Company issued 3,333,333 common shares at a price of $0.90 per common share for aggregate proceeds of $3,000,000.

- During the three months ended June 30, 2026, 1,559,000 common shares were issued upon the exercise of stock options, generating gross proceeds of $542,631. Upon exercise, $333,661 was transferred from reserves to share capital. The weighted average share price on exercise date was $0.35,

- During the three months ended June 30, 2026, 119,545 common shares were issued upon the exercise of warrants, generating gross proceeds of $42,717. Upon exercise, $717 was transferred from reserves to share capital.

- During the three months ended June 30, 2026, 22,240 warrants were exercised whose shares had yet to be issued, gross proceeds of $7,784 were received related to these exercises and were classified as obligation to issue shares as of June 30, 2026.

As at June 30, 2026, the balance of obligation to issue shares recognized as equity is $2,075,665 and includes:

- $192,000 (March 31, 2026 - $192,000) relating to management fees owing to the President and CEO. 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 $1,539,843 (March 31, 2026 - $1,539,843) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 12).
- $175,000 (March 31, 2026 - $175,000) relating to restricted share units ("RSUs") that vested during the period and had not yet been settled.
- $115,867 (March 31, 2026 - $115,867) relating to equity instruments issuable as consideration for the related party loans described in Note 14, comprising: (i) 151,515 common shares issuable under the December 2025 loan; and (ii) 129,870 common shares issuable under the March 2026 loan. All instruments remain unissued as at June 30, 2026.
- $45,171 (March 31, 2026 – $45,171) relating to the exercise of options for which shares had not been issued as of June 30, 2026.
- $7,784 (March 31, 2026 - $nil) relating to the exercise of warrants for which shares had not been issued as of June 30, 2026

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2026, the Company had cash of $1,213,382 (March 31, 2026 - $851,764) and a working capital surplus of $1,736,275 (March 31, 2025 - working capital deficit of $1,693,674). The increase in working capital of $3,429,949 was primarily driven by a significant increase in inventory of $3,962,362 from $155,685 to $4,118,047 reflecting the Company's transition to producer status as ore is mined at the Company's operational mines. These were partially offset by an increase in payables of $369,191 reflecting production-related payables outstanding at period end.

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.

(Expressed in Canadian dollars)

The Company's cash flows for the three months ended June 30, 2026, and 2025 are summarized below.

Three months ended June 30,	2026 $	2025 $	Change $
Cash provided by (used in) operating activities	172,023	(1,284,006)	1,456,029
Cash used by investing activities	(3,372,412)	(575,164)	(2,797,248)
Cash provided by financing activities	3,562,007	3,212,433	349,574
Change in cash during the period	361,618	1,353,263	(991,645)
Cash, beginning of the period	851,764	1,410,147	(558,383)
Cash, end of the period	**1,213,382**	**2,763,410**	**(1,550,028)**

Operating activities

Cash provided from operating activities totaled $172,023 compared to cash used in operating activities of $1,284,006 in the prior period, representing an increase in cash provided of $1,456,029. During the three months ended June 30, 2026, the Company incurred net income of $1,224,733 (2025 – loss of $1,389,787), this was reduced by adjustments for items not involving cash, primarily a reversal of impairment of $500,000. Changes in non-cash working capital contributed to the increase outflow, with inventory spend being $1,019,189 reflecting production-related activities, partially offset by a decrease in receivables of $569,435 from ore sales and GST refunds, and a decrease in accounts payable and accrued liabilities of $577,713. Refer also to "Results of Operations" above.

Investing activities

Cash used in investing activities totaled $3,372,412 compared to $575,164 in the prior-year period, an increase of $2,797,248. The increase was primarily attributable to capital expenditures of $3,022,412 related to the continued development and commissioning of the Dome Mountain Mine, including the water treatment plant, assay laboratory, production equipment, and leasehold improvements. Additional outflows included an increase in reclamation deposits of $500,000 relating to the Company's surety bond obligations. These were partially offset by the $150,000 received by the Company for the option payment on the Big Onion mine. The prior-year period primarily reflected initial infrastructure expenditures at the mine site.

Financing activities

Net cash provided by financing activities totaled $3,562,007 compared to $3,212,433 in the prior-year period, an increase of $349,574. During the year, the Company received $3,000,000 from a private placement, $542,631 from the exercise of stock options, and $49,784 from the exercise of warrants. These inflows were partially offset by share issuance costs of $376 and lease payments of $30,032.

During the three months ended March 31, 2026, the Company recognized revenue of $4,812,244 from the sale of gold and silver mineralized material following the commencement of production. While the Company has begun generating revenue from mining operations and sales of gold and silver concentrate, additional financing will be required to fund ongoing working capital requirements and the continued development of the Dome Mountain Mine. The Company intends to meet these requirements through a combination of operating cash flows, existing cash reserves, and equity or debt financing as needed. 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.

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 June 30, 2026, the Company had cash of $1,213,382 to settle current liabilities of $5,932,187. The Company intends to finance future requirements from its existing cash reserves, revenue from ore sales, share issuances, the exercise of options and 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 of financial loss arising from the non-performance by counterparties of contractual financial obligations. The Company's primary credit risk exposures are as follows:

Cash and reclamation deposits are held with high-quality Canadian financial institutions, and the Company considers the credit risk associated with these instruments to be minimal.

Receivables consist primarily of input tax credits receivable from the Government of Canada, for which the Company considers credit risk to be negligible.

Trade receivables arising from the sale of ore are subject to the credit risk of the purchaser under the contract described in Note 11. Management actively reviews the risk of the purchaser failing to meet its obligations and adjusts expected credit losses if and when any undue risk identified. As all of the Company's ore sales are made to a single counterparty, the Company's trade receivable balance is subject to customer concentration risk. The Company mitigates this concentration risk through the advance payment mechanism under its sales arrangement, under which a substantial portion of the estimated sale proceeds is received prior to or upon shipment, limiting the Company's outstanding exposure at any point in time.

As at June 30, 2026, the Company's maximum credit risk exposure is equal to the carrying amount of its financial assets, of which $1,706,356 relates to the trade receivable from the purchaser.

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.

Commodity price risk

The Company is exposed to commodity price risk arising from its gold and silver mineralized material sales. Revenue from such sales is provisionally priced at the time of shipment by reference to prevailing gold and silver market prices, with final pricing determined over the quotational period following shipment. Movements in gold and silver prices between the provisional pricing date and final settlement affect the amount of revenue and any outstanding trade receivables recognized by the Company. The Company does not currently use derivative instruments to manage commodity price risk. The Company's ability to raise capital to fund its operations is also subject to risks associated with fluctuations in commodity prices. The Company is also exposed to equity price risk with respect to its investment in marketable securities (June 30, 2026 - $5,000, March 31, 2026 - $5,000). The Company monitors this position but does not hedge its exposure.

Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company's financial results or the value of its financial instruments. The Company's ore sales are invoiced in United States dollars and translated to Canadian dollars at the exchange rate prevailing at the transaction date. As at June 30, 2026, the Company held trade receivables of $921,818 USD, representing the outstanding balance on provisional ore sales pending final settlement. These receivables are subject to foreign currency risk as movements in the USD/CAD exchange rate between the reporting date and final settlement will affect the Canadian dollar equivalent received. The Company does not currently use derivative instruments to manage foreign currency risk.

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. IFRS 18 Presentation and Disclosure in Financial Statements is effective for annual periods beginning on or after January 1, 2027. The Company has not yet determined the impact of this new standard on its consolidated financial statements.

TRANSACTIONS BETWEEN RELATED PARTIES

Related party loan

During the year ended March 31, 2026, the Company received two unsecured, interest-free loans from the President, CEO and director of the Company (the "Lender") totaling $1,000,000, to support short-term working capital requirements. Both loans are classified as related party transactions under IAS 24.

(Expressed in Canadian dollars)

In accordance with IFRS 9, each loan was initially recognized at fair value, determined by discounting the contractual cash flows at a market rate of 15% per annum, being management's estimate of the rate a market participant would require for an unsecured instrument with a comparable credit profile. The difference between the face amount and the present value was recognized in equity as a capital contribution.

In connection with each loan, the Company agreed to issue equity instruments to the Lender as consideration for providing financing. These instruments were assessed as transaction costs directly attributable to the issuance of the financial liability, recognized as a reduction of the initial carrying amount of the loan with a corresponding credit to obligation to issue equity instruments within equity. Each loan is subsequently measured at amortized cost using the effective interest method.

December 2025 loan

$500,000 received December 20, 2025, maturing December 19, 2026. The fair value adjustment on initial recognition was $65,217. During the three months ended June 30, 2026, the Company recognized accretion of $16,028 relating to the unwinding of the fair value discount. In connection with the loan, the Company agreed to issue 151,515 common shares with a fair value of $65,217 on initial recognition. As at June 30, 2026, the 151,515 shares had not been issued.

March 2026 loan

$500,000 received March 19, 2026, maturing March 19, 2027. The fair value adjustment on initial recognition was $65,217. During the three months ended June 30, 2026, the Company recognized accretion of $15,485 relating to the unwinding of the fair value discount. In connection with the loan, the Company agreed to issue 129,870 common shares with a fair value of $50,650 and 129,870 warrants exercisable for two years with a fair value of $14,568. The 129,870 warrants were issued on March 20, 2026. As at June 30, 2026, the 129,870 shares had not been issued.

The following table summarizes the movement in the combined carrying amount of the related party loans during the year:

Balance, March 31, 2025	**$**	**-**
Proceeds received		1,000,000
Less: fair value adjustment		(130,434)
Initial carrying amount		869,566
Accretion for the period		19,331
Balance, March 31, 2026	**$**	**888,897**
Accretion for the period		31,513
Balance, June 30, 2026	**$**	**920,410**

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.

(Expressed in Canadian dollars)

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

	Three months ended June 30,	
	2026	**2025**
Management fees [1]	$ 37,500	$ 36,000
Share-based compensation	133,798	-
	$ 171,298	**$ 36,000**

[1] R2A2 Holdings Inc, a company controlled by Rana Vig, President, CEO and Director

As at June 30, 2026, accounts payable and accrued liabilities include $37,700 (March 31, 2026 - $87,700) in connection with consulting fees and $nil (March 31, 2026 - $299,837) in connection with the Company's mining and operating expense reimbursements owing to the President, CEO and director of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at June 30, 2026, the Company has recorded the following obligations to issue equity instruments to the President, CEO and director of the Company: (i) $192,000 (March 31, 2026 - $192,000) in connection with management fees to be settled through the issuance of common shares; (ii) 151,515 common shares issuable as consideration for the December 2025 related party loan; and (iii) 129,870 common shares issuable as consideration for the March 2026 related party loan. All of the above equity instruments remain unissued as at June 30, 2026.

During the three months ended June 30, 2026, the Company entered into a commercial lease for office premises in Smithers, British Columbia with the spouse of the President, CEO and director of the Company. The lease was reviewed and approved by the disinterested directors of the Company. As at June 30, 2026, accounts payable and accrued liabilities include $2,210 (March 31, 2026 - $2,600) in connection with lease payments owing under this arrangement. The related right-of-use asset and lease liability are described in Note 9 of the financial statements.

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.