

BLUE LAGOON RESOURCES INC.
(formerly Blue Lagoon Capital Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended November 30, 2019 and 2018

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

This Management's Discussion and Analysis ("MD&A") of Blue Lagoon Resources Inc. (formerly Blue Lagoon Capital Inc.) ("Blue Lagoon" or the "Company"), should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended November 30, 2019 and 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

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

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

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. On December 17, 2018, the Company changed its name from Blue Lagoon Capital Inc. to Blue Lagoon Resources Inc.

The Company is in the business of acquiring, exploring, and evaluating mineral resource interests.

The address of the Company's corporate office and principal place of business is Suite 610, 700 West Pender Street, Vancouver, British Columbia.

On June 25, 2019, the Company obtained a receipt for its final prospectus filed with the securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario. The Company's common shares began trading on the CSE on July 4, 2019, under the stock symbol "BLLG".

EXPLORATION PROJECTS

Lac Gainsmoor Gold Project

On October 15, 2018, the Company entered into an option agreement whereby the Company has the option to earn a 100% interest in the Lac Gainsmoor Gold Project located in Quebec, Canada. The Company paid \$25,000 on the execution of the agreement in fiscal year 2017.

On April 23, 2019, the Company terminated its option agreement to acquire the Lac Gainsmoor Gold Project, and no longer has an interest in that property. As a result, the Company recognized a write-down of \$25,000 during the year ended November 30, 2019. As at November 30, 2019, the Company had no further obligations to fulfill the above terms.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

	<i>Lac Gainsmoor Gold Project</i>	<i>Golden Wonder Project</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Balance, March 17, 2017 (date of incorporation) and November 30, 2017	\$ -	\$ -	\$ -	\$ -
Acquisition Cost	25,000	-	-	25,000
Balance, November 30, 2018	25,000	-	-	25,000
Write-off of exploration and evaluation asset	(25,000)	-	-	(25,000)
Acquisition Cost – cash	-	25,000	132,687	157,687
Acquisition Cost – shares	-	20,000	4,779,667	4,799,667
Balance, November 30, 2019	\$ -	\$ 45,000	\$ 4,912,354	\$ 4,957,354

Golden Wonder Project

On April 18, 2019, the Company entered into an agreement to purchase a 100% interest in the Golden Wonder Property located in British Columbia, Canada by:

- Payment of \$15,000 (paid) on execution of the agreement,
- Payment of \$10,000 (paid) within three days of the final receipt of the prospectus; and
- Issuance of 200,000 (issued) within 10 business days after the company commence trading on the Canadian Stock Exchange.

On July 16, 2019, the Company executed on its rights to purchase 100% interest in the Golden Wonder property by making its final cash payment \$10,000 and issuing 200,000 shares to the vendor.

Pellaire Gold Property

On August 27, 2019, the Company acquired all of the issued and outstanding shares of ASIC Mining Inc. ("ASIC") in exchange for a total of 11,600,000 common shares of the Company. ASIC is a private Canadian company.

The Company has determined that ASIC does not have the inputs and processes capable of producing outputs that are necessary to meet the definition of a business as defined by IFRS 3. Therefore, the acquisition is accounted for as an asset acquisition whereby the Company has acquired all of the net assets of ASIC. The primary assets of ASIC consist of an option to acquire 100% interest in the Pellaire Gold Property located in the Clinton Mining Division of British Columbia.

<u>Consideration</u>	
11,600,000 common shares	\$ 4,640,000
The cost of the acquisition was allocated to assets and liabilities as follows:	
Cash	\$ 23,069
Receivables	11,194
Pellaire Project	4,710,167
Accounts payable and accrued liabilities	(104,430)
Net assets acquired	\$ 4,640,000

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

On March 28, 2019, as amended on July 5, 2019 and July 31, 2019, ASIC entered into an option agreement to acquire a 100% interest in the Pellaire Gold Property by the following:

- Cash payment of \$25,000 USD on March 28, 2019 (paid);
- Cash payment of \$100,000 USD on July 5, 2019 (paid) and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2019 (50,000 shares issued);
- Cash payment of \$50,000 USD, incur \$200,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2020;
- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2021;
- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2022;
- Cash payment of \$50,000 USD, incur \$100,000 in Expenditures and issue 200,000 shares in four equal instalments of 50,000 shares 3, 6, 9 and 12 months from July 5, 2023;

The seller retains a 2% net smelter royalty interest ("NSR"). The Company has the right to purchase one-half of the NSR for \$1,000,000 at any time prior to commencement of commercial production.

On November 27, 2019, the Company issued 50,000 common shares towards earning a 100% interest in the Pellarie Gold Property. The shares were determined to have a fair value of \$69,500.

Exploration and evaluation expenses

The Company incurred the following expenses during the year related to evaluation and exploration

	<i>Lac Gainsmoor Gold Project</i>	<i>Golden Wonder Project</i>	<i>Pellaire Gold Property</i>	<i>Total</i>
Exploration costs	\$ -	\$ -	\$ 22,209	\$ 22,209
Consulting fees	-	85,994	-	85,994
Other	-	200	8,143	8,343
Total	\$ -	\$ 86,194	\$ 30,352	\$ 116,546

RESULTS OF OPERATIONS

For the year ended November 30, 2019, the Company had a net loss of \$702,381.

For the three months ended November 30, 2019, the Company had a net loss of \$315,949 (2018 - \$18,224) which is composed of general and administrative expenses of \$125,986 (2018 - \$315), professional fees of \$13,293 (2018 - \$13,205), exploration expenses of \$99,031 (2018 - \$4,704), consulting fees of \$61,697 (2018 - \$Nil) and stock-based compensation of \$15,942 (2018 - \$Nil).

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

SUMMARY OF QUARTERLY RESULTS

A summary of selected information for each of the eight most recent quarters is as follows:

Three Months Ended	Net	Net Loss	
	Revenues	Total	Per Share
	(\$)	(\$)	(\$)
2019-November 30	-	(315,949)	(0.01)
2019-Aug 31	-	(290,821)	(0.03)
2019-May 31	-	(26,263)	(0.01)
2019-February 28	-	(69,348)	(0.02)
2018-November 30	-	(18,170)	(0.00)
2018-August 31	-	(18)	(0.00)
2018-May 31	-	(18)	(0.00)
2018-February 28	-	(18)	(0.02)
2017-November 30	-	(18)	(0.02)

PRIVATE PLACEMENTS

Share Issuances

For the year ended November 30, 2019

On November 27, 2019, the Company issued 50,000 shares in connection with the Pellaire Gold Property option agreement, the shares were determined to have a fair value of \$69,500.

On November 14, 2019, the Company closed the fourth tranche of financing for proceeds of \$100,000 and issued 100,000 flow-through common shares. The flow-through shares were not issued at a premium, therefore no flow-through premium liability has been recognized as at November 30, 2019.

On November 1, 2019, the Company closed the third tranche of financing for proceeds of \$450,000 and issued 450,000 flow-through common shares. The flow-through shares were not issued at a premium, therefore no flow-through premium liability has been recognized as at November 30, 2019.

On October 10, 2019, the Company closed the second tranche of financing for proceeds of \$250,000 and issued 250,000 non-flow-through common shares.

On September 16, 2019, the Company closed the first tranche of financing for proceeds of \$300,000 and issued 300,000 non-flow-through common shares to the CEO of the Company.

On August 27, 2019, the acquisition date of ASIC Mining Inc., the Company issued 11,600,000 common shares for the acquisition of the net assets of ASIC which were determined to have a fair value of \$4,640,000 (Note 5).

On July 16, 2019, the Company issued 200,000 common shares for the execution of the Golden Wonder Project agreement for an addition in exploration and evaluation assets of \$20,000.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

For the year ended November 30, 2018

On February 27, 2018, 4,000,000 common shares were issued for proceeds of \$20,000.

On March 13, 2017, the incorporation date, 800 common shares were issued for proceeds of \$20.

Special Warrants

On December 3, 2018, the Company issued 1,800,000 special warrants for proceeds of \$45,000. Each special warrant is exercisable at any time without additional consideration into one common share by the subscriber.

On November 30, 2018, the Company issued 14,322,000 special warrants for proceeds of \$358,050. This included proceeds of \$17,000 from the President of the Company, \$43,000 from the spouse of the President of the Company, and \$12,000 from immediate family members of the President of the Company. Each special warrant is exercisable at any time without additional consideration into one common share by the subscriber.

During the year ended November 30, 2019, a total of 16,122,000 special warrants have been exercised and converted to 16,122,000 common shares.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2019, the Company had cash of \$790,539 (2018 - \$333,292). As at November 30, 2019, the Company had working capital of \$615,348 (November 30, 2018 – \$334,807).

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.

Operating activities

For the year ended November 30, 2019, the Company's operating activities used cash of \$513,246 (2018 - \$20,019).

Investing activities

For the year ended November 30, 2019, the Company used \$157,687 on exploration and evaluation assets and acquired \$23,069 from the acquisition of subsidiary. For the comparative period, the Company used cash of \$25,000 in investing activities related to the acquisition of exploration and evaluation properties.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

Financing activities

For the year ended November 30, 2019, the Company raised proceeds of \$1,100,000 through the issuance of flow-through and non-flow through shares. The Company was also provided cash of \$45,000 by financing activities from proceeds from the issuance of special warrants and incurred share issue costs of \$39,889. For the comparative period, the Company was provided cash of \$20,000 from financing activities from the issuance of shares and \$358,050 from proceeds from the issuance of special warrants.

The Company has no operating revenues and therefore must utilize its income from financing transactions to maintain its capacity to meet ongoing operating activities.

The Company has minimal debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities and due to related party are short-term and non-interest-bearing.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its business objectives. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms.

FINANCIAL INSTRUMENTS AND RISKS

The fair values of the Company's financial instruments, which include cash, accounts payable and accrued liabilities, and amount due to related party, approximate their carrying values due to the relatively short-term maturity of these instruments.

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 November 30, 2019, the Company had cash of \$790,539 to settle current liabilities of \$193,159. 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 primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2019, the Company does not have any interest-bearing loans or liabilities outstanding. All accounts payable and accrued liability balances as at November 30, 2019 are current and as such, are not subject to interest.

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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2019, or later periods.

- New standard IFRS 16, "Leases" – is effective for annual periods beginning on or after January 1, 2019

The Company does not expect a significant impact on the Company's consolidated financial statements from adopting the above new standard.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Summary of key management personnel compensation:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers.

	For the year ended November 30, 2019	For the year ended November 30, 2018
Management and consulting fees	\$ 132,000	-
Share-based compensation	80,665	-
	\$ 212,665	-

As at November 30, 2019, there was \$132,280 (2018 - \$280) owing to the officers or directors of the Company.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

ADDITIONAL DISCLOSURE FOR COMPANIES WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended November 30, 2019 and 2018 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

As of March 30, 2020, the Company had 47,312,687 shares issued and outstanding.

Special Warrants

As of March 30, 2020, the Company had no special warrants outstanding.

Stock Options

As of March 30, 2020, the Company had 1,310,000 stock options outstanding.

OTHER

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

SUBSEQUENT EVENTS

- a) On December 3, 2019, the Company entered into an option agreement with Exgen Resources Inc. ("Exgen") to acquire 80% interest in the Gordon Lake gold property located in the Northwest Territories of Canada by:
 - Incurring \$250,000 in exploration expenditures during the first year of the option;
 - A cash payment of \$100,000 and issuance of 100,000 common shares of the Company over a period of two years;
 - A cash payment of \$50,000 per year until the commencement of commercial production;
 - Issuance of 100,000 shares upon obtaining a NI 43-101 technical report establishing a resource estimate;
 - Issuance of 200,000 common shares upon obtain a further technical report establishing economics on the property; and
 - Issuance of 350,000 common shares upon commencing commercial production.

In addition, the Company will grant a 2.5% net smelter royalty to Exgen, with all prior cash payments being credited towards royalty payments.

- b) On January 21, 2020, the Company closed the first tranche of a non-brokered private placement for proceeds of \$850,000 and issued 566,666 non-flow-through common shares.

BLUE LAGOON RESOURCES INC. (formerly BLUE LAGOON CAPITAL INC.)

Management's Discussion and Analysis

For the Year Ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

- c) On January 7, 2020, entered into an earn-in and operating agreement (the "Agreement") with Mag One Products Inc. ("MOPI"), and MOPI's wholly owned subsidiary, Mag One Operations Inc. ("Mag One") dated January 6, 2020 pursuant to which the Issuer may acquire an option to acquire up to a 70% equity joint venture ownership interest in Mag One through the purchase of shares of Mag One. Mag One is in the business of development and commercialization of technologies for the processing and production of magnesium metal, magnesium compounds, by-products and vertically integrated co-products from serpentinite tailings. Pursuant to the Agreement, the Issuer may purchase up to 50% interest in Mag One by making cash payments to Mag One of \$100,000 upon the closing date of the acquisition of the 50% interest (the "First Closing Date"), and \$300,000, \$750,000, \$1.1 million and \$1.5 million, within 3, 8, 12 and 19 months from the First Closing Date, respectively. The Issuer may acquire an additional 20%, subject to MOPI shareholder approval, by making a final payment of \$1.5 million within 24 months of the First Closing Date. Closing of the Transaction is subject to various conditions, including completion of due diligence investigations, receipt of all necessary corporate and regulatory approvals, and compliance with stock exchange requirements.
- d) On January 31, 2020, the Company closed the second tranche of a non-brokered private placement for proceeds of \$150,000 and issued 100,000 non-flow-through common shares.
- e) On March 27, 2020, the Company completed the acquisition of all of the outstanding shares of Metal Mountain Resources Inc. ("Metal Mountain") in exchange for 12,151,220 common shares of the Company (the "Transaction"). Metal Mountain holds a 50.84% interest in Gavin Mines Inc. ("Gavin Mines"), which holds a 100% interest in the Dome Mountain mine. Metal Mountain also holds 100% interest in Lloyd Minerals Inc., which holds a 100% interest in the Big Onion Porphyry Copper Project. Both projects are located in Northwest British Columbia.

Pursuant to the Transaction, Metal Mountain amalgamated with a newly-incorporated subsidiary of the Company under the provisions of the Business Corporations Act (British Columbia). The shareholders of Metal Mountain received 0.97266 common shares of the Company in exchange for every 4 outstanding common shares of Metal Mountain.

Upon the closing of the Transaction, the board and management of Gavin Mines was reconstituted, such that the Company has control of the board of Gavin Mines.

Concurrent with the close of the Transaction, the Company acquired 27.44% share interest in Gavin Mines in exchange for 1,372,000 common shares of the Company.