

Blue Lagoon Resources Inc.

(CSE: BLLG / FSE: 7BL / OTCQB: BLAGF)

Transitions into a Revenue- Generating Gold Producer

BUY

Current Price: C\$0.95

Fair Value: C\$1.74

Risk*: 4

Sector: Junior Mining

[Click here for more research on the company](#)

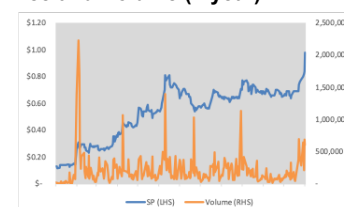
Highlights

- BLLG is **up 692% YoY, outperforming** gold (+70%), and the VanEck Junior Gold Miners ETF (+185%). The company has officially transitioned to producer status at Dome Mountain in B.C. It recently completed its first gold and silver sale, receiving \$1M for 1,000 tonnes of mineralized material delivered to its milling partner, Nicola Mining (TSXV: NIM), for processing.
- We believe the transition from exploration and development to producer supports a re-rating, as **the market typically assigns a premium to producers**. With regular trucking of mineralized material underway, visibility into production and revenue is improving. No additional financing is needed, and Nicola's mill now operates exclusively as the processing facility for Dome Mountain, **materially de-risking the mine**.
- We believe BLLG could potentially mine and process 40,000–50,000 tonnes in its first year, producing 12–15 Koz of gold. **First-year EBITDA is estimated at US\$24–\$30M**. BLLG is trading at 2.89x forward EBITDA vs a sector average of 6.77x, a 57% discount.
- Dome Mountain hosts a high-grade underground resource that we believe could support **up to ~15 years of operations**. The company intends to **utilize production cash flow** to fund a multi-stage exploration program. We believe there is significant resource expansion potential as the deposit remains open in multiple directions (laterally and vertically), and 90% of the project area remains untested along a 18km strike length.
- With gold trading near record highs, we **anticipate an increase in M&A activity** over the next 12 months as larger companies target juniors. We maintain our outlook on gold, supported by US\$ weakness and strong safe-haven asset demand amidst economic and geopolitical uncertainties.
- **Upcoming catalysts** include production ramp-up, an updated resource estimate, and additional exploration drilling.

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Head of Research

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Equity Analyst

Price and Volume (1-year)



	YTD	12M
BLLG	25%	692%
CSE	9%	43%
Gold	5%	70%
GDXJ	8%	185%

Company Data

52 Week Range	\$0.12 – \$1.02
Shares O/S	145M
Market Cap.	C\$137M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.5x

*[FRC's site visit report – July 2025](#)

Key Financial Data (FYE - Mar 31) (C\$)	FY2025	FY2026 (6M)
Cash	\$1,410,147	\$1,600,678
Working Capital	\$2,231,015	\$1,386,581
Property, Plant, and Equipment	\$23,234,864	\$24,576,724
Total Assets	\$26,541,216	\$27,571,540
Net Income (Loss)	-\$3,424,799	-\$3,973,814
EPS	-\$0.03	-\$0.03

* We will start presenting our revenue and EPS forecasts once commercial production is announced.

* Qualified Person: Ted Vander Wart, P.Geo., a consultant to Blue Lagoon Resources (BLLG)

* **Blue Lagoon Resources Inc. has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions.**

Portfolio Summary

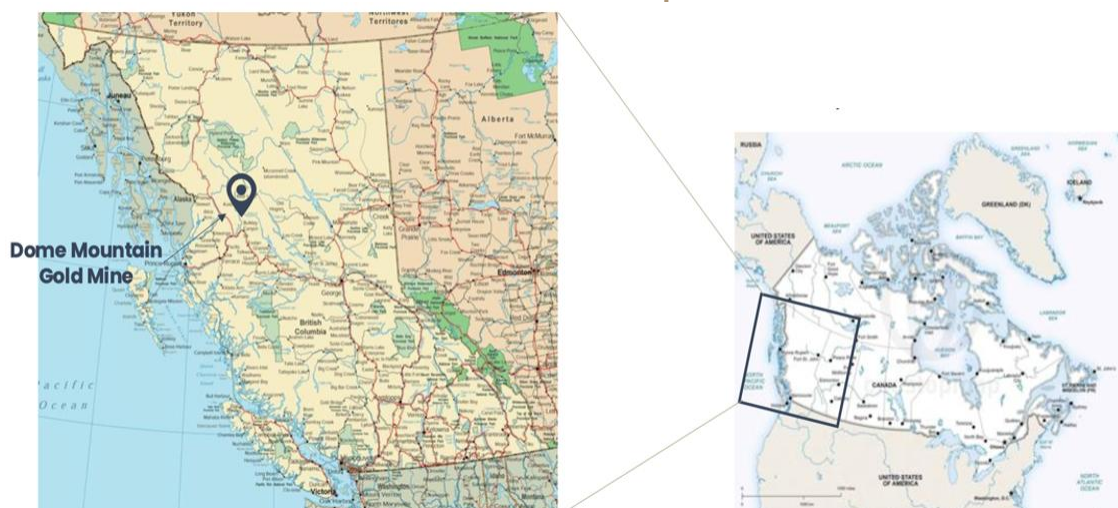
Project	Target Metals	Ownership
Dome Mountain	Gold, Silver	100%
Pellair	Gold	100%
Big Onion	Copper	100%

Source: Company

Dome Mountain Gold Project (100% interest)

After commencing underground mining in September 2025, BLLG **achieved a major milestone** in late December 2025, with its first gold and silver sale, generating \$1M in revenue from 1,000 tonnes of mineralized material delivered to its milling partner, Nicola Mining, for processing. This milestone marks the company's **official transition to a gold producer**.

Location Map



Source: Company

2022 NI 43-101 Resource Estimate

Class	Tonnes	Au cap (g/t)	Ag Cap (g/t)	Au Oz	Ag Oz
Measured	136,000	10.32	57.31	45,000	250,000
Indicated	662,000	8.15	41.19	173,000	876,000
Inferred	85,000	6.02	26.13	16,000	71,000

(QP: Dr. Gilles Arseneau, P. Geo., ARSENEAU Consulting Services Inc.)

Source: Company

Two gold and one copper project in B.C.

Records first gold & silver sale

The mine is well connected, just a 50-minute drive from Smithers, B.C.

Hosts high-grade veins averaging ~9 g/t, well above typical underground mine grades of 3–5 g/t

A 2022 study identified a high-grade resource that we believe can support ~15 years of operations

Dome Mountain Existing Infrastructure



A key advantage of the project is its pre-existing underground development, and an active toll milling arrangement with Nicola

Nicola's mill is approximately 900 km from Dome Mountain. While long-distance trucking is challenging and cost-prohibitive for large operations, Dome Mountain's relatively small-scale operation, and high-grade material, make it feasible

BLLG has a 10-year milling profit share agreement with Nicola Mining for up to 75,000 tonnes per year (200 tpd)

The mill is capable of processing 250 tpd through crushing, grinding, gravity separation, and flotation; permitting is underway to increase capacity to 500 tpd

Merritt Mill and Tailings Facility



Source: Company

Nicola now operates exclusively as the processing facility for Dome Mountain material, following the end of its arrangement with Talisker Resources (TSX: TSK). We believe this **reduces risk for BLLG** by providing assurance that all of its material will be processed promptly and consistently.

Resource Expansion Potential

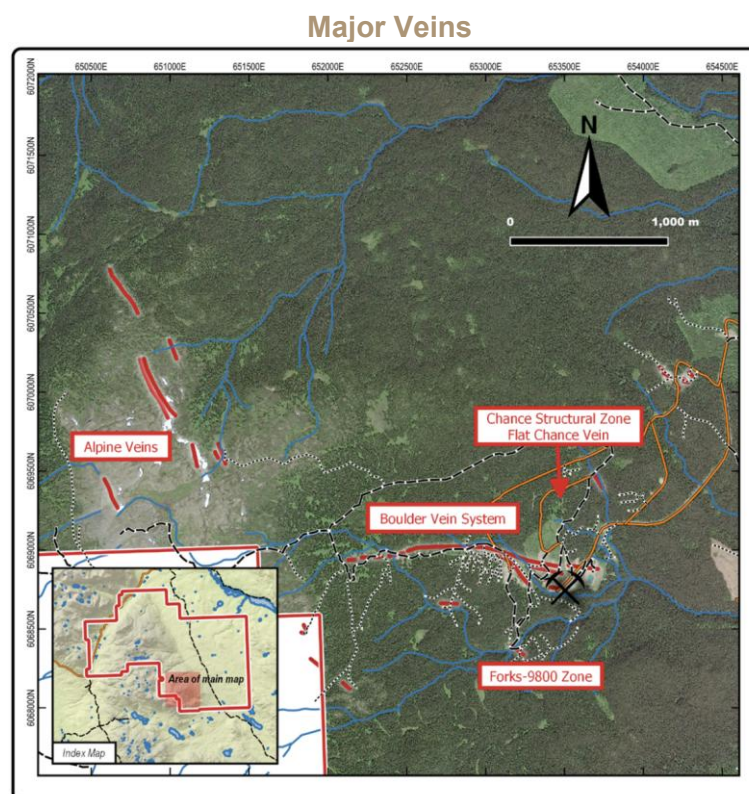
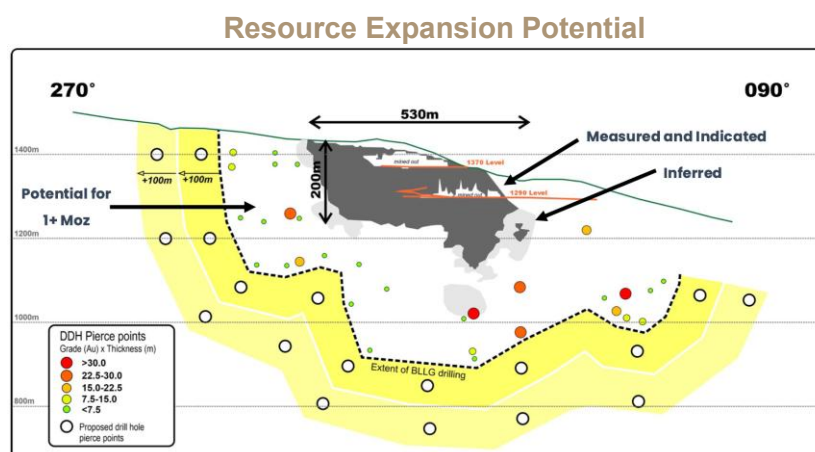
The property's **principal mineralized zone** is the Boulder Vein System, which includes the Boulder, Boulder East, and Argillite veins. The current resource estimate is limited to the Boulder Main vein.

The current resource envelope, limited to the Boulder Main vein, measures 530 m long by 200 m deep and does not include drilling from 2022–2023 campaigns

We believe there is significant potential for resource expansion, as the deposit remains open in multiple directions

In addition to the Boulder Vein System, the property hosts 15 other identified veins

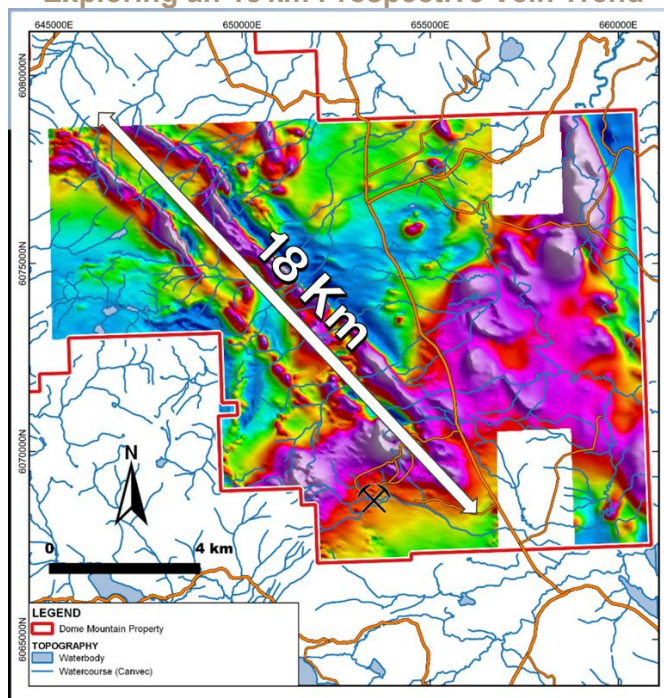
90% of the land package is untested, with only six out of 15 known gold veins tested by BLLG



Source: Company

Multiple high-grade veins within an 18 km structural corridor are not included in the current resource estimate

Exploring an 18 km Prospective Vein Trend



Source: Company

The Argillite vein, parallel to Boulder, has the potential to host ~25% higher grades

The company **will reinvest operating cash to advance gold exploration**. In H1-2026, it will drill more around the Boulder vein to see if the gold deposit can be extended, test a nearby target called the Argillite vein, and explore other areas across its large land package of about 22,000 hectares.

A major advantage is that **no additional financing is required**, limiting potential dilution. Management intends to allocate internally generated cash flow to both near-mine and regional exploration.

Receives 2026 PDAC Award for Indigenous Collaboration

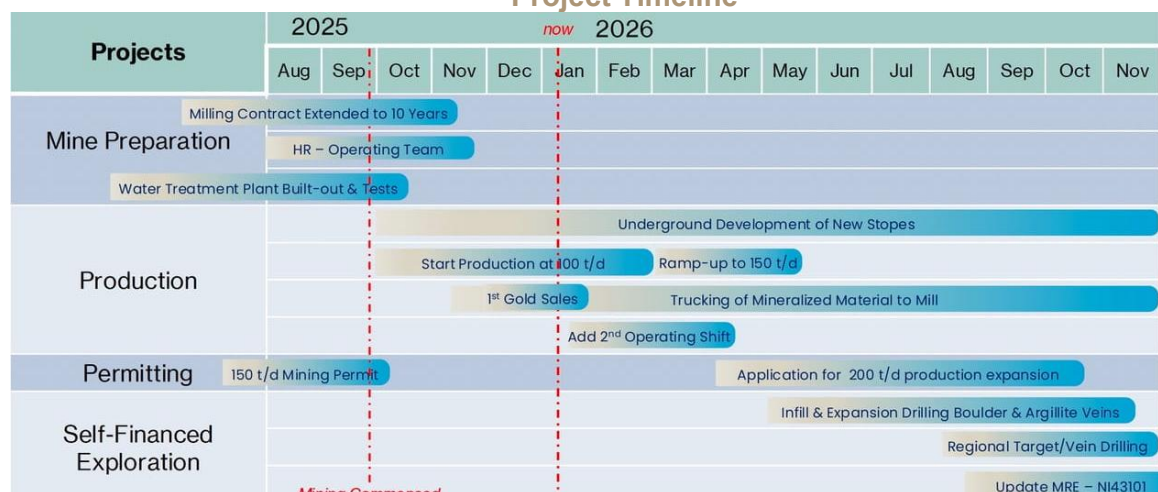
BLLG has strong support from the Lake Babine First Nation, a partnership that has been crucial to the development and restart of the Dome Mountain project. We **observed this during our site visit in July 2026** for the mine's official reopening, where we met with management, local stakeholders, Lake Babine First Nation representatives, and key contractors overseeing operations and logistics.

This collaboration was recognized when **BLLG received the 2026 PDAC Sustainability Award**, highlighting its genuine Indigenous engagement and commitment to environmental responsibility. We believe this positions the company favorably as it pursues permitting for expanded mining operations and exploration.

Local community support is often key to a project's success, with many resource-rich projects stalled globally due to its absence

Upcoming Catalysts

Project Timeline



Source: Company

Financials

(in C\$) (FYE - Mar 31)	FY2025	FY2026 (6M)
Cash	\$1,410,147	\$1,600,678
Working Capital	\$2,231,015	\$1,386,581
Current Ratio	7.05	2.43
LT A/P	\$1,729,933	\$1,729,933
Monthly Burn Rate (G&A)	-\$51,410	-\$179,588
Exploration and Development	-\$1,064,544	-\$1,244,859
Cash from Financing Activities	\$2,424,476	\$2,750,423

Options	#	Exercise Price	Amount
Total	13,400,000	\$0.33	\$4,369,000
In-the-Money	13,400,000	\$0.33	\$4,369,000

Warrants	#	Exercise Price	Amount
Total	11,630,725	\$0.32	\$3,668,890
In-the-Money	11,630,725	\$0.32	\$3,668,890

Source: FRC / Company

Applying for a permit to increase production from 150 to 200 tpd

Planning resource expansion drilling, followed by a resource update later in the year

Healthy balance sheet

Subsequent to Q2-FY2026, BLLG raised \$2M through warrant exercises

Can raise up to \$6M from in-the-money options and warrants

FRC Valuation and Rating

Our DCF valuation increased from \$0.99 to \$1.60/share, driven by higher gold prices, and increased production assumptions supported by a dedicated toll-milling facility

Base-case gold price forecasts: US\$4,250/oz in 2026, declining to US\$3,000/oz by 2029+ (prior estimate for 2029+: US\$2,500/oz)

Our valuation increases to \$2.23/share using the current spot price as the long-term average

DCF Valuation - Dome Mountain - Base-Case

Operating Life (years)	15
Throughput (tpd)	100 tpd in Year 1, increasing to 200 tpd by Year 3
Tonnage	1,043,900
Gold Recovered (LOM)	269,713
Silver Recovered (LOM)	1,298,323
LT (2029+) Gold Prices (US\$/oz)	\$3,000
LT (2029+) Silver Prices (US\$/oz)	\$30
C\$:US\$	1.39
OPEX (US\$/oz)	\$1,500
Profit Share (BLLG: Nicola)	70:30
Discount Rate	10%
After-Tax Net Asset Value (\$) + Working Capital	\$253,202,800
Shares (treasury stock method)	158,604,989
Fair Value per Share (\$)	\$1.60

C\$:US\$ - 1.39		LT (2029+) Gold Price (US\$/oz)				
		\$2,500	\$2,750	\$3,000	\$4,000	\$5,000
Discount Rate	5.0%	\$1.54	\$1.75	\$1.95	\$2.76	\$3.57
	7.5%	\$1.41	\$1.58	\$1.76	\$2.45	\$3.13
	10.0%	\$1.30	\$1.45	\$1.60	\$2.19	\$2.78
	12.5%	\$1.21	\$1.34	\$1.47	\$1.98	\$2.50
	15.0%	\$1.13	\$1.25	\$1.36	\$1.81	\$2.26

Source: FRC / S&P Capital IQ

Comparables Valuation

Junior Gold Producers	Enterprise Value (C\$M)	MCAP (C\$M)	EV/Forward Revenue	EV / Forward EBITDA
Alkane Resources Ltd (ASX:ALK)	\$1,817	\$1,943	2.47	5.39
McEwen Inc. (NYSE:MUX)	\$1,652	\$1,579	6.16	20.69
Robex Resources Inc. (TSXV:RBX)	\$1,551	\$1,627	7.67	24.17
Orezone Gold Corporation (TSX:ORE)	\$1,221	\$1,177	2.21	4.54
Integra Resources Corp. (TSXV:ITR)	\$916	\$997	2.92	7.64
Galiano Gold Inc. (TSX:GAU)	\$960	\$850	1.74	4.42
Caledonia Mining (NYSEAM:CMCL)	\$802	\$782	2.43	4.84
Thor Explorations Ltd. (TSXV:THX)	\$770	\$877	1.79	2.39
Jaguar Mining Inc. (TSX:JAG)	\$615	\$689	3.30	13.83
Serabi Gold plc (AIM:SRB)	\$427	\$472	2.20	4.82
Monument Mining (TSXV:MMY)	\$337	\$424	1.95	2.78
Blue Lagoon Resources (CSE: BLLG)	\$149	\$137	1.18	2.89
Namib Minerals (NasdaqGM:NAMM)	\$76	\$72	0.68	3.09
Average (excl. outliers)	\$790	\$807	3.00	6.77
Fair Value of BLLG @ Sector Average			\$1.96	\$1.81
BLLG's Discount			-61%	-57%

Source: FRC / S&P Capital IQ

We are **reiterating our BUY rating**, and **adjusting our fair value estimate from \$1.11 to \$1.74/share** (the average of our DCF and comparables valuations). BLLG's transition to producer status, first gold sale, and secured toll-milling, position the company for near-term revenue and cash flow growth. Trading at a significant discount to peers, we believe BLLG offers an attractive opportunity ahead of upcoming catalysts, including production ramp-up, and an updated resource estimate.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is dependent on **gold prices**
- Dome Mountain does not have a feasibility study
- **Exploration and development**
- Permit upgrades are needed to expand mine capacity
- Operations and execution

BLLG is trading at a 59% discount (previously 70%) to comparable junior gold miners

Applying sector multiples, we arrived at a fair value estimate of \$1.88/share on BLLG (previously \$1.24/share)

Maintaining our risk rating of 4 (Speculative)

Fundamental Research Corp. Equity Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

Buy – Fair value is 12% above the current market price; or risk and reward is favorable

Hold – Fair value is between 5% to 12% above the current market price

Sell – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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