
BLUE LAGOON DELIVERS POSITIVE PEA FOR ITS DOME MOUNTAIN GOLD MINE PROJECT

May 19, 2020 – Vancouver, British Columbia – Blue Lagoon Resources Inc. (the “Company”) (CSE: BLLG; FSE: 7BL; OTCQB: BLAGF) is pleased to announce a mineral resource and a positive preliminary economic assessment (PEA) for the company's Dome Mountain Mine (“Dome Mountain”) gold deposit, located a short 50 minute drive from the town of Smithers, B.C. The PEA was completed by Roughstock Mining Services of Bozeman, Montana.

The Dome Mountain Gold Mine Project currently holds a Mining Permit and Environmental Management Act Permit (EMA) providing for up to 75,000 tonnes annually. The PEA considers the economics of a 100 tonnes per day mining operation, (~36K tonnes annually) which is half the tonnage provided for under the existing permit.

Over the 12 year planned mine life, the PEA projects that 85,000 payable ounces are recoverable, with the first five years recovery to be 45,000 payable ounces, at a per ounce cash cost of \$US 987 and selling price of \$US 1,450 per ounce of gold, providing on average \$CAD 2.32 million per year after tax free cash flow, using a discount rate of 5%, during that initial five year period.

The fact that this project has extensive existing development and infrastructure results in the additional projected capital cost to resume mining operations being only \$CAD 1.46 million, primarily for completing items under three required amendments to the existing mine permit. These items include the completion of the water treatment plant, underground bolting and vent raise, and the completion of the mine reclamation and closure plan. This low capital cost results in an internal rate of return of 277% using a 5% discount.

Furthermore, extensions along the Boulder Vein 43-101 resource area and the existing 17 high-grade vein targets located on the 10,970-hectare property, (41 contiguous claims and one mining lease; BLLG Press release, May 4, 2020) offer an attractive opportunity to add additional ounces to the current mineral resource through step-out and exploration drilling.

Blue Lagoon’s President and CEO, Rana Vig stated: "Dome Mountain is a technically simple gold project in a safe, politically stable jurisdiction with a long tradition of gold mining. The PEA projects positive project economics and IRR based on the relatively low capital expenditures which come from the fact that much of the investment in the mine infrastructure was already made before we acquired the project, leaving less than \$1.5 million needed to complete the three key amendments required by the existing mine permit to re-commence mining."

Mr. Vig added: "At US \$1,450 per ounce gold, the PEA includes a projected free cash flow of \$11.6 Million using a discount rate of 5%, over the first 5 years of mining. This cash flow is prior to applying significant available tax credits of Gavin Mines, the Company’s subsidiary that holds the project. This represents potential cash that, if realized, will allow the company to focus on expanding future drill programs to explore the other 17 high grade veins that surround the mine – while reducing potential dilution to shareholders."

Tax credits, including tax loss carry-forwards, CDE and CEE total \$23 million. After applying those tax credits, the Company projects a five year after-tax cash flow of \$13.9 million using a 5% discount rate, or approximately \$2.8 million per year for that period.

PEA SUMMARY

Economics Overview

Economics are based on indicated and inferred resources as incorporated into a 12 year mine plan followed by three years of reclamation for a complete project evaluation period. Five-year economics are presented only to characterize the portion of the mine plan that develops indicated resources. Unless otherwise stated, all per ounce values are in US dollars with all other dollar figures in Canadian dollars ("CAD\$"). Masses are in metric tonnes. Production rate used is 100 tonnes per day. Exchange rate is \$0.71 USD for each \$1.00 CAD\$. Gold and silver per troy ounce sales prices of US\$1,450 and \$14.50 respectively are chosen based on market at time of issuance of this press release. All monetary values are in constant dollar terms (i.e., no inflation or escalation) and no leverage is included.

Economic Summary - \$CDN Millions

	5 year	12 year
Gross Revenue	\$95.4	\$179.0
Pre-tax NPV 5	\$13.8	\$15.2
Pre-tax Internal Rate of Return	280%	280%
LOM Pre-tax cash flow (undiscounted)	\$17.0	\$19.4
After-tax NPV 5	\$11.6	\$11.7
After-tax Internal Rate of Return	277%	277%
LOM after-tax cash flow (undiscounted)	\$14.2	\$14.2
Payable Au Sold - ounces	45,433	85,231
Gold price - \$US/oz	\$1,450	\$1,450
Cash operating costs - \$US/oz	\$987	\$1,124
Preproduction Capital	\$1.46	\$1.46

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

Gold Price Sensitivities

The following table presents the after-tax sensitivities of NPV and IRR to gold price changes.

Five Year Gold Price Sensitivity	Base Case		
Gold price	\$1,250	\$1,450	\$1,650
After-tax NPV 5	\$7.2	\$11.6	\$16.0
After-tax Internal Rate of Return	152%	277%	397%
LOM after-tax cash flow (undiscounted)	\$8.9	\$14.2	\$19.4

PEA Details

The PEA included consideration of the following summary elements.

Project Background

Dome Mountain Mine has a large and detailed database as a result of \$28M spent in the last 12 years on exploration, engineering, environmental studies and mine infrastructure construction on the project. During that period, exploration drilling and resource modeling, geotechnical drilling and modelling, bulk mining and test milling provided a large data set to the project team. The project also has metallurgical sampling and testing completed both by previous owners and an independent lab, reviewed by Roughstock Mining Services, to support the initial engineering design (Godfrey Mhembere, Senior Mining Engineer). This data provides important background and will also aid in the design of future work on the project.

Mining & Processing

The PEA utilizes an underground mining scenario where the Boulder Veins are mined from existing underground infrastructure and extend the existing underground ramp system to access additional resources. A 3-month period of rehabilitation of existing underground development is proposed in Year 0 of the mine plan and is accounted for in pre-production capital. Gavin Mines has an off-site toll milling and profit-sharing agreement with Nicola Mining Inc. to provide for offsite milling and concentrating of Dome mineralized material. Completion of a 33m long ventilation raise is also included in pre-production capital. The PEA conceptual mine plan provides for an average mining rate of 100 tonnes per day. The Company owns 78% of the Dome Mountain Mine. All references herein are presented on a 100% ownership basis.

Mining Plan and Processing Summary

Volumes of mineralized material, waste and produced and salable gold are tabulated below for the full 12 year mine plan and a 5-year subset.

Production and Grade Summary

	5 year	12 year
Tonnes	183,970	436,321
Waste Tonnes	112,649	114,401
Au Grade - g/tonne	8.42	6.66
Ag Grade - g/tonne	34.57	27.35
Mined Au Ounces	49,817	93,455
Mined Ag Ounces	204,484	383,604
Payable Au Ounces ^[1]	45,433	85,231
Payable Ag Ounces ^[2]	139,049	260,851

^[1] Payable Au Ounces = Mined Ounces X Mine Recovery Factor (95.0%) X Processing Recovery Factor (96.0%)

^[2] Payable Ag Ounces = Mined Ounces X Mine Recovery Factor (85.0%) X Processing Recovery Factor (80.0%)

Operating Costs

Mining costs for mining, processing and other costs were developed from a mix of first-principle engineering and guidance provided from Company consultants.

Operating Cost Summary - \$CAD/tonne

	5 year	12 year
Total Mining	\$ 157.41	\$ 97.63
Mine G&A	\$ 37.72	\$ 37.72
Transportation	\$ 87.50	\$ 87.50
Processing	\$ 60.00	\$ 60.00
Total Operating Cost	\$ 342.63	\$ 282.85

Diesel fuel price is \$0.90 per liter.

Unit Costs - \$US per ounce sold

	5 year*	12 year
Total Mining	\$ 453.67	\$ 449.01
Mine G&A	\$ 108.71	\$ 137.44
Transportation	\$ 252.18	\$ 318.82
Processing	\$ 172.92	\$ 218.62
Total Operating Cost	\$ 987.48	\$ 1,123.88

* reclamation costs not in subset, only in full mine plan.

Pre-Production Capital Costs

Initial capital costs in the PEA are CAD \$1.46 million including a 10% contingency of \$132,724. The pre-production capital includes the following line items:

Rehabilitation Capital - \$CAD

Rehab UG workings	\$ 326,612
Vent Raise	\$ 134,125
Water Treatment Plant	\$ 285,000
Rescue Station	\$ 120,000
Mined Material Storage Building	\$ 100,000
Environmental Consulting	\$ 211,500
Loader Purchase	\$ 150,000
Contingency @ 10%	\$ 132,724
Total Pre-Production Capital	\$ 1,459,961

Opportunities to Enhance Value

Although Blue Lagoon considers the PEA results for the base case to be excellent, future opportunities are available which can further enhance the value of the Dome Mountain Project beyond the base case. Some of those opportunities are as follows:

- Life of mine in the current PEA is twelve years. The resource update highlights 128,173 ounces Au currently estimated in the inferred category. Blue Lagoon will target this inferred resource in its 2020 phase

one drilling program with the goal of updating a significant portion of this category to indicated and potentially increasing the overall life-of-mine scenario.

- The Dome Mountain Project hosts several identified gold bearing quartz vein targets which are available for drilling on the 10,970-hectare property. These targets offer opportunity to potentially expand the resource at the Dome Mountain project through exploration drilling.
- The Economic Sensitivities to gold price are highlighted in this PEA. Forward looking opportunities exist at a higher gold price.
- The mine plan delimited in this PEA uses a 100 tonne per day mine rate (~36K tonnes annually). The mine production limit in the Company's current mine permit is 75,000 tonnes annually. Blue Lagoon's goal is to initiate mining at the lower production rate and complete a safe and efficient mining production schedule. In due course, following additional exploration drilling, Blue Lagoon would evaluate incorporating any potential expansion of the resource into the mine plan to increase production up to the defined limits of the Mining Permit.
- The current mine plan at Dome Mountain includes ramp and fill, and sub-level longhole mining methods with a minimum mining width of 2.25 meters. Once production is re-started at Dome, resue or narrow vein back-stoping methods, will be tested in narrow mineralized material widths to reduce the overall dilution, and improve the mined/shipped material grades. With success of resue mining, mined waste tons will be reduced, grade of the shipped material to the off-site mill will be increased, potentially reducing mining, shipping, and milling costs and improving the overall profit margin.

Mineral Resource Estimate

The mineral resource estimate incorporates work completed on the project database since the previous historical resource provided in the April 2010 technical report entitled "Technical Report on the Dome Mountain Gold-Silver Project Omineca Mining Division British Columbia" prepared by Gary Giroux, Peng for Gavin Mines. In addition, the update utilizes drilling that took place in 2016 and consisted of 35 Drill holes (DDH) totalling 6969.2 meters.

The current mineral resource estimate represents a substantial increase to the historical resource estimate provided in the 2010 technical report. Based on Cut and Fill parameters and a Au cutoff of 3.42g/tonne, this current mineral resource estimate adds 10,926 ounces gold and 70,893 ounces silver to the indicated category and, 59,073 ounces gold and 160,354 ounces silver to the inferred category, when compared to the 2010 historical resource estimate (note that NI 43-101 incorporated a revised definition of "inferred mineral resource" in 2014).

The current resource estimate shown below is based on 398 holes (39,398 meters) completed at the Dome Project over the period from 1985 to 2016 and were determined with an effective date of May 1, 2020. Holes drilled prior to 2009 have been verified using cumulative frequency plots showing reasonable comparison between gold assay results from the more recent drilling to those holes drilled earlier. The data underlying the resource estimate was verified by Ms. Jennifer Evans, P.G., Senior Resource Geologist with Roughstock Mining Services, and a qualified person as defined in NI 43-101.

The following parameters were used for the resource estimation

- Cut-off grade 3.42 gram/ton using a 2.25 meter cut and fill mining width.
- All veins were estimated using ordinary kriging.
- Inferred resource has 30m drill spacing. Indicated resource has 15m drill spacing.
- Effective Date of resource estimate, May 1, 2020.

**INDICATED RESOURCE
CUT and FILL**

AU CUTOFF GRADE 3.42 G/Tonne					AG CUTOFF GRADE 23.94 G/Tonne
	Gold Tonnes	Gold Grade	Gold Grams	Gold Ounces	Silver Ounces
Boulder Vein	213,647	10.46	2,233,698	71,815	380,523
Boulder East Vein	13,629	14.71	200,462	6,445	25,260
TOTAL	227,276	10.71	2,434,160	78,260	405,783

**INFERRED RESOURCE
CUT and FILL**

<u>AU CUTOFF GRADE</u> 3.42 G/Tonne					AG CUTOFF GRADE 23.94 G/Tonne
	Gold Tonnes	Gold Grade	Gold Grams	Gold Ounces	Silver Ounces
Boulder Vein	198,452	7.48	1,483,637	47,700	260,791
Boulder East Vein	174,754	6.75	1,178,854	37,901	35,820
Argillite Vein	108,175	9.39	1,015,467	32,648	167,781
Boulder HW Vein	48,803	6.32	308,671	9,924	8,162
TOTAL	530,183	7.52	3,986,629	128,173	472,554

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Planned 2020 Surface Diamond Drill Program

A surface diamond drilling program has been planned for the Dome Mountain Mine during the summer of 2020, designed to infill drill on the Boulder East vein system. The primary goal of this infill drilling is to upgrade approximately 33% of the zones currently classified as an inferred resource to an indicated resource. The drill program is planned for 22 holes drilled from 8 existing drill pads for a planned total of 2,780 meters of HQ drill core. The table below details the planned holes.

**DOME MOUNTAIN MINE
PHASE ONE 2020 DRILL PROGRAM**

Drill Pad	Number of Holes	Pad Total Meters
13	3	315
15	2	170
16	3	285
17	1	210
29	7	1,180
30	1	60
26	3	295
2020 Total Meters		2,515

Two additional drill holes have been planned for the summer 2020 drill program that would target a roughly north/south trending mineralized zone, the 79 Trend, which has been identified in previous drilling but remains poorly defined. These holes would be drilled from an existing pad and is targeted to provide better definition of the 79 Trend.

79 TREND DRILL PROGRAM		
Drill Pad	Number of Holes	Pad Total Meters
8	2	265
79 Trend Total Meters		265

The PEA was prepared pursuant to National Instrument 43-101 ("NI 43-101") by Roughstock Mining Services (Montana) – Steve Cutler, P.G, QP; Jason Todd, P.G Senior Geologist; Jennifer Evans, P.G. Senior Resource Geologist; Godfrey Mhembe, Senior Mining Engineer. The team was led by Steve Cutler, P.G, QP. The Company plans to file a technical report on the PEA on SEDAR at www.sedar.com within 45 days in accordance with NI 43-101.

The scientific and technical data contained in this news release was approved by William Cronk, P.Geo., a qualified person as defined in NI 43-101 and a consultant to the Company.

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The CSE has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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"potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include results of exploration activities may not show quality and quantity necessary for further exploration and exploitation of minerals deposits, market prices, and continued availability of capital and financing, permitting and other approvals, and general economic, market or business conditions. In addition, forward-looking statements in this news release includes gold and silver price assumptions, cash flow forecasts, projected capital and operating costs, metal or mineral recoveries, mine life and production rates, and other assumptions used in the PEA. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Except as required by applicable securities laws, the Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.