
BLUE LAGOON RESOURCES INC.
Condensed Consolidated Interim Financial Statements
For the nine months ended December 31, 2025 and 2024
(Expressed in Canadian dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Blue Lagoon Resources Inc. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at
(Expressed in Canadian dollars)
(Unaudited)

	Note	December 31, 2025		March 31, 2025	
<u>ASSETS</u>					
Current assets					
Cash		\$	1,588,083	\$	1,410,147
Receivables	5		147,016		98,653
Subscriptions receivable			-		1,013,000
Inventory	6		2,206,093		-
Prepaid expenses			170,029		74,337
Investment in marketable securities	7		18,300		3,375
Total current assets			4,129,521		2,599,512
Reclamation deposits	8		623,500		694,306
Security deposits			17,749		12,534
Right-of-use assets	9		206,650		-
Property, Plant and Equipment	10		24,815,582		23,234,864
Total assets		\$	29,793,002	\$	26,541,216
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Accounts payable and accrued liabilities	14	\$	554,473	\$	368,497
Obligation to issue shares	12, 15		154,500		-
Current portion of lease liabilities	9		49,443		-
Loans	14		456,860		-
Deferred revenue	11		962,523		-
			2,177,799		368,497
Lease liabilities	9		161,870		-
Long-term accounts payable	12		1,729,933		1,729,933
Asset retirement obligation	13		6,405,746		6,275,637
Total liabilities			10,475,348		8,374,067
Equity					
Share capital	15		55,601,736		51,037,233
Obligation to issue shares	12, 15		2,879,267		2,665,517
Reserves	15		7,933,722		5,377,205
Deficit			(47,097,071)		(40,912,806)
Total equity			19,317,654		18,167,149
Total liabilities equity		\$	29,793,002	\$	26,541,216

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

Approved for issuance on behalf of the Board of Directors on December 1, 2025:

“Rana Vig”
Director

“Gurdeep Bains”
Director

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

(Unaudited)

		Three months ended December 31,		Nine months ended December 31,	
	Note	2025	2024	2025	2024
Expenses					
General and administrative expenses		\$ 163,503	\$ 36,373	\$ 554,955	\$ 105,841
Depreciation	9	8,985	-	8,985	-
Consulting fees	14	143,079	37,400	693,343	113,700
Exploration expenses		92,113	138,845	1,336,972	496,390
Marketing		61,999	1,996	118,661	2,338
Professional fees		168,891	43,671	286,284	137,318
Share-based compensation	14, 15	1,544,317	874,466	3,107,588	874,466
Total operating expenses		\$ (2,182,887)	\$ (1,132,751)	\$ (6,106,788)	\$ (1,730,053)
Other items					
Accretion	13, 14	(44,648)	(50,162)	(131,388)	(150,484)
Interest income		1,727	8,701	39,972	31,344
Interest on lease liabilities	9	(986)	-	(986)	-
Fair value gain (loss) on marketable securities	7	16,343	(19,500)	14,925	(184,500)
Loss and comprehensive loss		\$ (2,210,451)	\$ (1,193,712)	\$ (6,184,265)	\$ (2,033,693)
Basic and diluted loss per share		\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of common shares outstanding (basic and diluted)		144,988,946	114,035,246	142,275,423	114,035,246

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Number of shares	Share capital \$	Obligation to issue shares \$	Reserves \$	Deficit \$	Total equity \$
Balance, March 31, 2024	114,035,246	47,404,612	2,271,767	4,570,868	(37,488,007)	16,759,240
Shares issued pursuant to private placement	3,549,998	390,500	-	-	-	390,500
Share issuance costs	-	(16,006)	-	-	-	(16,006)
Share-based compensation	-	-	-	874,466	-	874,466
Loss and comprehensive loss	-	-	-	-	(2,033,693)	(2,033,693)
Balance, December 31, 2024	117,585,244	47,779,106	2,271,767	5,445,334	(39,521,700)	15,974,507
Balance, March 31, 2025	131,424,236	51,037,233	2,665,517	5,377,205	(40,912,806)	18,167,149
Shares issued pursuant to non-brokered private placement	8,900,000	2,225,000	-	-	-	2,225,000
Capital contribution loan	-	44,419	-	-	-	44,419
Issuance of shares upon settlement of RSUs	2,250,000	393,750	(393,750)	-	-	-
Share issuance costs	-	(117,268)	-	1,281	-	(115,987)
Exercise of warrants	3,524,567	908,231	420,000	(2,996)	-	1,325,235
Exercise of stock options	1,589,500	1,110,371	-	(461,856)	-	648,515
Shares granted for bonus	-	-	100,000	-	-	100,000
Vesting of RSU	-	-	87,500	(87,500)	-	-
Share-based compensation	-	-	-	3,107,588	-	3,107,588
Loss and comprehensive loss	-	-	-	-	(6,184,265)	(6,184,265)
Balance, December 31, 2025	147,688,303	55,601,736	2,879,267	7,933,722	(47,097,071)	19,317,654

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

	Nine months ended December 31,	
	2025	2024
Cash flows used in operating activities		
Loss for the period	\$ (6,184,265)	\$ (2,033,693)
Items not involving cash:		
Share-based compensation	3,107,588	874,466
Depreciation right-of-use assets	8,985	-
Interest on lease liabilities	986	-
Accretion	131,388	150,484
Interest income	-	(22,237)
Fair value loss (gain) on marketable securities	(14,925)	184,500
Changes in non-cash working capital:		
Receivables	(48,363)	(22,206)
Inventory	(1,972,550)	-
Prepaid expenses	(95,692)	12,790
Accounts payable and accrued liabilities	1,453,476	(65,932)
Deferred revenue	962,523	-
Net cash used in operating activities	(2,650,849)	(921,828)
Cash flow used in investing activities		
Security deposits	(5,215)	-
Reclamation deposits	70,806	-
Equipment	(1,814,261)	-
Exploration and evaluation asset acquisition	-	(25,000)
Net cash provided by (used in) investing activities	(1,748,670)	(25,000)
Cash flow provided by financing activities		
Proceeds from loans	500,000	-
Proceeds from issuance of shares in private placements	2,225,000	390,500
Proceeds from warrant exercise	1,325,235	-
Proceeds from option exercise	648,515	-
Share issuance costs	(115,987)	(9,000)
Lease payments	(5,308)	-
Net cash provided by financing activities	4,577,455	381,500
Change in cash	177,936	(565,328)
Cash, beginning of period	1,410,147	816,615
Cash, end of period	\$ 1,588,083	\$ 251,287
Supplemental cash flow information:		
Interest received	\$ 39,972	\$ 9,107
Interest reinvested	-	32,994
Share issuance costs in accounts payable and accrued liabilities	-	7,006
Carrying amount of interest-free loan (at recognition)	456,860	-
Obligation to issue shares	254,500	-

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Blue Lagoon Resources Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act 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, which is permitted and advancing through production ramp-up. 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.”

The Company’s main focus is on exploring and developing its Dome Mountain Gold Project located near Smithers, BC Canada. In February 2025, the Company obtained their final mine permit for its Dome Mountain Project allowing for initial production of up to 55,000 tonnes per year. The Company maintains an active toll milling agreement with Nicola Mining Inc. (“Nicola”) for processing mineralized material at its Merritt, British Columbia facility. During 2025, the Company commenced mining and shipment of mineralized material from Dome Mountain and continued advancing operations toward sustained commercial production.

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company’s operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. There is no assurance that the Company will be able to obtain such financing or obtain financing on favorable terms. As at December 31, 2025, the Company had working capital of \$1,951,722; however additional financing might be required in the next 12 months. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments to the carrying values of assets and liabilities or the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be deemed to be inappropriate. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 2, 2026.

Basis of Measurement and Consolidation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise indicated. The preparation of financial

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
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2. BASIS OF PREPARATION (continued)

statements in compliance with IFRS requires management to make certain critical accounting estimates.

It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 4.

These condensed consolidated interim financial statements incorporate the accounts of the Company and its controlled subsidiaries, from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include ASIC Mining Inc. ("ASIC") (a Canadian corporation), Metal Mountain Resources Inc. (a Canadian corporation), which holds 100% interest in Lloyd Minerals Inc. (a Canadian corporation), and 100% interest in Gavin Mines Inc. (a Canadian corporation) whose principal place of business is British Columbia. The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited annual consolidated financial statements for the year ended March 31, 2025 and have been consistently followed in the preparation of these condensed consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future years, if the change affects both.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgements were the same as those applied to the audited annual consolidated financial statements for the year ended March 31, 2025.

5. RECEIVABLES

Receivables are composed of the following amounts:

	December 31, 2025		March 31, 2025	
GST receivable	\$	124,780	\$	59,061
Related party		731		731
Other		21,505		38,861
	\$	147,016	\$	98,653

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024

(Unaudited)

6. INVENTORY

Inventories are measured at the lower of cost and net realizable value.

The carrying value of inventories as at December 31, 2025 was \$2,206,093 (March 31, 2025 - \$nil), comprised as follows:

	December 31, 2025	March 31, 2025
Raw materials	\$ 270,129	\$ -
Work in progress	1,935,964	-
Finished inventory	-	-
	\$ 2,206,093	\$ -

Work in progress represents gold-rich mineralized material extracted and in-transit to or stockpiled at the Nicola Mining processing facilities, including costs incurred subsequent to the commencement of production on October 1, 2025. The cost of work in progress includes direct mining and processing costs, direct labour, consumables, and a systematic allocation of production overheads, including depreciation of mining assets.

Raw materials consist primarily of production consumables and supplies intended for use in ongoing mining operations as well as gold-rich mineralized material extracted and stockpiled at the Dome Mountain Gold Mine

Prior to October 1, 2025, the Company had not commenced production and, accordingly, no inventories were recognized as at March 31, 2025.

7. INVESTMENTS

The Company's investments consist of common shares of LIR Life Sciences Corp. (formerly Blackbird Critical Metals Corp.) (CSE: SKNY), originally received in connection with the option agreement for the Big Onion Project (Note 6). In November 2025, the issuer completed a reverse takeover, effected a 1.5:1 share consolidation, and changed its name to LIR Life Sciences Corp.

<i>Cost</i>		<i>SKNY</i>
Balance, March 31, 2024	\$	240,000
Disposals		(216,000)
Balance, March 31, 2025 and December 31, 2025	\$	24,000
 <i>Fair value</i>		
Adjustments to fair value, March 31, 2024	\$	(22,500)
Disposals		186,300
Fair value adjustments for the year		(184,425)
Adjustments to fair value, March 31, 2025	\$	(20,625)
Fair value adjustments for the period		14,925
Adjustments to fair value, December 31, 2025	\$	(5,700)
Fair value, March 31, 2025	\$	3,375
Fair value, December 31, 2025	\$	18,300

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024 (Unaudited)

7. INVESTMENTS (continued)

On December 20, 2024, Blackbird consolidated its shares at a 1-for-10 ratio.

On January 22, 2025, the Company received \$25,054 from the sale of 135,000 (1,350,000 before share consolidation) common shares of Blackbird. In connection with the sale, the Company recognized a loss on sale of marketable securities of \$4,646.

As at December 31, 2025, the Company held 10,000 common shares of Lir Life Sciences Corp. (formerly Blackbird Critical Metals Corp.) following a 1.5:1 share consolidation completed in November 2025. All shares previously held in escrow were released on April 11, 2025.

As at December 31, 2025, the fair value of the common shares of Lir Life Sciences Corp. was \$18,300 (March 31, 2025 - \$3,375), based on the quoted closing price of SKNY on the Canadian Securities Exchange at that date.

During the three and nine months ended December 31, 2025, the Company recorded a fair value gain on marketable securities of \$16,343 and \$14,925, respectively (2024 - \$19,500 and \$184,500).

8. EXPLORATION AND EVALUATION ASSETS

	<i>Dome Mountain mine</i>		<i>Total</i>
Balance, March 31, 2024	\$	22,772,809	\$ 22,772,809
Acquisition costs - cash		20,000	20,000
Acquisition costs - non-cash		25,000	25,000
Transfer to development asset		(22,817,809)	(22,817,809)
Balance, March 31, 2025 and December 31, 2025	\$	-	\$ -

Dome Mountain Mine Group

On March 27, 2020, the Company acquired Dome Mountain Mine group of properties and Big Onion Project, both located near the town of Smithers in northwest British Columbia from the acquisition of Metal Mountain Resources Inc.

The Company holds a surety bond of \$539,500 (March 31, 2025 - \$659,306) with a maturity value of \$1,079,000 related to the Dome Mountain Mine.

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

- **Dome Mountain Project**

- Upon the property commencing 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. The Company made the annual royalty payment of \$30,000 on January 30, 2024 and 2023. In January 2025, the optionor agreed to extend the annual royalty payment to October 2, 2025.
- As at December 31, 2024, the Dome Mountain Project had not commenced commercial production. On February 2025, the Company received permits from the Ministry of Mining and Critical Minerals and its effluent/discharge permit from the Ministry of Environment and Parks. During 2025, the Company commenced mining and shipment of gold-rich mineralized material from the Dome Mountain Project. As at December 31, 2025, the Project had transitioned from exploration and evaluation to development and production activities, however the Project has not reached commercial production. Commercial production will be achieved when the Dome Mountain Mine achieves 30+ consecutive days of operations at 75% its permitted capacity.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited)

8. EXPLORATION AND EVALUATION ASSETS (continued)

- **Freegold Property**

- The interest in the property will be subject to a 2% NSR and the Company is required to make annual royalty payments of \$20,000 per annum. The Company has the right to purchase 1% of the NSR for the aggregate sum of \$1,000,000. The Company made the annual royalty payment of \$20,000 in February 2024. On March 4, 2025, the Company issued 70,175 common shares in settlement of the \$20,000 annual royalty payment due February 2025. The February 2026 royalty payment was paid subsequent to December 31, 2025.

- **McKendrick Property**

- The interest in the property will be subject to an NSR of 2.5% and the Company is required to make annual royalty payment of \$25,000 per annum.
- The Company paid the 2024 and 2023 annual royalty payments of \$25,000 on July 5, 2024 and 2023. The July 2025 payment was paid on July 4, 2025.

- **Hilo Property; and**

- **Federal Creek Property**

- The interest in the property will be subject to a 3% NSR.

On December 15, 2023, the Company entered in an agreement with the **Lake Babine Nation** to restart the Dome Mountain Mine. The obligations for this agreement are as follows:

- \$10,000 in cash payable within a week from December 15, 2023 (paid)
- \$25,000 in cash payable within a week of the issuance of all Crown Authorizations for restart (paid).
- \$50,000 in cash payable within a week of the mine starting commercial production

In February 2025, upon receipt of mining permits, the Company's Dome Mountain Project met the criteria for recognition as a mining development asset. The Company determined the recoverable amount of the project on the date of transition by using the following key estimates and inputs: units of production, commodity prices, operating costs, discount rate. No impairment was noted at the time of transition, therefore the entire capitalized cost of the exploration and evaluation assets was reclassified to mining development asset under property plant and equipment (Note 7).

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 Critical Metals Corp. ("Blackbird") for a 100% ownership and beneficial interest in the Big Onion Project. In order to exercise its option on the Big Onion Project, Blackbird was required to make cash and share payments to the Company and incur exploration and development expenditures on the property, as summarized in past corporate disclosure. 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. Blackbird had fulfilled all financial obligations towards the Company up to that option termination date.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended March 31, 2024, the Company recorded an impairment with respect to the Big Option Property resulting in a carrying value of \$nil.

Pellaire Gold Property

During the year ended March 31, 2021, the Company exercised its option to acquire the 100% interest in the Pellaire Gold Property, located in the Clinton Mining Division of British Columbia. The seller retains a 2.5% net smelter royalty interest (“NSR”). The Company has the right to purchase 2% of the NSR for US\$1,000,000 at any time prior to commencement of commercial production, which if exercised would leave the vendor with a 0.5% NSR. During the year ended March 31, 2023, impaired the property to \$nil.

As of December 31, 2025, the Company held a reclamation deposit of \$49,000 related to the Pellaire Gold Property.

9. LEASES

The Company leases certain vehicles used in its operations. At the reporting date, the Company recognized right-of-use assets and corresponding lease liabilities representing the present value of the remaining lease payments. Lease liabilities are presented as current and non-current obligations in the statement of financial position. The remaining contractual lease payments are summarized below.

Right-of-use assets**Cost**

As at March 31, 2025	\$ -
Additions	215,635
As at December 31, 2025	\$ 215,635

Accumulated depreciation

As at March 31, 2025	\$ -
Depreciation	8,985
As at December 31, 2025	\$ 8,985

Net book value

As at March 31, 2025	\$ -
As at December 31, 2025	\$ 206,650

Lease liability

As at March 31, 2025	\$ -
Additions	215,635
Interest on lease liability	986
Lease payment	(5,308)
As at December 31, 2025	\$ 211,313

Current portion	\$ 49,443
Non-current portion	161,870
Total lease liability	\$ 211,313

BLUE LAGOON RESOURCES INC.NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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9. LEASES (continued)

The table below summarizes the remaining expected lease payments as at December 31, 2025:

Fiscal Years	
2026	\$ 14,957
2027	59,829
2028	59,829
2029	59,829
2030	39,886
Less: imputed interest	(23,017)
Present value of lease liabilities	\$ 211,313

10. PROPERTY, PLANT AND EQUIPMENT

<i>Cost</i>		<i>Mineral property development asset</i>	<i>Water treatment plant</i>	<i>Production equipment</i>	<i>Total</i>
Balance, March 31, 2024		-	-	-	-
Additions		-	94,048	115,670	209,718
Transfer to development asset	Note 12	22,817,809	-	-	22,817,809
Change in estimate of ARO	Note 17	207,337	-	-	207,337
Balance, March 31, 2025		23,025,146	94,048	115,670	23,234,864
Additions		186,042	1,277,617	350,602	1,814,261
Balance, December 31, 2025		23,211,188	1,371,665	466,272	25,049,125
<i>Accumulated amortization</i>					
Balance, March 31, 2024 and 2025		-	-	-	-
Additions		195,253	28,576	9,714	233,543
Balance, December 31, 2025		195,253	28,576	9,714	233,543
<i>Net Book Value</i>					
March 31, 2025		23,025,146	94,048	115,670	23,234,864
September 30, 2025		23,015,935	1,343,089	456,558	24,815,582

The Company commenced gold-rich mineralized material production on October 1, 2025. Depreciation of mining production assets began on that date in accordance with IAS 16 and is calculated using the units-of-production method. Depreciation attributable to production is capitalized to inventory and recognized in cost of sales when the related inventory is sold.

11. DEFERRED REVENUE

The following table summarizes deferred revenue activity:

As at March 31, 2024 and 2025	\$ -
Deferred revenue resulting from current activities	962,523
As at December 31, 2025	\$ 962,523

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12. LONG-TERM ACCOUNTS PAYABLE

On March 27, 2020, the Company completed the acquisition of all the issued and outstanding shares of Metal Mountain Resources Inc. (“Metal Mountain”) in exchange for a total of 12,153,651 common shares of the Company. This transaction was accounted for as an asset acquisition, and as a result, the Company assumed \$5,548,030 in long-term accounts payable.

On May 13, 2020, the Company entered into an agreement to amend a debt assignment agreement with AG Partner Holdings Ltd., initially entered into on March 27, 2020.

The Company negotiated an agreement to pay \$3,818,097 of the total long-term accounts payable, by way of issuance of 1,909,048 common shares of the Company with a fair value of \$2,271,767 on the date of the commencement of commercial production from the Dome Mountain Mine, subject to resale restrictions as set out below.

The shares will be subject to a hold period which will expire in accordance with the following schedule:

- 10% on each of 12 and 15 months of the date of issuance
- 15% on each of 18 and 24 months from the date of issuance; and
- 25% on each of 30 and 36 months from the date of issuance

Long-term accounts payable of \$1,729,933 is unsecured, non-interest bearing, and payment is due within 30 months from the commencement date of commercial production at the Dome Mountain Mine. The payments will be made in quarterly payments from the available proceeds from the eventual sale of any gold and other metals or minerals mined and processed from the Dome Mountain Mine.

13. ASSET RETIREMENT OBLIGATION

The Company’s asset retirement obligation consists of costs associated with the mine reclamation and closure activities on the Dome Mountain Mine (Note 6). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. The expenditures are expected to occur in 2033 and go on for a ten-year period.

A continuity of the asset retirement obligation is as follows:

Balance, March 31, 2024	\$	5,867,655
Accretion expense		200,645
Change in estimate		207,337
Balance, March 31, 2025	\$	6,275,637
Accretion for the period		130,109
Balance, December 31, 2025	\$	6,405,746

During the three and nine months ended December 31, 2025, the Company incurred accretion expense of \$43,369 and \$130,109, respectively (2024 - \$50,162 and \$150,484).

The total undiscounted cash flow estimated to settle the obligations as at December 31, 2025 is \$6,405,746 (March 31, 2025 - \$6,275,637), which was adjusted for inflation at the rate of 2.14% and then discounted at a rate of 2.81%. Certain minimum amounts of asset retirement obligation will occur each year with significant amounts expected to be incurred from 2030 to 2043.

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14. RELATED PARTY TRANSACTIONS*Related party loan*

During the period, the Company received a \$500,000 unsecured, interest-free loan from a related party to support short-term working capital requirements. The loan matures on December 19, 2026 and is repayable earlier at the option of the Company.

In accordance with IFRS 9, the loan was initially recognized at its present value of \$455,581, determined using a market-based discount rate of 9.75%. The resulting difference of \$44,419 between the transaction price and fair value was recognized in equity as a capital contribution from a related party. An accretion expense of \$1,279 was recognized for the three and nine months ended December 31, 2025. As at December 31, 2025, the carrying amount of the loan was \$456,860. In connection with the loan, the Company agreed to issue 151,515 common shares to the lender at a deemed price of \$0.66 per share, representing the market price at the date of the loan agreement. As at December 31, 2025, the shares had not been issued and have been recorded as an obligation to issue shares within equity

Summary of key management personnel compensation:

Key management personnel include those people who have 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.

	For the three months ended		Nine months ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Management fees	\$ 75,000	\$ 36,000	\$ 225,000	\$ 108,000
Share-based compensation	1,980,000	683,326	1,980,000	683,326
	\$2,055,000	\$ 719,326	\$2,205,000	\$ 791,326

As at December 31, 2025, accounts payable and accrued liabilities include \$50,200 (March 31, 2025 - \$36,000) in connection with consulting fees and \$32,874 (March 31, 2025 - \$30,163) in connection with expense reimbursements owing to the President, CEO and director of the Company. The amount payable is unsecured, non-interest bearing and has no fixed terms of repayment. As at December 31, 2025, the Company has also recorded \$154,500 (March 31, 2025 - \$nil) as an obligation to issue shares to the President and CEO in connection with management fees to be settled through the issuance of shares. In addition, the Company has recorded \$100,000 as an obligation to issue 151,515 common shares in connection with the related party loan described above, which remain outstanding as at December 31, 2025.

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15. SHARE CAPITAL AND RESERVES

Authorized: Unlimited number of common shares without par value.

COMMON SHARES

For the nine months ended December 31, 2025

- On April 29, 2025, the Company closed the fourth tranche of their non-brokered private placement issuing 8,900,000 units at a price of \$0.25 per unit, for aggregate gross proceeds of \$2,225,000. Each unit consists of one common share in the capital of the Company and one-half of one transferrable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.35 per share until April 29, 2027. A value of \$2,225,000 was allocated to the common shares in accordance with the residual value method. In connection with the non-brokered private placement, the Company incurred cash finders' fees of \$46,000 and issued 4,000 finder's warrants with an estimated fair value of \$1,281 calculated using the Black-Scholes pricing model and following inputs: risk-free interest rate of 2.56%, expected life of 2 years, annualized volatility of 135.6%, exercise price of \$0.35, and share price of \$0.45. Additionally, the Company incurred cash share issuance costs of \$115,539.
- During the nine months ended December 31, 2025, 1,589,500 common shares were issued upon the exercise of stock options, generating gross proceeds of \$648,515. Upon exercise, \$461,856 was transferred from reserves to share capital.
- During the nine months ended December 31, 2025, 3,524,567 common shares were issued upon the exercise of warrants, generating gross proceeds of \$1,325,235. Upon exercise, \$2,996 was transferred from reserves to share capital.
- During the nine months ended December 31, 2025, the Company issued 2,250,000 common shares in settlement of restricted share units ("RSUs") previously granted to key management personnel. The RSUs were fully vested, and upon settlement, the Company reclassified the related obligation to issue shares to share capital.

For the year ended March 31, 2025

- On March 28, 2025, the Company closed a non-brokered private placement financing and issued 5,397,000 units at a price of \$0.25 per unit for gross proceeds of \$1,349,250. Each unit consists of one common share in the capital of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.35 per share until March 28, 2027. As of March 31, 2025, \$1,013,000 of the total proceeds were recorded as subscriptions receivable and were received subsequent to March 31, 2025. A value of \$1,349,250 was allocated to the common shares in accordance with the residual value method. In connection with the non-brokered private placement, the Company issued 30,520 finders' warrants with a value of \$8,365 estimated using the Black Scholes Pricing model and the following inputs: risk-free interest rate of 2.49%, expected life of 2 years, annualized volatility of 418.6%, exercise price of \$0.35, and share price of \$0.28. Additionally, the Company incurred cash share issuance costs of \$14,864 of which \$14,864 are in accounts payable and accrued liabilities as of March 31, 2025.

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15. SHARE CAPITAL AND RESERVES (continued)

COMMON SHARES (continued)

- On March 14, 2025, the Company closed a non-brokered private placement financing and issued 2,800,000 units at a price of \$0.25 per unit for gross proceeds of \$700,000. Each unit consists of one common share in the capital of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.35 per share until March 14, 2027. A value of \$700,000 was allocated to the common shares in accordance with the residual value method.
- On March 4, 2025, the Company closed a non-brokered private placement financing and issued 2,390,000 units at a price of \$0.25 per unit for gross proceeds of \$597,500. Each unit consists of one common share in the capital of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.35 per share until March 4, 2027. A value of \$597,500 was allocated to the common shares in accordance with the residual value method. In connection with the non-brokered private placement, the Company incurred share issuance costs of \$1,991.
- On October 30, 2024, the Company closed a non-brokered private placement financing and issued 3,549,998 units at a price of \$0.11 per unit for gross proceeds of \$390,500. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.14 per share until October 30, 2026. A value of \$390,500 was allocated to the common shares in accordance with the residual value method. In connection with the non-brokered private placement, the Company incurred share issuance costs of \$16,003.
- During the year ended March 31, 2025, 70,175 common shares were issued to settle an annual royalty payment of \$20,000 (Note 8).
- During the year ended March 31, 2025, 2,000,000 common shares were issued upon exercise of 2,000,000 stock options for proceeds of \$260,000. Upon exercise, the Company transferred \$191,140 from reserves to share capital.
- During the year ended March 31, 2025, 1,181,817 common shares were issued upon exercise of 1,181,817 warrants for gross proceeds of \$165,454. Upon exercise, a fair value of \$nil was reclassified from reserves into share capital.

RESTRICTED SHARE UNITS (RSUs)

For the nine months ended December 31, 2025

On May 15, 2025, the Company issued 350,000 RSUs with 25% immediate vesting and 25% to vest every three months thereafter. Upon issuance, the Company recognized share-based compensation of \$175,000 estimated using the fair-value of the shares based on the market trading price on issue date. During the three and nine months ended December 31, 2025, the Company recognized an obligation to issue shares of \$27,118 and \$166,220 respectively, in connection with the obligation to issue 175,000 common shares for RSUs vested in the period.

On July 10, 2025, the Company issued 2,250,000 common shares in settlement of the RSUs previously recognized as an obligation to issue shares. Upon issuance, the Company reclassified the carrying amount of \$393,750 from the obligation to issue shares to share capital.

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15. SHARE CAPITAL AND RESERVES (continued)

RESTRICTED SHARE UNITS (RSUs) (continued)

For the year ended March 31, 2025

On February 6, 2025, the Company issued 2,250,000 RSUs with immediate vesting. Upon issuance, the Company recognized share-based compensation of \$393,750 estimated using the fair-value of the shares based on the market trading price on issue date. As of March 31, 2025, the Company recognized an obligation to issue shares of \$393,750 in connection with the obligation to issue 2,250,000 shares upon vesting of the RSUs.

OBLIGATION TO ISSUE SHARES

As at December 31, 2025, the balance of obligation to issue shares is \$3,033,767 and includes:

- \$154,500 (March 31, 2025 - \$nil) relating to management fees owing to the President and CEO, which is classified as a liability. 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 \$2,271,767 (March 31, 2025 - \$2,271,767) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 9). The shares will be subject to a hold period which will expire in accordance with the following schedule:
 - 10% on each of 12 and 15 months of the date of issuance
 - 15% on each of 18 and 24 months from the date of issuance; and
 - 25% on each of 30 and 36 months from the date of issuance
- \$87,500 (March 31, 2025 - \$393,750) relating to restricted share units (“RSUs”) that vested during the period and had not yet been settled.
- \$100,000 (March 31, 2025 - \$nil) relating to 151,515 bonus common shares to be issued to the President and CEO.
- \$420,000 (March 31, 2025 – \$nil) relating to the exercise of warrants for which shares had not been issued as of December 31, 2025.

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

- long-term accounts payable to be settled of \$2,271,767 (March 31, 2024 - \$2,271,767) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 9). The shares will be subject to a hold period which will expire in accordance with the following schedule:
 - 10% on each of 12 and 15 months of the date of issuance
 - 15% on each of 18 and 24 months from the date of issuance; and
 - 25% on each of 30 and 36 months from the date of issuance
- \$393,750 (March 31, 2024 - \$nil) in connection with 2,250,000 common shares to be issued upon vesting of RSUs on February 6, 2025

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15. SHARE CAPITAL AND RESERVES (continued)**STOCK OPTIONS***Stock option plan*

The Stock Option Plan was adopted by the Company's board of directors on December 19, 2023. The aggregate number of securities reserved for issuance, set aside and made available for issuance under the Stock Option Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of options (including all options granted by the Company to date). The exercise price of any stock options granted under the Option Plan shall be determined by the Board, but may not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

The term and vesting conditions of any stock options granted under the Stock Option Plan shall be determined by the Board at the time of grant but, subject to earlier termination in the event of termination or in the event of death.

Omnibus Plan

On October 30, 2024, the Company adopted an omnibus equity incentive compensation plan (the "Omnibus Plan") in order to provide the Company and the Board with flexibility in respect of the types of non-transferable equity-based incentive awards ("Awards") that are available to the Board for grant to eligible Participants (as defined in the Omnibus Plan"), which Awards include stock options ("Options"), restricted share units ("RSUs"), share appreciation rights ("SARs"), deferred share units ("DSUs"), and performance share units ("PSUs"). Pursuant to the Omnibus Plan, the number of common shares in the capital of the Company reserved for issuance pursuant to Options granted under the Omnibus Plan will not, in the aggregate, exceed 10% of the then issued and outstanding Common Shares on a rolling basis. The number of common shares reserved for issuance pursuant to RSUs, SARs, DSUs, and PSUs granted under the Omnibus Plan will not, in the aggregate, exceed 11,758,524.

Stock Option Activity

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2024	3,787,500	\$0.81
Granted	9,850,000	\$ 0.14
Exercised	(2,000,000)	\$ 0.13
Cancelled	(1,390,000)	\$ 1.23
Outstanding and exercisable, March 31, 2025	10,247,500	\$0.24
Granted	7,640,000	\$ 0.59
Exercised	(1,589,500)	\$ 0.41
Cancelled	(37,500)	\$ 0.50
Outstanding and exercisable, December 31, 2025	16,260,500	\$0.39

For the nine months ended December 31, 2025

On April 1, 2025, the Company granted 540,000 stock options with an exercise price of \$0.30 to consultants of the Company. The options expire after 5 years from the date of issuance and vest immediately. The options were determined to have a fair value of \$0.21 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.57%, expected life of 5 years, annualized volatility of 95.67%, exercise price of \$0.30, and share price of \$0.30.

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15. SHARE CAPITAL AND RESERVES (continued)**STOCK OPTIONS (continued)***For the nine months ended December 31, 2025 (continued)*

On May 15, 2025, the Company granted 150,000 stock options with an exercise price of \$0.51 to consultants of the Company. The options expire after 5 years from the date of issuance and vest 25% immediately, and 25% to vest every three months thereafter. The options were determined to have a fair value of \$0.36 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.76%, expected life of 5 years, annualized volatility of 95.74%, exercise price of \$0.51, and share price of \$0.50.

On June 9, 2025, the Company granted 250,000 stock options with an exercise price of \$0.55 to consultants of the Company. The options expire after 5 years from the date of issuance and vest quarterly commencing 3 months from date of issuance. The options were determined to have a fair value of \$0.40 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.96%, expected life of 5 years, annualized volatility of 95.52%, exercise price of \$0.55, and share price of \$0.54.

On August 7, 2025, the Company granted 3,500,000 stock options with an exercise price of \$0.57 to consultants of the Company. The options expire 2 years from the date of issuance and vest immediately. The options were determined to have a fair value of \$0.33 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.69%, expected life of 2 years, annualized volatility of 109%, exercise price of \$0.57, and share price of \$0.58.

On December 30, 2025, the Company granted 3,200,000 stock options to certain directors, officers, management and consultants of the Company pursuant to the Company's omnibus equity incentive plan. The options are exercisable at a price of \$0.66 per share, expire five years from the date of grant, and vest immediately upon grant. The options were determined to have a fair value of \$0.475 using the Black-Scholes option pricing model with the following inputs: risk-free interest rate of 2.99%, expected life of 5 years, annualized volatility of 92%, exercise price of \$0.66, and share price of \$0.66.

During the three and nine months ended December 31, 2025, the Company recognized share-based compensation of \$1,553,097 and \$2,941,368 in connection with the vesting of stock options.

For the year ended March 31, 2025

On February 24, 2025, the Company granted 500,000 stock options with an exercise price of \$0.25 to directors of the Company. The options expire on February 24, 2030 and vest immediately. The options were determined to have a fair value of \$0.18 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.76%, expected life of 5 years, annualized volatility of 98.6%, exercise price of \$0.25, and share price of \$0.24.

On February 6, 2025, the Company granted 200,000 stock options with an exercise price of \$0.175 to directors of the Company. The options expire on February 6, 2030 and vest immediately. The options were determined to have a fair value of \$0.13 using the Black-Scholes model with the following inputs: risk-free interest rate of 2.63%, expected life of 5 years, annualized volatility of 94.8%, exercise price of \$0.175, and share price of \$0.175.

On October 30, 2024, the Company granted 9,150,000 stock options with an exercise price of \$0.13 to consultants, and directors of the Company. The options expire on October 30, 2029 and vest immediately. The options were determined to have a fair value of \$0.10 using the Black-Scholes model with the following inputs: risk-free interest rate of 3.05%, expected life of 5 years, annualized volatility of 95.40%, exercise price of \$0.13, and share price of \$0.13.

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15. SHARE CAPITAL AND RESERVES (continued)**STOCK OPTIONS (continued)***For the year ended March 31, 2025 (continued)*

During the year ended March 31, 2025, 1,390,000 vested stock options with a weighted average exercise price of \$1.23 were cancelled upon the consultants' terminating their service agreement with the Company.

During the year ended March 31, 2025, the Company recognized \$989,112 in share-based compensation expense (2024: \$nil) in relation to the issuance of stock options with immediate vesting.

Details of stock options outstanding and exercisable as at December 31, 2025 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
March 19, 2026	100,000	100,000	\$ 0.55
July 15, 2026	960,000	960,000	\$ 0.70
January 11, 2027	100,000	100,000	\$ 0.45
August 7, 2027	3,360,500	3,360,500	\$ 0.57
February 17, 2028	300,000	300,000	\$ 0.35
October 30, 2029	6,850,000	6,850,000	\$ 0.13
February 6, 2030	200,000	200,000	\$ 0.18
February 24, 2030	250,000	250,000	\$ 0.25
April 1, 2030	540,000	540,000	\$ 0.30
May 15, 2030	150,000	112,500	\$ 0.51
June 9, 2030	250,000	125,000	\$ 0.55
December 19, 2030	3,200,000	3,200,000	\$ 0.66
Total	16,260,500	16,098,000	

Details of stock options outstanding and exercisable as at March 31, 2025 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
July 13, 2025	237,500	237,500	\$ 0.50
August 20, 2025	350,000	350,000	\$ 0.60
March 19, 2026	100,000	100,000	\$ 0.55
July 15, 2026	960,000	960,000	\$ 0.70
January 11, 2027	450,000	450,000	\$ 0.45
February 17, 2028	300,000	300,000	\$ 0.35
October 30, 2029	7,150,000	7,150,000	\$ 0.13
February 6, 2030	200,000	200,000	\$ 0.18
February 24, 2030	500,000	500,000	\$ 0.25
Total	10,247,500	10,247,500	

As of December 31, 2025, the weighted average remaining life for outstanding options was 3 years (March 31, 2025 - 3.85 years).

As of December 31, 2025 the weighted average exercise price for outstanding options was \$0.32 (March 31, 2025 - \$0.24).

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15. SHARE CAPITAL AND RESERVES (continued)**WARRANTS**

Warrant activities are summarized in the table below.

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2024	5,372,782	\$ 0.79
Granted	8,874,018	\$0.26
Exercised	(1,181,817)	\$0.14
Cancelled	(5,372,782)	\$0.79
Outstanding and exercisable, March 31, 2025	7,692,201	\$ 0.29
Granted	4,454,000	\$0.35
Exercised	(4,724,567)	\$0.28
Outstanding and exercisable, December 31, 2025	7,421,634	\$ 0.33

On April 28, 2025, the Company issued 4,450,000 warrants issued to subscribers and 4,000 finders' warrants in connection with the closing of a non-brokered private placement financing.

As at December 31, 2025, the weighted average remaining life for outstanding warrants was 0.33 years (March 31, 2025 - 1.85 years).

As at December 31, 2025, the following warrants were outstanding:

Expiry date	Number of Warrants Outstanding	Exercise Price
October 30, 2026	804,545	\$0.14
March 4, 2027	445,000	\$0.35
March 14, 2027	400,000	\$0.35
March 28, 2027	2,718,089	\$0.35
April 28, 2027	3,054,000	\$0.35
Total	7,421,634	

As at March 31, 2025, the following warrants were outstanding:

Expiry date	Number of Warrants Outstanding	Exercise Price
October 30, 2026	2,368,181	\$0.14
March 4, 2027	1,195,000	\$0.35
March 14, 2027	1,400,000	\$0.35
March 28, 2027	2,729,020	\$0.35
Total	7,692,201	

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, mineral exploration and development after transitioning the Company's exploration and evaluation assets to property, plant, and equipment. The Company's resource and development properties are all located in Canada and its long-term assets are located in Canada. The Company transitioned from exploration and development to production on October 1, 2025, however, no revenues have been recognized as at December 31, 2025. The Company continues to operate in a single reportable operating segment.

17. 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 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. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the nine months ended December 31, 2025.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT*Fair values*

	Level	December 31, 2025	March 31, 2025
FINANCIAL ASSETS			
FVTPL			
Investment in marketable securities	1	\$ 18,300	\$ 3,375
Other assets, at amortized cost			
Cash		\$ 1,588,083	\$ 1,410,147
Reclamation deposits		623,500	694,306
Receivables		22,236	39,592
Subscriptions receivable		-	1,013,000
Security deposits		17,749	12,534
Total financial assets		\$ 2,269,868	\$ 3,172,954
FINANCIAL LIABILITIES			
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities		\$ 554,473	\$ 368,497
Loans		500,000	-
Long-term accounts payable		1,729,933	1,729,933
Total financial liabilities		\$ 2,784,406	\$ 2,098,430

The judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the condensed consolidated interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value.

BLUE LAGOON RESOURCES INC.

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18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of the of the Company's financial assets and current financial liabilities are assumed to approximate their carrying values due to their short-term nature. The fair value of the Company's long-term accounts payable is assumed to approximate their carrying value, due to the nature of the item and are classified as long term as the Company is not expected to reach commercial production within the next 12 months (Note 6).

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 December 31, 2025, the Company had cash of \$1,588,083 to settle current liabilities of \$2,177,799. 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

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, deposits and receivables. The risk arises from the non-performance by counterparties of contractual financial obligations. To minimize credit risk, the Company places cash and deposits with high credit quality financial institutions. The Company's receivables primarily consist of input tax credits due from the Government of Canada, and as such, receivables are not subject to significant credit risk. The Company's maximum credit risk is equal to the carrying amount of its cash, receivables, and deposits.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company does not have any variable rate debt, The interest earned on cash is insignificant and the Company does not rely on interest to fund its operations. As a result, the Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. The Company is also exposed to price risk with respect to its investment in Blackbird (Note 8). The Company closely monitors those prices to determine the appropriate course of action. There can be no assurance that the Company can exit its position, if required, resulting in proceeds approximating the carrying value of the investment. Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. As at December 31, 2025, the Company does not hold any financial instruments denominated in foreign currencies, as such the Company is not exposed to currency risk.

BLUE LAGOON RESOURCES INC.

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(Unaudited)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*Currency Risk*

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. As at December 31, 2025, the Company does not hold any financial instruments denominated in foreign currencies, as such the Company is not exposed to currency risk.

19. SUBSEQUENT EVENTS

The Company issued 810,500 common shares upon the exercise of stock options for gross proceeds of \$406,985. The options were exercised at prices ranging from \$0.13 to \$0.57 per share.

The Company issued 258,642 common shares upon the exercise of warrants for gross proceeds of \$42,797. The warrants were exercised at prices ranging from \$0.14 to \$0.35 per share.

On December 30, 2025, the board of directors approved the issuance of an aggregate of 116,884 bonus common shares to certain employees of the Company, subject to approval of the Canadian Securities Exchange. The bonus shares were issued subsequent to year-end as fully paid and non-assessable common shares.