
BLUE LAGOON RESOURCES INC.

Consolidated Financial Statements

For the years ended March 31, 2026 and 2025

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Blue Lagoon Resources Inc.

Opinion

We have audited the consolidated financial statements of Blue Lagoon Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2026, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2026, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of \$6,810,663 during the year ended March 31, 2026, and, as of that date, the Company's current liabilities exceeded its current assets by \$1,693,674. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue Recognition We draw your attention to Note 3 – Material Accounting Policies for the Company’s disclosure over its accounting policy for revenue recognition. During the year ended March 31, 2026, the Company recognized revenue of \$3,719,524 relating to the sale of ore containing both gold and silver from its Dome Mountain Mine. Management exercises judgement in determining the point in time of its revenue recognition based on the contracts entered into, the determination of the customer, as well as estimating the amount of revenue recognized, which is subject to provisional pricing. We considered this a key audit matter due to (i) the significance of the balance of revenue recognized during the year, (ii) significant judgement required in determining both the customer and point of time of revenue recognition based on the contracts entered into and (iii) the estimation uncertainty resulted in determining the amount of revenue subject to provisional pricing. Auditing these matters and estimates require a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort.	In addressing this matter, our audit procedures included the following, among others: • Examined the terms and conditions of the contracts and agreements between the Company and relevant parties involved in the revenue process; • Evaluated management’s assessment of the revenue recognition policy and assessed for reasonableness including the identification of the customer, the point in time when control of the ore was transferred to the customer and when performance obligations were complete; • Assessed for reasonability the inputs used and key assumptions applied in management’s revenue recognition model; • Tested mathematical accuracy of recorded revenues; and • Assessed the adequacy of disclosure in the financial statements.

Emphasis of Matter — Restated Comparative Information

We draw attention to Note 21 to the financial statements, which explains that certain comparative information for the year ended March 31, 2025 has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended March 31, 2025 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on July 29, 2025.

As part of our audit of the financial statements for the year ended March 31, 2026, we also audited the adjustments applied to restate certain comparative information as at and for the year ended March 31, 2025 and as at April 1, 2024. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended March 31, 2025. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.



CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 5, 2026

BLUE LAGOON RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at
(Expressed in Canadian dollars)

	Note	March 31, 2026	March 31, 2025 (Restated Note 21)	April 1, 2024 (Restated Note 21)
<u>ASSETS</u>				
Current assets				
Cash		\$ 851,764	\$ 1,410,147	\$ 816,615
Receivables	5	2,566,145	98,653	63,083
Subscriptions receivable	15	-	1,013,000	-
Inventory	6	155,685	-	-
Prepaid expenses		354,116	74,337	29,486
Investment in marketable securities	7	5,000	3,375	195,750
Total current assets		3,932,710	2,599,512	1,104,934
Reclamation deposits	8	873,500	694,306	661,312
Security deposits		18,950	12,534	12,534
Right-of-use assets	9	597,574	-	-
Mineral Property, Plant and Equipment	10	27,798,767	20,302,881	-
Long-term investment		-	-	21,750
Exploration and evaluation assets		-	-	19,840,826
Total assets		\$ 33,221,501	\$ 23,609,233	\$ 21,641,356
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Accounts payable and accrued liabilities	14	\$ 3,102,562	\$ 368,497	\$ 216,513
Current portion of lease liabilities	9	71,975	-	-
Deferred revenue	11	1,562,950	-	-
Loans	14	888,897	-	-
		5,626,384	368,497	216,513
Lease liabilities	9	533,607	-	-
Long-term accounts payable	12	742,066	1,235,547	1,079,516
Asset retirement obligation	13	7,465,623	6,275,637	5,867,655
Total liabilities		14,367,680	7,879,681	7,163,684
Equity				
Share capital	15	57,522,672	51,037,233	47,404,612
Obligation to issue shares	12, 15	2,067,881	1,933,593	1,539,843
Reserves	15	8,692,410	5,377,205	4,570,866
Deficit		(49,429,142)	(42,618,479)	(39,037,649)
Total equity		18,853,821	15,729,552	14,477,674
Total liabilities and equity		\$ 33,221,501	\$ 23,609,233	\$ 21,641,356

Nature of operations and going concern (Note 1)

Subsequent events (Note 22)

Approved for issuance on behalf of the Board of Directors on August 5, 2026:

“Rana Vig”
Director

“Gurdeep Bains”
Director

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

BLUE LAGOON RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	2026	Year ended March 31, 2025 (Restated Note 21)
Revenue	17	3,719,524	-
Cost of mine operations	6	3,235,330	-
Income from Mine Operations		484,194	-
Expenses			
General and administrative expenses		\$ 930,359	\$ 208,116
Depreciation	9, 10	27,910	-
Consulting fees	14	929,703	193,977
Exploration expenses		-	1,064,544
Marketing		237,966	27,817
Mine Operating Expenses		233,706	-
Professional fees		289,942	198,169
Share-based compensation	14, 15	4,573,367	1,382,862
Total operating expenses		\$ (7,222,953)	\$ (3,075,485)
Other items			
Accretion	12, 13, 14	(231,195)	(356,676)
Interest income		39,985	40,402
Loss on sale of marketable securities		-	(4,646)
Interest on lease liabilities	9	(5,979)	-
Gain on debt settlement	12	123,660	-
Fair value gain (loss) on marketable securities	7	1,625	(184,425)
Loss and comprehensive loss		\$ (6,810,663)	\$ (3,580,830)
Basic and diluted loss per share		\$ (0.05)	\$ (0.03)
Weighted average number of common shares outstanding (basic and diluted)		142,638,438	116,329,354

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

BLUE LAGOON RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	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
Corrections of errors	-	-	(731,924)	-	(1,549,642)	(2,281,566)
Balance, March 31, 2024 restated	114,035,246	47,404,612	1,539,843	4,570,868	(39,037,649)	14,477,674
Shares issued pursuant to private placement	14,136,998	3,037,250	-	-	-	3,037,250
Share issuance costs	-	(41,223)	-	8,365	-	(32,858)
Exercise of warrants	1,181,817	165,454	-	-	-	165,454
Exercise of stock options	2,000,000	451,140	-	(191,140)	-	260,000
Vesting of RSU	-	-	393,750	(393,750)	-	-
Issuance of shares in lieu of NSR	70,175	20,000	-	-	-	20,000
Share-based compensation	-	-	-	1,382,862	-	1,382,862
Loss and comprehensive loss	-	-	-	-	(3,580,830)	(3,580,830)
Balance, March 31, 2025	131,424,236	51,037,233	1,933,593	5,377,205	(42,618,479)	15,729,552
Balance, March 31, 2025	131,424,236	51,037,233	2,665,517	5,377,205	(40,912,806)	18,167,149
Corrections of errors	-	-	(731,924)	-	(1,705,673)	(2,437,597)
Balance, March 31, 2025 restated	131,424,236	51,037,233	1,933,593	5,377,205	(42,618,479)	15,729,552
Shares issued pursuant to private placement	8,900,000	2,225,000	-	-	-	2,225,000
Related party loans – equity component	-	-	115,867	14,568	-	130,435
Issuance of shares upon settlement of RSUs	2,250,000	393,750	(393,750)	-	-	-
Share issuance costs	-	(120,102)	-	1,281	-	(118,821)
Exercise of warrants	5,290,936	1,425,051	-	(7,700)	-	1,417,351
Exercise of stock options	3,570,000	2,451,869	45,171	(981,440)	-	1,515,600
Shares issuable for services	-	-	192,000	-	-	192,000
Bonus shares	116,884	109,871	-	(109,871)	-	-
Vesting of RSU	-	-	175,000	(175,000)	-	-
Share-based compensation	-	-	-	4,573,367	-	4,573,367
Loss and comprehensive loss	-	-	-	-	(6,810,663)	(6,810,663)
Balance, March 31, 2026	151,552,056	57,522,672	2,067,881	8,692,410	(49,429,142)	18,853,821

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

BLUE LAGOON RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended March 31,	
	2026	2025 (Restated Note 21)
Cash flows used in operating activities		
Loss for the year	\$ (6,810,663)	\$ (3,580,830)
Items not involving cash:		
Share-based compensation	4,573,367	1,382,862
Depreciation in cost of good sold	188,446	-
Depreciation	233	-
Depreciation right-of-use assets	27,677	-
Interest on lease liabilities	5,979	-
Accretion	231,195	356,676
Interest income	-	(29,241)
Fair value loss (gain) on marketable securities	(1,625)	184,425
Gain on debt settlement	(123,660)	-
Loss on sale of marketable securities	-	4,646
Changes in non-cash working capital:		
Receivables	(2,467,492)	(39,323)
Inventory	(143,743)	-
Prepaid expenses	(279,779)	(44,851)
Accounts payable and accrued liabilities	2,339,934	144,356
Deferred revenue	1,562,950	-
Net cash used in operating activities	(897,181)	(1,621,280)
Cash flow used in investing activities		
Security deposits	(6,416)	-
Reclamation deposits paid, net of amounts refunded	(179,194)	-
Purchases of property, plant and equipment	(6,502,074)	(209,718)
Exploration and evaluation asset acquisition	-	(25,000)
Proceeds from sale of marketable securities	-	25,054
Net cash used in investing activities	(6,687,684)	(209,664)
Cash flow provided by financing activities		
Proceeds from loans	1,000,000	-
Proceeds from issuance of shares in private placements	3,238,000	2,024,250
Proceeds from warrant exercise	1,417,351	165,454
Proceeds from option exercise	1,515,600	260,000
Share issuance costs	(118,821)	(25,228)
Lease payments	(25,648)	-
Net cash provided by financing activities	7,026,482	2,424,476
Change in cash	(558,383)	593,532
Cash, beginning of year	1,410,147	816,615
Cash, end of year	\$ 851,764	\$ 1,410,147

Supplemental cash flow information (Note 16)

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

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

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. 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 developing and mining 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. The Company commenced mining and shipment of mineralized material from Dome Mountain in 2025.

These consolidated 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. During the year ended March 31, 2026, the company incurred a net loss of \$6,810,663 and as at March 31, 2026, the Company's current liabilities exceeded its current assets by \$1,693,674, additional financing will be required in the next 12 months. These factors indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on August 5, 2026.

Basis of Measurement and Consolidation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars unless otherwise indicated. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

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 consolidated financial statements are disclosed below.

These consolidated 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 Deep Core Resources Inc. (formerly "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.

3. MATERIAL ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. The Company did not have any cash equivalents for the periods presented.

Exploration and Evaluation Expenditures

The cost of acquiring and maintaining the Company's interest in its exploration and evaluation assets are capitalized on a property-by-property basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. When a license is relinquished or a project is abandoned, the related costs are recognized in profit or loss immediately.

Exploration and evaluation costs are expensed as incurred. Costs directly related to the acquisition are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated which would be when all the necessary permits have been granted, and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mine development asset and subsequently to mining assets once it is ready for use in the manner intended by management. The mine asset is depreciated using the units of production method.

Property, Plant and Equipment / Mineral Property Development Assets

Mineral property, plant and equipment ("PP&E") are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Where an item of PP&E comprises major components with different useful lives, the components are accounted for as separate items of PP&E. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the period in which they occur.

BLUE LAGOON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025
(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Property, Plant and Equipment / Mineral Property Development Assets (continued)

Capitalization of costs to the mineral property development asset ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of mining assets commences on that date, with depreciation attributable to production capitalized to inventory and recognized in cost of sales as the related inventory is sold. Costs incurred prior to that date that relate to both the development asset and production (shared costs) are allocated between property, plant and equipment and inventory on the basis of tonnes extracted (ore versus waste). The Dome Mountain Mine was determined to be available for use on January 18, 2026.

PP&E are depreciated over their useful lives commencing from the time the respective asset is ready for use. The Company uses the units-of-production method ("UOP") or straight-line basis according to the pattern in which the asset's future economic benefits are expected to be consumed. The UOP method results in a depreciation charge based on the ounces of gold produced in a period as a portion of estimated total recoverable ounces of gold considered probable of economic extraction based on the current life-of-mine ("LOM") plan that benefit from the development and are considered probable of economic extraction.

Depreciation for each class of PP&E is calculated using the following method:

Class	Methods	Years
Mineral property development asset	n/a	n/a
Mine asset	UOP	n/a
Water treatment plant	Straight-line	12 years
Production equipment	Straight-line	12 years
Assay laboratory	Straight-line	12 years
Leasehold improvements	Straight-line	15 years

Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's PP&E and also when events and circumstances indicate that such a review should be undertaken. Changes to estimated useful lives, residual values or depreciation methods resulting from such reviews are accounted for prospectively. An item of PP&E is derecognized upon disposal, when classified as held for sale or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the net proceeds from disposal, if any, and the carrying amount of the asset, is recognized in profit or loss.

Management reviews the carrying value of capitalized mineral property interests at least annually. The review is based on management's assessment of the commercial viability of a property in addition to management's intentions for future development. Facts and circumstances which management may consider and may indicate impairment exists include: the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and sufficient data exist to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. If a project does not prove viable, all unrecoverable costs associated with the project net of any previous impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped property. Amounts shown for mineral property interests, net of write-downs and recoveries, are not intended to represent present or future values.

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of Long-lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and finite life intangible assets to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows). If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

Income Taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in the statement of profit and loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable income or loss.

Recognition of deferred tax assets for unused tax losses, tax credits, and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

3. MATERIAL ACCOUNTING POLICIES (continued)

Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for a decommissioning liability is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

Share-based Compensation

The grant date fair value of share-based payment awards granted to employees is estimated using the Black- Scholes Option Pricing Model and recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non- market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non- vesting conditions, the grant date fair value of the stock-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in reserves, unless exercised. Upon exercise, shares are issued from the treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Flow-through share private placement

As an incentive to complete private placements the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions to the Company.

The shares are usually issued at a premium to the trading value of the Company's common shares. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flowthrough share premium liability.

The deferred income tax liability and reversal of the flow-through share premium liability are recorded on a pro-rata basis as the required exploration expenditure are completed.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025 (Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period.

The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

Financial Instruments

Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets carried at fair value through profit or loss (“FVTPL”). On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets the conditions that:

- i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss:

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of profit or loss.

Financial assets through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (“FVOCI”). Movements in the carrying amount are taken through other comprehensive income (“OCI”), except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is not reclassified from equity to profit or loss and remains in accumulated OCI. Interest income from these financial assets is included as finance income using the effective interest rate method.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivable are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, net of any directly attributable transaction costs, or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

3. MATERIAL ACCOUNTING POLICIES (continued)

Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, warrants and stock options are classified as equity instruments. Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction, net of tax, from the proceeds. In the event that the financing is not completed, these costs are expensed to profit or loss.

The Company has adopted a residual value method with respect to the measurement of common shares and warrants issued as units. The fair value of the common shares issued is first measured, based on the bid price on the date the units are priced, and then the residual value of the proceeds is allocated first to flow-through share premium liability (if any) and then to the warrants (if any).

Revenue recognition

The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is measured at the transaction price and recognized when, or as, a performance obligation is satisfied by transferring control of a promised good or service to a customer.

The Company's revenue arises from the sale of gold and silver ore produced at its mining operations. Revenue is recognized at a point in time when the performance obligation for each shipment is satisfied, being when title and risk of loss pass to the purchaser and the right to payment arises.

Consideration received in advance of the satisfaction of the related performance obligation is recognized as a contract liability (deferred revenue) until the performance obligation is satisfied, at which point it is released to revenue.

Performance obligations

The Company has a single performance obligation in respect of each shipment of ore: delivery of the Company's ore to the milling facility. Performance obligations are satisfied at a point in time on shipment, when control transfers to the purchaser. The consideration receivable is an initial provisional payment on or around the date ore is dropped off at the customer's milling facility, with a final settlement payment following determination of final assays and pricing, typically within 90 days. The period between initial provisional payment and final settlement is consistently less than twelve months and does not give rise to a significant financing component.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025 (Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Variable consideration and provisional pricing

Ore sales are denominated in United States dollars and initially priced on a provisional basis at the time of shipment by reference to payable metal content and prevailing gold and silver commodity market prices, less contractual treatment, refining, and freight deductions. Final pricing is determined over a quotational period following shipment, being the average quoted commodity price over the second month following the month of shipment. The estimated transaction price at initial recognition is subject to the constraint that it is highly probable a significant reversal of cumulative revenue will not occur. Given the short period between provisional pricing and final settlement, the provisional price is considered to meet this constraint. Subsequent adjustments to the provisional price arising from movements in commodity prices between initial recognition and final settlement are recognized in the period in which they arise and presented outside revenue as fair value movements on financial instruments in accordance with IFRS 9.

Inventories

Inventories consist of ore stockpile. The value of inventories includes direct production costs, mine-site overheads, depreciation on property, plant and equipment used in the production process, and mineral properties, incurred to bring the inventory to their current point in the processing cycle. General and administrative costs not related to production are excluded from inventories. Inventories are carried at the lower of cost and net realizable value ("NRV"). NRV is determined with reference to estimated selling prices, less estimated costs of completion and selling costs. If carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exists.

Inventories are classified as: (i) raw materials - production consumables and supplies on hand at the mine site; and (ii) finished goods - ore stockpiled at the Dome Mountain Mine or in-transit for which revenue recognition criteria in accordance with IFRS 15 are not yet met.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale. Where NRV falls below cost, inventory is written down to NRV and the write-down is recognized as an expense in the period in which it occurs.

Cost of revenue comprises the carrying amount of inventories recognized as an expense in the period when the related revenue is recognized, including depreciation of mining production assets allocated through the inventory cost pool.

New and amended IFRS standards not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027). The Company has not yet determined the impact of this new standard on the group's consolidated financial statements.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

New and amended IFRS standards not yet effective (continued)

In 2024, the International Accounting Standards Board (“IASB”) issued amendments to IAS 1 to clarify the criteria for determining whether to classify a liability as current or non-current and cover what additional disclosures may also be required for liabilities subject to covenants, to IFRS 16 to clarify the accounting treatment for sale and leaseback transactions, providing guidance on how to determine whether the transaction should be accounted for as a sale or a financing transaction and IAS 7, to clarify the classification of supplier finance arrangements in the statement of cash flows regarding supplier finance arrangements, effective for annual periods beginning on or after January 1, 2024. The amendment introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company determined there is no impact of this new standard on the group’s consolidated financial statements.

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 year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both. Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below.

Estimates

Share-based compensation

The fair value of share-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and forfeiture rates, changes in subjective input assumptions can materially affect the fair value estimate.

Impairment of property, plant and equipment

In determination of recoverable amounts of mineral properties, mine development costs or its cash-generating unit CGU, the Company considers future anticipated production levels, operating and capital costs, long-term commodity prices, discount rates, amounts of recoverable reserves and mineral resources, and environmental remediation costs.

The Company considers both internal and external sources of information in assessing its property, plant and equipment and mineral properties for impairment indicators on an annual basis. If any such indication exists, the Company determines the recoverable amount, which is the greater of its value in use and fair value less costs to sell, using discounted cash flows expected to be derived from the CGU and the appropriate discount rate.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Asset retirement obligation

Liabilities for asset retirement obligations ("ARO"s) are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future property reclamation and closure costs. The provision for AROs represents management's best estimate of the present value of the future cash outflows required to settle the liability. Factors that affect the final cost of remediation include estimates of the extent and costs of rehabilitation activities, the expected timing, technological changes, cost increases and changes in discount rates. Changes in the above factors can result in a change to the ARO. This liability is reassessed and re-measured at each reporting date.

Fair value of related party loans

The related party loans described in Note 14 are non-interest bearing and were initially recognized at fair value, determined by discounting contractual cash flows using an estimated market rate of interest a market participant would require for a comparable unsecured instrument. This rate is not observable and requires management judgment, including consideration of the Company's credit profile and prevailing market conditions. A different rate would change the amount recognized as a capital contribution to equity and the accretion expense recognized over the term of the loans.

Variable consideration - provisional pricing of ore sales

Revenue from ore sales is initially recognized at an estimated transaction price based on prevailing gold and silver prices at the time of shipment, subject to final settlement based on prices in a future quotational period. Estimating the transaction price requires judgment as to expected metal prices and recoveries as at the reporting date. Subsequent changes between the estimated and final price are recognized as they occur and are not a change in accounting estimate.

Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable income will be available against which a deductible temporary difference can be utilized.

This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Judgments

Impairment of property, plant and equipment

The application of the Company's accounting policy for property, plant and equipment requires judgment in determining the recoverable value of the CGU, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. Management considers both internal and external sources of information when determining the recoverable value, including geological and metallurgic information, economic assessments and/or studies, future exploration programs budgeted or planned, and permitting. Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the lives of mining assets

Recognition of development assets

The determination of whether an exploration and evaluation asset meets the criteria for recognition as a mining development asset is subject to critical judgments of management. Significant judgment is applied by management in assessing the recognition criteria for mining development assets, such as technical and economic feasibility of the project.

Commencement of production

Determining the date on which the Dome Mountain Mine became available for use under IAS 16.20 and 16.55 required significant judgment, as IFRS does not prescribe a specific operating threshold for this determination. Management assessed the Mine's capability to operate in the manner intended by management - including the status of permits, the water treatment plant, underground mining equipment, and the toll milling and off-take arrangements - independent of the throughput achieved during the subsequent ramp-up period. Based on this assessment, management concluded the Mine was capable of operating in the manner intended, and therefore available for use, on January 18, 2026. This is the date on which capitalization of development costs to the mineral property development asset ceased and depreciation of mining assets commenced. Costs incurred prior to this date that related to both the development asset and production were allocated between property, plant and equipment and inventory based on tonnes extracted (ore versus waste), which also required judgment.

Title to mineral property concessions

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short- and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)Net realizable value of inventories

The assessment of NRV requires estimates of expected selling prices, expected recoveries, and costs to completion and selling costs. Expected selling prices are based on prevailing gold and silver spot prices at the reporting date, adjusted for expected payable metal recoveries and contractual deductions under the Nicola Agreement and the Ocean Partners purchase contract. Costs to completion include estimated milling, refining, transportation, and royalty costs.

Where the margin between NRV and carrying cost is narrow, changes in commodity prices or cost assumptions subsequent to the reporting date could result in an inventory write-down in a future period. As at March 31, 2026, NRV exceeded cost for all inventory categories and no write-down was recognized.

5. RECEIVABLES

Receivables are composed of the following amounts:

		March 31, 2026		March 31, 2025
Trade receivable	\$	1,859,920	\$	-
Provisional invoice receivable		557,929		-
GST receivable		126,586		59,061
Related party		206		731
Other		21,504		38,861
	\$	2,566,145	\$	98,653

The expected credit loss as of March 31, 2026 is \$nil as all trade receivables were fully received subsequent to year end.

6. INVENTORY

Inventories are measured at the lower of cost and net realizable value. As at March 31, 2026, the carrying value of inventories was \$155,685 (March 31, 2025 - \$nil), comprised as follows:

		March 31, 2026		March 31, 2025
Finished Goods	\$	155,685	\$	-

Raw materials consist of production consumables and supplies on hand at the Dome Mountain Mine.

Finished goods represent ore stockpiled at the Dome Mountain Mine or in-transit for which revenue recognition criteria in accordance with IFRS 15 are not yet met.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

6. INVENTORY (continued)

No inventories were recognized as at March 31, 2025.

Cost of mine operations

During the year ended March 31, 2026, inventories recognized as cost mine operations amounted to \$2,456,376 (year ended March 31, 2025 - \$nil). This amount includes depreciation of mining production assets of \$188,446 that was capitalized to inventory using the units-of-production method and subsequently recognized in cost of revenue as the related inventory was sold. The costs of trucking finished goods to its customer in the amount of \$778,954 (year ended March 31, 2025 - \$nil) has also been included in the cost of mining operations.

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 8). 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 March 31, 2026	\$	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 year		1,625
Adjustments to fair value, March 31, 2026	\$	(19,000)
Fair value, March 31, 2025	\$	3,375
Fair value, March 31, 2026	\$	5,000

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

As at March 31, 2026, the Company held 10,000 common shares of Lir Life Sciences 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 March 31, 2026, the fair value of the common shares of Lir Life Sciences Corp. was \$5,000 (March 31, 2025 - \$3,375), based on the quoted closing price of SKNY on the Canadian Securities Exchange at that date.

During the year ended March 31, 2026, the Company recorded a fair value gain on marketable securities of \$1,625 (2025 - fair value loss of \$184,425).

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	<i>Dome Mountain mine</i>		<i>Total</i>
Balance, March 31, 2024 – as previously reported	\$	22,772,809	\$ 22,772,809
Correction of errors		(2,931,983)	(2,931,983)
Balance, March 31, 2024 – as restated	\$	19,840,826	\$ 19,840,826
Acquisition costs - cash		20,000	20,000
Acquisition costs - non-cash		25,000	25,000
Transfer to development asset		(19,885,826)	(19,885,826)
Balance, March 31, 2025, and March 31, 2026	\$	-	\$ -

Dome Mountain Mine Group

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

The Company has made payments of \$789,500 (March 31, 2025 - \$nil) towards a surety bond of \$1,579,000 related to the Dome Mountain Mine, and held reclamation deposits of \$28,000 (March 31, 2025 - \$638,306) related to the Dome Mountain Mine.

The Company's remaining commitments relating to the reclamation security for the mine permit are as follows:

- \$500,000 due March 31, 2026 (paid subsequent to year-end)
- \$716,667 due December 31, 2026
- \$716,667 due December 31, 2027
- \$716,667 due December 31, 2028

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

- **Dome Mountain Project**
 - Upon the property commencing commercial production, the Company agreed to pay a Net Smelter Returns ("NSR") royalty equal to the greater of 1.5% or \$30,000 per annum as an advanced royalty. Commercial production is reached once the Company mines an average of 100 tonnes per day for more than 30 consecutive days.
 - During 2026, the Dome Mountain project commenced production, and the Company commenced mining and shipment of gold-rich mineralized material from the Dome Mountain Project.
- **Freegold Property**
 - The interest in the property will be subject to a 2% NSR and the Company is required to make annual royalty payments of \$20,000. The Company has the right to purchase 1% of the NSR for the aggregate sum of \$1,000,000. On March 4, 2025, the Company issued 70,175 common shares in settlement of the \$20,000 annual royalty payment due February 2025.
 - As of March 31, 2026, the Freegold Property is in the exploration & evaluation stage
- **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 payments of \$25,000.
 - As of March 31, 2026, the McKendrick Property is in the exploration & evaluation stage
- **Hilo Property; and**
 - As of March 31, 2026, the Hilo Property is in the exploration & evaluation stage
- **Federal Creek Property**
 - The interest in the property will be subject to a 3% NSR.
 - As of March 31, 2026, the Federal Creek Property is in the exploration & evaluation stage

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Dome Mountain Mine Group (continued)

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 (accrued)

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 10).

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 (March 31, 2025 - \$35,000) related to the Big Onion Project.

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% NSR royalty interest. 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 March 31, 2026, the Company held a reclamation deposit of \$21,000 (March 31, 2025 - \$21,000) related to the Pellaire Gold Property.

BLUE LAGOON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

9. LEASES

During the year ended March 31, 2026, the Company entered into an office lease with a related party (Note 14) and entered into leases with a third party for 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.

<i>Right-of-use assets</i>					
<i>Cost</i>	<i>Office premises</i>		<i>Vehicles</i>		<i>Total</i>
As at March 31, 2024 and 2025	\$	-	\$	-	\$ -
Additions		357,992		267,259	625,251
As at March 31, 2026	\$	357,992	\$	267,259	\$ 625,251
Accumulated depreciation					
As at March 31, 2024 and 2025	\$	-	\$	-	\$ -
Depreciation		1,989		25,688	27,677
As at March 31, 2026	\$	1,989	\$	25,688	\$ 27,677
Net book value					
As at March 31, 2024 and 2025	\$	-	\$	-	\$ -
As at March 31, 2026	\$	356,003	\$	241,571	\$ 597,574
Lease liability					
As at March 31, 2024 and 2025	\$	-	\$	-	\$ -
Additions		357,992		267,259	625,251
Interest on lease liability		1,817		4,162	5,979
Lease payment		(2,600)		(23,048)	(25,648)
As at March 31, 2026	\$	357,209	\$	248,373	\$ 605,582
Current portion	\$	9,779	\$	62,196	\$ 71,975
Non-current portion		347,430		186,177	533,607
Total lease liability	\$	357,209	\$	248,373	\$ 605,582

The table below summarizes the remaining expected lease payments as at March 31, 2026:

Fiscal Years	
2027	\$ 104,878
2028	105,660
2029	106,461
2030	85,042
2031	34,511
Thereafter	392,538
Less: imputed interest	(223,508)
Present value of lease liabilities	\$ 605,582

BLUE LAGOON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

10. MINERAL PROPERTY, PLANT AND EQUIPMENT

<i>Cost</i>		<i>Mineral property development asset</i>	<i>Mine asset</i>	<i>Water treatment plant</i>	<i>Production equipment</i>	<i>Assay laboratory</i>	<i>Leasehold improvements</i>	<i>Total</i>
Balance, March 31, 2024 – as previously reported		-	-	-	-	-	-	-
Additions		-	-	94,048	115,670	-	-	209,718
Transfer from exploration and evaluation asset	Note 8	19,885,826	-	-	-	-	-	19,885,826
Change in estimate of ARO	Note 13	207,337	-	-	-	-	-	207,337
Balance, March 31, 2025 – as restated		20,093,163	-	94,048	115,670	-	-	20,302,881
Additions		4,588,937	-	1,465,535	359,011	224,595	41,921	6,679,999
Change in estimate of asset retirement obligation		1,016,508	-	-	-	-	-	1,016,508
Transfer to mine asset ^[1]		(25,698,608)	25,698,608					-
Balance, March 31, 2026		-	25,698,608	1,559,583	474,681	224,595	41,921	27,999,388
Accumulated depreciation								
Balance, March 31, 2024 and 2025 – as previously reported		-	-	-	-	-	-	-
Additions		-	166,484	25,993	7,911	-	233	200,621
Balance, March 31, 2026		-	166,484	25,993	7,911	-	233	200,621
Net Book Value								
April 1, 2024 – as previously reported		-	-	-	-	-	-	-
March 31, 2025 – as restated		20,093,163	-	94,048	115,670	-	-	20,302,881
March 31, 2026		-	25,532,124	1,533,590	466,770	224,595	41,688	27,798,767

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

10. MINERAL PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended March 31, 2026, the Company capitalized depreciation of \$200,388 into the cost of inventory of which \$188,446 was subsequently recognized into cost of goods sold.

As of March 31, 2026, the Assay laboratory was not available for use therefore no depreciation was recognized for the year ended March 31, 2026.

^[1] On January 18, 2026, the carrying amount of the mineral property development asset of \$25,698,608 was transferred to the mine asset category, reflecting the date on which the asset became available for use in the manner intended by management. 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

Deferred revenue represents advances received from the purchaser under a revolving prepayment facility for which the related performance obligation had not yet been satisfied at the reporting date. All deferred revenue is expected to be recognized as revenue within twelve months.

The following table summarizes deferred revenue activity during the year:

As at March 31, 2024 and 2025	\$	-
Advances received from purchaser		2,323,606
Recognized as revenue during the year		(760,656)
Balance, March 31, 2026	\$	1,562,950

12. LONG-TERM ACCOUNTS PAYABLE

The following table summarizes the long-term accounts payable activity during the year:

Balance, March 31, 2024	\$	1,079,516
Accretion		156,031
Balance, March 31, 2025		1,235,547
Accretion		38,386
Accounts payable settled		(123,660)
Balance, March 31, 2026	\$	1,150,273

On March 27, 2020, the Company completed the acquisition of all the issued and outstanding shares of Metal Mountain Resources Inc. ("Metal Mountain") and as a result, the Company assumed \$5,548,30 in long-term accounts payable. The long-term accounts payable is unsecured, non-interest bearing, with quarterly repayments over the 30-month period starting at the commencement date of commercial production at the Dome Mountain Mine. The quarterly payments are to be made from the available proceeds from the sale of any gold and other metals or minerals mined and processed from the Dome Mountain Mine. The fair value of \$1,533,158 recognized on initial recognition was determined using the effective interest rate method with a discount rate of 22.5%.

On May 13, 2020, the Company entered into agreement to settle \$3,818,097 of the total long-term accounts payable by issuance of 1,909,048 common shares of the Company. An obligation to issue shares was recognized with a fair value of \$1,539,843.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

12. LONG-TERM ACCOUNTS PAYABLE (continued)

The shares are issuable on the date of the commencement of commercial production (not issued) at the Dome Mountain Mine, 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

During the year-ended March 31, 2026, the Company settled long-term accounts payable with a carrying amount of \$123,660 for \$nil. As at March 31, 2026, the outstanding long-term accounts payable was \$1,556,793 (March 31, 2025 - \$1,729,933), with a carrying amount of \$1,150,273 (2025 - \$1,235,547). \$408,207 of the long-term accounts payable balance has been classified as current (March 31, 2025 - \$nil).

13. ASSET RETIREMENT OBLIGATION

The Company's ARO 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 commence in 2030 and go on for a 14-year period with reporting and monitoring continuing for an additional 8 years.

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
Change in estimate		1,016,508
Accretion for the period		173,478
Balance, March 31, 2026	\$	7,465,623

During the year ended March 31, 2026, the Company incurred accretion expense of \$173,478 (2025 - \$200,645).

The total undiscounted cash flow estimated to settle the obligations as at March 31, 2026 is \$8,072,147 (March 31, 2025 - \$6,641,203), which was adjusted for inflation at the rate of 2.20% and then discounted at a rate of 3.30%. Certain minimum amounts of asset retirement obligation will occur each year with significant amounts expected to be incurred from 2031 to 2043.

14. RELATED PARTY TRANSACTIONS*Related party loan*

During the year ended March 31, 2026, the Company received two unsecured, interest-free loans from the President, CEO and director of the Company (the "Lender") totaling \$1,000,000, to support short-term working capital requirements.

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

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS (continued)

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

December 2025 loan

\$500,000 received December 20, 2025, maturing December 19, 2026. The fair value adjustment on initial recognition was \$65,217. During the year, the Company recognized accretion of \$17,321 relating to the unwinding of the fair value discount. In connection with the loan, the Company agreed to issue 151,515 common shares with a fair value of \$65,217 on initial recognition. As at March 31, 2026, the 151,515 shares had not been issued.

March 2026 loan

\$500,000 received March 19, 2026, maturing March 19, 2027. The fair value adjustment on initial recognition was \$65,217. During the year, the Company recognized accretion of \$2,010 relating to the unwinding of the fair value discount. In connection with the loan, the Company agreed to issue 129,870 common shares with a fair value of \$50,650 and 129,870 warrants exercisable for two years with a fair value of \$14,568. The 129,870 warrants were issued on March 20, 2026. As at March 31, 2026, the 129,870 shares had not been issued.

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

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

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.

		Year ended	
		March 31,	
		2026	2025
Management fees	\$	300,000	\$ 144,000
Share-based compensation		2,813,574	1,089,839
	\$	3,113,574	\$ 1,233,839

As at March 31, 2026, accounts payable and accrued liabilities include \$87,700 (March 31, 2025 - \$36,000) in connection with consulting fees and \$299,837 (March 31, 2025 - \$30,163) in connection with the Company's mining and operating expense reimbursements owing to the President, CEO and director of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

BLUE LAGOON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS (continued)

As at March 31, 2026, the Company has recorded the following obligations to issue equity instruments to the President, CEO and director of the Company: (i) \$192,000 (March 31, 2025 - \$nil) in connection with management fees to be settled through the issuance of common shares; (ii) \$100,000 for 151,515 common shares issuable as consideration for the December 2025 related party loan; and (iii) \$100,000 for 129,870 common shares issuable as consideration for the March 2026 related party loan. All of the above equity instruments remain unissued as at March 31, 2026.

During the year ended March 31, 2026, the Company entered into a commercial lease for office premises in Smithers, British Columbia with the spouse of the President, CEO and director of the Company. As at March 31, 2026, accounts payable and accrued liabilities include \$2,600 (March 31, 2025 - \$nil) in connection with lease payments owing under this arrangement. The related right-of-use asset and lease liability are described in Note 9.

15. SHARE CAPITAL AND RESERVES

Authorized: Unlimited number of common shares without par value.

COMMON SHARES

For the year ended March 31, 2026

- 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 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 \$115,987.
- On January 20, 2026, the Company issued 116,884 common shares to employees as a discretionary bonus. The shares were issued on January 20, 2026, and were measured at their fair value on the date of issuance.
- During the year ended March 31, 2026, 3,570,000 common shares were issued upon the exercise of stock options, generating gross proceeds of \$1,515,600. Upon exercise, \$981,440 was transferred from reserves to share capital. The weighted average share price on exercise date was \$0.80,
- During the year ended March 31, 2026, 5,290,936 common shares were issued upon the exercise of warrants, generating gross proceeds of \$1,417,351. Upon exercise, \$7,700 was transferred from reserves to share capital.
- During the year ended March 31, 2026, 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.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**(Expressed in Canadian dollars)

15. SHARE CAPITAL AND RESERVES (continued)**COMMON SHARES (continued)***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.
- 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.

BLUE LAGOON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025
(Expressed in Canadian dollars)

15. SHARE CAPITAL AND RESERVES (continued)

RESTRICTED SHARE UNITS (“RSUs”)

	Number of RSUs
Issued and unvested, March 31, 2024	-
Granted	2,250,000
Vested	(2,250,000)
Issued and unvested, March 31, 2025	-
Granted	350,000
Vested	(350,000)
Issued and unvested, March 31, 2026	-

For the year ended March 31, 2026

- On May 15, 2025, the Company granted 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 year ended March 31, 2026, the Company recognized an obligation to issue shares of \$175,000, in connection with the vesting of the 350,000 RSUs.
- 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.

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 March 31, 2026, the balance of obligation to issue shares recognized as equity is \$2,067,881 and includes:

- \$192,000 (March 31, 2025 - \$nil) relating to management fees owing to the President and CEO. This amount will be settled through the issuance of common shares at the market price on the date of issuance.
- Long-term accounts payable to be settled of \$1,539,843 (March 31, 2025 - \$1,539,843) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 12).
- \$175,000 (March 31, 2025 - \$393,750) relating to restricted share units (“RSUs”) that vested during the period and had not yet been settled.
- \$115,867 (March 31, 2025 - \$nil) relating to equity instruments issuable as consideration for the related party loans described in Note 14, comprising: (i) 151,515 common shares issuable under the December 2025 loan; and (ii) 129,870 common shares issuable under the March 2026 loan. All instruments remain unissued as at March 31, 2026.
- \$45,171 (March 31, 2025 - \$nil) relating to the exercise of options for which shares had not been issued as of March 31, 2026.

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

FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

15. SHARE CAPITAL AND RESERVES (continued)**OBLIGATION TO ISSUE SHARES (continued)**

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

- long-term accounts payable to be settled of \$1,539,843 (March 31, 2024 - \$1,539,843) over 30 months beginning on the date of the commencement of commercial production on the Dome Mountain Project (Note 12).
- \$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

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"), 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	9,890,000	\$ 0.64
Exercised	(3,570,000)	\$ 0.42
Cancelled	(137,500)	\$ 0.54
Outstanding and exercisable, March 31, 2026	16,430,000	\$0.44

15. SHARE CAPITAL AND RESERVES (continued)

STOCK OPTIONS (continued)

For the year ended March 31, 2026

On April 1, 2025, the Company granted 290,000 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.

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. 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.

On March 20, 2026, the Company granted 2,500,000 stock options to the President, CEO and director of the Company. The options are exercisable at a price of \$0.77 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 \$1,387,574 using the Black-Scholes option pricing model with the following inputs: risk-free interest rate of 3.23%, expected life of 5 years, annualized volatility of 92%, exercise price of \$0.77, and share price of \$0.77.

During the year ended March 31, 2026, the Company recognized share-based compensation of \$4,288,496 in connection with the vesting of stock options.

During the year ended March 31, 2026, 137,500 vested stock options with a weighted average exercise price of \$0.54 were cancelled upon the consultants' terminating their service agreement with the Company.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

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

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.

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.

Details of stock options outstanding and exercisable as at March 31, 2026, are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
July 15, 2026	960,000	960,000	\$ 0.70
January 11, 2027	100,000	100,000	\$ 0.45
August 7, 2027	2,000,000	1,241,000	\$ 0.57
February 17, 2028	250,000	250,000	\$ 0.35
October 30, 2029	6,280,000	5,530,000	\$ 0.13
February 6, 2030	200,000	200,000	\$ 0.18
February 24, 2030	250,000	200,000	\$ 0.25
April 1, 2030	290,000	290,000	\$ 0.30
May 15, 2030	150,000	150,000	\$ 0.51
June 9, 2030	250,000	187,500	\$ 0.55
December 19, 2030	3,200,000	3,200,000	\$ 0.66
March 20, 2031	2,500,000	2,500,000	\$ 0.77
Total	16,430,000	14,808,500	

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

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

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 March 31, 2026, the weighted average remaining life for outstanding options was 3.54 years.

As of March 31, 2026, the weighted average exercise price for outstanding options was \$0.44.

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	4,583,870	\$0.36
Exercised	(5,290,936)	\$0.27
Outstanding and exercisable, March 31, 2026	6,985,135	\$ 0.35

For the year ended March 31, 2026

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.

On March 20, 2026, the Company issued 129,870 warrants to the President, CEO and director of the Company in connection with the March 2026 related party loan (Note 14).

During the year ended March 31, 2026, 5,290,936 warrants were exercised for gross proceeds of \$1,417,351. Upon exercise, a fair value of \$7,700 was reclassified from reserves into share capital.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

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

On March 28, 2025, the Company issued 2,698,500 warrants. and 30,520 finders' warrants in connection with the closing of a non-brokered private placement financing.

On March 4 and 14, 2025, the Company issued 2,595,000 warrants in connection with the closing of a non-brokered private placement financing.

On October 30, 2024, the Company issued 3,549,998 warrants in connection with the closing of a non-brokered private placement financing.

During the year ended March 31, 2025, 1,181,817 warrants were exercised for gross proceeds of \$165,454, Upon exercise, a fair value of \$nil was reclassified from reserves into share capital.

As at March 31, 2026, the following warrants were outstanding:

Expiry date	Number of Warrants Outstanding	Exercise Price
October 30, 2026	299,545	\$0.14
March 4, 2027	445,000	\$0.35
March 14, 2027	400,000	\$0.35
March 28, 2027	1,968,480	\$0.35
April 28, 2027	3,742,240	\$0.35
March 20, 2028	129,870	\$0.77
Total	6,985,135	

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	

As at March 31, 2026, the weighted average remaining life for outstanding warrants was 1.03 years (2025 - 1.85 years).

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information:	March 31, 2026	March 31, 2025
Interest received	\$ 39,985	\$ 11,161
Interest reinvested	-	32,994
Exploration and evaluation assets additions settled in shares	-	20,000
Property, plant and equipment additions in accounts payable	177,925	-
Non-cash share issuance costs – finders’ warrants	1,281	8,365
Vesting of RSUs	175,000	393,750
Reclassification of exploration and evaluation assets to property, plant, and equipment		19,885,826
Subscriptions receivable	-	1,013,000
Share issuance costs in accounts payable and accrued liabilities	-	14,864
Consulting fees to be settled in shares	192,000	-

17. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment: the mining, development, and exploration of gold and silver mineral properties in Canada. All of the Company's long-term assets are located in Canada. During the year ended March 31, 2026, the Company commenced production at the Dome Mountain Mine and recognized revenue of \$3,719,524 from the sale of gold and silver ore. All revenue was earned in Canada.

18. 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 year ended March 31, 2026.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

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

	Level	March 31, 2026	March 31, 2025
FINANCIAL ASSETS			
FVTPL			
Investment in marketable securities	1	\$ 5,000	\$ 3,375
Provisional invoice receivable	2	557,929	-
Other assets, at amortized cost			
Cash		\$ 851,764	\$ 1,410,147
Reclamation deposits		873,500	694,306
Receivables		1,881,630	39,592
Subscriptions receivable		-	1,013,000
Security deposits		18,950	12,534
Total financial assets		\$ 4,188,773	\$ 3,172,954
FINANCIAL LIABILITIES			
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities		\$ 3,102,562	\$ 368,497
Loans		888,897	-
Long-term accounts payable		742,066	1,235,547
Total financial liabilities		\$ 4,733,525	\$ 1,604,044

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 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 no amounts are due within the next 12 months (Note 12).

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 March 31, 2026, the Company had cash of \$851,764 to settle current liabilities of \$5,626,384. The Company intends to finance future requirements from its existing cash reserves, revenue from ore sales, share issuances, the exercise of options and warrants, debt, or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*Liquidity risk (continued)*

In the regular course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities and operating commitments on an undiscounted basis.

	Within 1 year	2 to 5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 3,161,393	\$ 1,089,755	\$ -	\$ 4,251,148
Lease payments	104,878	331,674	392,538	829,090
Loans	1,000,000	-	-	1,000,000
Asset retirement obligation	-	-	8,072,147	8,072,147
Total	\$ 4,266,271	\$ 1,421,429	\$ 8,464,685	\$ 14,152,385

Credit risk

Credit risk is the risk of financial loss arising from the non-performance by counterparties of contractual financial obligations. The Company's primary credit risk exposures are as follows:

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

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

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

As at March 31, 2026, the Company's maximum credit risk exposure is equal to the carrying amount of its financial assets, of which \$1,859,920 relates to the trade receivable from the ore purchaser.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's related party loans bear no stated interest and are measured at amortized cost using a fixed effective interest rate, accordingly, they are not subject to cash flow interest rate risk. Interest earned on cash balances is insignificant. The Company is not exposed to significant interest rate risk.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*Price Risk*

The Company is exposed to commodity price risk arising from its gold and silver concentrate sales. Revenue from concentrate sales is provisionally priced at the time of shipment by reference to prevailing gold and silver market prices, with final pricing determined over the quotational period following shipment. Movements in gold and silver prices between the provisional pricing date and final settlement affect the amount of revenue and any outstanding trade receivables recognized by the Company. The Company does not currently use derivative instruments to manage commodity price risk. The Company's ability to raise capital to fund its operations is also subject to risks associated with fluctuations in commodity prices.

The Company is also exposed to equity price risk with respect to its investment in marketable securities (March 31, 2026 - \$5,000, March 31, 2025 - \$3,375). The Company monitors this position but does not hedge its exposure.

Currency Risk

The Company's ore sales are invoiced in United States dollars. Foreign currency risk arises to the extent that trade receivables denominated in United States dollars are outstanding at the reporting date. As at March 31, 2026, the Company's exposure to foreign currency risk consisted of trade receivables of \$1,217,941 USD subject to provisional pricing pending final settlement. A 5% change in the USD/CAD exchange rate would result in an approximate \$93,000 change in the carrying amount of these receivables. The Company does not use derivative financial instruments to manage foreign currency risk.

20. INCOME TAXES

The reconciliation of the provision for income taxes at the federal statutory rate compared to the Company's income tax expense as reported is as follows:

For the years ended	March 31, 2026	March 31, 2025
Net loss	\$ (6,810,663)	\$ (3,580,830)
Statutory rate	27%	27%
Expected income tax (recovery)	(1,838,000)	(967,000)
Tax effect of:		
Change in statutory, foreign tax, foreign exchange rates and other	1,820,000	(131,000)
Permanent differences	1,209,000	443,000
Share issue costs	11,000	(2,000)
Change in unrecognized deferred income tax assets	(1,202,000)	657,000
Income tax provision	\$ -	\$ -

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

The significant components of deferred income tax assets at March 31, 2026 and March 31, 2025 are as follows:

	March 31, 2026	March 31, 2025
Non-capital losses carried forward	\$ 4,854,000	\$ 4,289,000
Allowable capital losses	143,000	143,000
Property and equipment	714,000	712,000
Exploration and evaluation assets	2,343,000	4,117,000
Share issuance costs	42,000	37,000
Unrecognized deferred income tax assets	(8,096,000)	(9,298,000)
	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	March 31, 2026	Expiry Date	March 31, 2025	Expiry Date
Exploration and evaluation assets	\$8,698,000	No expiry date	\$15,367,000	No expiry date
Property and equipment	2,645,000	No expiry date	2,638,000	No expiry date
Share issue costs	154,000	2042 to 2048	138,000	2042 to 2047
Allowable capital losses	531,000	No expiry date	531,000	No expiry date
Non-capital losses	17,979,000	2028 to 2046	15,887,000	2028 to 2045

The potential future tax benefits of these expenses and losses carried-forward have not been reflected in these financial statements due to the uncertainty regarding their ultimate realization. Tax attributes are subject to review, and potential adjustment by tax authorities.

21. RETROSPECTIVE RESTATEMENT

The Company has restated its consolidated financial statement as at and for the year ended March 31, 2025 and as at April 1, 2024 for the correction of the following errors:

- The fair value of the long-term accounts payable assumed as part of the acquisition of Metal Mountain Resources Inc. during the year ended March 31, 2020 was not accurately determined. The value of the long-term accounts payable recognized on initial recognition was overstated by \$4,041,872 (refer to Note 12). The effect of this error impacted the amounts initially recorded for the Dome Mountain Mine and the Big Onion Project.
- The fair value of the obligation to issue shares as part of the May 13, 2020 settlement of long-term accounts payable was not accurately determined. The fair value of the obligation to issue shares was overstated by \$731,924.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

21. RETROSPECTIVE RESTATEMENT (continued)

The impact of the above corrections on the figures for the opening balances as of April 1, 2024 are reflected as follows:

	April 1, 2024 (As previously reported)	a	b	April 1, 2024 (Restated)
Exploration and evaluation assets	22,772,809	(2,931,983)		19,840,826
Total assets	\$ 24,573,339	(2,931,983)	-	21,641,356
Long-term accounts payable	1,729,933	(650,417)	-	1,079,516
Total liabilities	7,814,099	(650,417)	-	7,163,684
Obligation to issue shares	2,271,767	-	(731,924)	1,539,843
Deficit	(37,488,007)	(2,281,566)	731,924	(39,037,649)
Total equity	16,759,240	(2,281,566)	-	14,477,674
Total liabilities and equity	\$ 24,573,339	(2,931,983)	-	21,641,356

The impact of the above corrections on the figures as at March 31, 2025 and for the year then ended are reflected as follows:

	March 31, 2025 (As previously reported)	A	b	March 31, 2025 (Restated)
Mineral Property, Plant and Equipment	23,234,864	(2,931,983)		20,302,881
Total assets	\$ 26,541,216	(2,931,983)	-	23,609,233
Long-term accounts payable	1,729,933	(494,386)	-	1,235,547
Total liabilities	8,374,067	(494,386)	-	7,879,681
Obligation to issue shares	2,665,517	-	(731,924)	1,933,593
Deficit	(40,912,806)	(2,437,597)	731,924	(42,618,479)
Total equity	18,167,149	(2,437,597)	-	15,729,552
Total liabilities and equity	26,541,216	(2,931,983)	-	23,609,233
Accretion expense	(200,645)	(156,031)	-	(356,676)
Loss and comprehensive loss	(3,424,799)	(156,031)	-	(3,580,830)
Based and diluted loss per share	\$ (0.03)	-	-	(0.03)

22. SUBSEQUENT EVENTS

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

On July 6, 2026, the Company issued 350,000 common shares upon settlement of RSUs, with a fair value of \$175,000. No cash consideration was received by the Company.

BLUE LAGOON RESOURCES INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2026 AND 2025**(Expressed in Canadian dollars)

22. SUBSEQUENT EVENTS (continued)

The Company issued 1,559,000 common shares upon the exercise of stock options with exercise prices ranging from \$0.13 to \$0.57 per share for gross proceeds of \$542,630.

The Company issued 122,240 common shares upon the exercise of warrants with exercise price of \$0.35 per share for gross proceeds of \$42,784.

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