

Letter From the President & CEO of Blue Lagoon Resources

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VANCOUVER, December 14, 2020 - Letter From the President & CEO of Blue Lagoon Resources (OTCQB:BLAGF)(FSE:7BL)(CSE:BLLG):

Dear Shareholders and Investors,

Those of you who know me personally, know that most of my 35 plus years in business have been in private family businesses. In 2010, at the invitation of a very successful venture capitalist, who had made most of his initial fortune in mining, I decided to jump into the public markets and began an unexpectedly difficult journey that caused immense financial losses and nearly broke my spirit.

Why? Because shortly after starting, like a good disciple, I invested seven figures alongside my newfound mentor only to witness the total collapse of the mining sector and along with it, the vanishing of all my investments. Welcome to the wild and crazy ride of entrepreneurship.

TIMING IS EVERYTHING

Everyone knows that many industries, and mining in particular, is cyclical, and I had simply entered the industry at the wrong time. But for those who can stomach the ups and downs, the uncertainty of the markets, and perhaps most importantly, have the perseverance and the courage to get back up for that one final champions round after being beat up for 14 brutal rounds, the rewards are undeniable. For me that came in 2018 when I took two of the biggest Canadian venture deals public - Curaleaf, a \$520 million raise and a \$5 billion plus RTO, and then shortly after, Arizona based Harvest Health & Recreation, which was a \$300 million raise and a \$2 Billion RTO.

And then, sensing a possible shift in precious metals sentiment, on July 4th 2019, armed with the confidence of family, friends, and investors, I launched Blue Lagoon Resources with a vision of developing the next great Canadian gold exploration and mining company.

With governments around the world printing money at unprecedented rates, riots and demonstrations causing social unrest, and the addition of a world-wide pandemic, the timing to launch a gold focused company simply could not have been better. And for a small junior exploration company that started trading just 18 months ago, I believe we have accomplished much in 2020 and have built a solid foundation for what will be a very busy and exciting 2021.

Here are some of the milestones that we achieved and key highlights from this year.

DOMES MOUNTAIN GOLD MINE - OUR CROWN JEWEL

In March 2020, we acquired Metal Mountain Resources Inc., a private BC company that held interests in two properties - the past producing Domes Mountain Gold Mine and the Big Onion copper porphyry. The terms of the acquisition were very favourable for the company as it involved no cash payment and only the issuance of 12,151,220 shares that are escrowed over 30 months, with the first 10% to be released at the end of March 2021. You can read the full details of transaction in the news release dated March 31, 2020.

The Domes Mountain Project is accessible year-round, is located a short 50-minute drive from the small town of Smithers in north western B.C. and holds a Mining Permit and Environmental Management Act Permit

(EMA) that provides for up to 75,000 tonnes production annually. In addition, the property has 15 known high grade gold veins with nearly 90% of the property yet to be explored (see the Company's news release dated May 4, 2020).

I believe there are three key opportunities with this project. Firstly, an opportunity to work on a vast prospective land package comprised of nearly 19,000 hectares that have seen virtually no exploration to date; secondly, advance the 15 known high-grade gold-silver veins on the property; and lastly, advance the Dome Mountain gold mine and put it back into production by completing the required amendment work under the existing mining permits.

In regards to advancing the Dome Mountain gold mine, the three key tasks (amendments) that must be completed to meet permit conditions are:

- Completion of the Water Treatment Plant (started and expected to be completed in Feb 2021)
- Completion of Ground Control Management Plan, including underground bolting (completed)
- Update the Reclamation and Closure Plan. (expected to be completed end of April 2021)

Please note that the Company will evaluate a production decision once all permit requirements are in place. Any production decision in advance of obtaining a feasibility study of mineral reserves demonstrating economic and technical viability of the project is associated with increased uncertainty and risk of failure.

You can view the mine site here via a short 2 minute video which will give you a first-hand look at the easy all year-round road access, the water treatment plant that we are working to complete, the office and storage buildings, and the nearly 1000 meters of underground mine development that leads right to the face of the Boulder Vein. Since the video, we have also completed an ore storage building capable of storing over 2000 tonnes of mineralized material that will be shipped offsite for processing.

With regards to the exploration potential, although \$68 million has been spent on the property by past operators including Timmins and Noranda, almost all of the focus in the past was on the small portion of the property where the Boulder Vein and the current mine is located, while 90% of the property remained unexplored. I suspect this was for good reason as the mining market remained difficult over the past number of years and it made sense for past operators to focus on established targets.

When we recently drilled the Boulder Vein, the results included notable high-grade gold intercepts. Here are some of the highlights reported from the recently completed 26 hole 3,786-meter drill program. For complete details on the reported results, see individual news releases, as per the dates below.

News Releases

September 28, 2020

107 g/t Gold and 278.5 g/t Silver over 1.42 meters including 165.3 g/t Gold over 0.71 meters

October 21, 2020

34.5 g/t Gold over 1.53 meters
41.86 g/t Gold over 1.32 meters
15.02 g/t Gold over 1.71 meters

November 10, 2020

25.92 g/t Gold and 169.46 g/t Silver over 4.52 meters

December 9, 2020

53.76 g/t Gold over 2.2 meters including 83 g/t Gold over 1.13 meters
17.69 g/t Gold over 3.13 meters

Beyond the nice high-grade results delivered by this drill program, what was particularly beneficial to our technical team was the data from the intercept in hole DM-120-139, which at 335 meters, is the deepest hole drilled to date on the Boulder Vein. This confirmed that the Boulder Vein remains in place and mineralized at depth (see news release dated December 9, 2020).

Our drill rig is still sitting on this pad, and on January 11, 2020, we will pick up from where we left off and once again target this vein at deeper levels to test 'proof of concept' that the gold bearing mineralization at the Boulder Vein goes much deeper than what the historical drilling has outlined.

In addition, our first hole drilled in this program hit high grade mineralization in the Boulder Vein further east than previously drilled. Hole DM-20-114 hit 107 g/t Au (including 165.3 g/t Au over 0.71m) in a mineralized quartz carbonate vein at 67 meters depth and confirmed that the Boulder Vein strike also extends to the east (see news release September 28, 2020). We will also follow up on this and test for further extension.

But this property is more than just the Boulder Vein. Shortly I'll discuss why we recently added significantly to the land package, but first let me highlight one of the 15 known high-grade veins that we intend to focus on immediately - namely, the Forks Vein.

This vein is located 500 meters south of the Boulder Vein and was Noranda's focus from 1985-87 when they drilled 16 diamond drill holes and outlined a historical resource of 20,000 tonnes at a grade of 23.6 g/t gold.* (BCGS Geological Fieldwork 1986, Paper 1987-1, Page 212, Babine Project), (Roscoe Postle Associates Inc., Dec 20, 1993, Report on Dome Mountain Project for Habsburg Resources Inc., Page 19).

The Forks vein remains open along strike and at depth and will be a priority drill target in our upcoming 2021 drill program starting in January.

*The Company is not treating the above historical estimate at the Forks gold veins as a current mineral resource as defined in NI 43-101. The Company has conducted only a preliminary technical review on historical data at the Forks Gold Veins, and a Qualified Person has not conducted the work necessary to classify the historical estimate as a current mineral resource. Based on a preliminary technical review, the Company considers the information relevant and reliable, however additional drilling will be required in order to verify historical drill results.

COMPELLING DATA LEADS TO ADDING 7,646 HECTARES

Looking beyond the Boulder and the Forks Veins, on November 18, 2020, we announced the results of the data received from the first ever property wide airborne geophysical survey flown on the property. After careful analysis of this data, we found it compelling to significantly expand our land package by staking an additional 7,646 hectares, thereby nearly doubling our previous land position to nearly 19,000 hectares (see news release November 18, 2020).

Encouraging to see was that this survey successfully delineated several new anomalous zones of strong conductivity in the north eastern part of the Dome Mountain project where no known modern airborne EM system had ever been flown. After assessing the airborne Mag and EM results we identified new high interest zones of anomalous conductivity representing potential drill targets. These new zones will be a significant focus of our planned 2021 program, which will include soils and geological prospecting, to get a better understanding of what this new airborne data adds to the prospectivity of these claims.

These recent developments mean that 2021 will be a very busy year for exploration at Dome Mountain.

We also conducted an extensive soil program that included nearly 1200 soil samples that were collected and sent to ALS labs of North Vancouver. Of these, 120 samples were collected over the newly identified MAG

anomaly called Dipole and 116 samples were collected on the western margin of the Far East EM anomaly. We await the results and should have them before the end of this year.

HEALTHY TREASURY WITH NO DEBT

In August we completed a non-brokered financing of over \$7.5 million and subsequently last month another one for over \$2.3 million, \$2.2 million of which was flow through at \$1 per share. With a healthy treasury and no debt, this puts us in a great position to be able to complete the 3 key amendments required for the mine as well as execution of the 2021 planned exploration program which will include a 20,000 meter plus drill program scheduled to start on January 11, 2021.

ADDITIONAL VALUE DRIVERS

When we acquired Metal Mountain Resources, as part of the deal, we also negotiated the acquisition of the Big Onion property, a porphyry copper project that consists of 13 contiguous mineral claims comprising a total area of 4,493 hectares located a short 20-minute drive from the town of Smithers, B.C.

Copper occurrences were originally discovered on this property in the early 1900s. Between 1964 and 1998 various operators conducted diamond and percussion drilling, totaling over 134 holes (19,487 meters). Eagle Peak Resources, a company that previously owned the Dome Mountain project, subsequently drilled a total of 84 holes (21,523 meters) to explore the depth and extent of the mineralized zones, conducted preliminary metallurgical test work, completed magnetic and induced polarization geophysical surveys, and calculated two resource estimates. To date, 313 drill holes totaling 45,477 meters have been drilled on the Big Onion Property with approximately \$8.2 million spent on the project since 2006.

With copper prices reaching 7 year highs so far this December, the Big Onion property is currently a very good asset to have in our portfolio, giving us great exposure to the base metal. Copper has key uses in infrastructure, and is also a critical component in the continually expanding electric vehicle market. And with both the Dome Mountain Gold Project and the Big Onion being a stones' throw away from each other, we joined them with a "bridge claim" so that any expenditures on Dome Mountain can be spread across to the Big Onion, if desired.

In other words, this property is not going to be a burden on our treasury so we can be patient to see how best to monetize it and drive the maximum value for our shareholders.

PELLAIRE GOLD PROJECT NOW 100% OWNED

In May of 2020 we exercised our option to acquire a 100% interest in the Pellaire gold project after having re-negotiated improved terms with the vendor. The improved terms included a reduction in the remaining cash payments from US \$200,000 to CAD \$35,000, and a reduction in the remaining consideration shares from 700,000 shares to 600,000 shares. The shares are subject to a release schedule - equal installments of 50,000 shares every 3 months over 36 months. In addition, we renegotiated the right to repurchase a 2% NSR royalty from the vendor to reduce the repurchase price from US \$2 million to US \$1 million, which if exercised, would leave the vendor with a 0.5% NSR royalty.

This is a great road accessible gold project that's comprised of 22 claims totaling 7829 ha, and located in central British Columbia. So far ten different high-grade Gold-Silver-Telluride veins have been identified and the exploration work we completed on the property in 2019 clearly supports a follow up program.

A significant opportunity also exists at the Pellaire project to test the potential to monetize 25,000 tonnes of stockpiled mineralized material that has been sitting on the property for many years. This stockpile material can be shipped without the need of any permits, to a mill for processing. It's our intention to sample this stockpiled material to verify grade and potential recoveries, and thereafter work towards shipping this material for processing in the summer of 2021.

We also filed the first ever NI 43-101 Technical Report on this property which was prepared by Richard

Goodwin, P. Eng., of JDS Energy and Mining, a well-respected and trusted organization in the mining industry. You can access the report [here](#).

This coming year is going to be a pivotal year for our young company. A big part of a mining exploration company's value is driven by turning potential into something tangible and measurable. This requires significant additional drilling to expand and define known mineralized zones. This is why our entire team, contractors and key stakeholders, are looking forward to January 11, 2021. That's the day we will start on what will be the largest exploration program ever conducted on the Dome Mountain Gold Project, that will include a minimum 20,000 meter drill program.

I want to thank all our loyal shareholders for their continued support and belief in my vision and all that which may be possible at Dome Mountain, particularly during this very difficult year that was dominated by unprecedented challenges posed by COVID-19.

I also want to recognize and thank our chief geologist, Bill Cronk, who I have come to appreciate and respect tremendously. Thank you for your dedication and tireless efforts in helping me to continue to build the next great Canadian gold exploration and mining company.

And last but not least, I want to appreciate the tireless efforts of all our dedicated Smithers staff, contractors and consultants, who through their daily dedication, are diligently working to advance the Dome Mountain Gold Project to benefit not only Blue Lagoon shareholders, but the local community. Thank you!

I'm expecting 2021 to be one of the most exciting years of my life and I'm looking forward to sharing all of that, and more, with all of you.

Stay safe and healthy.

Rana Vig

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

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

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