

Blue Lagoon Resources Inc. (CSE: BLLG) – Gold Explorer with a Plan for Near-Term Cash Flows to Back Future Exploration



Investment Highlights

- **Blue Lagoon Resources Inc. (CSE: BLLG)** (“BLLG”, or “Company”) is a junior mining company with a focus on gold in British Columbia (“BC”). The Company owns three properties, two of which are gold-prospective, and one is a copper porphyry-type project.
- **Existing Stockpiles Drive Non-Dilutive Funding:** Both the company’s gold projects (Dome Mountain and Pellaire) have significant stockpiles holding mineralized material. Management plans to monetize these via toll milling, which could generate funding for future ounces and offset dilution risks in the short-term.
- **Production Planned at Dome Mountain:** The company holds both an Environmental Management Act Permit (EMA) and a Mining Permit providing for up to 75,000 tonnes production per annum from an underground gold mining operation. BLLG is on the cusp of completing the required amendments required for operations to commence, and we expect a project decision in 2021.
- **Extensive Exploration Program Underway:** BLLG has commenced the second phase of a two-part, 20,000-meter drilling program. High-grade intercepts have been reported, with the potential for more strong assays driving the catalyst pipeline.
- **Based on our analysis and valuation models, we are initiating coverage with a BUY rating and a fair value per share estimate of \$0.74 per share.**

Current Price (C\$):	\$ 0.62
Fair Value (C\$):	\$ 0.74
Projected Upside:	19.23%
Action Rating:	BUY
Perceived Risk:	VERY HIGH

Shares Outstanding:	72,252,019
Market Capitalization (C\$):	\$ 44,796,252
P/E	-
P/B	1.37
YoY Return	-20.25%
YoY TSXV Return	61.75%

*Note all \$ amount are C\$ unless otherwise stated

Key Financial Data (FYE - Mar 31)

(C\$)	2020	Q3-2021
Cash	\$ 1,248,567	\$ 5,888,954
Working Capital	\$ 970,479	\$ 6,374,677
Mineral Assets	\$ 27,581,864	\$ 28,188,864
Total Assets	\$ 29,568,637	\$ 35,480,547
Net Income (Loss) for the 9M	\$ (704,031)	\$ (4,678,392)
EPS for the 9M	\$ (0.03)	\$ (0.08)

June 25th, 2021

BLLG is a precious metals junior with a broad portfolio of exploration and development projects located in BC, both of which are in a globally leading mining jurisdiction. BLLG's mineral portfolio consists of:

- **The Dome Mountain Gold Project:** BLLG's flagship property and current focus, Dome Mountain has been the subject of the company's most recent exploration campaigns and is in the midst of a 20,000-meter drilling campaign. Apart from delivering strong drill core assays and high-grade gold returns on exploration work, Dome Mountain also offers two near-term cash flow opportunities: an existing stockpile of mineralized material and plans for a 75,000 tonne per annum underground gold mining operation.
- **The Pellaire Gold Project:** Acquired in 2019, Pellaire is a prospective gold project that features both existing infrastructure (at the historic exploration campsite) and an existing stockpile that BLLG is also looking to monetize for near-term cash flow.
- **The Big Onion Copper Project:** Acquired in the same transaction as the one that gave BLLG Dome Mountain, Big Onion is an easily accessible copper project that is located only 16 km east of Smithers, BC. The project has a historic indicated resource of 686.8 million lbs Cu (at 0.32% Cu Eq.) and an inferred resource of 64.3 million lbs Cu (at 0.28% Cu Eq.). Big Onion is open at depth and has two high value untested IP targets available for drilling. Whilst we don't consider the project a major focus for BLLG and are not covering it in detail in this report, it is a major copper asset with significant future exploration prospects that could also offer cash through monetization.

BLLG has an interesting value proposition that investors may struggle to find in the junior mining industry, which is characterized by cash-burning explorers with early-stage assets that are typically years away from cash flow generation. The company's development plan is to leverage near-term cash flow to provide non-dilutive funding for further exploration and development at its key projects. With a chance at cash in the near-future already a unique proposition amongst juniors, BLLG also has the potential to reach small-scale production in the short-term as well. This runs contrary to the multi-year development cycles most junior mining assets go through before they reach the commercial production stage, if ever. With a combination of above-ground ounces and a plan for commercial production in progress, we believe BLLG could potentially have the ability to position Dome Mountain for cash flow supported resource expansion.

The Dome Mountain Gold Project

The Dome Mountain Gold Project is a property that consists of titles that cover a total area of 18,935 hectares. BLLG holds a 91.95% ownership interest in the project through its subsidiary Gavin Mines Inc., which it acquired a majority interest in post-acquisition of Metal Mountain Resources Inc. The acquisition was completed on March 31, 2020, as part of which BLLG issued 12.15 million common shares to Metal Mountain Resources. BLLG's property is located approximately 60 km east of Smithers, BC, and the titles comprising the Dome Mountain hectareage are contiguous to the titles comprising the Big Onion Copper Project. The Dome Mountain Gold Project is subject to two NSR agreements, with one 2% NSR due to Dome

Royalties and a 2.25% NSR, due to a collection of individuals, which can be purchased at any time. The below map outlines the regional position of the Dome Mountain Gold Project.



Source: Company

The Dome mountain project lies within the Stikine terrane, within the Intermontaine belt of the Canadian Cordillera. In the project area itself, the main zone of high-grade gold-silver mineralization is concentrated in an area designated the Boulder-Argillite Vein System. The Boulder Vein System is the principal target area of the project and has by far seen the most exploration activity at the project. The Boulder Vein has hanging wall and footwall veins and the Argillite Vein has a hanging wall vein. These additional veins are generally splays and shoots off the main vein structures. The veins are characterized by quartz with lesser carbonate and sulphide mineralization. Massive quartz carbonate veins lacking sulphides are typically barren with respect to gold and silver. Quartz occurs as both a white massive variety and as a clear variety which is associated with higher gold grades. Carbonate minerals (calcite, dolomite, and ankerite) and consist of up to 28% of the ore and thus buffer any acid generating characteristics. Sulphide minerals in the Boulder Vein constitute approximately 10% of the vein mineralogy. In decreasing order of abundance, the sulphide minerals are: pyrite (6%), sphalerite (2.5%), chalcopyrite (1%), and galena-tetrahedrite-arsenopyrite (<1%).

Dome Mountain has a history of mineral exploration and production, with previous operators having invested \$68 million in exploration, resource development, infrastructure and permitting. In addition, underground mining activities took place in 1991-1993, with the

limited history being a result of the previous operator's financial issues. The prior history of the project is summarized below:

Dome Mountain Gold Project Timeline

Year	Event
1914 -18	Claims staked to cover several showings of gold-bearing quartz veins. Yearly assessment work done, including development of open cuts and 3 short adits
1921-22	Lapsed claims are re-staked and options acquired by New York syndicate. Stripping, trenching and sampling conducted.
1923-24	Dome Mountain Mining Company Ltd conducts surface and underground work, including three shafts with a total of 225 metres of underground drifting. Mine closed and all equipment removed in 1924.
1924-80	No work recorded. Property is acquired by Silver Standard Mines Ltd., McIntyre Mines Ltd., T. L'Orsa, K. Coswan, L. Warren and B. McGowen
1980-82	Panther Mines Ltd. and Reako Exploration Ltd. option L. Warren claims and Silver Standard Mines Ltd. Claims. Reako Exploration Ltd. options McIntyre Mines Ltd. claims
1984-85	Noranda Exploration Company Ltd. (Noranda) consolidates claims through option agreements with various parties. Extensive exploration work, consisting of geological mapping, geophysical surveys, geochemical surveys, trenching and diamond drilling is conducted. 9800 zone is discovered.
1985	Canadian United Minerals Inc. (CUM) options the Noranda interest subject to a back-in right to re-acquire 50%. CUM subsequently options a 75% interest to Teeshin Resources Inc. (Teeshin).
1986	The Boulder Vein is discovered and extensively drilled. Additional drilling conducted on Forks, Hawk-Gem and Chisholm-Jane zones. A bulk sample of the 9800 zone produces 30.17 grams per tonne gold and 771.4 grams per tonne silver. Total Erickson Resources Ltd. (Total) acquires Noranda's back-in rights.
1987	CUM forms a joint venture with Total and Teeshin. Surface and underground diamond drilling, air-borne geophysical surveys, and underground development (1370 adit) are conducted.
1988	Conceptual mine design and cost estimates were prepared by Dynatec Mining Limited.
1989	Teeshin becomes the operator and drills 14 holes on the west and east extensions of the Boulder Zone. A feasibility study is completed by M.P.D. Consultants Inc.
1990	Teeshin acquires CUM's interest and drills 18 diamond drill holes
1991	Teeshin forms a joint venture with Timmins Nickel Inc. (Timmins) and also changes its name to Habsburg Resources Inc. (Habsburg). Timmins develops an exploration drift at 1390 level and a bulk sample of the Boulder Vein is shipped to the Equity Silver Mill. The 1290 cross-cut is started.
1992	Mining Lease is approved and Timmins commences mine operations with 28 employees.
1993	Mining is suspended due to Timmins' financial and legal problems. Total production is reported as 43,900 tonnes at an average grade of 12.0 g/t gold.
1994	Habsburg changes its name to Dome Mountain Resources Ltd.
1996	Dome Mountain Resources Ltd. changes its name to DMR Resources Ltd. (DMR).
2000	DMR is delisted. Guardsmen Resources conducts a rock sampling program encompassing the Ptarmigan, Gem and Eagle zones.
2005	DMR transfers ownership of the Mining Lease and their remaining claims to Angel Jade Mines Ltd., K. Coswan, A. L'Orsa and J. L'Orsa (L'Orsa-Coswan-Angel Jade).
2007	Eagle Peak Resources Inc. (EPR) options the property from L'Orsa-Coswan-Angel Jade.
2008	EPR conducts soil geochemistry and 3D induced polarization surveys over the Boulder Vein System and its projected extension to the east.
2009	EPR drills 46 HQ diameter holes (42 in-fill holes on the Boulder zone and 4 exploration holes). EPR sells 100% interest to Metal Mountain Resources Inc. (MMR).
2010	MMR completes a NI 43-101 mineral resource estimate in 2010 and in mid-2010, Gavin Mines Inc. is incorporated as a wholly owned subsidiary of MMR to be the operating company for the Dome Mountain Mine. In August 2010, the Mines Act and Environmental Management Act permits are issued for the project.
2011-12	Gavin Mines developing underground and producing ore, but is unable to secure a long-term milling contract.
2013	An updated mineral resource estimate is prepared and Gavin Mines submits an application amend the Mines Act and Environmental Management Act permits to authorize onsite milling and tailings storage.
2015 -16	Continued exploration drilling, geological mapping and preparation to resume mining. An updated mineral resource estimate is prepared in July 2016.
2020	Blue Lagoon Resources Inc. acquires MMR and additional interest in Gavin Mines Inc.

Source: Company

In terms of road accessibility and local infrastructure, the property area is located east of Smithers, a town in the northwest of BC that has a regional population of approximately 15,000. Smithers has a regional airport which allows Dome Mountain access to other major cities in BC via daily air service. Regarding road access, the property area is accessible from Smithers by way of 66.5 km worth of mostly gravel, all-weather roads. With these local roads, Dome Mountain has access to the other major cities of BC via Provincial Highway 16 as well as access to deep water ports via the Canadian National Railway line. On-site infrastructure of-note includes power generators and pre-existing underground mining works. Based on the information regarding local resources, property accessibility and the project's own exploration history, we believe that exploration activities are likely to be well supported.

Climate-wise, the property area is characterized by a humid continental / subarctic climate, with temperature ranging from an average high of 30°C in the summer season to an average low of -30°C in the winter season. Average annual snowfall is 204 cm, with highest snow accumulation in February and average accumulation of 36 cm. The region's average precipitation is 51.3 cm. The Dome Mountain Gold Project is a glacially rounded summit that reaches an elevation of 1,753 meters above sea level, with slopes ranging from gentle to steep. Overburden covers can reach as thick as 20 meters, and is largely made up of alluvial clays, sands and gravels overlying gravelly boulder till. The key Boulder Vein System features overburden ranging from 1-20 meters thick. Local waterways include small creeks such as the Federal Creek and Boulder Creek that flow year-round.

Development Plan & Path to Cash Flow

At Dome Mountain, BLLG hopes to leverage the first part of a multi-stage development plan across its various mining assets, with Dome Mountain being the catalyst via its near-term cash flow potential. As a result of the project's historic mining activity, Dome Mountain features an existing stock pile with over 6,000 tonnes of mineralized material, which the company has begun trucking over to its milling partner. As part of its development plan, BLLG wants to monetize the existing gold locked up in the stock pile and utilize it to advance further exploration of the property. This creates upside potential through resource discovery and development, and does so dilution-free. In order to realize the locked up cash potential in the Dome Mountain stockpile, BLLG has secured a toll milling partner in Nicola Mining Inc. (TSXV: NIM), which runs a \$30 million modern ore milling facility in Merritt BC. BLLG's subsidiary Gavin Mines and NIM have had a milling and profit share agreement in place since 2016, which BLLG has since amended to run until 2023. A previous operator of Dome Mountain last shipped material to NIM for processing in 2017, with key features of that batch including:

- 6,691 tonnes processed, with an average grade of 9 g/t Au.
- 1,517 gold ounces and 8,026 silver ounces produced.
- A total cash value of US\$1.71 million at a gold price of US\$1,260 per ounce.
- 95% gold recoveries and approximately 85% silver recoveries.

As demonstrated, previous stockpiled material has exhibited high gold grades. Leveraging the existing milling agreement, BLLG recently commenced the initial transportation of mineralized material to NIM's Merritt mill facility, where it is expected to be processed and sent off to NIM's gold concentrate offtaker. The stockpile at Dome Mountain that is set to be moved to NIM's mill facility was last partially assayed in September 2017, with over 5,000 tonnes of the stockpiled material having been assayed. The assay results, which reflected a range of high grades on assayed stockpile tonnes, are shown in the table below.

Dome Mountain Stockpile Assays

Grade Sampled g/t Gold	Estimated Tonnes	Location of Sample
11.5	100	Outside pile at 120 level
13.2	50	Vent RSE Upper level
14.8	100	Vent RSE back
18.9	80	Dwpt 10.5
11.6	500	Dwpt 11
10.2	150	Dwpt 12
17.6	1000	Dwpt 13/14
41.5	40	750 RSE Arg 1370 level
10.7	1500	Tag 068
11.9	1500	End of drift 1290 level

Source: Company

Based on management's estimation, there are more than 6,000 tonnes in the existing stockpile, which has an weighted average grade of 13.0 g/t Au. Based on their estimation, the potential gross gold content in the stockpile sits at 2,508 ounces, which at a gold price of US\$1,760 per ounce, implies a potential cash value of more than US\$4,414,080. To understand the importance of this opportunity to near-term exploration funding, drilling costs in BC for 2019 were \$387 per meter for core drilling. Based on management's estimation of the stockpile's gross cash value, the equivalent drilling meters that would be funded range up to approximately 14,000 meters (core drillholes). By comparison, BLLG are currently undergoing a 20,000 meter drill program, or about 40% higher than the gross estimated drill meterage we feel could be funded by the monetization of Dome Mountain's stockpile.

The estimated gross value of the Dome Mountain stockpile is subject to multiple layers of costs including milling fees and trucking costs, but we have provided the estimation for illustrative purposes. The important takeaway, we believe, is that the low hanging fruit in the stockpile's cash proceeds could fund new ounces. Whilst new ounces typically raise the intrinsic valuation of junior miners, such ounces are usually funded via dilutive equity raises, which can result in an offsetting effect as dilution tempers the valuation gains from incremental ounces in the ground. In the case of BLLG, dollars from extracted material instead of share sale can create valuation leverage off of the same capital structure, which is a rare occurrence in the junior mining sector.

Whilst the stockpile monetization is a first step in Dome Mountain's development plan, BLLG's longer-term initiative is to drive the project back to production, utilizing in-place infrastructure from its operating days and the existing resource as feedstock for a revitalized

underground gold mining operation. The project is covered by a Mining Permit and Environmental Management Act (“EMA”) Permit that allows for an up to 75,000 tonnes per annum mining operation, or approximately 200 tpd. Because of the previous infrastructure development that occurred prior to BLLG’s tenure, it is estimated that approximately 85% of the underground development needed to facilitate an operational restart was already in place prior to BLLG’s assumption of control. Moving forward, BLLG’s main focus is on finishing the three key amendments to its existing permits in order to facilitate mining operations, as it has already installed any required infrastructure like its recently completed ore storage facility. With regards to permitting requirements, management have stated that the key remaining permit amendments needed include:

- The Ground Control Management Plan, including underground bolting.
- Completion of the Water Treatment Plant.
- Updating the Reclamation and Closure Plan.

To date, the company has completed the first two permit amendments, and is currently working on the final milestone, which management expects will be accomplished by August 2021. Upon completion of the required amendments, BLLG will evaluate a production decision, taking into account the existing resource at Dome Mountain as well as the costs of operational restart. BLLG has partial offtake commitments in place, as BLLG has a long-term milling profit share agreement with NIM for up to 40,000 tonnes per annum in mill feed. This potential for cash flow commencement in the short-term is a strong growth catalyst – few gold juniors have access to easily extractable ounces above ground, a production start in only a few years, and strong exploration potential within the same project.

The company filed a Preliminary Economic Assessment (“PEA”) on the Dome Mountain Project in July 2020, which outlined projected mine economics of the project given a 12 year mine plan and a 100 tpd or approximately 36,000 tonnes per annum operation. This is approximately half the planned scale for the Dome Mountain underground mining restart, and was also filed with a lower base case gold price assumption than more recent market pricing. However, due to notification by the BC Securities Commission that the PEA was non-compliant with NI 43-101 regulations, BLLG retracted the PEA and its outline of projected mine economics. The company has since filed a complaint Technical Report, though the report does not include an updated mining schedule and project economics section. Whilst the PEA is a non-compliant report and we will refrain from its usage in BLLG’s valuation, the table below outlines summary mine economics, which we have included for illustrative purposes.

Dome Mountain Mine Economics (Non-Compliant PEA)

Economic Summary - \$CDN Millions

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

Source: Sedar

Resource Profile & Exploration Campaigns

Despite the fairly extensive exploration and production history of the Dome Mountain Project, management estimates that around 90% of the property remains unexplored. The bulk of exploration by both previous operators and BLLG has been focused on the key Boulder Vein system, which is on the southern margin of the property area. Outside of Boulder, there are 15 vein systems that have been identified on the Dome Mountain property, with total identified vein systems covering 20 km of strike length. In addition, a combination of prior grab samples and drill core assays have returned up to 1,215 g/t Au and 1,809 g/t Ag. Despite the vast exploration potential, to date only Boulder's resource potential (or at least that identified to date) is recognized in the existing NI 43-101 resource estimate for the Dome Mountain Property. The existing resource, which is majority inferred, is summarized in the below tables. This resource base is the same used as projected feedstock for the operation underpinning the non-compliant PEA report filed in 2020, which was considered sufficient to supply a 12-year, 100 tpd underground mining operation.

Dome Mountain Mineral Resource Estimates

INDICATED RESOURCE

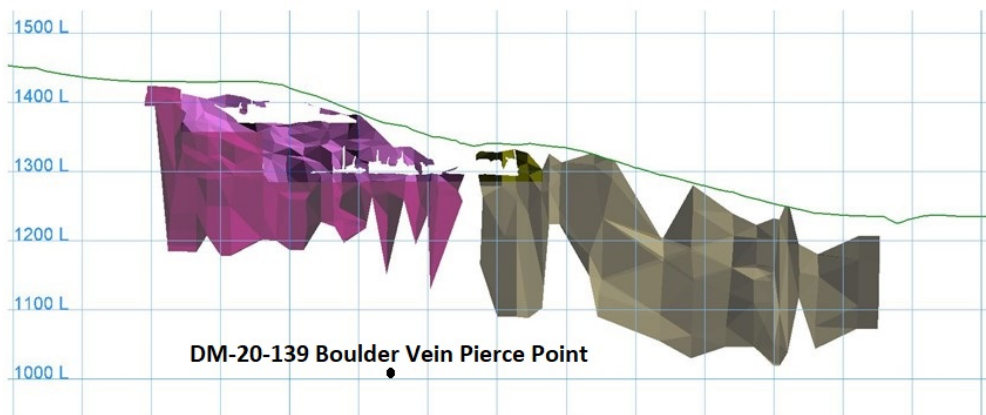
MINIMUM MINING WIDTH (2.25m)	AU CUTOFF GRADE 3.42 g/tonne			AG g/tonne		
	Tonnes	Gold Grade	Gold Grams	Gold Ounces	Silver Grade	Silver Ounces
Boulder Vein	166,511	12.12	2,017,497	64,864	60.30	322,790
Boulder East Vein	9,470	18.24	172,749	5,554	62.39	18,994
TOTAL	175,980	12.45	2,190,246	70,418	60.41	341,784

INFERRED RESOURCE

MINIMUM MINING WIDTH (2.25m)	AU CUTOFF GRADE 3.42 g/tonne			AG g/tonne		
	Tonnes	Gold Grade	Gold Grams	Gold Ounces	Silver Grade	Silver Ounces
Boulder Vein	151,831	8.45	1,283,393	41,262	46.43	226,630
Boulder East Vein	142,289	7.08	1,007,753	32,400	20.29	92,830
Argillite Vein	72,694	11.20	814,290	26,180	58.18	135,970
Boulder HW Vein	41,292	7.02	289,822	9,318	13.91	18,460
TOTAL	408,105	8.32	3,395,258	109,160	36.12	473,890

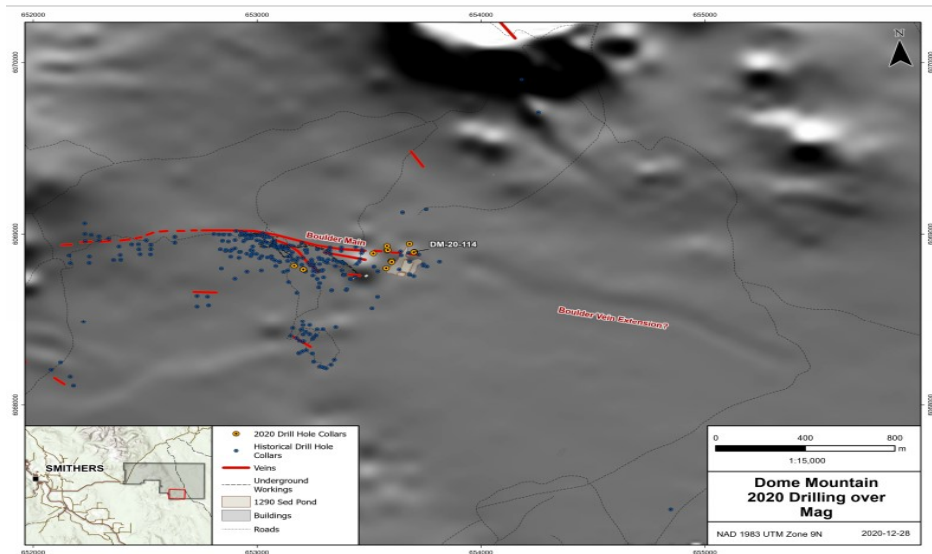
Source: Company

BLLG's initial exploration campaign at Dome Mountain came shortly after the company's acquisition of the property in 2020. BLLG drilled a total of 3,732 meters over 26 holes, with key assay results summarized in the table below. All drill holes were situated within the Boulder zone, though certain drill holes were designed to test certain characteristics or geological structures within the vein system. As an example, hole DM-20-139 was drilled to test Boulder to a deeper depth than previously tested (and at a depth of 338 meters, hit 3.13 meters of 17.69 g/t Au gold and 70.4 g/t Ag), as well as test the southern intersection with the Forks breccia zone encountered by a previous operator (Noranda) in 1985-1986.



Source: Company

And hole DM-20-114 was designed to test the farthest east intercept in the Boulder Vein system and intercepted 107 g/t Au and 278.5 g/t Ag over 1.42 meters including 165.3 g/t Au and 398 g/t Ag over 0.71 meters. The data collected from the 2020 airborne survey clearly shows a distinct Mag anomaly associated with the eastern vein intercept and highlights a singular fault like feature which corresponds to the eastern end of the known Boulder Vein system (and the DM-20-114 vein intercept) and continues for at least another kilometer in the East-West direction.



Source: Company

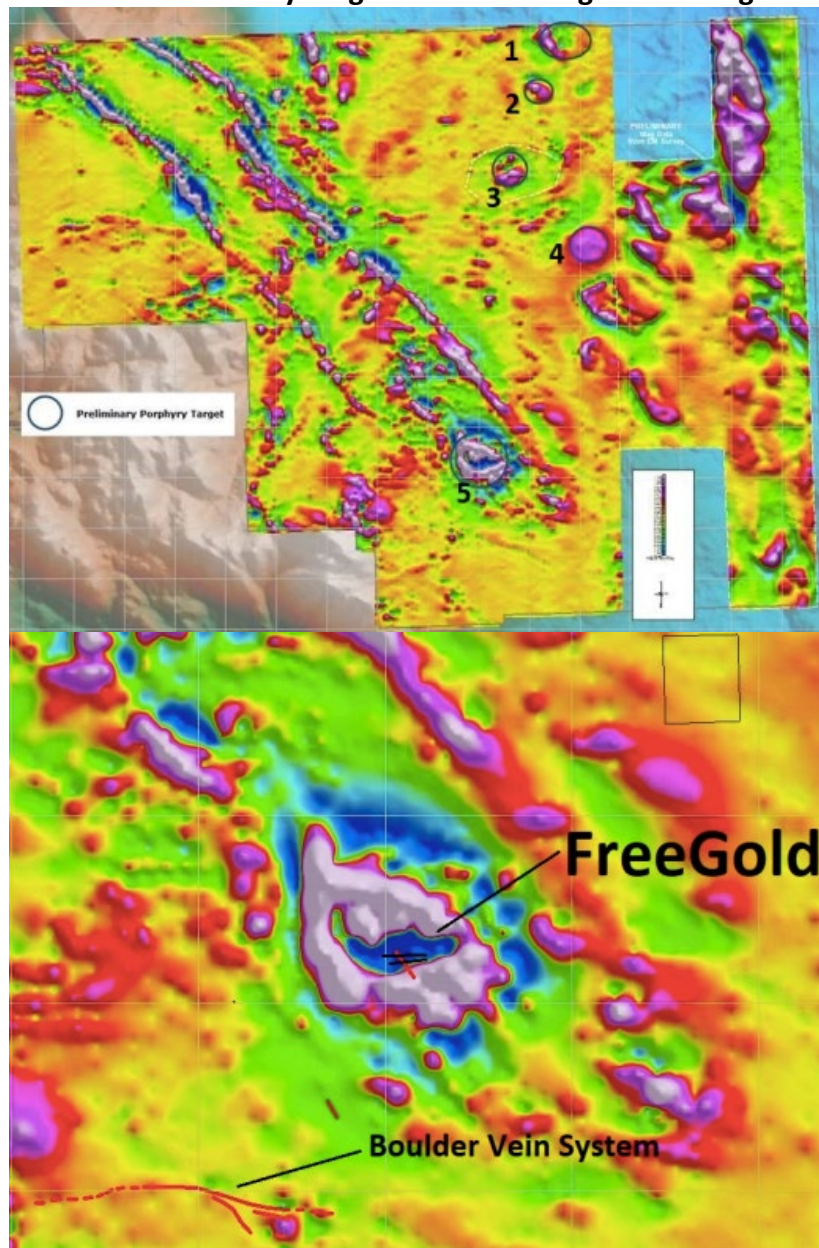
2020 Drilling Results

Drill Hole	Interval (Meters)	Depth (Meters)	Grade (Au g/t)	Grade (Ag g/t)
DM-20-114	0.17	66.9	173.14	1017
And:	0.71	69.13	165.3	398
And:	0.71	69.84	48.7	159
DM-20-116	1.53	80.37	34.5	54
DM-20-118	0.92	188.48	11.3	59
DM-20-119	0.57	142.4	8.1	16
DM-20-120	1.98	159.88	4.03	20.36
DM-20-123	0.5	119.93	12.7	34
DM-20-124	1.58	117.87	9.61	46.88
DM-20-126	1.32	11.93	41.86	250.72
DM-20-127	1.71	38.59	15.02	101.53
And:	1.24	35.93	20.6	108
DM-20-131	0.65	59.65	45.5	243
DM-20-132	4.52	131.75	25.92	169.46
DM-20-135	2.2	79.7	53.76	22.7
Including:	1.13	80.77	83	12
DM-20-138	0.85	35.05	12.8	40
And:	0.53	91.82	21.2	72
DM-20-139	3.13	335.47	17.69	70.4
Including:	0.65	336.15	48	95
And:	0.33	337.25	36	117

Source: Company, Couloir capital

Apart from maiden drilling (for BLLG's tenure), the company also completed the first deep penetration airborne survey on the property during 2020, which served the purpose of outlining key areas for future drilling. The airborne survey identified at least five positive, circular magnetic anomalies which BLLG interpreted to reflect small intrusions into the volcanic and sedimentary Hazelton Group host rocks. These five circular magnetic anomalies were determined to be polymetallic porphyry copper-gold-molybdenum exploration targets for follow up work in the future, especially the Freegold showing identified by the survey. Located approximately 1.4 km northeast of Boulder, the Freegold Zone showed a clear magnetic signature covering a kilometre in length and up to 300 meters in width, offering ample drilling potential.

Airborne Survey Targets and the Freegold showing



Source: Company

Shifting forward to 2021, BLLG is looking to leverage the existing resource base and near-term cash flow generation prospects to develop Dome Mountain into a premier gold mine. To this end, the company embarked on a 20,000-meter diamond drilling program, which has been split into two phases. Phase One, which comprised 7,176.5 meters over 31 holes, was completed in late March 2021. In the table below, we outline the assay results from the campaign that targeted the Boulder Vein system.

Phase One Assay Results (Boulder vein)

Hole ID	From	To	Interval	Au (g/t)	Ag (g/t)
DM-21-143	24.65	25.16	0.51	22.8	220
DM-21-145	34.75	35.80	1.05	9.29	17.00
DM-21-145	109.46	110.28	0.72	16.80	66.00
DM-21-157	13.00	14.00	1.0	49.80	61.00
DM-21-157	39.00	40.28	1.28	20.40	69.00
DM-21-160	88.00	88.50	0.5	2.12	7.00
DM-21-160	88.50	89.00	0.5	34.50	73.00
DM-21-160	89.00	89.50	0.5	18.50	236.00
DM-21-160	89.50	90.00	0.5	67.10	155.00
DM-21-160	90.00	91.00	1.0	8.66	24.00
DM-21-161	213.00	214.00	1.00	14.20	54.00
Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
DM-21-141	185.00	186.10	1.10	5.77	11.00
DM-21-142	14.25	14.88	0.63	7.27	76.00
DM-21-144	259.17	260.45	1.28	4.28	44.00
DM-21-146	230.77	231.62	0.85	14.20	40.00
DM-21-150	208.00	216.00	8.00	4.51	8.00
<i>Including</i>	212.00	214.00	2.00	9.79	8.00
DM-21-150	442	444	2.00	4.58	6.00
DM-21-164	158.75	159.73	0.98	36.70	580.00
DM-21-165	133.44	137.57	4.13	11.08	34.39
<i>including</i>	136.20	137.57	1.37	22.80	42.00
DM-21-167	174.70	175.12	0.42	14.80	4.00
DM-21-168	66.31	67.76	1.45	25.80	74.00

Source: Company

The last three holes drilled as part of Phase One were focused on the Forks Structure, which was investigated at the back-end of the 2020 drill campaign. The drill hole intersected 11.7 meters of mineralized material, and returned significant intercepts summarized in the below table. The Forks Structure and its mineralization is of importance to BLLG as it carries historical significance – there is a historical and non-compliant resource estimate on the Forks Zone of 20,000 tonnes at 23.6 g/t Au, based on 23 holes drilled by previous operator Noranda in 1985. Because of its historical resource and previous exploration work pointing to potentially material gold ounces in ground, we believe the Fork Zone could be a low hanging fruit opportunity for BLLG's near-term exploration initiatives.

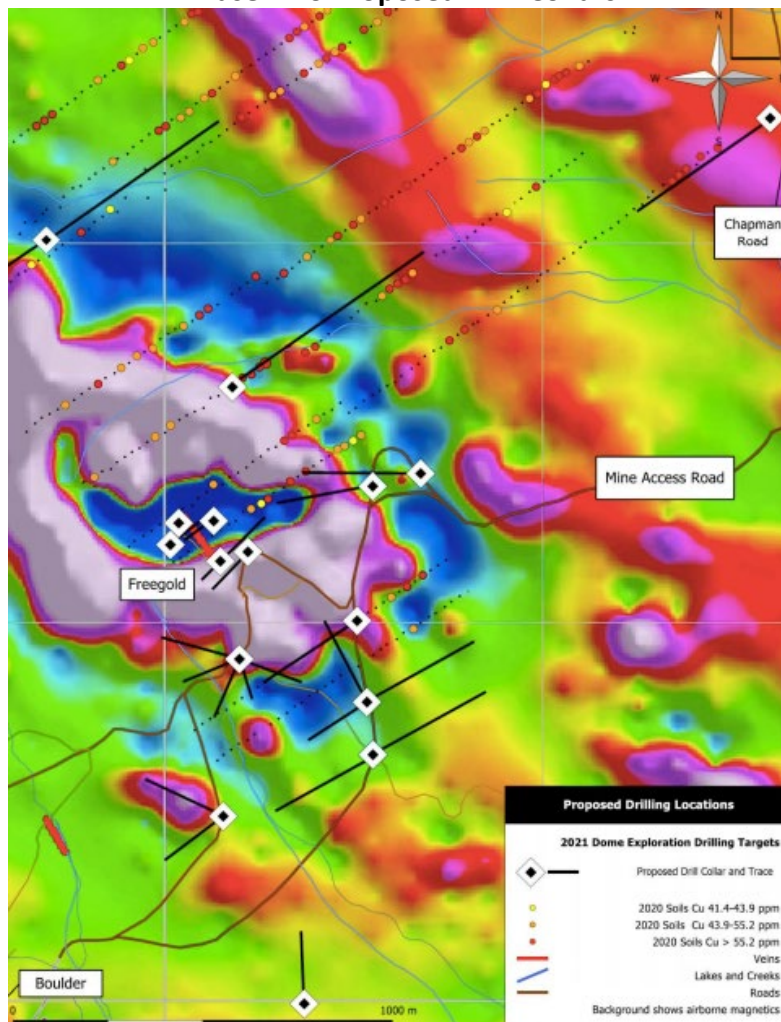
Phase One Assay Results (Forks Zone)

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
DM-21-154	90	93	3.0	0.95	14.5
<i>and</i>	96	99	3.0	8.3	14.5
<i>including</i>	97.5	99	1.5	15.4	26
DM-21-156	111.5	113.2	1.7	4.02	21

Source: Company

On June 14, 2021, BLLG announced the commencement of Phase Two, which is expected to comprise a minimum of 12,500-meters worth of diamond drilling. The initial stages of Phase Two are expected to focus drilling on the Freegold Showing. The focus on the Freegold Zone comes as the result of the 2020 soil sampling work as well as BLLG's previously discussed airborne geophysical survey, which identified a zone of high grade gold veins atop a copper porphyry-type system. The initial set of proposed drill hole locations are shown in the below maps.

Phase Two Proposed Drill Collars



Source: Company

With Phase Two drilling having commenced, and the scale of the follow up program being significantly greater than that of the successful Phase One program, we believe there is an upcoming pipeline of exploration-related catalysts on the horizon. Whilst there is less visibility on the design parameters of Phase Two and the location of proposed holes, we see it as promising sign the company is leveraging success at Boulder to explore the other vein systems at Dome Mountain that have seen limited development. This creates the potential for big win intercepts that serve the purpose of discovering new resource pockets outside the known Boulder resource area. If a localized cluster of intercepts emerge as a result of Phase Two drilling, we would expect BLLG to cement new resource discoveries by using them to update the Dome Mountain NI 43-101 resource estimate. Because of the mine development initiatives discussed earlier that we expect to happen in tandem with ongoing exploration, we believe that resource expansion initiatives at Dome Mountain may be subject to a shorter cash flow realization period than that of other development projects. In other words, Dome Mountain may offer a quicker transformation of in-ground ounces to payable ounces than other junior-owned assets of similar stage.

The Pellaire Gold Project – Near-Term Cash Flow and Resource Upside

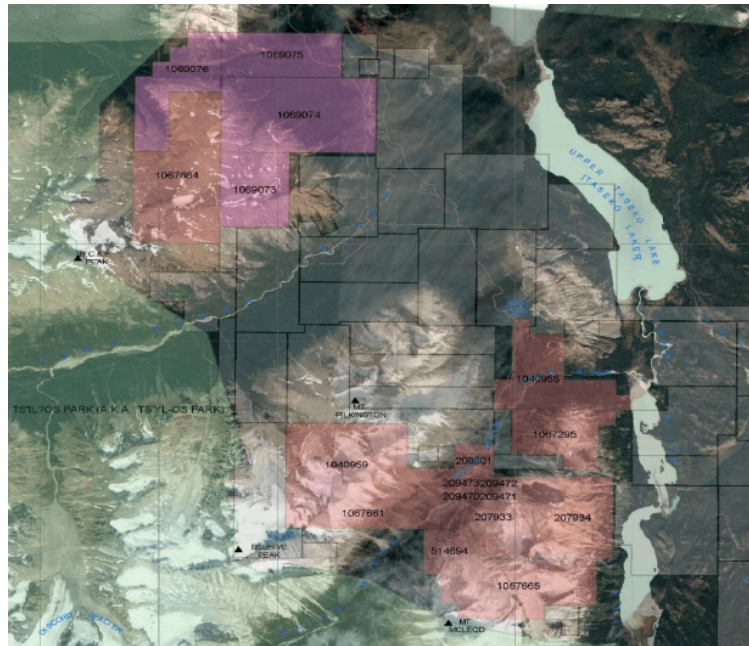
The other major asset considered key to BLLG's near-term development plan is the Pellaire Gold Project, which it acquired in August 2019 when it acquired ASIC Mining Inc. The property measures 7,120 hectares (over two separate claim blocks) and is located in southcentral BC, 220 km north of Vancouver and 160 km southwest of Williams Lake.



Though the project has been fully road accessible in the past, at current only the northwest claim block is accessible by road from Williams Lake. The southern portion of the property is currently inaccessible due to the pending repairs for the Tchaikazan River Bridge. There are intra-project roads and cross-lake bridges connecting the two claims blocks, but these require

repair before they can be used to traverse the property. Estimated cost for these repairs is minimal at \$150,000. The southern claims block (Pellaire Claims) comprises 13 contiguous claims that measure 4,082 hectares, and is the part of the project that contains the historic infrastructure and has been most explored.

Pellaire Gold Project's Regional Positioning



Source: Company

The project area is characterised by multiple steeply dipping, high-grade narrow gold-silver-telluride veins that outcrop at surface at high elevation (approximately 2,5000 meters above sea level). The Pellaire deposit in the southern claims block is the most explored area of the Property and consists of gold-silver quartz veins that range from 0.3-7.5 meters wide. The Pellaire Claims represent an advanced stage gold-silver-telluride vein system, and there are ten known gold veins on the property, which occur along south verging thrusts. Of the ten identified vein systems, five have been partially mined. Pellaire has seen fairly limited historical exploration prior to BLLG's tenure, with key historical exploration activity including:

- 1,687 meters of core drilling over 21 holes in 1987 and 1998 by a previous operator, with drilling work hampered by poor core recoveries. Poor core recoveries were linked to the property's sheared quartz vein material and the clay-rich, fractured wallrock.
- Bulk sampling programs between 1996-1998 that saw the extraction of thousands of tonnes of mineralized material for processing and analysis.
- ASIC ran a 2019 summer exploration program that saw the collection of 312 rock samples and 184 soil samples from across the property.

As a result of previous exploration work, significant amounts of mineralized tonnage has been extracted from the main target zones of Pellaire, and this is summarized in the table below:

Total Mined Tonnage (2019) from the Pellaire Gold Project

Year	Operator	Underground Mining				Surface Mining (t)		
		Waste Rock		Mineralized Rock				
		meters	tonnes	meters	tonnes	"High Grade"	"Low Grade"	Waste
1945	Pellaire Mines	710	11,502	140	2,436	907		
1981	Silver Standard	49	794					
1996	Jaguar	200	3,240	73	1,270			
1997	Jaguar			59	1,032			
1999	Jaguar			80	1,400			
2000	Zelon					1,089	13,426	58,970
Total		959	15,536	353	6,138	1,996	13,426	58,970

Source: Company

As a result of historical exploration, Pellaire has existing infrastructure on-site, though it is largely situated on the south claims that are currently inaccessible. Key infrastructure items that currently exist on the Pellaire Claims include:

- An old 20 worker exploration camp, which includes plywood outbuildings that were previously used for accommodation and cooking but are now In need of updating.
- A 1,000 tpd processing facility, which consists of a screen separator/ wash plant with feed conveyors, a Jigs RMS with Falcon gravity concentrator, a cone crusher, and auger. It appears to be in reasonable condition and may provide future use, according to a 2019 Technical Report.
- An old tailings pond.
- A 40-meter bridge and trail roads network that provides access to the underground workings.
- Approximately 1,400 meters worth of historic underground workings.

In addition to the pre-existing infrastructure on-site, Pellaire also features two stockpiles of previously excavated mineralized material, with one approximately 1,000 tonne stockpile located near the processing plant and another much larger stockpile located on the other side of the Falls River that separates the north claims block from the south claims block.

Pellaire Camp Aerial View



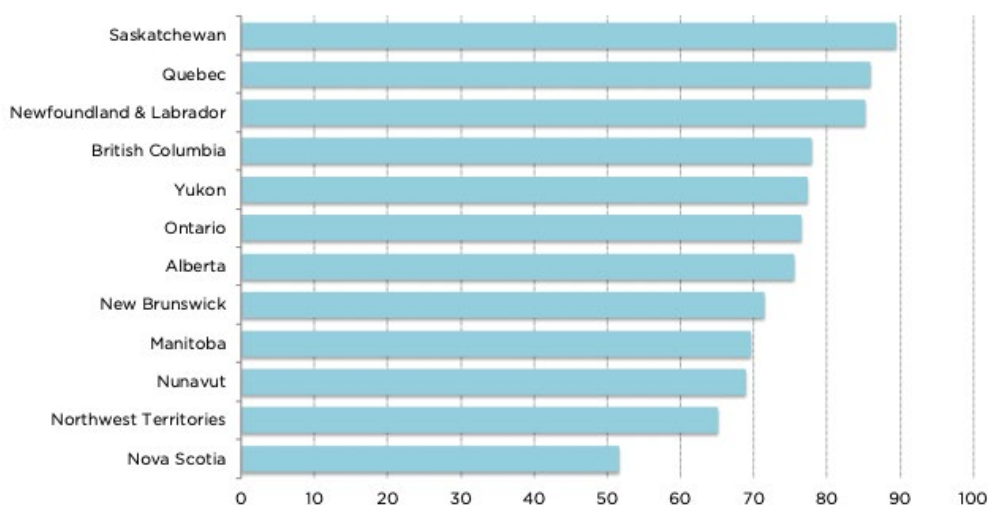
Source: Company

The larger stockpile is 2.2 km away from the Pellaire Camp, and is currently accessible by the company without further repair work needed to provide suitable access to the Pellaire Claims. It is estimated that the stockpile comprises approximately 24,000 tonnes of mineralized rock, which has yet to be tested and processed. This stockpile, similar to the historical stockpile at Dome Mountain, represents a potential near-term cash flow to BLLG, which can again be redeployed into non-dilutive exploration funding for unearthing future ounces (at either Dome Mountain or Pellaire). Based on management's initial survey of the Pellaire stockpile, it is believed that the stockpile averages gold grades of between 4 g/t Au and 6 g/t Au with local grabs over 10 g/t Au and a few over 100 g/t. This is an approximation and can differ significantly from the stockpile's actual grade. Based on the approximation of the stockpile's average grade, management estimates there could be 5,000 ounces of gold contained, which at the earlier assumed gold price suggests a gross cash value of US\$8 million. Though we are unsure of the planned procedure for toll milling, we note that BLLG's profit share agreement with NIM allows for greater tonnages than represented by the Dome Mountain stockpile alone. Assuming stockpile monetization proceeds are used for exploration funding, and the assumed 2019 provincial average core drill costs of \$387 per meter, we believe the gross cash value of Pellaire's accessible stockpile could represent 25,500 of potential drill meters. Together, both Dome Mountain and Pellaire's stockpiles represent up to 40,000 meters in potential drilling funding.

Industry Outlook

BC has consistently been recognized as one of the world's most attractive mining jurisdictions from a project investment perspective. In the Fraser Institute's most recent annual mining survey, BC ranked 17th out of 77 surveyed mining jurisdictions for the institute's 2020 investment attractiveness index. In addition, BC ranked fourth of all Canadian jurisdictions surveyed and has consistently been in the top half of surveyed jurisdictions since at least 2016. BC has typically had a stable investment attractiveness index scoring through time, suggesting that investors have viewed the jurisdiction positively over the longer-term, likely due to the province's mineral abundance and the history of value accretion on past producing mines.

Ranking of Canadian Mining Jurisdictions by Investment Attractiveness

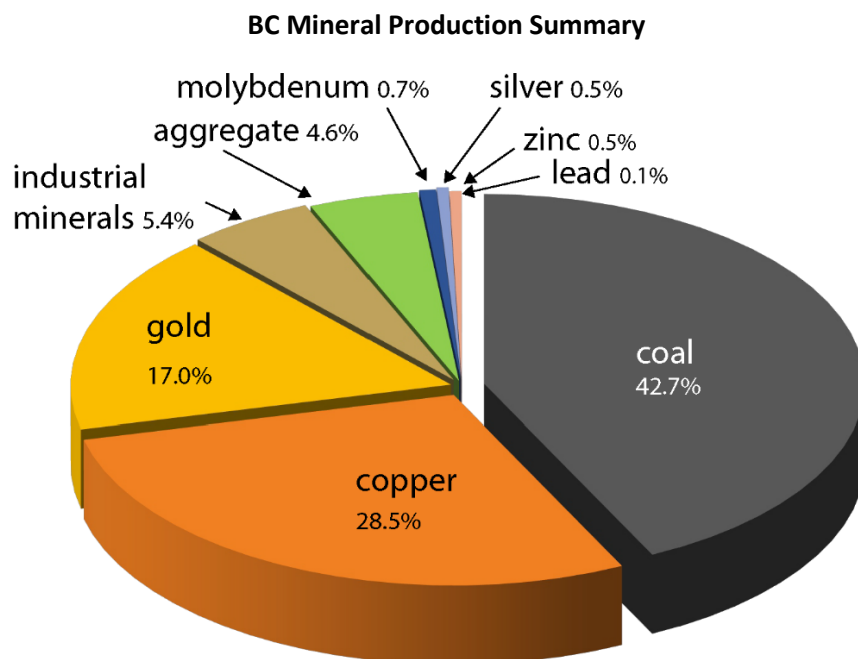


* Between 5 and 9 responses

Source: Fraser Institute

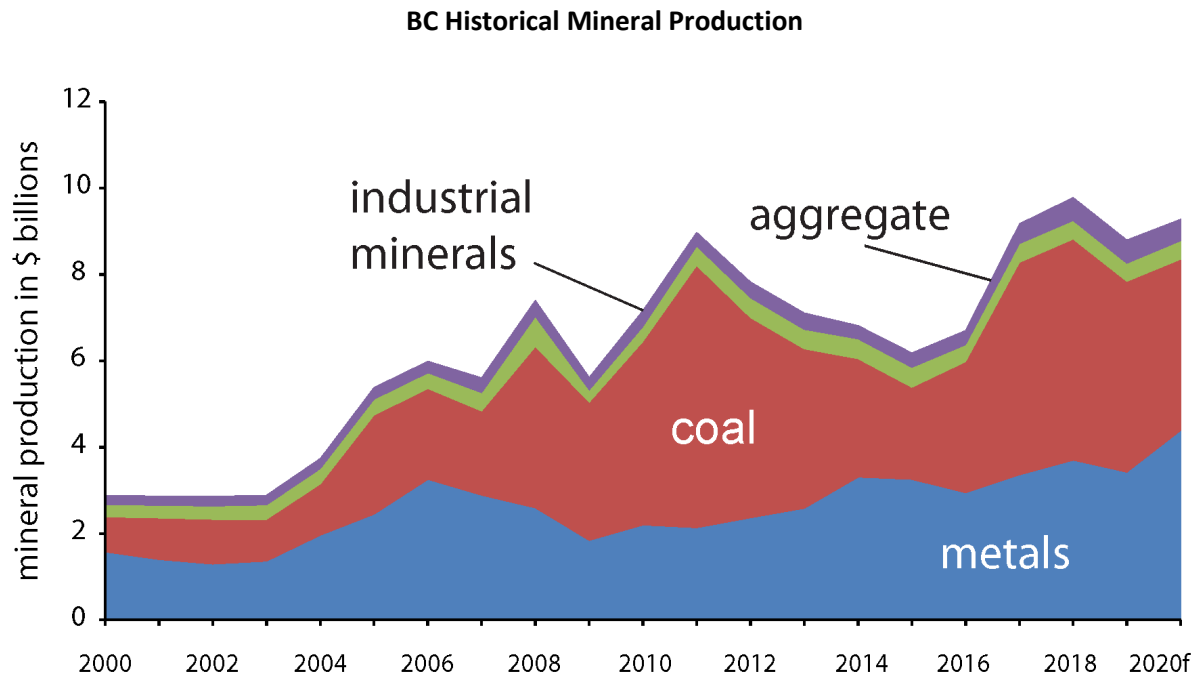
Whilst BC's consolidated investment attractiveness has been strong over time, standalone policy perception in the province has been more of a mixed picture, according to the Fraser Institute's survey. BC ranked in the bottom half of all jurisdictions surveyed in the 2020 edition, coming in at 41st out of 77 surveyed jurisdictions. Major issues appear to concern environmental regulations, drilling permitting and associated wait times, land claim disputes and uncertainty around protected areas. On drilling permitting in particular, only 65% of survey respondents believed they could secure necessary permitting in six months or less, the lowest of all the Canadian provinces included in the Fraser Institute survey. Industry insiders have reported that the failure of provincial permitting processes to properly integrate with federal permitting also acts as a deterrent to mining investment, citing Bill C-69 as a problematic piece of legislature.

Regardless of some of the permitting challenges outlined, BC has a long history of mineral exploration that continues to this day. The province's complex geological history is reflected in the wide variety of deposit profiles exhibited, with mines in the region producing broadly across precious, industrial and energy minerals. In 2020, the province produced aggregate minerals valued at \$9.28 billion, reflecting YoY increase of 5.5%.



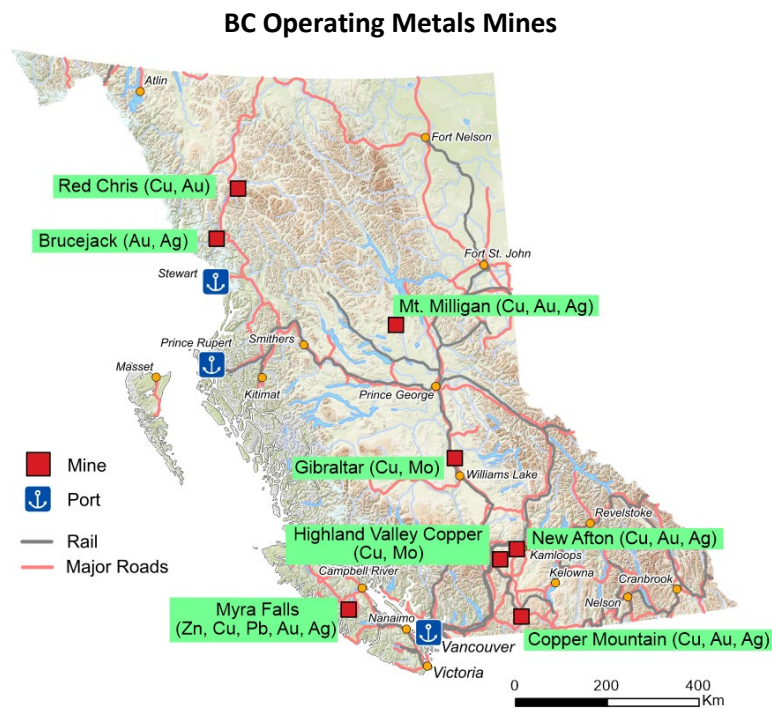
Source: British Columbia Geological Survey

The historical mineral production of the province, as measured by nominal value, is outlined below.



Source: British Columbia Geological Survey

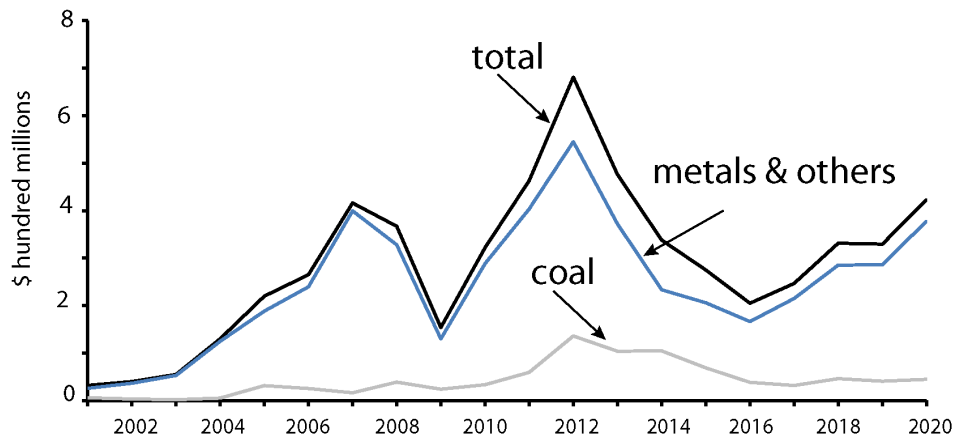
Of the \$9.28 billion produced in 2020, around \$4.39 billion (approximately 47%) came from metals. The vast majority of the province's gold production came from the region known as the Golden Triangle, a mineral rich area in northwest BC. There is also a strong copper production footprint throughout BC, as well as some silver production, though this is largely as a by-product of either gold or copper-dominant operations. The vast majority of producing mines in BC are porphyry systems, with the exception of Brucejack and Myra Falls.



Source: British Columbia Geological Survey

In 2020, BC recorded \$422.7 million in exploration spend, with \$378 million being related to metals exploration and development. The exploration spending in 2020 reflects a \$93.2 million YoY increase, or approximately 28%. The surge in exploration spending is reflective of the upturn in commodity prices, with bullish sentiment on commodities driving funding of mineral asset development.

BC Mineral Exploration Expenditures



Source: British Columbia Geological Survey

Core drilling activity totalled 314,962 meters in 2019, significantly up from 2018, with most drilling activity focused in the northwest portion of BC (which hosts the Golden Triangle). Drilling typically makes up the majority of exploration work undertaken in the province, with drilling representing 75.9% of 2019's exploration expenditure. The table below outlines trends in exploration activity in BC as well project costs associated with various types of exploration in the province.

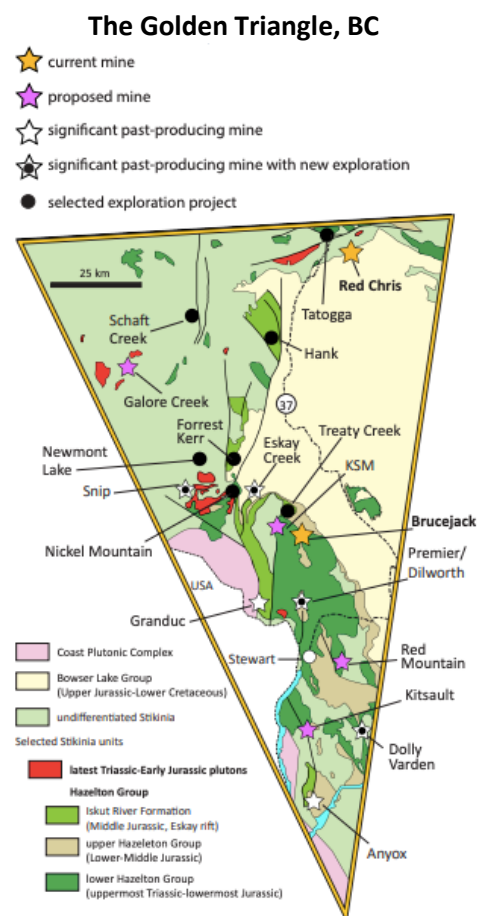
BC Mineral Exploration Profiling: Activities and Costs

		Reports	Value	Core drilling		Non-core drilling		Soil	Stream sediment	Rock
			\$	Holes	m	Holes	m	Samples	Samples	Samples
Northwest	2019	229	\$118,321,177	819	211,075	167	3874	18,813	607	10,090
North Central and Northeast	2019	104	\$19,494,461	100	26,243	93	2071	6469	544	2030
South Central	2019	254	\$28,333,514	230	57,241	129	3709	11,047	2172	4969
Southeast	2019	126	\$11,641,239	186	19,871	-	-	5456	54	3510
Southwest	2019	102	\$3,395,910	44	533	-	-	3141	112	1667
Provincial total	2016	618	\$85,141,604	465	165,212	14	250	34,715	777	9698
Provincial total	2017	722	\$92,215,514	1199	205,434	173	3458	30,188	1450	14,648
Provincial total	2018	714	\$112,528,518	869	246,484	112	3665	49,736	1993	19,762
Provincial total	2019	815	\$181,186,301	1379	314,962	389	9654	44,926	3489	22,266

	Cost	2016	2017	2018	2019
Core drilling	\$ per m	310	252	297	387
Non-core drilling	\$ per m	611	284	361	425
Stream sediments	\$ per sample	332	355	348	502
Soil samples	\$ per sample	139	152	152	139
Rock samples	\$ per sample	269	371	371	332
Trenching	\$ per m	92	163	78	168
Ground EM	\$ per km	1419	3700	2187	4101
Ground magnetics	\$ per km	1182	906	807	858
Induced polarization	\$ per km	7882	4879	8362	8233
Airborne magnetics	\$ per km	48	40	91	72
Airborne EM	\$ per km	177	126	83	191
Geological mapping	\$ per ha	70	59	16	21
Prospecting	\$ per ha	51	19	9	39

Source: British Columbia Geological Survey

As mentioned earlier, a large portion of mining and exploration activity in BC is concentrated in the northwest of the province. Along the length of the Canadian Cordillera sits the Stikine terrane, or Stikinia, the largest of the terranes comprising the aforementioned cordillera. Stikinia hosts the Golden Triangle, a major commodity hotspot that hosts most of the gold, silver and copper deposits in western and central Stikinia. The Golden Triangle has been the site of multiple major current and past producing mines. Over 150 mines have operated in the Golden Triangle since the 19th century, and today there are two major polymetallic mines that operate in the region. These are the Brucejack Gold-Silver Mine owned by Pretium Resources Inc. (TSX: PVG) and the Red Chris Copper-Gold Mine 70%/ 30% owned by Newcrest Mining Ltd. (ASX: NCM) and Imperial Metals Corp. (TSX: III) respectively.



Source: British Columbia Geological Survey

Management Overview

Management and directors own a total of 4.76% of outstanding shares. We see insider shareholding as a positive indicator, as it implies that management and the board are likely to be aligned with investors in their interests and motivations. Generally speaking, insider share ownership above 10% is seen as relatively high. The table below outlines insider shareholding:

Management Shareholding			
Name	Position	Shares	% of Total
Rana Vig	CEO & Director	3,309,268	4.58%
Carmelo Marrelli	CFO	50,000	0.07%
Norman Brewster	Independent Director	80,000	0.11%
Gurdeep Bains	Independent Director	80,000	0.11%
			4.87%

Source: SEDI, Couloir Capital

The biographies of key management individuals (as provided by the company) are outlined below.

Rana Vig – CEO & Director

Mr. Vig has 30 over years of business experience during which time he has helped to launch five business ventures in private industry. He has been involved in publicly traded companies since 2010, first serving as EVP at a company then leading the industry in proprietary algorithmic securities trading systems and then as director and Vice Chair of an award-winning automated referral marketing solutions company that powered loyalty and referral marketing programs across 39 countries for brands including AT&T, Sprint, Telus, Boost Mobile, Envision Financial, W Concept, and more.

From 2011 to 2016 he was the President of Musgrove Minerals, an Idaho focused gold and copper mining exploration company, and from 2013 to 2016, he was the Chairman and CEO of Continental Precious Minerals Inc., a TSX senior board listed mining exploration company with a focus on advancing one of the largest uranium deposits in the world located in Sweden. In 2018, Mr. Vig became the CEO of Lead Ventures (formerly Maccabi Ventures) and led its re structuring by acquiring Curaleaf Holdings Inc. (CURA) which raised \$520 million. Also in 2018, Mr. Vig was invited to take the helm of Rockbridge Resources, a failed Oil and Gas venture, which he re structured by acquiring Harvest Health & Recreation (HARV) that closed a \$300 million financing.

In November 2017, he was invited to the Canadian Senate to receive the Senate 150th Anniversary Medal - medals which were awarded to Canadians actively involved in their communities who, through generosity, dedication and hard work, make their hometowns and communities, a better place to live.

Carmelo Marrelli – CFO

Mr. Marrelli is a Chartered Professional Accountant (CPA, CA, CGA) and a member of the Institute of Chartered Secretaries and Administrators, a professional body that certifies

corporate secretaries. He has a Bachelor of Commerce degree from the University of Toronto and has over 17 years of experience offering regulatory compliance services to listed companies on the Toronto Stock Exchange, TSX Venture Exchange, and the Canadian Securities Exchange.

Norman Brewster – Independent Director

Mr. Brewster is the President, Director and CEO of Cadillac Ventures Inc., with development projects in Ontario (copper) and New Brunswick (tungsten). Mr. Brewster has served on many public and private company boards over his career in the mineral industry. Prior to joining Cadillac Ventures Inc., Mr. Brewster was the interim President and Executive Chairman of Iberian Minerals Corp., successfully financing, developing and putting into production the Aguas Tenidas Mine in Andalucia, Spain, which became the region's largest employer. During his tenure Mr. Brewster led negotiations for the purchase of the Condestable Mine in Peru by Iberian Minerals Corp., and as a final duty Mr. Brewster led a committee in reviewing the successful bid by Trafigura Group Pte. Ltd. (revenue in 2015 of 97 Bn) to acquire Iberian Minerals Corp., in an all cash takeover.

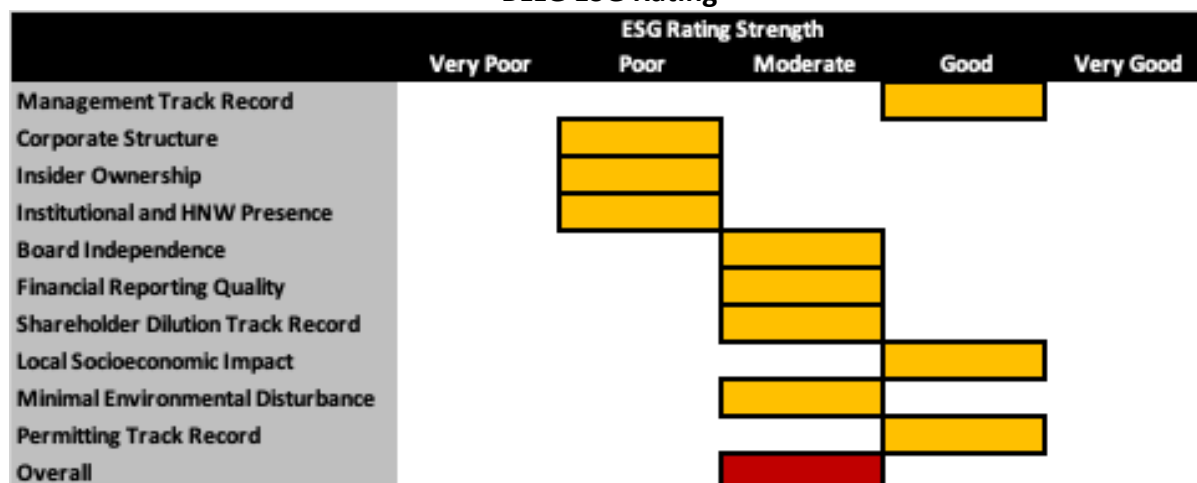
Mr. Brewster also sat on a committee, as a Director of Spider Resources Inc., which reviewed the successful all cash acquisition of Spider Resources Inc., by Cliffs Natural Resources Inc. Mr. Brewster holds Bachelor of Science and Education Degrees from Acadia University and was approved as a Member of the Association of Geoscientists of Ontario.

Gurdeep Bains – Independent Director

Mr. Bains is a Chartered Professional Accountant (CPA, CA) who in 2003 received his Chartered Accountant Designation from the Institute of Chartered Accountants of BC and in 2004 graduated from Simon Fraser University with a Bachelor of Business Administration. From 2000 to 2005, he was a Senior Auditor, Assurance Services at KPMG. From 2005 to 2014, Mr. Bains was with Canaccord Genuity as Vice President, internal audit and financial analysis where he was involved in the company's global expansion by performing the due diligence and integration of \$850M in acquisitions in Canada, US, UK, Australia and China. From June 2014 to October 2017, he was the CFO at OK Tire Stores Inc., an automotive company with over 330 locations across Canada. From October 2017 to March 2019, Mr. Bains was CFO at Zenabis Ltd., contributing in both finance and business development roles.

In addition to our review of the company's management and directorship, the below table outlines our ESG rating parameters for BLLG. Note that this is a largely qualitative rating measure based on publicly available information – it may not fully reflect the company's true governance strength. Particularly strong governance ratings can positively impact our corporate valuations, whilst weak ratings call for a discount in our framework.

BLLG ESG Rating



Source: Couloir Capital

Financials Overview

At the end of Q3-FY2021, the company had cash and working capital of \$5.89 million and \$6.37 million, respectively. The company's current ratio of 24.44x implies the ability of current assets to sufficiently cover current liabilities, implying a sufficient liquidity position at the end of December 2020. Monthly cash burn (negative free cash flow) for the first nine months of FY2021 was \$0.56 million, higher than the comparative period in FY2020, which we attribute to increased exploration activity. The company has no formal debt, however Dome Mountain has a \$850,000 debt item that is payable contingent on commercial production. The following table summarizes the company's liquidity position:

Key Financial Data (FYE - Mar 31)				
(C\$)		2020		Q3-2021
Cash	\$	1,248,567	\$	5,888,954
Working Capital	\$	970,479	\$	6,374,677
Current Ratio		3.61		24.44
Debt	\$	132,280	\$	80,280
Monthly Cash Burn (9M)	\$	(75,040)	\$	(564,772)
Cash from Financing Activities (9M)	\$	1,100,000	\$	9,723,331

Source: Company, Couloir Capital

The following table outlines the company's outstanding options and warrants, as per recent filings.

Options	Strike	Exercise Value
1,210,000	\$ 0.11	\$ 133,100
100,000	\$ 1.20	\$ 120,000
840,000	\$ 1.50	\$ 1,260,000
200,000	\$ 1.20	\$ 240,000
200,000	\$ 0.50	\$ 100,000
350,000	\$ 0.60	\$ 210,000
500,000	\$ 0.70	\$ 350,000
Warrants	Strike	Exercise Value
11,016,495	\$ 0.50	\$ 5,508,248
1,253,120	\$ 1.30	\$ 1,629,056

Source: Company, Couloir Capital

However, due to the active exercise of outstanding options and warrants, management has advised that the most recently disclosed option and warrant positions are likely to be inaccurate. Instead, management has advised that the company currently has 1.88 million options (The exercise prices range from \$0.50 per share to \$1.20 per share), and 9.62 million warrants (weighted average exercise price of \$0.50 per share) outstanding. Because of the difficulty in verifying these figures, we will refrain from discussing the options, but the ITM warrants could be exercised for proceeds of \$4.81 million .

Revenue and EPS Forecasts

At current, BLLG has yet to provide a concrete development plan and production schedule. Given the lack of compliant Technical Report setting out the expected project economics, we will refrain from providing near-term revenue and EPS forecasts.

Net Asset Valuation Model

Because the PEA previously filed by the company has been deemed non-compliant, it is inappropriate to use the projections in the report for the purposes of our valuation framework. As a result, we will be refraining from using an NAV approach with valuing BLLG.

Comparables Valuation

As our sole source of valuation, we consider BLLG's relative valuation against other mining companies that we believe to be comparable. The table below outlines our peer group selection:

Company	Location	Stage	Net Resource (Oz)	Enterprise Value (\$)	EV/ Resource (\$/Oz)
Blue Lagoon Resources Inc.	BC	Development	133,266	\$ 41,099,265	\$ 308.40
Gold Mountain Mining Corp.	BC	Exploration	730,500	\$ 136,261,842	\$ 186.53
Talisker Resources Ltd.	BC	Exploration	130,000	\$ 69,061,130	\$ 531.24
St. James Gold Corp.	Yukon	Exploration	1,237,000	\$ 53,352,012	\$ 43.13
Monarch Mining Corp.	Quebec	Development	752,500	\$ 40,227,784	\$ 53.46
Probe Metals Inc.	Quebec	Exploration	2,875,500	\$ 174,397,270	\$ 60.65
Osisko Mining Inc.	Quebec	Development	4,235,000	\$ 882,427,889	\$ 208.37
BonTerra Resources Inc.	Quebec	Exploration	1,400,500	\$ 138,550,290	\$ 98.93
Liberty Gold Corp.	Idaho, Utah & Turkey	Development	4,227,500	\$ 405,121,737	\$ 95.83
Northern Vertex Mining Corp.	Arizona & Nevada	Exploration	572,400	\$ 117,787,666	\$ 205.78
Average					\$ 179.23

Source: Couloir Capital, Public Disclosures

Based on the above metrics, we believe that BLLG should be trading at a valuation of \$53.58 million or \$0.74 per share on an EV/ Oz basis, implying that the company is trading at a discount to fair value. Note that we have come to the valuations by converting the implied EV to equity via the addition of cash and removal of debt. In addition, we expanded the peer EV/ Oz metric used to value BLLG, as we believe that BLLG has significant company-specific advantages associated with its exploration properties, including:

- Locked up cash value in the Dome Mountain and Pellaire stockpiles, which can be toll milled for near-term cash.
- The cash proceeds from stockpile processing represents conditional cash flows with significant probability of occurring.
- The cash proceeds from stockpile processing have a significant chance of being reinvested in further exploration, which could be value accretive by way of discovering new ounces in the ground.
- The planned operation at Dome Mountain has a prospective time horizon to cash flow that is shorter than usual for junior gold miners.

Conclusion

After accounting for our valuation models, we have arrived at fair value per share estimate of \$0.74 per share. We are initiating coverage on BLLG with a BUY rating, and expect the following catalysts to materially impact our valuation estimate:

- Any news regarding the toll milling and processing of the existing stockpile at Dome Mountain.
- Any news regarding toll milling plans for the Pellaire stockpile.
- Completion of the remaining permitting amendments required to allow the operation of a 75,000 tonnes per annum underground gold mining operation at Dome Mountain.
- Announcement of development initiatives to facilitate the operation of a 75,000 tonnes per annum underground gold mining operation at Dome Mountain.
- Any news regarding significant assay results from the recently commenced Phase Two drilling program at Dome Mountain.
- Any news suggesting a delay in exploration and permitting timelines.
- Financing-related news that in any way significantly alters the company's capital Structure.

Risks

The following outlines some of the key risk considerations that investors should keep in mind when evaluating BLLG as an investment opportunity:

- **Permitting Delays or Failures:** Because one of the key valuation drivers for BLLG is its planned small-scale gold mining operation at Dome Mountain, which is contingent on appropriate permitting amendments, delays or failure to achieve the milestones represent significant execution risks facing the company.
- **Unproven Economics and Forecast Error:** Though the company did file a PEA on Dome Mountain, now noncompliant, any projections of future mine economics are subject to significant estimation error. Recoveries have not been proven at commercial scale, production scheduling is approximated and other key inputs to modelling may be impacted by biases or errors of various kinds. In addition, Dome Mountain's resource estimate is of the indicated and inferred category, which carries a lower degree of accuracy than reserves and measured resources.
- **Poor Drilling and Exploration Results:** Results from historical exploration work and more recent work done by BLLG has thus far yielded relatively positive results pointing to significant mineralization at Dome Mountain. As BLLG ventures into future drilling work, poor results may imply a deterioration of the property's mineral potential, making it less valuable as an exploration asset.
- **Market Price Exposure and Impact on Execution Risk:** Sunk capital is relatively low at the exploration stage relative to further along the development cycle. However, on the flipside, BLLG's exploration and development activities will be particularly sensitive to market pricing during the exploration stage given its reliance on markets for funding needs.
- **Capital Structure Deterioration Related to Ongoing Cash Burn:** There is the potential that the company's cash burn could sap liquidity to the point of the company needing to raise capital. Assuming no cash flows, there is a chance that BLLG would do so via equity issuance. Depending on the price of the issuance, such issuance could be dilutive to existing shareholders.

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Each company within an analyst's universe, or group of companies covered, is assigned:

- 1. A recommendation or rating, usually BUY, HOLD, or SELL;*
- 2. A 12-month target price, which represents an analyst's current assessment of a company's potential stock price over the next year; and*
- 3. An overall risk rating which represents an analyst's assessment of the company's overall investment risk.*

These ratings are more fully explained below. Before acting on a recommendation, we caution you to confer with your investment advisor to determine the suitability of our recommendation for your specific investment objectives, risk tolerance and investment time horizon.

Couloir Capital's recommendation categories include the following:

Buy

The analyst believes that the security will outperform other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) BUY rating.

Hold

The analyst believes that the security is expected to perform in line with other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) HOLD rating.

Sell

Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to under-perform other companies on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) SELL rating.

Tender

The analyst is recommending that investors tender to a specific offering for the company's stock.

Research Comment

An analyst comment about an issuer event that does not include a rating.

Coverage Dropped

Couloir Capital will no longer cover the issuer. Couloir Capital will provide notice to clients whenever coverage of an issuer is discontinued. Following termination of coverage, we recommend clients seek advice from their respective Investment Advisor.

Under Review

Placing a stock Under Review does not revise the current rating or recommendation of the analyst. A stock will be placed Under Review when the relevant company has a significant material event with further information pending or to be announced. An analyst will place a stock Under Review while he/she awaits enough information to re-evaluate the company's financial situation.

The above ratings are determined by the analyst at the time of publication. On occasion, total returns may fall outside of the ranges due to market price movements and/or short-term volatility.

Overall Risk Rating

Very High Risk: Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who can incur temporary or permanent loss of a very significant portion of their investment capital.

High Risk: Typically, micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who can incur a temporary or permanent loss of a significant portion of their investment capital.

Medium-High Risk: Typically, mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Moderate Risk: Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.