Bluestone
RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2019 and 2018

(Unaudited)

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States dollars - Unaudited)

	Notes	June 30, 2019	December 31, 2018
Current assets			
Cash and cash equivalents		**$12,339,144**	$6,672,318
Accounts receivable		**49,041**	97,506
Equity securities		**71,081**	—
Prepaid expenses		**531,526**	174,075
Inventory		**89,708**	130,811
		13,080,500	7,074,710
Non-current assets			
Restricted cash		**1,759,320**	1,751,357
Property, plant and equipment	3	**5,360,973**	5,302,876
Exploration and evaluation assets		**30,126,433**	30,126,433
Total assets		**$50,327,226**	$44,255,376
Current liabilities			
Trade and other payables	4	**$1,441,212**	$2,647,630
		1,441,212	2,647,630
Non-current liabilities			
Lease liabilities	4	**89,696**	—
Rehabilitation provisions	5	**7,226,357**	7,127,797
Deferred income tax liabilities		**1,749,863**	1,996,412
Total liabilities		**10,507,128**	11,771,839
Shareholders' equity			
Share capital	6	**96,013,208**	81,396,001
Reserves		**12,294,061**	10,404,099
Accumulated other comprehensive income		**4,494,865**	4,234,556
Deficit		**(72,982,036)**	(63,551,119)
Total shareholders' equity		**39,820,098**	32,483,537
Total liabilities and shareholders’ equity		**$50,327,226**	$44,255,376

Nature of operations and going concern (note 1)

Approved on August 20, 2019 on behalf of the Board of Directors:

"Zara Boldt"	*"Darren Klinck"*
Zara Boldt, Director	Darren Klinck, Director

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

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars - Unaudited)

	Notes	**Three Months Ended June 30, 2019**	Three Months Ended June 30, 2018	**Six Months Ended June 30, 2019**	Six Months Ended June 30, 2018
Expenses					
Accounting and legal		**$36,505**	$74,879	**$163,567**	$213,945
Advertising and promotion		**242,325**	68,382	**638,292**	159,068
Corporate listing and filing fees		**12,446**	4,313	**38,888**	18,962
Exploration and evaluation expenses	7	**2,865,361**	5,077,217	**6,352,537**	9,895,468
Office and administration		**172,451**	233,155	**349,759**	532,478
Share-based compensation	6	**232,397**	448,976	**594,143**	916,969
Wages and consulting fees		**696,741**	500,408	**1,409,220**	1,070,349
		(4,258,226)	(6,407,330)	**(9,546,406)**	(12,807,239)
Interest income		**98,175**	96,695	**150,160**	215,815
Finance expenses		**(29,420)**	—	**(61,999)**	—
Accretion expense	5	**(49,449)**	(51,404)	**(98,560)**	(99,500)
Other income		**93,003**	13,057	**93,003**	23,980
Foreign exchange gain (loss)		**13,241**	262,052	**(204,526)**	816,503
Loss before income tax		**(4,132,676)**	(6,086,930)	**(9,668,328)**	(11,850,441)
Income tax (expense) recovery		**(122,747)**	(9,431)	**237,411**	(11,368)
Net loss		**(4,255,423)**	(6,096,361)	**(9,430,917)**	(11,861,809)
Other comprehensive (loss) income items that will not be reclassified to net loss:					
Loss on equity securities		**(5,233)**	—	**(5,233)**	—
Translation adjustment		**186,650**	(350,582)	**265,542**	(1,072,533)
Comprehensive loss		**($4,074,006)**	($6,446,943)	**($9,170,608)**	($12,934,342)
Weighted average number of common shares outstanding – basic and diluted		**81,849,132**	63,840,560	**74,087,333**	63,834,483
Basic and diluted loss per common share		**($0.05)**	($0.10)	**($0.13)**	($0.19)

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

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States dollars - Unaudited)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		Shares	Amount				
Balance, January 1, 2018		63,815,560	$81,193,312	$9,154,063	$5,533,092	($37,955,735)	$57,924,732
Share-based compensation	6	—	97,840	819,129	—	—	916,969
Exercise of warrants	6	25,000	9,719	(2,774)	—	—	6,945
Loss for the period		—	—	—	(1,072,533)	(11,861,809)	(12,934,342)
Balance, June 30, 2018		63,840,560	$81,300,871	$9,970,418	$4,460,559	($49,817,544)	$45,914,304
Balance, January 1, 2019		63,840,560	$81,396,001	$10,404,099	$4,234,556	($63,551,119)	$32,483,537
Private placement	6	**17,941,321**	**14,480,290**	**1,402,473**	**—**	**—**	**15,882,763**
Share-based compensation	6	**—**	**93,754**	**500,389**	**—**	**—**	**594,143**
Exercise of warrants	6	**116,242**	**43,163**	**(12,900)**	**—**	**—**	**30,263**
Income (loss) for the period		**—**	**—**	**—**	**260,309**	**(9,430,917)**	**(9,170,608)**
Balance, June 30, 2019		**81,898,123**	**$96,013,208**	**$12,294,061**	**$4,494,865**	**($72,982,036)**	**$39,820,098**

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

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars - Unaudited)

	Notes	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows used in operating activities			
Net loss for the period		**($9,430,917)**	($11,861,809)
Accretion expense	5	**98,560**	99,500
Depreciation	3	**213,584**	141,805
Share-based compensation	6	**594,143**	916,969
Change in restoration provision estimate	5	—	400,785
Interest income		**(142,515)**	(202,316)
Other income		**(93,003)**	(36,345)
Income tax (recovery) expense		**(238,130)**	11,368
Non-cash foreign exchange loss (gain)		**93,005**	(892,764)
Changes in non-cash working capital:			
Accounts receivable		**51,346**	132,251
Prepaid expenses		**(343,807)**	(15,853)
Inventory		**41,102**	9,383
Trade and other payables		**(1,095,118)**	247,070
Cash (used) in operating activities		**(10,251,750)**	(11,049,956)
Cash flows from investing activities			
Purchase of plant and equipment		**(231,740)**	(1,641,086)
Proceeds from sale of exploration and evaluation asset		**18,432**	—
Proceeds from disposal of plant and equipment		—	22,709
Increase in restricted cash		—	(77,815)
Interest received		**142,515**	202,316
Cash (used) in investing activities		**(70,793)**	(1,493,876)
Cash flows from financing activities			
Proceeds from private placements	6	**16,872,293**	—
Private placement fees	6	**(989,530)**	—
Lease principal repayments		**(29,490)**	—
Proceeds from exercise of warrants	6	**30,263**	6,945
Cash generated by financing activities		**15,883,536**	6,945
Effects of foreign exchange rate changes on cash and cash equivalents		**105,833**	(169,594)
Increase (decrease) in cash and cash equivalents		**5,666,826**	(12,706,481)
Cash and cash equivalents, beginning of the period		**6,672,318**	30,221,102
Cash and cash equivalents, end of the period		**$12,339,144**	$17,514,621

Supplemental cash flow information (note 11)

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

1. Nature of Operations and Going Concern

a) Nature of operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), incorporated on November 7, 2000 under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, is a resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project ("Cerro Blanco") and Mita Geothermal project ("Mita Geothermal"), both located in Guatemala. The Company's head and registered office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company is listed on the TSX Venture Exchange, trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

b) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has a history of losses with no revenues and has working capital of $11,639,288 as at June 30, 2019. Within the next twelve months, Bluestone's objectives center on the advancement of Cerro Blanco. There can be no assurances that the Company will be able to obtain additional financing on satisfactory terms and/or achieve profitability or positive cash flows from its future operations. Management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for the foreseeable future.

These condensed interim consolidated financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies, Estimates and Judgments

a) Basis of presentation, principles of consolidation and statement of compliance

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim financial reporting*. The comparative information has also been prepared on this basis.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 20, 2019.

Certain comparative balances have been reclassified in order to conform to current period presentation.

For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A wholly owned subsidiary is an entity in which the Company has 100% control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

b) Change in accounting policy – IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach, and therefore, the comparative information has not been restated and continues to be reported under IAS 17, *Leases* and IFRIC 4, *Determining whether an arrangement contains a lease*. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use ("ROU") asset and a lease obligation at the lease commencement date.

Accounting policy applicable from January 1, 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Expressed in United States dollars - Unaudited)

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

Transition to IFRS 16

The Company previously classified leases as operating or finance leases based on the Company's assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. The Company did not have any finance leases in the comparative periods.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. ROU assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

An incremental ROU asset and lease liability of $199,666 was recorded as of January 1, 2019, with no net impact on deficit. When measuring the lease liability, the Company discounted lease payments using the incremental borrowing rate of 4.29% at January 1, 2019.

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's annual audited consolidated financial statements, to the lease liability recognized on initial application of IFRS 16 on January 1, 2019:

Operating lease commitments - December 31, 2018	$347,880
IFRS 16 recognition exemption - Short-term leases	(13,017)
Effect of discounting using the incremental borrowing rate - January 1, 2019	(135,197)
Lease liability recognized on adoption of IFRS 16 - January 1, 2019	**$199,666**

For presentation on the consolidated statement of financial position, the current portion of the lease liability was classified within trade and other payables and the non-current portion was in non-current lease liability. The ROU asset was included within property, plant and equipment.

c) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of estimates and/or judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management’s best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2019 are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the year ended December 31, 2018.

(Expressed in United States dollars - Unaudited)

3. Property, Plant and Equipment

	June 30, 2019			
	Land	**Plant and equipment [1]**	**ROU asset [2]**	**Total**
Cost				
Balance, January 1, 2019	$907,858	$4,841,105	$—	$5,748,963
Adoption of IFRS 16 on January 1, 2019	—	—	199,666	199,666
Additions	—	61,961	—	61,961
Translation differences	—	2,410	7,644	10,054
Balance, June 30, 2019	**907,858**	**4,905,476**	**207,310**	**6,020,644**
Accumulated depreciation				
Balance, January 1, 2019	—	(446,087)	—	(446,087)
Charge for the period	—	(169,807)	(43,777)	(213,584)
Balance, June 30, 2019	**—**	**(615,894)**	**(43,777)**	**(659,671)**
Net book value at June 30, 2019	**$907,858**	**$4,289,582**	**$163,533**	**$5,360,973**

	December 31, 2018		
	Land	Plant and equipment [1]	Total
Cost			
Balance, January 1, 2018	$907,858	$2,987,668	$3,895,526
Additions	—	1,943,443	1,943,443
Disposals	—	(87,478)	(87,478)
Translation differences	—	(2,528)	(2,528)
Balance, December 31, 2018	907,858	4,841,105	5,748,963
Accumulated depreciation			
Balance, January 1, 2018	—	(231,001)	(231,001)
Charge for the period	—	(302,564)	(302,564)
Disposals	—	87,478	87,478
Balance, December 31, 2018	—	(446,087)	(446,087)
Net book value at December 31, 2018	$907,858	$4,395,018	$5,302,876

(1) Includes assets under construction of $773,944 at June 30, 2019 (December 31, 2018 - $978,299).

(2) The ROU asset relates to the Company's office lease contract.

(Expressed in United States dollars - Unaudited)

4. Trade and Other Payables

	June 30, 2019	December 31, 2018
Trade payables	**$376,787**	$1,387,067
Accrued liabilities	**363,853**	430,224
Lease liability	**178,089**	—
Payroll liabilities	**611,495**	824,875
Income taxes payable	**684**	5,464
	1,530,908	2,647,630
Non-current portion of lease liability	**(89,696)**	—
Current trade and other payables	**$1,441,212**	$2,647,630

a) Lease liability

As at June 30, 2019 , the Company's lease liability consisted of the following:

	June 30, 2019
Minimum lease payments:	
1 year	**$161,106**
2-3 years	**107,404**
Undiscounted lease liability	**268,510**
Future interest expense on lease liability	**(90,421)**
Lease liability	**$178,089**

For the three and six months ended June 30, 2019, interest expense on the lease liability of $23,781 and $49,577, respectively, were included in finance expenses in the condensed interim consolidated statements of loss. Total cash payments on leases for the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**
Cash payments on lease liability	**$39,412**	**$79,067**
Cash payments on short-term leases	**17,677**	**45,903**
Total cash payments on leases	**$57,089**	**$124,970**

Variable lease payments not included in the measurement of lease liabilities were $nil as at June 30, 2019. There were no extension options, which were reasonably certain to be exercised, included in the measurement of the lease liability. As at June 30, 2019, there were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

(Expressed in United States dollars - Unaudited)

5. Rehabilitation Provisions

The changes in the rehabilitation provision during the six months ended June 30, 2019 and the year ended December 31, 2018 were as follows:

	June 30, 2019	December 31, 2018
Balance, beginning of period	**$7,127,797**	$6,528,462
Accretion (unwinding of discount)	**98,560**	203,447
Change in estimates and rates	**—**	395,888
Balance, end of period	**$7,226,357**	$7,127,797

In connection with the acquisition of Cerro Blanco and Mita Geothermal, the Company has estimated the present value of future rehabilitation costs required to remediate the properties based on their current state. Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Significant closure activities include land rehabilitation, equipment removal, demolition of buildings and other costs.

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at June 30, 2019 is $7,770,681 (December 31, 2018 - $7,770,681). The calculation of present value of estimated future cash flows assumed a discount rate of 2.75% (December 31, 2018 - 2.75%) and an inflation rate of 4% (December 31, 2018 - 4%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2021 to 2023.

6. Share Capital

As at June 30, 2019, the Company's authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Private placements and limited recourse loans

On March 19, 2019, the Company completed a bought deal private placement (the "Private Placement") pursuant to which the Company issued 17,941,321 units at C$1.25 per unit, with each unit consisting of one common share of the Company and one-half of one common share purchase warrant, and received gross proceeds of $16,872,293 (C $22,426,651). Each whole warrant is exercisable at C$1.65 for a period of two years. The value attributed to the common shares was $15,382,442 based on the fair value allocation between the common shares and warrants (note 6(b)). The Company incurred $989,530 in fees in connection with the Private Placement during the six months ended June 30, 2019.

During the three and six months ended June 30, 2019, the Company recognized share-based compensation expense of $46,732 and $93,754 (three and six months ended June 30, 2018 - $48,414 and $97,840), respectively, in the condensed interim consolidated statement of loss relating to the limited recourse loans previously issued to certain employees.

(Expressed in United States dollars - Unaudited)

6. Share Capital (cont'd)

b) Warrants

The changes in warrants outstanding during the six months ended June 30, 2019 and year ended December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
	Number of warrants	**Weighted avg. exercise price (C$/warrant)**	Number of warrants	Weighted avg. exercise price (C$/warrant)
Outstanding, beginning of period	**5,189,309**	**$0.84**	5,214,309	$0.84
Issued	**8,970,652**	**1.65**	—	—
Exercised	**(116,242)**	**(0.35)**	(25,000)	(0.35)
Expired	**(1,535,147)**	**(2.00)**	—	—
Outstanding, end of period	**12,508,572**	**$1.28**	5,189,309	$0.84

As at June 30, 2019, the following warrants were outstanding:

Expiry date	**Weighted avg. exercise price (C$/warrant)**	**Number of warrants**	**Weighted avg. remaining contractual life in years**
June 2, 2020	0.35	596,000	0.93
June 4, 2020	0.35	2,218,920	0.93
July 7, 2020	0.35	723,000	1.02
March 19, 2021	1.65	8,970,652	1.72
	$1.35	**12,508,572**	**1.50**

The fair value of $1,489,850 for the warrants issued for the Private Placement was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate - 1.64%, volatility - 50%, dividend yield - 0%, expected life - 2 years.

(Expressed in United States dollars - Unaudited)

6. Share Capital (cont'd)

c) Stock options

The changes in stock options outstanding during the six months ended June 30, 2019 and year ended December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
	Number of options	**Weighted avg. exercise price (C$/option)**	Number of options	Weighted avg. exercise price (C$/option)
Outstanding, beginning of period	**5,930,000**	**$1.50**	4,935,000	$1.50
Granted	**2,305,000**	**1.27**	995,000	1.50
Cancelled/forfeited	**(400,000)**	**(1.50)**	—	—
Outstanding, end of period	**7,835,000**	**$1.43**	5,930,000	$1.50

5,814,163 of the stock options outstanding as at June 30, 2019 are exercisable at a weighted average exercise price of C$1.47 per option.

The weighted average fair value of the stock options granted during the six months ended June 30, 2019 (year ended December 31, 2018) was estimated to be C$0.43 (C$0.36) per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate - 1.68% (1.71%), volatility - 50.00% (66.07%), dividend yield - 0% (0%), expected life - 2.90 years (2.13 years). The stock options granted during the six months ended June 30, 2019 expire on January 30, 2022 and March 21, 2024.

During the three and six months ended June 30, 2019, the Company recognized share-based compensation expense of $185,665 and $500,389 (three and six months ended June 30, 2018 - $400,563 and $819,129), respectively, in the condensed interim consolidated statement of loss relating to the stock options.

7. Exploration and Evaluation Expenses

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	**Six Months Ended June 30, 2019**	Six Months Ended June 30, 2018
Cerro Blanco operating expenditures	**$2,411,554**	$1,913,338	**$5,289,083**	$3,982,847
Feasibility study and pre-development	**168,850**	2,308,951	**474,190**	4,106,284
Corporate social responsibility and community relations	**177,465**	526,318	**345,118**	787,788
Mita Geothermal	**25,097**	260,023	**59,099**	475,959
Depreciation	**81,858**	68,587	**158,876**	141,805
Other projects	**537**	—	**26,171**	—
Change in rehabilitation provision estimates (note 5)	**—**	—	**—**	400,785
	$2,865,361	$5,077,217	**$6,352,537**	$9,895,468

(Expressed in United States dollars - Unaudited)

8. Related Party Transactions - Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel included in the condensed interim consolidated statements of loss and comprehensive loss was as follows:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	**Six Months Ended June 30, 2019**	Six Months Ended June 30, 2018
Wages and consulting	**$472,265**	$339,544	**$965,082**	$736,614
Share-based compensation	**188,594**	388,711	**477,709**	796,205
	$660,859	$728,255	**$1,442,791**	$1,532,819

9. Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, accounts receivable, equity securities and trade and other payables approximate their carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature.

10. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, restricted cash and accounts receivable. Management believes that the credit risk concentration with respect to these financial instruments is remote as the balances primarily consist of amounts on deposit with a major financial institution and amounts receivable from the Government of Canada. The maximum exposure to credit risk as at June 30, 2019 was $14,147,505 (December 31, 2018 - $8,521,181).

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019, the Company had a cash balance of $12,339,144 (December 31, 2018 - $6,672,318) to settle current liabilities of $1,441,212 (December 31, 2018 - $2,647,630). All of the Company's financial liabilities are subject to normal trade terms.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and prices.

Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

As at June 30, 2019, the weighted average interest rate earned on our cash and cash equivalents was 2.17%. With other variables unchanged, a 1% change in the annualized interest rate at June 30, 2019 would impact after-tax net loss by approximately $121,000.

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C$/US$ rate as at June 30, 2019 would result in an approximate $754,000 increase/decrease in comprehensive loss. A 10% fluctuation in the US$/Guatemala quetzal rate as at June 30, 2019 would result in an approximate $26,000 increase/decrease in comprehensive loss.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in United States dollars - Unaudited)

10. Financial Risk Management (cont'd)

d) Capital Management

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company considers the components of shareholders’ equity as capital. The Company manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares through private placements in order to maintain or adjust the capital structure.

There were no changes to the Company’s approach to capital management during the six months ended June 30, 2019. The Company is not subject to externally imposed capital requirements.

11. Supplemental Cash Flow Information

Cash and cash equivalents included no short-term investments as at June 30, 2019 and December 31, 2018.

Other supplemental cash flow information for the six months ended June 30, 2019 and June 30, 2018 is as follows:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Fair value of warrants issued from the Private Placement	**$1,402,473**	$—
Non-cash transfer of reserves on exercise of warrants	**(12,900)**	(2,774)
Income taxes paid	**13,199**	11,117

BLUESTONE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2019. The MD&A was prepared as of August 20, 2019 and should be read with the condensed interim consolidated financial statements and related notes for the six months ended June 30, 2019, which can be found along with other information of the Company on SEDAR at www.sedar.com. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C$ are to Canadian dollars. The financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that management believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to statements with respect to the conversion of Inferred Mineral Resources; increasing the amount of Measured and Indicated Mineral Resources; the proposed timeline and benefits of further drilling; the timing of commercial production at the Company's Cerro Blanco Gold project ("Cerro Blanco") and the generation of material revenue by the Company; the proposed timeline, objectives and benefits of the feasibility study on Cerro Blanco titled "Feasibility Study, NI 43-101 Technical Report, Cerro Blanco Project, Guatemala" dated February 14, 2019 with an effective date as of January 29, 2019 and filed on the Company's profile at www.sedar.com on February 13, 2019 (the "Feasibility Study"); statements about the Company's plans for its mineral properties; Bluestone's business strategy, plans and outlook; the future financial or operating performance of Bluestone; capital expenditures, corporate general and administration expenses and exploration and evaluation expenses; expected working capital requirements; proposed production timelines and rates; funding availability; and future exploration and operating plans.

All forward-looking statements are made based on management's current beliefs, as well as various assumptions made by them and information currently available to them. Generally, these assumptions include, among others: the ability of Bluestone to carry on exploration and development activities; the price of gold, silver and other metals; there being no material variations in the current tax and regulatory environment; the exchange rates among the Canadian dollar, Guatemalan quetzal and the U.S. dollar remaining consistent with current levels; the presence of and continuity of metals at Cerro Blanco at estimated grades; the availability of personnel, machinery and equipment at estimated prices and within estimated delivery times; metals sales prices and exchange rates assumed; appropriate discount rates applied to the cash flows in economic analysis; tax rates and royalty rates applicable to the proposed mining operation; and the availability of acceptable financing.

Forward-Looking Statements (cont'd)

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, Bluestone. Factors that could cause actual results or events to differ materially from current expectations are included under the heading "*Risks and Uncertainties*" in this MD&A in addition to risks and uncertainties related to expected production rates, timing and amount of production and total costs of production; risks associated with technical difficulties in connection with mining development activities; risks and uncertainties related to the accuracy of estimates of future production, future cash flow, total costs of production and diminishing quantities or grades of Mineral Resources; and risks and uncertainties related to interruptions in production.

Any forward-looking statement speaks only as of the date on which it was made, and, except as may be required by applicable securities laws, Bluestone disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

Qualified Persons

The scientific and technical disclosure in this MD&A has been reviewed and approved by David Cass, P.Geo., Vice President Exploration, who is a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

Overview

Bluestone is a development stage natural resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project and Mita Geothermal project ("Mita Geothermal"), both located in Guatemala. Cerro Blanco is a proposed underground gold mining operation located in southeast Guatemala approximately 160 kilometers by road from the capital, Guatemala City. Mita Geothermal is a geothermal energy resource located adjacent to Cerro Blanco. The Company's head and registered office is located at 1020 - 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

Highlights for the Three Months Ended June 30, 2019

- The Company announced Cerro Blanco infill drilling results on April 3, May 2 and May 29, 2019. This includes 13.1 g/t Au over 10.2 m, 12.5 g/t Au over 5.5 m and 11.9 g/t Au over 5.4 m.

- Advanced project readiness activities including evaluation of contractor and surface facilities execution models, as well as underground mining contractor options.

- Advanced project financing activities, with due diligence activities underway.

- The Company had cash and cash equivalents of $12.3 million at June 30, 2019.

Project Development Updates

Cerro Blanco

The Company has one principal mining property interest, namely Cerro Blanco, a proposed underground gold mining operation located in southern Guatemala. Entre Mares de Guatemala S.A. ("Entre Mares"), the Company's wholly-owned subsidiary, is the 100% owner of Cerro Blanco.

During 2019 Q2, the Company continued to deliver high-grade infill drill results with the focus on the North Zone.

The Company advanced project readiness activities including evaluation of contractor and surface facilities execution models, as well as underground mining contractor options. Request for proposals are currently underway and detailed proposals are expected to be received in 2019 Q3.

Infill drilling program

The Company initiated an infill drilling program in November 2018. Results from the drilling continue to validate the exploration and growth potential of Cerro Blanco. The drilling program, which has been focused on the North Zone at Cerro Blanco over the past few months, has demonstrated remarkable continuity and consistency intercepting targeted veins. Additionally, the drilling program has identified several new veins that will require follow-up and should ultimately be positive for future Mineral Resource updates.

Forty-seven holes have been reported to date for 4,992 m of infill drilling undertaken since the Feasibility Study.

An updated resource estimate on the North Zone is anticipated in 2019 Q4.

Select infill drill result highlights for 2019 Q2 include the following (true widths):

- 11.8 g/t Au and 83.0 g/t Ag over 3.9 m (CB19-134), announced May 29, 2019.
- 11.9 g/t Au and 84.5 g/t Ag over 5.4 m (UGCB19-136), announced May 29, 2019.
- 10.5 g/t Au and 18.5 g/t Ag over 6.3 m (UGCB19-131), announced May 2, 2019.
- 19.9 g/t Au and 281.0 g/t Ag over 5.6 m (UGCB19-124), announced April 3, 2019.
- 13.1 g/t Au and 25.0 g/t Ag over 10.2 m (UGCB19-126), announced April 3, 2019.

Project Development Updates (cont'd)

Project financing

The Company is focused on putting in place the necessary financing facilities to support mine construction at Cerro Blanco. Currently, the Company is engaged with a number of project finance banks, private equity groups, international financial institutions and export credit agencies. Due diligence activities and site visits are well underway for these processes and the Company will continue to work closely with these groups to expeditiously advance financing.

Underground development

During 2019 Q2, advancement in the underground development took place by blasting and mucking of ore along several veins and declines.

2019 Q3 & Q4 activities

Drilling activities continue to focus on conversion of Inferred Mineral Resources. The North Zone of the deposit has been the focus for the first six months of 2019, and this focus will shift to the South Zone in 2019 Q3. The Company expects to put out an updated Mineral Resource later this year reflecting the additional information generated from the drilling in the North Zone.

Project Readiness activities will continue to be a focus for the remainder of 2019 as the Company continues to take important steps to evaluate opportunities to de-risk and enhance value of the project using the Feasibility Study as the base case. Evaluations on contracting strategies as well as preparations for human resource and training needs are underway and expected to be a key focus for the remainder of 2019.

Financing activities will remain a focal point for the Company as it works to put in place a financing structure that is reflective of the strong project economics demonstrated in the Cerro Blanco Feasibility Study. The Company's objective is to have financing in place in order to commence engineering and construction activities in early 2020.

Mita Geothermal

The Company owns a 100% interest in Mita Geothermal through its wholly-owned subsidiary, Geotermia Oriental de Guatemala, S.A. ("Geotermia"). Mita Geotermal is a geothermal energy resource located adjacent to Cerro Blanco and is 7 km from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala. In November of 2015, the Government of Guatemala granted Geotermia a 50-year license to build and operate a 50-megawatt geothermal plant.

Mohave Copper Porphyry ("Mohave")

Mohave is located in north-western Arizona, U.S.A. and is interpreted as a large-scale, copper porphyry deposit with silver and molybdenum by-products. On May 22, 2019, the Company closed a share purchase agreement (the "Agreement") with Dunnedin Ventures Inc. ("Dunnedin") wherein Dunnedin acquired a 100% interest in Mohave. The consideration for Mohave consists of:

- C$50,000 in cash and C$100,000 in Dunnedin shares (“Shares”) on the date of close of the Agreement;
- 500,000 Shares upon the public disclosure of a NI 43-101 compliant resource for Mohave;
- 500,000 Shares upon the public disclosure of a preliminary economic analysis for Mohave;
- 500,000 Shares upon the public disclosure of a pre-feasibility or more advanced study for Mohave; and
- A 0.5% net smelter returns royalty on the Mohave claims and on a 2 km area of interest around the Mohave claims.

Results of Operations for the Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

The Company's net loss for the three months ended June 30, 2019 totaled $4,255,423 or $0.05 per share as compared to a net loss of $6,096,361 or $0.10 per share for the three months ended June 30, 2018. Significant expenditures and variances are as follows:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	(Increase) Decrease in Net Loss
Accounting and legal	**$36,505**	$74,879	$38,374
Advertising and promotion	**242,325**	68,382	(173,943)
Corporate listing and filing fees	**12,446**	4,313	(8,133)
Exploration and evaluation expenses [(1)]	**2,865,361**	5,077,217	2,211,856
Office and administration	**172,451**	233,155	60,704
Share-based compensation	**232,397**	448,976	216,579
Wages and consulting fees	**696,741**	500,408	(196,333)
Total expenses	**(4,258,226)**	(6,407,330)	2,149,104
Interest income	**98,175**	96,695	1,480
Finance expenses	**(29,420)**	—	(29,420)
Accretion expense	**(49,449)**	(51,404)	1,955
Other income	**93,003**	13,057	79,946
Foreign exchange gain	**13,241**	262,052	(248,811)
Loss before income tax	**(4,132,676)**	(6,086,930)	1,954,254
Income tax expense	**(122,747)**	(9,431)	(113,316)
Net loss	**($4,255,423)**	($6,096,361)	$1,840,938

(1) Exploration and evaluation expenses for the three months ended June 30, 2019 were for the following:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Cerro Blanco operating expenditures [(2)]	**$2,411,554**	$1,913,338
Feasibility Study and pre-development [(3)]	**168,850**	2,308,951
Corporate social responsibility and community relations	**177,465**	526,318
Mita Geothermal	**25,097**	260,023
Depreciation	**81,858**	68,587
Other projects	**537**	—
	$2,865,361	$5,077,217

(2) Increase in Cerro Blanco operating expenditures for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 is due to increased drilling activities as discussed in "Project Development Updates".

(3) Decrease in Feasibility Study expenditures for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 is due to the completion of the Feasibility Study in 2019 Q1.

Results of Operations for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

The Company's net loss for the six months ended June 30, 2019 totaled $9,430,917 or $0.13 per share as compared to a net loss of $11,861,809 or $0.19 per share for the six months ended June 30, 2018. Significant expenditures and variances are as follows:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	(Increase) Decrease in Net Loss
Accounting and legal	**$163,567**	$213,945	$50,378
Advertising and promotion [(1)]	**638,292**	159,068	(479,224)
Corporate listing and filing fees	**38,888**	18,962	(19,926)
Exploration and evaluation expenses [(2)]	**6,352,537**	9,895,468	3,542,931
Office and administration	**349,759**	532,478	182,719
Share-based compensation	**594,143**	916,969	322,826
Wages and consulting fees	**1,409,220**	1,070,349	(338,871)
Total expenses	**(9,546,406)**	(12,807,239)	3,260,833
Interest income	**150,160**	215,815	(65,655)
Finance expenses	**(61,999)**	—	(61,999)
Accretion expense	**(98,560)**	(99,500)	940
Other income	**93,003**	23,980	69,023
Foreign exchange (loss) gain	**(204,526)**	816,503	(1,021,029)
Loss before income tax	**(9,668,328)**	(11,850,441)	2,182,113
Income tax recovery (expense)	**237,411**	(11,368)	248,779
Net loss	**($9,430,917)**	($11,861,809)	$2,430,892

(1) Advertising and promotion increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 due to marketing in relation to the Private Placement and completion of the Feasibility Study.

(2) Exploration and evaluation expenses for the six months ended June 30, 2019 were for the following:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cerro Blanco operating expenditures [(3)]	**$5,289,083**	$3,982,847
Feasibility Study and pre-development [(4)]	**474,190**	4,106,284
Corporate social responsibility and community relations	**345,118**	787,788
Mita Geothermal	**59,099**	475,959
Depreciation	**158,876**	141,805
Other projects	**26,171**	—
Change in rehabilitation provision estimates [(5)]	**—**	400,785
	$6,352,537	$9,895,468

(3) Increase in Cerro Blanco operating expenditures for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 is due to increased drilling activities as discussed in "Project Development Updates".

(4) Decrease in Feasibility Study expenditures for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 is due to the completion of the Feasibility Study in 2019 Q1.

(5) Exploration and evaluation expenses during the six months ended June 30, 2018 included $400,785 relating to a change in the estimated rehabilitation provision for Mita Geothermal.

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended June 30, 2019 and the previous seven quarters.

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	August 31, 2017 [1]
Current assets	**$13,080,500**	$16,775,803	$7,074,710	$12,231,523	$17,955,048	$25,131,880	$30,829,406	$35,816,517
Property, plant and equipment	**5,360,973**	5,454,016	5,302,876	5,333,150	5,163,550	3,750,587	3,664,525	1,706,290
Exploration and evaluation assets	**30,126,433**	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	**50,327,226**	54,118,624	44,255,376	49,450,151	55,030,177	60,817,390	66,364,124	70,308,596
Current liabilities	**1,441,212**	1,555,118	2,647,630	2,029,482	2,087,126	1,927,775	1,910,930	568,872
Working capital	**11,639,288**	15,220,685	4,427,080	10,202,041	15,867,922	23,204,105	28,918,476	35,247,645
Net loss	**(4,255,423)**	(5,175,494)	(7,631,841)	(6,101,735)	(6,096,361)	(5,765,447)	(5,756,945)	(2,254,475)
Basic and diluted loss per share	**(0.05)**	(0.08)	(0.12)	(0.10)	(0.10)	(0.09)	(0.09)	(0.04)
Weighted avg. shares outstanding	**81,849,132**	66,239,292	63,840,560	63,840,560	63,840,560	63,828,338	63,815,560	50,852,838

[1] The amounts for exploration and evaluation assets, total assets, and net loss for this quarter has been restated for the change in accounting policy for contingent consideration. Further description of this change in accounting policy can be found in note 3(c) of the Company's audited consolidated financial statements for the twelve months ended December 31, 2017.

The Company completed a bought deal private placement on March 19, 2019 (the "Private Placement"), which resulted in an increase to share capital. Quarterly results mainly fluctuate due to the level of exploration and evaluation activities, such as drilling programs and Feasibility Study completion. There are no seasonal fluctuations in the results for the presented periods.

Liquidity and Capital Resources

Cash increased by $5,666,826 during the six months ended June 30, 2019 from $6,672,318 as at December 31, 2018 to $12,339,144 as at June 30, 2019. Cash utilized in operating activities during the six months ended June 30, 2019 was $10,251,750 (six months ended June 30, 2018 - $11,049,956). Cash utilized in investing activities during the six months ended June 30, 2019 was $70,793 (six months ended June 30, 2018 - $1,493,876), mainly for purchases of equipment. During the six months ended June 30, 2019, the Company generated cash from financing activities of $15,883,536, mainly from the Private Placement, compared to $6,945 during the six months ended June 30, 2018.

As at June 30, 2019, share capital was $96,013,208 and was comprised of 81,898,123 issued and outstanding common shares (December 31, 2018 - $81,396,001 comprised of 63,840,560 shares outstanding). The increase in outstanding common shares during the six months ended June 30, 2019 was the result of the Private Placement. Reserves, which increased from the Private Placement and recognition of the fair value of stock options, were $12,294,061 (December 31, 2018 - $10,404,099). As a result of the net loss for the six months ended June 30, 2019, the deficit at June 30, 2019 increased to $72,982,036 from $63,551,119 at December 31, 2018. Accordingly, shareholders' equity on June 30, 2019 was $39,820,098 compared to $32,483,537 at December 31, 2018.

On March 19, 2019, the Company completed the Private Placement pursuant to which the Company issued 17,941,321 units at C$1.25 per unit, with each unit consisting of one common share of the Company and one-half of one common share purchase warrant, and received gross proceeds of $16,872,293 (C$22,426,651). Each whole warrant is exercisable at C$1.65 for a period of two years. The Company incurred $989,530 in fees in connection with the Private Placement during the six months ended June 30, 2019.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on its ability to advance Cerro Blanco and Mita Geothermal. This can take many years and is subject to factors that are beyond the Company's control. See "*Risks and Uncertainties*".

In order to finance the Company's operations, the Company has raised money through the sale of equity instruments and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration and resource development investments, the Company's track record and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of drilling activities. Management believes it will be able to raise equity capital and/ or debt as required, but recognizes there will be risks involved that may be beyond its control.

As at June 30, 2019, the Company had working capital of $11,639,288, which is sufficient to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

Risks and Uncertainties

Bluestone is subject to a number of risks and uncertainties including, but not limited to the following:

- Operations in Guatemala
- Licenses and title to assets
- Maintaining and obtaining licenses and permits
- Environmental hazards
- Governmental laws and regulations
- Community action
- Uncertainty of development projects
- Estimates of Mineral Reserves and Resources
- The business of exploration for minerals and mining involves a high degree of risk
- Anti-corruption laws
- Tax risks
- Reliance on third parties and risk associated with foreign subsidiaries
- Property commitments
- Limited operational history
- Substantial capital requirements
- Future sales or issuances of common shares
- Competition
- Dependence on key personnel
- Current global financial conditions
- Changes in climate conditions
- Control person of the Company
- Public company requirements
- Marketability of natural resources
- Conflicts of interest
- Uninsurable risks
- Infrastructure
- Price volatility of publicly traded securities
- Risk of fines and penalties
- The successful development of Cerro Blanco and Mita Geothermal cannot be guaranteed
- Information systems

An analysis of these risks and uncertainties, as they have the potential to impact Bluestone, can be found in Bluestone's MD&A for the twelve months ended December 31, 2018. The risks and uncertainties have not changed from those disclosed in Bluestone's MD&A for the twelve months ended December 31, 2018.

Outstanding Share Data

Bluestone's authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. The following common shares, options and share purchase warrants are outstanding as at August 20, 2019:

	Number of Shares	Exercise Price C$	Remaining life (years)
Issued and Outstanding Common Shares	81,898,123		
Stock options	7,835,000	1.25 - 1.50	0.84 - 4.59
Warrants	12,508,572	0.35 - 1.65	0.79 - 1.58
Fully diluted at August 20, 2019	**102,241,695**		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel included in the condensed interim consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2019 was as follows:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	**Six Months Ended June 30, 2019**	Six Months Ended June 30, 2018
Wages and consulting	**$472,265**	$339,544	**$965,082**	$736,614
Share-based compensation	**188,594**	388,711	**477,709**	796,205
	$660,859	$728,255	**$1,442,791**	$1,532,819

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 9 and 10, respectively, of the Company's condensed interim consolidated financial statements for the six months ended June 30, 2019.

Significant Accounting Policies, Estimates and Judgments

A description of the Company's significant accounting policies, estimates and judgments, can be found in note 2, of the Company's audited consolidated financial statements for the year ended December 31, 2018. The Company adopted IFRS 16, *Leases* on January 1, 2019. A description of this can be found in note 2(b) of the Company's condensed interim consolidated financial statements for the six months ended June 30, 2019.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed interim consolidated financial statements for the six months ended June 30, 2019 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the condensed interim consolidated financial statements for the six months ended June 30, 2019 fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the certificate are not making any representations relating to the establishment and maintenance of:

1. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

2. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The Board of Directors of Bluestone has approved the disclosure contained in this MD&A on August 20, 2019. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional Information relating to Bluestone is on SEDAR at www.sedar.com or can be obtained by contacting:

Bluestone Resources Inc.
1020 - 800 West Pender Street
Vancouver, BC CANADA
V6C 2V6
www.bluestoneresources.ca
Email: info@bluestoneresources.ca