Bluestone RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

Independent auditor's report

To the Shareholders of Bluestone Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bluestone Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 8, 2019.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 12, 2020

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

	Notes	December 31, 2019	December 31, 2018
Current assets			
Cash and cash equivalents	4	**$3,030,330**	$6,672,318
Accounts receivable		**77,812**	97,506
Equity securities		**85,052**	—
Prepaid expenses		**216,612**	174,075
Inventory		**89,514**	130,811
		3,499,320	7,074,710
Non-current assets			
Restricted cash	4	**1,763,494**	1,751,357
Property, plant and equipment	5	**5,210,243**	5,302,876
Exploration and evaluation asset	6	**30,126,433**	30,126,433
Total assets		**$40,599,490**	$44,255,376
Current liabilities			
Trade and other payables	7	**$3,621,810**	$2,647,630
		3,621,810	2,647,630
Non-current liabilities			
Lease liabilities		**34,885**	—
Rehabilitation provisions	8	**7,952,768**	7,127,797
Deferred income tax liabilities	9	**1,665,314**	1,996,412
Total liabilities		**13,274,777**	11,771,839
Shareholders' equity			
Share capital	10	**96,107,883**	81,396,001
Reserves		**12,502,950**	10,404,099
Accumulated other comprehensive income		**4,561,233**	4,234,556
Deficit		**(85,847,353)**	(63,551,119)
Total shareholders' equity		**27,324,713**	32,483,537
Total liabilities and shareholders' equity		**$40,599,490**	$44,255,376

Commitments and contingencies (note 14b)
Events after the reporting period (note 16)

Approved on March 12, 2020 on behalf of the Board of Directors:

"Zara Boldt"
Zara Boldt, Director

"Darren Klinck"
Darren Klinck, Director

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

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

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018
Expenses			
Accounting and legal		**$255,980**	$302,636
Advertising and promotion		**1,154,238**	265,671
Corporate listing and filing fees		**48,780**	21,838
Exploration and evaluation expenses	6	**14,743,900**	18,946,581
Office and administration		**769,377**	961,215
Salaries and wages		**3,112,019**	2,813,526
Share-based compensation	10	**897,707**	1,445,780
		(20,982,001)	(24,757,247)
Interest income		**270,520**	368,245
Finance expenses		**(1,484,660)**	—
Accretion expense	8	**(198,483)**	(203,447)
Other income (loss)		**94,343**	(2,015)
Foreign exchange (loss) gain		**(310,876)**	1,013,063
Loss before income tax		**(22,611,157)**	(23,581,401)
Income tax recovery (expense)	9	**314,923**	(2,013,983)
Net loss		**(22,296,234)**	(25,595,384)
Other comprehensive income (loss) items that will not be reclassified to net loss:			
Gain on equity securities		**7,887**	—
Translation adjustment		**318,790**	(1,298,536)
Comprehensive loss		**($21,969,557)**	($26,893,920)
Weighted average number of common shares outstanding – basic and diluted		**78,024,827**	63,837,546
Basic and diluted loss per common share		**($0.29)**	($0.40)

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

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

		Share capital					
	Notes	**Shares**	**Amount**	**Reserves**	**Accumulated other comprehensive income**	**Deficit**	**Total shareholders' equity**
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	10	—	192,970	1,252,810	—	—	1,445,780
Exercise of warrants	10	25,000	9,719	(2,774)	—	—	6,945
Comprehensive loss for the year		—	—	—	(1,298,536)	(25,595,384)	(26,893,920)
Balance, December 31, 2018		63,840,560	$81,396,001	$10,404,099	$4,234,556	($63,551,119)	$32,483,537
Private placements, net of fees	10	**17,941,321**	**14,480,290**	**1,402,473**	**—**	**—**	**15,882,763**
Share-based compensation	10	**—**	**188,429**	**709,278**	**—**	**—**	**897,707**
Exercise of warrants	10	**116,242**	**43,163**	**(12,900)**	**—**	**—**	**30,263**
Comprehensive income (loss) for the year		**—**	**—**	**—**	**326,677**	**(22,296,234)**	**(21,969,557)**
Balance, December 31, 2019		**81,898,123**	**$96,107,883**	**$12,502,950**	**$4,561,233**	**($85,847,353)**	**$27,324,713**

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

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

	Notes	**Year Ended December 31, 2019**	Year Ended December 31, 2018
Cash flows used in operating activities			
Net loss for the year		**($22,296,234)**	($25,595,384)
Adjustments for:			
Accretion expense	8	**198,483**	203,447
Depreciation	6	**435,166**	302,564
Share-based compensation	10	**897,707**	1,445,780
Change in restoration provision estimate	8	**626,488**	395,888
Interest income		**(263,758)**	(361,228)
Finance expenses		**92,610**	—
Other income		**(94,343)**	(23,366)
Income tax (recovery) expense	9	**(314,923)**	2,028,389
Non-cash foreign exchange loss (gain)		**253,156**	(1,144,671)
Changes in non-cash working capital:			
Accounts receivable		**23,755**	99,785
Prepaid expenses		**(33,835)**	35,919
Inventory		**41,297**	16,898
Trade and other payables		**1,006,437**	975,833
Cash used in operating activities before income taxes paid		**(19,427,994)**	(21,620,146)
Income taxes paid		**(17,228)**	(14,406)
Cash used in operating activities		**(19,445,222)**	(21,634,552)
Cash flows used in investing activities			
Purchase of plant and equipment		**(293,137)**	(2,032,664)
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		**263,758**	361,228
Cash used in investing activities		**(10,947)**	(1,726,542)
Cash flows from financing activities			
Proceeds from private placements	10	**16,872,293**	—
Private placement fees	10	**(989,530)**	—
Lease principal repayments		**(68,023)**	—
Interest paid		**(92,610)**	—
Proceeds from exercise of warrants	10	**30,263**	6,945
Cash generated by financing activities		**15,752,393**	6,945
Effects of foreign exchange rate changes on cash and cash equivalents		**61,788**	(194,635)
Decrease in cash and cash equivalents		**(3,641,988)**	(23,548,784)
Cash and cash equivalents, beginning of the year		**6,672,318**	30,221,102
Cash and cash equivalents, end of the year		**$3,030,330**	$6,672,318

Supplemental cash flow information (note 15)

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

(Expressed in United States dollars)

1. 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'.

2. Significant Accounting Policies, Estimates and Judgments

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2020.

For all periods presented, these consolidated financial statements include the accounts of the Company and its subsidiaries, which are wholly owned. 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. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The principal subsidiaries of the Company and their geographic locations at December 31, 2019 were as follows:

Subsidiary	Location	Ownership	Principal project
Entre Mares de Guatemala, S.A. ("Entre Mares")	Guatemala	100%	Cerro Blanco
Geotermia Oriental de Guatemala, S.A. ("Geotermia")	Guatemala	100%	Mita Geothermal

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Foreign currency translation

The presentation currency of the Company is the United States dollar. The functional currency of the Company's subsidiaries is the United States dollar. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar. Monetary assets and liabilities that are denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange on the reporting date while non-monetary assets and liabilities are translated at historical rates. Gains and losses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in income or loss in the statement of loss and comprehensive loss.

Assets and liabilities of the parent company, Bluestone Resources Inc., are translated into United States dollars at the exchange rate in effect on date of the statement of financial position. Gains, expenses and equity items are translated at the exchange rates approximating those in effect on the date of the transactions. Gains and losses from these translations are recognized in accumulated other comprehensive income ("OCI").

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

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, cash held at financial institutions and short-term investments with an original maturity of three months or less. Restricted cash is held at financial institutions as collateral for environmental bonding. Cash and cash equivalents and restricted cash are classified as amortized cost.

e) Inventory

Inventory consists of materials and supplies. Inventories of materials and supplies expected to be used in operations are valued at the lower of weighted average cost or replacement cost, reduced by an amount to take into account any impairment caused by obsolescence, deterioration, damage or other factors. If the circumstances that previously caused impairment are mitigated, the provision for impairment is reversed to the lesser of the new determination of value or original cost. Impairment provisions for inventory and any subsequent reversal are included as part of net loss in the consolidated statement of loss and comprehensive loss.

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred.

Plant and equipment are depreciated using the straight-line method over estimated lives of 3 - 13 years. Land is not depreciated.

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset on the date of disposition and are included as part of other gains and losses in the consolidated statement of loss and comprehensive loss.

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

g) Leases

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 right-of-use ("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.

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.

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

h) Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. Once a decision is made that a mining project is technically feasible and commercially viable, exploration and evaluation assets related to that project are reclassified to mineral property development costs within property, plant and equipment. An impairment test (note 2(o)) is performed at the time of the reclassification.

At the end of each reporting period, the Company reviews its exploration and evaluation assets to determine whether there is any indication that these assets are impaired. If any such indication exists, an estimate of the recoverable amount is undertaken. If it is determined that exploration and evaluation assets are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its recoverable amount.

Costs related to the exploration and evaluation of mining projects are recognized in profit or loss as incurred. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. Once a decision is made that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to exploration and evaluation assets. If payments received exceed exploration and evaluation assets, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

i) Contingent consideration

Contingent consideration from an asset acquisition is recognized when: (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

j) Rehabilitation provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as accretion in the consolidated statement of loss and comprehensive loss.

The site restoration provision at the date of the consolidated statement of financial position represents the Company's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs relating to property, plant and equipment are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. Changes to estimated future costs relating to exploration and evaluation activities are recognized in the consolidated statement of financial position by adjusting the rehabilitation provision and exploration and evaluation expenses in the consolidated statement of loss.

k) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are priced, and the warrants are valued using the Black-Scholes option pricing model.

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

m) Share-based compensation

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at the grant date and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

n) Loss per common share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per common share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants and assumes the receipt of proceeds upon exercise of the options to determine the number of shares assumed to be purchased at the average market price during the year.

Existing stock options and warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

o) Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of property, plant and equipment, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

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

p) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

q) Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates 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. Information about such judgments and estimates is contained in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarized below.

Areas of judgment that have the most significant effect on the application of accounting policies in the consolidated financial statements are:

- Identification of impairment indicators of the exploration and evaluation asset;
- Determination of useful lives of plant and equipment;
- Functional currency; and
- Rehabilitation provisions.

The preparation of the consolidated financial statements requires the Company to make estimates and assumptions about the future. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company has outlined information about assumptions and other sources of estimation uncertainty, as at December 31, 2019, that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year for the following:

- Determination of useful lives of plant and equipment;
- Deferred tax assets and liabilities; and
- Rehabilitation provisions.

Identification of impairment indicators of the exploration and evaluation asset The carrying amount of the Company's exploration and evaluation asset does not necessarily represent present or future values, and judgment is required to determine if there are indicators of impairment. The Company's exploration and evaluation asset has been accounted for under the assumption that the carrying amount will be recoverable. There are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its exploration and evaluation asset interest or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation asset.

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

Determination of useful lives of plant and equipment Plant and equipment are depreciated using the straight-line method, which includes estimates to determine useful lives and residual values.

Functional currency In accordance with IAS 2, *The Effects of Changes in Foreign Exchange Rates*, the Company determined that the functional currency of its principal subsidiaries (note 2(a)) is the United States dollar as this is the currency of the primary economic environment in which the companies operate. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar as this is the currency of the primary economic environment in which the parent company operates.

Deferred tax assets and liabilities The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. The Company may be subject to taxation based income or revenue in the future in Guatemala. The Company has prepared its deferred tax calculations on the basis that it will elect to be taxed based on income. It may elect to be taxed on revenue in one or more future years but that is not possible to predict at this time. For deferred tax calculation purposes, Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Rehabilitation provisions Rehabilitation provisions are a consequence of exploration activities and the majority of rehabilitation costs are incurred near the end of the life of mine. Our accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation to reflect known developments. Although the ultimate cost to be incurred is uncertain, we estimate our costs based on studies using current rehabilitation standards and techniques.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, whether closure plans achieve intended reclamation goals, the emergence of new restoration techniques or experience at other mine sites, local inflation rates and exchange rates when liabilities are anticipated to be settled in a currency other than the United States dollar. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provision for rehabilitation, which would affect future financial results.

(Expressed in United States dollars)

3. 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 ROU asset and a lease obligation at the lease commencement date.

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 period.

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.

(Expressed in United States dollars)

4. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents of $3,030,330 as at December 31, 2019 (December 31, 2018 - $6,672,318) consists of cash on hand and cash held at financial institutions. There were no term deposits in cash and cash equivalents as at December 31, 2019 and 2018.

Restricted cash of $1,763,494 as at December 31, 2019 (December 31, 2018 - $1,751,357) relates to term deposits provided as cash collateral for environmental bonding with the Ministry of Environment in Guatemala.

5. Property, Plant and Equipment

	December 31, 2019			
	Land	**Plant and equipment (1)**	**ROU assets (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	—	123,358	9,870	133,228
Translation differences	—	1,294	8,345	9,639
Balance, December 31, 2019	**907,858**	**4,965,757**	**217,881**	**6,091,496**
Accumulated depreciation				
Balance, January 1, 2019	—	(446,087)	—	(446,087)
Charge for the year	—	(346,436)	(88,730)	(435,166)
Balance, December 31, 2019	**—**	**(792,523)**	**(88,730)**	**(881,253)**
Net book value at December 31, 2019	**$907,858**	**$4,173,234**	**$129,151**	**$5,210,243**

(1) Includes assets under construction of $778,862 at December 31, 2019.

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

(Expressed in United States dollars)

5. Property, Plant and Equipment (cont'd)

	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 year	—	(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 $978,299 at December 31, 2018.

6. Exploration and Evaluation Asset and Expenses

The exploration and evaluation asset of $30,126,433 as at December 31, 2019 (December 31, 2018 - $30,126,433) relates to Cerro Blanco.

Exploration and evaluation expenses for the years ended December 31, 2019 and 2018 were for the following:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cerro Blanco operating expenditures	**$10,663,940**	$9,545,732
Feasibility study and pre-development	**1,435,325**	6,605,023
Corporate social responsibility and community relations	**1,455,883**	1,504,212
Mita Geothermal evaluation	**101,056**	604,264
Depreciation	**324,467**	291,462
Other projects	**136,741**	—
Change in rehabilitation provision estimates (note 8)	**626,488**	395,888
	$14,743,900	$18,946,581

(Expressed in United States dollars)

7. Trade and Other Payables

	December 31, 2019	December 31, 2018
Trade payables	**$1,892,933**	$1,387,067
Accrued liabilities	**421,496**	430,224
Lease liabilities	**150,304**	—
Payroll liabilities	**1,191,282**	824,875
Income taxes payable	**680**	5,464
	3,656,695	2,647,630
Non-current portion of lease liability	**(34,885)**	—
Current trade and other payables	**$3,621,810**	$2,647,630

a) Lease liability

As at December 31, 2019, the Company's lease liability consisted of the following:

	December 31, 2019
Minimum lease payments:	
1 year	**$166,562**
2-3 years	**44,320**
Undiscounted lease liability	**210,882**
Future interest expense on lease liability	**(60,578)**
Lease liability	**$150,304**

For the year ended December 31, 2019, interest expense on the lease liability of $92,610 was included in finance expenses in the consolidated statements of loss. Total cash payments on leases for the year ended December 31, 2019 were as follows:

	Year Ended December 31, 2019
Cash payments on lease liability	**$160,633**
Cash payments on short-term leases	**95,804**
Total cash payments on leases	**$256,437**

Variable lease payments not included in the measurement of lease liabilities were $nil as at December 31, 2019. There were no extension options, which were reasonably certain to be exercised, included in the measurement of the lease liability. As at December 31, 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)

8. Rehabilitation Provisions

The changes in the close down and restoration provision during the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of year	**$7,127,797**	$6,528,462
Accretion (unwinding of discount)	**198,483**	203,447
Change in estimates and rates	**626,488**	395,888
Balance, end of year	**$7,952,768**	$7,127,797

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 December 31, 2019 is $9,815,273 (December 31, 2018 - $7,770,681). The revision in the estimated undiscounted cash flows during the year ended December 31, 2019 was due to updated quotes for the restoration of geothermal wells for Mita Geothermal and the restoration of dewatering wells and monitoring at Cerro Blanco. The revision in the estimated cash flows during the year ended December 31, 2018 was due to additional disturbance at Mita Geothermal from flow-testing activities. The calculation of present value of estimated future cash flows assumed a discount rate of 6.75% (December 31, 2018 - 2.75%) and an inflation rate of 4.50% (December 31, 2018 - 4.00%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2022 to 2024. The changes were recorded in exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss (note 6).

A 1% increase or decrease in the discount rate would cause the rehabilitation provision to decrease or increase, respectively, by approximately $235,000.

(Expressed in United States dollars)

9. Income Tax

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Loss before income taxes	**($22,611,157)**	($23,581,401)
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Income tax recovery based on the above rates	**(6,105,012)**	(6,366,978)
Increase due to:		
Share-based compensation and other non-deductible expenses	**1,146,409**	2,009,015
Losses and temporary differences for which no future income tax asset has been recognized	**4,294,881**	3,899,473
Foreign exchange translation and revaluation	**95,516**	1,876,470
Effect of different tax rates in foreign jurisdictions	**253,283**	596,003
Total income tax (recovery) expense	**($314,923)**	$2,013,983
Current tax expense	**16,175**	17,571
Deferred tax (recovery) expense	**(331,098)**	1,996,412
Total income tax (recovery) expense	**($314,923)**	$2,013,983

The significant components of the Company's recognized net deferred income tax liability at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Guatemala property, plant and equipment	**$253,228**	$260,801
Guatemala exploration and evaluation asset and other	**1,412,086**	1,735,611
Deferred income tax liabilities	**$1,665,314**	$1,996,412

The movement in the deferred income tax liabilities is due to the denomination of the tax basis of exploration and evaluation assets being in a foreign currency that is different from the functional currency of that entity.

(Expressed in United States dollars)

9. Income Tax (cont'd)

The components of temporary differences, unused tax credits and unused tax losses are as follows:

	Expiry Dates	**December 31, 2019**	December 31, 2018
Canadian tax losses	2026 to 2039	**$22,333,928**	$12,821,715
Guatemala rehabilitation provisions	No expiry date	**7,952,768**	7,127,797
Share issues costs and other	2039 to 2041	**3,752,126**	1,892,527
Canadian exploration and evaluation asset	No expiry date	**1,583,854**	1,507,923
Barbados tax losses	2019 to 2025	**148,158**	85,872
Canadian investment tax credits	2025 to 2032	**147,406**	140,339
United States exploration and evaluation assets	No expiry date	**—**	2,351,152
United States tax losses	2028 to no expiry date	**—**	707,209

Unused tax losses in Guatemala are not included in the table above because there is no ability to carry these forward and utilize these against future income according to Guatemalan tax law.

In Guatemala, a company can elect in any given year to be taxed based on other net taxable income or gross revenue. The income tax rate is 25% while the gross revenue tax rate is 7%. The Company has prepared its deferred tax calculations on the basis that it will elect to be taxed based on income. It may elect to be taxed on revenue in one or more future years but that is not possible to predict at this time (note 2(q)).

The tax attributes in Guatemala of the property, plant and equipment and the exploration and evaluation asset exceed the book value of the acquisition price by over $150,000,000. Those amounts are not reflected in the above table as they are considered a permanent difference due to the initial recognition exemption rather than a temporary difference for accounting purposes under IFRS.

(Expressed in United States dollars)

10. Share Capital

The Company's authorized share capital consists 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 $15,382,443 based on the fair value allocation between the common shares and warrants (note 10(b)). The Company incurred $989,530 in fees in connection with the Private Placement during the year ended December 31, 2019.

During the year ended December 31, 2019, the Company recognized share-based compensation expense of $188,429 (year ended December 31, 2018 - $192,970) in the consolidated statement of loss relating to the limited recourse loans previously issued to certain employees (note 12(b)).

b) Warrants

The changes in warrants outstanding during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 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 year	**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 year	**12,508,572**	**$1.28**	5,189,309	$0.84

As at December 31, 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	0.42
June 4, 2020	0.35	2,218,920	0.43
July 7, 2020	0.35	723,000	0.52
March 19, 2021	1.65	8,970,652	1.22
	$1.28	**12,508,572**	**1.00**

The relative fair value of $1,489,850 allocated to the warrants issued for the gross proceeds from 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)

10. Share Capital (cont'd)

c) Stock options

The Company has established a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company and its subsidiaries (each a "Participant"). From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant and for a term of exercise not exceeding five years. The Plan contains no vesting requirements, but permits the Board to specify a vesting schedule at its discretion. No options shall be granted, without regulatory approval, entitling any single Participant to purchase in excess of 5% of the then outstanding shares in the Company in any twelve month period and no more than 2% of the optioned shares may be issued to any one consultant or to all persons performing investor relations activities in the aggregate in any twelve month period. If the option rights granted under the Plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the Plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases, except in the event of death, to be a Participant. In the event of death, the legal representatives of the deceased Participant can exercise the deceased Participant's options until the earlier of the expiry date of the options and one year following the Participant's death.

The changes in stock options outstanding during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 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 year	**5,930,000**	**$1.50**	4,935,000	$1.50
Granted	**2,305,000**	**1.27**	995,000	1.50
Forfeited	**(500,000)**	**(1.50)**	—	—
Outstanding, end of year	**7,735,000**	**$1.43**	5,930,000	$1.50

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2019:

	Stock options outstanding		**Stock options exercisable**	
Exercise prices (C$)	**Stock options outstanding**	**Weighted avg.remaining contractual life (years)**	**Stock options exercisable**	**Weighted avg. exercise price (C$/option)**
1.25 - 1.35	**2,105,000**	**4.22**	**701,663**	**$1.25**
1.36 - 1.50	**5,630,000**	**0.62**	**5,341,250**	**1.50**
	7,735,000	**$1.43**	**6,042,913**	**$1.47**

(Expressed in United States dollars)

10. Share Capital (cont'd)

The weighted average fair value of the stock options granted during the year ended December 31, 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 year ended December 31, 2019 expire on January 30, 2022 and March 21, 2024.

During the year ended December 31, 2019, the Company recognized share-based compensation expense of $709,278 (year ended December 31, 2018 - $1,252,810) in the consolidated statement of loss and comprehensive loss relating to the stock options.

11. Segmented Information

The Company has one operating segment, as defined by IFRS 8, *Operating Segments*, being the operations in Guatemala. All non-current assets are located in Guatemala.

12. Related Party Transactions

a) 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 consolidated statements of loss was as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Salaries	**$1,869,213**	$1,790,967
Share-based compensation	**632,913**	1,144,714
	$2,502,126	$2,935,681

Accrued compensation due to key management as at December 31, 2019 was $721,435 (December 31, 2018 - $543,918).

12. Related Party Transactions (cont'd)

b) Limited recourse loans

In June 2017, the Company issued 500,000 common shares with a fair value of C$750,000 to certain employees. In connection with the issuance of these shares, the Company made an interest free, non-recourse loan to the employees in the amount of C$750,000 to enable them to acquire the shares. The employees pledged the shares to the Company as security for the loan until the shares are sold to the Company or are otherwise released to the employees in accordance with the terms of the Company's management compensation plan. As the loan receivable is recourse only to the shares, the receivable has been recorded within equity rather than as a financial asset.

The shares vest 25% on grant, with the remainder vesting 25% annually thereafter. As the shares vest, the loan is forgiven and the related impact is recognized as share-based compensation expense in the consolidated statement of loss.

The loan is repayable upon the termination of an employee's employment with the Company until the earlier of: 1) A change of control of the Company, 2) three years from the grant date of the loan and 3) the commencement of commercial production at Cerro Blanco, after which time the loan may be forgiven at the request of the employees. If the loan is forgiven prior to three years from the grant date of the loan, the remaining vesting amount would be immediately recognized as share-based compensation expense in the consolidated statement of loss.

13. 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 Company's cash and cash equivalents, equity securities, restricted cash 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.

(Expressed in United States dollars)

14. 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 and restricted cash. 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. The maximum exposure to credit risk as at December 31, 2019 was $4,793,824 (December 31, 2018 - $8,423,675).

b) Liquidity risk

The Company's approach to managing liquidity risk is to forecast anticipated cash flows so that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of $3,030,330 (December 31, 2018 - $6,672,318) to settle current liabilities of $3,621,810 (December 31, 2018 - $2,647,630). Refer to note 16 for details regarding financing received subsequent to the reporting period. All of the Company's financial liabilities are subject to normal trade terms. Within the next twelve months, the Company'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. Taking into account the events after the reporting period (note 16), management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for the foreseeable future. All of the Company's financial liabilities are subject to normal trade terms.

In the normal course of business, we enter into contracts that give rise to commitments for future minimum payments. The following is a maturity profile of financial liabilities and operating and capital commitments presenting undiscounted cash flows:

	Payments due by period (as at December 31, 2019)		
	Less than one year	**1 - 2 years**	**After 2 years**
Trade and other payables	**$3,621,810**	**$—**	**$—**
Minimum lease payments	**166,562**	**44,320**	**—**
Exploration and evaluation expense commitments	**28,241**	**—**	**—**
Total contractual obligations	**3,816,613**	**44,320**	**—**
Rehabilitation provisions (note 8)	**—**	**8,298,416**	**1,516,857**
Total	**$3,816,613**	**$8,342,736**	**$1,516,857**

14. Financial Risk Management (cont'd)

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 December 31, 2019, the weighted average interest rate earned on our cash and cash equivalents was 1.96%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at December 31, 2019 would impact after-tax net loss by approximately $27,000.

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 December 31, 2019 would result in an approximate $11,000 increase/decrease in comprehensive loss. A 10% fluctuation in the US$/Guatemala quetzal rate as at December 31, 2019 would result in an approximate $78,000 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.

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 year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

15. Supplemental Cash Flow Information

Non-cash transfers of reserves on exercise of warrants were $12,900 and $2,774 for the years ended December 31, 2019 and 2018, respectively.

Expenditures on plant and equipment in trade and other payables as at December 31, 2019 were $nil (December 31, 2018 - $169,779).

16. Events After the Reporting Period

Subsequent to the reporting period, the Company entered into a $30,000,000 credit facility (the "Credit Facility") with Natixis, a French multinational financial services firm. The Company may, by notice to Natixis, request an increase, which Natixis may in its sole discretion accept or deny. Loans under the Credit Facility (the "Loans") will be made available through multiple borrowings.

The annual interest rate on the Credit Facility will be set based on US LIBOR plus a margin equal to 0.45%. A commitment fee equal to 0.20% per annum on the unused portion of the Credit Facility will be payable quarterly in arrears during the availability period. The Loans can be repaid at any time in whole or in part subject to a minimum notice period without penalty. The maturity date for the Loans is the earlier of (i) the one-year anniversary of the Credit Facility and (ii) the occurrence of certain events, including funding pursuant to a potential senior debt project financing.

The Loans will be supported by a guarantee from Nemesia S.à.r.l. ("Nemesia"). The guarantee is secured by a cash collateral held with Natixis, equal to at least the principal and anticipated interest and fees through maturity of the Loans. In consideration for the guarantee from Nemesia, the Company has issued 85,000 common shares to Nemesia. Nemesia is an affiliate of Zebra Holdings and Investment S.à.r.l. and Lorito Holdings S.à.r.l. (collectively with Nemesia, the "Lundin Entities"), both of which are companies controlled by a trust settled by the late Adolf H. Lundin. The Lundin Entities are shareholders of the Company, making them a related party.

The Company has entered into a debenture (the "Debenture") with Nemesia which will provide a repayment mechanism in the event of default with Natixis. The Debenture will allow for the automatic draw down of funds in an amount up to $14,000,000 if the Company defaults on the Loans and Natixis realizes on the cash collateral provided by Nemesia. The Debenture may be increased up to $32,000,000 (an amount equivalent to the Credit Facility plus potential interest) at the request of Nemesia but subject to approval of shareholders of the Company. If the Debenture is increased to $32,000,000, an additional 100,000 common shares of the Company will be issued to Nemesia. An additional 3,500 common shares of the Company will be issued to Nemesia for each $500,000 draw down per month until repayment under terms of the Debenture.

BLUESTONE RESOURCES INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 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 year ended December 31, 2019. The MD&A was prepared as of March 12, 2020 and should be read with the consolidated financial statements and related notes for the year ended December 31, 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 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 Gunning, P.Eng., Vice President Operations, and David Cass, P.Geo., Vice President Exploration, both Qualified Persons as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Overview

Bluestone is a 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 and Year Ended December 31, 2019

- On November 6, 2019, the Company announced an updated Mineral Resource estimate of 1.43 Mt in Measured and Indicated Mineral Resource categories grading 10.3 g/t Au, an increase of 208,000 oz Au or 18% over the previous estimate.

- Announced infill drilling results on September 26, 2019, which included 8.5 g/t Au over 11.1 m and 13.7 g/t Au over 6.1 m.

- Advanced project readiness activities including evaluation of contractor and surface facilities execution models.

- 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, 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 $16.9 million (C$22.4 million).

- On January 29, 2019, the Company announced the results of the Feasibility Study, which highlighted an after-tax internal rate of return of 34% and an average life of mine all-in sustaining costs of $579/oz. The Feasibility Study provides a compilation of the geological, engineering and hydrology work performed by the previous owners between 1997 and 2017, as well as work undertaken by Bluestone. The results of the Feasibility Study incorporate current infrastructure, including 3.2 kilometers of underground development, a fully functional water treatment plant, maintenance shops, warehouse and office facilities, and a total of 577 drill holes and over 128,000 meters of drilling.

Exploration and Project Readiness 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"), a wholly-owned subsidiary of the Company, is the 100% owner of Cerro Blanco.

During the three months ended December 31, 2019, the Company completed an infill drill program focused on converting Inferred Mineral Resources identified in the Feasibility Study into Measured and Indicated Mineral Resources. The Company also advanced project readiness activities including evaluation of surface facilities execution strategies and underground mining contractor options.

<u>Infill drilling program</u>

In November 2018, the Company initiated an infill drilling program that led to the announcement of an updated Mineral Resource estimate (effective date November 1, 2019) that established Measured and Indicated Mineral Resources of 4.3 Mt grading 10.3 g/t Au, containing 1.41 Moz of gold and 5.1 Moz of silver, an 18% increase over the previous estimate announced on September 10, 2018. Results from the drilling validated the exploration and growth potential of Cerro Blanco. The drilling program, which focused on the North Zone at Cerro Blanco, has demonstrated continuity and consistency intercepting targeted veins. The drilling program added approximately 208,000 additional ounces of gold into Measured and Indicated Mineral Resources, that should contribute to the Mineral Reserve base and potentially extend mine life. Two key outcomes of the drill program were the identification of five new veins in the North Zone, and an increase in Measured Mineral Resources to 225,000 ounces of gold.

Drilling activities will continue into 2020, focusing on the South Zone of the deposit, where the Company is targeting extensions of key mineralized veins to define additional Mineral Resource ounces. Approximately 9,000 m of drilling is planned for 2020.

Exploration and Project Readiness Updates (cont'd)

Project Readiness

The Company has entered into a memorandum of understanding with an underground mining contractor and has developed a cost model. Further work was completed using industry experts to refine the contract and advance it.

Further detailed design and engineering work will be brought forward and advanced before committing to major contracts. A review and optimization of the flow-sheet is underway and will be completed prior to commencement of detailed design and engineering. To support these efforts, the Company will look to build its owners' team with key personnel as it enters the next phase of development. Optimization and engineering work has started in 2020 Q1.

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 up to a 50-megawatt geothermal plant. It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala is committed to promoting more renewable energy and expanding the regional market. According to wholesale power market administrator Administrador del Mercado Mayorista (AMM), the country's effective generation capacity totals 3,440 MW, of which around 1,700 MW is thermo and 1,490 MW hydro, with contributions from wind (107 MW), solar (92 MW) and geothermal (39 MW). It is expected that greater private sector engagement will carry out projects of generation and transmission through the development of public private partnerships. It is also expected that new biddings of energy for 15 year contracts, for renewable generation, will open in 2020, which will be an important incentive for new projects.

Results of Operations for the Three Months Ended December 31, 2019 Compared to the Three Months Ended December 31, 2018

The Company's net loss for the three months ended December 31, 2019 totaled $7,012,413 or $0.09 per share as compared to a net loss of $7,631,841 or $0.12 per share for the three months ended December 31, 2018. Significant expenditures and variances are as follows:

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	(Increase) Decrease in Net Loss
Accounting and legal	**$42,574**	$44,607	$2,033
Advertising and promotion	**50,776**	48,892	(1,884)
Corporate listing and filing fees	**3,255**	887	(2,368)
Exploration and evaluation expenses [(1)]	**4,944,986**	4,240,108	(704,878)
Office and administration	**235,577**	243,930	8,353
Salaries and wages	**997,767**	1,232,778	235,011
Share-based compensation	**148,425**	255,895	107,470
Total expenses	**(6,423,360)**	(6,067,097)	(356,263)
Interest income	**46,378**	67,011	(20,633)
Finance expenses [(3)]	**(634,973)**	—	(634,973)
Accretion expense	**(50,133)**	(52,165)	2,032
Other income (loss)	**1,340**	(7,910)	9,250
Foreign exchange (loss) gain	**(143,834)**	433,862	(577,696)
Loss before income tax	**(7,204,582)**	(5,626,299)	(1,578,283)
Income tax recovery (expense) [(4)]	**192,169**	(2,005,542)	2,197,711
Net loss	**($7,012,413)**	($7,631,841)	$619,428

(1) Exploration and evaluation expenses for the quarters ending December 31, 2019 and 2018 were for the following:

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Cerro Blanco operating expenditures	**$2,708,383**	$2,991,743
Feasibility study and pre-development	**711,747**	793,616
Corporate social responsibility and community relations	**765,987**	371,270
Mita Geothermal evaluation	**39,593**	12,413
Depreciation	**83,541**	75,963
Other projects	**9,247**	—
Change in rehabilitation provision estimates [(2)]	**626,488**	(4,897)
	$4,944,986	$4,240,108

Results of Operations for the Three Months Ended December 31, 2019 Compared to the Three Months Ended December 31, 2018 (cont'd)

(2) The exploration and evaluation expenses during the three months ended December 31, 2019 included $626,488 relating to an increase in the estimated rehabilitation provisions for Cerro Blanco and Mita Geothermal.

(3) Finance expenses during the three months ended December 31, 2019 mainly relate to project financing activities.

(4) Income tax recovery is due to the decrease of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceed their book cost, but that excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended December 31, 2019 and the previous seven quarters. The Company's condensed interim consolidated financial statements are reported under IFRS applicable to interim financial reporting.

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Current assets	**$3,499,320**	$8,148,314	$13,080,500	$16,775,803	$7,074,710	$12,231,523	$17,955,048	$25,131,880
Property, plant and equipment	**5,210,243**	5,258,354	5,360,973	5,454,016	5,302,876	5,333,150	5,163,550	3,750,587
Exploration and evaluation asset	**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	**40,599,490**	45,286,909	50,327,226	54,118,624	44,255,376	49,450,151	55,030,177	60,817,390
Current liabilities	**3,621,810**	2,096,774	1,441,212	1,555,118	2,647,630	2,029,482	2,087,126	1,927,775
Working capital	**(122,490)**	6,051,540	11,639,288	15,220,685	4,427,080	10,202,041	15,867,922	23,204,105
Net loss	**(7,012,413)**	(5,852,904)	(4,255,423)	(5,175,494)	(7,631,841)	(6,101,735)	(6,096,361)	(5,765,447)
Basic and diluted loss per share	**(0.09)**	(0.07)	(0.05)	(0.08)	(0.12)	(0.10)	(0.10)	(0.09)
Weighted avg. shares	**81,898,123**	81,898,123	81,849,132	66,239,292	63,840,560	63,840,560	63,840,560	63,828,338

The Company completed the Private Placement on March 19, 2019, 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.

Results of Operations for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

The Company's net loss for the year ended December 31, 2019 totaled $22,296,234 or $0.29 per share as compared to a net loss of $25,595,384 or $0.40 per share for the year ended December 31, 2018. Significant expenditures and variances are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	(Increase) Decrease in Net Loss
Accounting and legal	**$255,980**	$302,636	$46,656
Advertising and promotion [1]	**1,154,238**	265,671	(888,567)
Corporate listing and filing fees	**48,780**	21,838	(26,942)
Exploration and evaluation expenses [2]	**14,743,900**	18,946,581	4,202,681
Office and administration	**769,377**	961,215	191,838
Salaries and wages	**3,112,019**	2,813,526	(298,493)
Share-based compensation [3]	**897,707**	1,445,780	548,073
Total expenses	**(20,982,001)**	(24,757,247)	3,775,246
Interest income	**270,520**	368,245	(97,725)
Finance expenses [4]	**(1,484,660)**	—	(1,484,660)
Accretion expense	**(198,483)**	(203,447)	4,964
Other income (loss)	**94,343**	(2,015)	96,358
Foreign exchange (loss) gain	**(310,876)**	1,013,063	(1,323,939)
Loss before income tax	**(22,611,157)**	(23,581,401)	970,244
Income tax recovery (expense) [5]	**314,923**	(2,013,983)	2,328,906
Net loss	**($22,296,234)**	($25,595,384)	$3,299,150

(1) During the year ended December 31, 2019, as part of the advancement of securing funding for the development of Cerro Blanco, the Company increased its marketing and promotion efforts towards capital markets exposure as well as its marketing and branding efforts to help investors become more aware of the Company and Cerro Blanco.

(2) Exploration and evaluation expenses for the fiscal years ending December 31, 2019 and 2018 were for the following:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cerro Blanco operating expenditures	**$10,663,940**	$9,545,732
Feasibility study and pre-development	**1,435,325**	6,605,023
Corporate social responsibility and community relations	**1,455,883**	1,504,212
Mita Geothermal evaluation	**101,056**	604,264
Depreciation	**324,467**	291,462
Other projects	**136,741**	—
Change in rehabilitation provision estimates	**626,488**	395,888
	$14,743,900	$18,946,581

Results of Operations for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018 (cont'd)

(3) The decrease in share-based compensation is the result of 2,506,247 of the stock options granted in 2017, 2018 and 2019 becoming fully vested during the year ended December 31, 2019.

(4) Finance expenses during the year ended December 31, 2019 mainly relate to project financing activities.

(5) Income tax recovery is due to the decrease of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceed their book cost, but that excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

Summary of Annual Results

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2019 and the previous two fiscal years.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Thirteen Months Ended December 31, 2017
Total assets	**$40,599,490**	$44,255,376	$66,364,124
Rehabilitation provisions	**7,952,768**	7,127,797	6,528,462
Net loss	**(22,296,234)**	(25,595,384)	(8,374,559)
Basic and diluted loss per share	**(0.29)**	(0.40)	(0.25)

Annual fluctuations are due to the timing of the May 2017 acquisition (the "Acquisition") of Cerro Blanco and Mita Geothermal and subsequent full years of operations during 2018 and 2019.

Liquidity and Capital Resources

Cash decreased by $3,641,988 during the year ended December 31, 2019 from $6,672,318 as at December 31, 2018 to $3,030,330 as at December 31, 2019. Cash utilized in operating activities during the year ended December 31, 2019 was $19,445,222 (year ended December 31, 2018 - $21,634,552), mostly for exploration and evaluation expenses. Cash utilized in investing activities during the year ended December 31, 2019 was $10,947 (year ended December 31, 2018 - $1,726,542), mainly for purchases of equipment with an offset from interest income. During the year ended December 31, 2019, the Company generated cash from financing activities of $15,752,393 from the Private Placement, compared to $6,945 from the exercise of warrants during the year ended December 31, 2018.

As at December 31, 2019, share capital was $96,107,883 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 year ended December 31, 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 $12,502,950 (December 31, 2018 - $10,404,099). As a result of the net loss for the year ended December 31, 2019, the deficit at December 31, 2019 increased to $85,847,353 from $63,551,119 at December 31, 2018. Accordingly, shareholders' equity on December 31, 2019 was $27,324,713 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 year ended December 31, 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, the exercise of convertible securities and a credit facility (see "*Credit Facility*"). 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, the economics of the Feasibility Study 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 December 31, 2019, the Company had a working capital deficiency of $122,490. Subsequent to December 31, 2019, the Company entered into a credit facility (see "*Credit Facility*") which is expected to provide sufficient funding to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

Liquidity and Capital Resources (cont'd)

Commitments

In the normal course of business, we enter into contracts that give rise to commitments for future minimum payments. The following is a maturity profile of financial liabilities and operating and capital commitments presenting undiscounted cash flows:

	Payments due by period (as at December 31, 2019)		
	Less than one year	**1 - 2 years**	**After 2 years**
Trade and other payables	**$3,621,810**	**$—**	**$—**
Minimum lease payments	**166,562**	**44,320**	**—**
Exploration and evaluation expense commitments	**28,241**	**—**	**—**
Total contractual obligations	**3,816,613**	**44,320**	**0**
Rehabilitation provisions	**—**	**8,298,416**	**1,516,857**
	$3,816,613	**$8,342,736**	**$1,516,857**

Short form prospectus - Use of proceeds

In the Company's short form prospectus dated June 15, 2017, the Company provided a listing of the expected use of proceeds in connection with the prospectus offering. The following provides a comparison of the expected use of proceeds to the actual use of proceeds as of December 31, 2019:

Use of Proceeds to December 31, 2019	**Proposed Use of Proceeds Amounts (1)**	**Actual Use of Proceeds Amounts**	**Difference (2)**
Payment of $17.9 million cash portion to Goldcorp on closing of the Acquisition	$17,900,000	$17,900,000	$—
Payment of $2.0 million non-refundable deposit to Goldcorp for Marlin Equipment ROFR over certain mining equipment on closing of the Acquisition	2,000,000	2,000,000	—
Advisory fee to the lead agent in connection with the Acquisition	633,978	633,978	—
Field and test work in preparation for a feasibility study on Cerro Blanco	7,475,000	6,588,693	886,307
Site costs, including dewatering of Cerro Blanco and water treatment	4,974,386	10,125,602	(5,151,216)
Underground development of Cerro Blanco	1,484,891	—	1,484,891
Further exploration of the hydrothermal alteration zone surrounding the current Cerro Blanco mineral resource	1,484,891	167,763	1,317,128
Economic evaluation of the Mita Geothermal	185,611	766,239	(580,628)
Reserve for further development of Cerro Blanco	17,076,249	12,058,870	5,017,379
General and administrative expenses	2,227,337	6,600,813	(4,373,476)
Unallocated working capital	1,399,615	—	1,399,615
	$56,841,958	$56,841,958	$—

(1) Amounts shown are converted to U.S. dollars from the C$ amounts shown in the Company's short form prospectus dated June 15, 2017 using the May 30, 2017 exchange rate of US$1.00 = C$1.3469.

(2) Differences noted did not have a material impact on the Company's ability to achieve its business objectives and milestones as disclosed in the Company's short form prospectus dated June 15, 2017.

Liquidity and Capital Resources (cont'd)

Credit Facility

Subsequent to the reporting period, the Company entered into a $30,000,000 credit facility (the "Credit Facility") with Natixis, a French multinational financial services firm. The Company may, by notice to Natixis, request an increase, which Natixis may in its sole discretion accept or deny. Loans under the Credit Facility (the "Loans") will be made available through multiple borrowings.

The annual interest rate on the Credit Facility will be set based on US LIBOR plus a margin equal to 0.45%. A commitment fee equal to 0.20% per annum on the unused portion of the Credit Facility will be payable quarterly in arrears during the availability period. The Loans can be repaid at any time in whole or in part subject to a minimum notice period without penalty. The maturity date for the Loans is the earlier of (i) the one-year anniversary of the Credit Facility and (ii) the occurrence of certain events, including funding pursuant to a potential senior debt project financing.

The Loans will be supported by a guarantee from Nemesia S.à.r.l. ("Nemesia"). The guarantee is secured by a cash collateral held with Natixis, equal to at least the principal and anticipated interest and fees through maturity of the Loans. In consideration for the guarantee from Nemesia, the Company has issued 85,000 common shares to Nemesia. Nemesia is an affiliate of Zebra Holdings and Investment S.à.r.l. and Lorito Holdings S.à.r.l. (collectively with Nemesia, the "Lundin Entities"), both of which are companies controlled by a trust settled by the late Adolf H. Lundin. The Lundin Entities are shareholders of the Company, making them a related party.

The Company has entered into a debenture (the "Debenture") with Nemesia which will provide a repayment mechanism in the event of default with Natixis. The Debenture will allow for the automatic draw down of funds in an amount up to $14,000,000 if the Company defaults on the Loans and Natixis realizes on the cash collateral provided by Nemesia. The Debenture may be increased up to $32,000,000 (an amount equivalent to the Credit Facility plus potential interest) at the request of Nemesia but subject to approval of shareholders of the Company. If the Debenture is increased to $32,000,000, an additional 100,000 common shares of the Company will be issued to Nemesia. An additional 3,500 common shares of the Company will be issued to Nemesia for each $500,000 draw down per month until repayment under terms of the Debenture.

Risks and Uncertainties

Operations in Guatemala

Cerro Blanco and Mita Geothermal are located in Guatemala. Guatemala has a history of political unrest. Guatemala suffered an armed conflict for 36 years, which was finally resolved through a peace agreement reached with the country's internal revolutionary movement in 1996. The last political crisis in Guatemala occurred in 1983 and a constitutional government was not restored until 1985. However, renewed political unrest or a political crisis in Guatemala could adversely affect Bluestone's business and results of operations. Guatemala suffers from social problems such as a high crime rate and uncertain land tenure for many indigenous people, which could adversely affect Cerro Blanco and Mita Geothermal. Such adverse effects could result from the efforts of third parties to manipulate local populations into encroaching on the mine lands, challenging the boundaries of such land, impeding mine activities through roadblocks or other public protests or attacks against mine assets or personnel. Bluestone's business may be exposed to a number of risks and uncertainties, including terrorism and hostage taking, military repression, extortion, expropriation or nationalization without adequate compensation, labour unrest, high rates of inflation, arbitrary changes to royalty and tax regimes, extreme fluctuations in currency exchange rates, volatile local, political and economic developments, difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, surface rights, mines and mining operations and difficulty obtaining key equipment and components for equipment.

Licenses and Title to Assets

The validity of the licenses related to Cerro Blanco and Mita Geothermal can be uncertain and may be contested. There is no assurance that applicable governmental bodies will not revoke or significantly alter the conditions of applicable licenses that are required by Cerro Blanco and Mita Geothermal. Changes to Guatemalan laws, including new mining legislation or adverse court rulings, could materially and adversely impact Bluestone's rights to exploration and exploitation licenses necessary for Cerro Blanco and Mita Geothermal. There is no guarantee that title to Cerro Blanco and Mita Geothermal or surface rights will not be challenged or impugned. Bluestone's properties may be subject to prior unregistered liens, agreements or transfers, indigenous land claims or undetected title defects.

In order to maintain the licenses for Cerro Blanco and Mita Geothermal in good standing, the Company must comply with the terms of the licenses, which include achieving certain development milestones for the projects. In the past, during ownership of Cerro Blanco by Goldcorp, the General Directorate of Mining ("GDM") of the Ministry of Environment and Natural Resources in Guatemala has commenced expiry proceedings against the exploitation license for Cerro Blanco on the basis of the failure to comply with the terms of such license. In each of these instances, Entre Mares was able to satisfy the GDM that the license provisions have been complied with and the license expiry proceedings were terminated. The Company understands that there are currently no expiry proceedings regarding the Cerro Blanco license; however, there can be no assurance that the GDM will not commence expiry proceedings in the future. No expiry proceedings affecting Mita Geothermal have previously been commenced; however, there can be no assurance that proceedings will not be commenced in the future for failure to meet the requirements in the exploitation license. In the event that cancellation proceedings are commenced, the Company understands that it will have a reasonable opportunity to cure any default or deficiency.

Risks and Uncertainties (cont'd)

Maintaining and Obtaining Licenses and Permits

In the ordinary course of business, the Company will be required to maintain and obtain governmental licenses or permits for the development, construction and commencement of commercial production at Cerro Blanco and Mita Geothermal and other potential projects. Maintaining and obtaining the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions and often involving public comment periods and costly undertakings on the part of the Company. The duration and success of the Company's efforts to maintain and obtain licenses or permits are contingent upon many variables not within the Company's control, including local politics, legal challenges and the interpretation of applicable requirements implemented by the licensing or permitting process which could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Environmental Hazards

All phases of Bluestone's future operations with respect to Cerro Blanco and Mita Geothermal will be subject to environmental regulation in Guatemala. Environmental legislation in Guatemala involves strict standards and may entail increased scrutiny, fines and penalties for non-compliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact Bluestone's operations and future potential profitability. In addition, environmental hazards which are currently unknown may exist on Cerro Blanco and Mita Geothermal. Bluestone may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial clean-up action or to pay for governmental remedial clean-up actions, even in cases where such hazards have been caused by previous or existing owners or operators of the property, or by the past or present owners of adjacent properties or by natural conditions. The costs of such clean-up actions may have a material adverse impact on Bluestone's operations and future potential profitability. The Company assumes all environmental liabilities arising from past, present and future activities on Cerro Blanco and Mita Geothermal.

Governmental Laws and Regulations

Bluestone's operations, exploration and development activities with respect to Cerro Blanco and Mita Geothermal will be subject to the laws and regulations of Guatemala that govern various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development, production, post-closure reclamation of mines, imports and exports, price controls, taxation, mining royalties, labour standards and occupational health and safety, including mine safety and historic and cultural preservation. The costs associated with legal compliance are substantial. In addition, possible future laws and regulations, changes to existing laws and regulations (including the imposition of higher taxes and mining royalties which have been, or may be, implemented or threatened and the adoption of laws and regulations by neighboring jurisdictions) or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of operations and planned operations at Cerro Blanco and Mita Geothermal. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of Bluestone's operations, which lawsuits can potentially be heard in British Columbia courts. Such legal actions could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It may be difficult to strictly comply with all regulations that may be imposed on Bluestone. Bluestone has individuals and consultants to assist it with compliance with such laws and regulations, however, even with the application of considerable skill Bluestone may inadvertently fail to comply with certain laws. Failure to comply with laws and regulations could lead to financial restatements, fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local, foreign or governmental parties as joint venture partners with carried or other interests and other material negative impacts on Bluestone.

Risks and Uncertainties (cont'd)

Community Action

In recent years, certain communities and non-governmental organizations ("NGOs") in Guatemala have been vocal and negative with respect to mining activities in Guatemala. These communities and NGOs have taken such actions as protests, road closures, work stoppages and initiating lawsuits for damages. These actions relate not only to current activities but often in respect to decades-old mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Bluestone's operations at Cerro Blanco and Mita Geothermal and on Bluestone's financial position, cash flow and results of operations.

Uncertainty of Development Projects

Mine development projects, including Cerro Blanco, require significant expenditures during the development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves, anticipated metallurgical recoveries, environmental considerations and permitting, and anticipated capital and operating costs of these projects. Development projects are uncertain and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production. Particularly for development projects, estimates of Proven and Probable Mineral Reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production. Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tons of ore to be mined and processed, unanticipated adverse geological conditions, unanticipated metallurgical recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labour, costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing and refining facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals and environment), fluctuations in metals prices, accidents, labour actions, the availability and delivery of critical equipment, successful commissioning and start-up of operations, including the achievement of designed mill recovery rates and force-majeure events. An additional risk associated with Cerro Blanco is hot water management that will be encountered in the mine dewatering effort.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase and delays can often occur at the start of production. It is likely that actual results for Cerro Blanco will differ from current estimates and assumptions described in the Feasibility Study, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favourable than currently estimated, Bluestone's business, results of operations, financial condition and liquidity could be materially adversely affected.

Fluctuations in the market price of gold, silver and other metals may significantly adversely affect the value of the Company's securities and the ability of the Company to develop Cerro Blanco.

The value of the Company's securities may be significantly affected by the market price of gold, silver and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of gold and silver or other metals by holders in response to such factors.

Risks and Uncertainties (cont'd)

Estimates of Mineral Reserves and Resources

The Mineral Resource estimates described in the Feasibility Study are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified Mineral Resource will ever qualify as a commercially mine-able (or viable) deposit which can be legally and economically exploited. Bluestone relies on laboratory-based recovery models to project estimated ultimate recoveries by mineral type. Actual recoveries may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Estimated Mineral Resources should not be interpreted as assurances of mine life or of the profitability of future operations.

The Business of Exploration for Minerals and Mining Involves a High Degree of Risk

Mineral project development is a speculative business. Mining operations generally involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be able to be overcome. The business of mining is subject to a variety of risks, such as industrial accidents, flooding, environmental hazards such as fires, technical failures, labour disputes and other accidents at the mine facilities, which could materially adversely affect future mining operations and Bluestone's financial position. Such occurrences, against which Bluestone cannot or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on Bluestone's financial position. Underground mining operations such as those proposed at Cerro Blanco are also subject to technical challenges including, but not limited to, hot water management that will be encountered during the mine dewatering effort. While Bluestone believes that these challenges can be managed, there can be no assurance that they can be managed in a safe and cost-effective manner. The marketability of minerals acquired or discovered by Bluestone may be affected by numerous factors which are beyond the control of Bluestone and which cannot be accurately predicted, such as, but not limited to, market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any of which could result in Bluestone not receiving an adequate return on invested capital.

Anti-corruption Laws

Bluestone's operations are governed by, and involve interactions with, many levels of government in Guatemala. Bluestone is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Bluestone's internal procedures and programs may not always be effective in ensuring that Bluestone, its employees, contractors or third-party agents will comply strictly with such laws. If Bluestone becomes subject to an enforcement action or in violation of such laws, this may have a material adverse effect on Bluestone's reputation, result in significant penalties, fines and/or sanctions imposed on Bluestone, and/or have a material adverse effect on Bluestone's operations.

Risks and Uncertainties (cont'd)

Tax Risks

Changes to, or differing interpretations of, taxation laws or regulations in any of Canada, Barbados and Guatemala or any of the countries in which the Company's assets or relevant contracting parties are located could result in some or all of the Company's profits being subject to additional taxation. Taxation laws are complex, subject to differing interpretations and applications by the relevant tax authorities. There is no assurance that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse change on profitability, results of operations, financial condition and the trading price of the Company's securities. Additionally, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make investments by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to acquire new assets or make future investments.

Reliance on Third Parties and Risk Associated with Foreign Subsidiaries

The Company relies on the services of third parties for certain aspects of exploration, development and mining and geothermal operations and there is no assurance that these third parties will be available to the Company in the future on acceptable commercial terms, or at all. If the Company were to lose one or more of these third-party providers, it may not be able to replace them in a cost effective manner, or at all. This could adversely affect the business and the results of operations of the Company. Additionally, the Company conducts its business in Guatemala through one or more Guatemalan subsidiaries. Any limitations on the transfer of cash or other assets between the Company and such subsidiaries or the perception that such limitation may exist now or in the future, could have an adverse impact on the Company's valuation and the price of its securities.

Property Commitments

The Company's properties may be subject to various land payments, royalties and/or work commitments. Failure by the Company to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

Limited Operational History

The Company has a limited history of operations and there is no reasonable prospect for the generation of material revenue by the Company at least until such time as commercial production of gold commences at Cerro Blanco, which is not expected to occur before 2022. The Company is subject to many risks, including under-capitalization, cash shortages limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on securityholders' investment and the likelihood of success must be considered in light of its early stage of operations. Additionally, the Company has no intention of paying any dividends in the near future. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing, if able to be obtained, will be favourable.

Risks and Uncertainties (cont'd)

Substantial Capital Requirements

The Company made substantial capital expenditures to complete the Acquisition and the Company may have limited ability to access the capital necessary to undertake or complete future projects. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations, prospects or market value.

Acquisition Risk

As part of the growth strategy of Bluestone, it may pursue acquisitions of mineral resource businesses. These acquisitions may involve significant cash expenditures, debt incurrence, additional operating losses and expenses and compliance risks that could have a material adverse effect on the financial condition and results of operations of Bluestone. Even if completed, Bluestone may not be able to successfully integrate acquired businesses into its operations and, therefore, it may not be able to realize the intended benefits from an acquisition. If it fails to successfully integrate acquisitions, the financial condition and results of operations of Bluestone may be materially adversely affected.

Future Sales or Issuances of Common Shares

The Company may issue common shares or other securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the common shares. Sales or issuances of substantial numbers of common shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the common shares. With any additional sale or issuance of common shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share. The exercise of stock options, warrants and other exchangeable or convertible securities already issued by the Company and the issuance of additional securities in the future could result in dilution in the value of the common shares and the voting power represented by such shares. To the extent holders of the Company's stock options or other securities exercise their securities and sell the common shares they receive, the trading price of the common shares on the TSXV may decrease due to the additional amount of common shares available in the market.

Competition

The mining industry is intensely competitive and Bluestone competes with many companies that have more financial and technical resources. Since mines have a limited life, the Company must compete with others who seek mineral reserves through the acquisition of new properties. In addition, the Company also competes for the technical expertise needed to find, develop and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund the Company's operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Bluestone's prospects for mineral exploration and development and success in the future. In addition, some of the Company's competitors may have an advantageous market position and have greater financial and other resources and may, therefore, be able to better withstand poor and volatile market conditions, obtain financing on better terms and attract better or more qualified employees, any of which may have an adverse impact on the Company's business, financial condition and results of operations. There can be no assurance that the Company can compete effectively with these companies.

Risks and Uncertainties (cont'd)

Dependence on Key Personnel

Bluestone is reliant on key personnel employed or engaged by the Company. Loss of such personnel may have a material impact on the performance of Bluestone. In addition, the recruiting of qualified personnel is critical to the Company's success. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. While Bluestone believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Changes in Climate Conditions

Governments are moving to introduce climate change legislation and treaties at the international, national, state/province and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, Bluestone expects that this will result in increased costs. In addition, physical risk of climate change may also have an adverse effect on Bluestone's operations. These risks include: sea level rise, extreme weather events, and resource shortages due to disruption of delivery item. The Company can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks.

Control Person of the Company

Certain shareholders exercise control or direction over an aggregate of approximately 34% of the issued and outstanding common shares. As such, these shareholders may have the ability to substantially affect the outcome of matters submitted to the shareholders of the Company for approval. The Company's interests and those of the major shareholders may at times conflict, and this conflict might be resolved against the Company's interests. Sales of shares by major shareholders can have a negative effect on the Company's share price.

Public Company Requirements

As a public company, Bluestone is subject to the reporting requirements of the Canadian securities regulators, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations has increased, and will likely continue to increase, the Company's legal and financial compliance costs, make some activities more difficult, time-consuming or costly and place significant strain on the Company's personnel, systems and resources. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time. This could result in continuing uncertainty regarding compliance matters, higher administrative expenses and a diversion of management's time and attention. Further, if the Company's compliance efforts differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against the Company and the Company's business may be harmed. Being a public company that is subject to these rules and regulations also makes it more expensive for Bluestone to obtain and retain director and officer liability insurance, and Bluestone may in the future be required to accept reduced coverage or incur substantially higher costs to obtain or retain adequate coverage.

Marketability of Natural Resources

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of such minerals. Factors beyond the control of Bluestone may affect the marketability of any mineral occurrences discovered. The price of metals and minerals has experienced volatile and significant price movements over short periods of time and is affected by numerous factors beyond the control of Bluestone, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

Risks and Uncertainties (cont'd)

Conflicts of Interest

Certain of the directors of Bluestone are directors or officers of other mineral resource companies and, to the extent that such other companies may be interested in a project also of interest to Bluestone, or may in the future participate in one or more ventures in which Bluestone participates, such directors may have a conflict of interest in negotiating and concluding terms respecting such other projects or the extent of such participation. In the event that such a conflict of interest arises, at a meeting of the directors of Bluestone, a director who has such a conflict will abstain from voting for or against the approval of such acquisition or participation. In the appropriate cases, Bluestone will establish a special committee of independent directors to review a matter in which several directors or management may have a conflict.

Uninsurable Risks

Bluestone’s business is subject to a number of risks and hazards generally, including, but not limited to, adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Bluestone’s properties or the properties of others, delays in mining, monetary losses and possible legal liability. Although Bluestone intends to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with a mining company’s operations. Bluestone may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Bluestone or to other companies in the mining industry on acceptable terms. Bluestone might also become subject to liability for pollution or other hazards which may not be insured against or which Bluestone may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Bluestone to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Bluestone’s operations, financial condition and results of operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends generally, notwithstanding any potential success of Bluestone in creating revenues, cash flows or earnings.

Risks and Uncertainties (cont'd)

Risk of Fines and Penalties

The Company may be subject to potential fines and penalties in local jurisdictions where it conducts business, resulting from changes in policy or otherwise. To mitigate these risks, the Company monitors compliance with local regulations governing companies through its local legal counsel experienced in applicable legal matters.

The Successful Development of Cerro Blanco and Mita Geothermal Cannot Be Guaranteed

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves, anticipated metallurgical recoveries, environmental considerations and permitting and anticipated capital and operating costs of these projects. Development projects are uncertain and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production. The Company cannot be certain that it will successfully develop Cerro Blanco or Mita Geothermal. Any failure to successfully develop Cerro Blanco or Mita Geothermal could have a material adverse effect on the Company’s business and results of operations.

Information Systems

Targeted attacks on the Company’s systems (or on systems of third parties that the Company relies on), failure or non-availability of a key information technology (“IT”) systems or a breach of security measures designed to protect the Company’s IT systems could result in disruptions to its operations, extensive personal injury, property damage or financial or reputational risks. The Company has engaged IT consultants to implement and test system controls and disaster recovery infrastructure for certain IT systems. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts, including: risk prioritized controls to protect against known and emerging threats; tools to provide automate monitoring and alerting and backup and recovery systems to restore systems and return to normal operations.

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 March 12, 2020:

	Number of Shares	Exercise Price C$	Remaining life (years)
Issued and Outstanding Common Shares	82,827,223		
Stock options	7,856,900	1.25 - 1.50	0.27 - 4.87
Warrants	12,042,572	0.35 - 1.65	0.22 - 1.02
Fully diluted at March 12, 2020	**102,726,695**		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

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 the following executive and non-executive positions of the Company for the years ended December 31, 2019 and 2018: Members of the Board of Directors; Executive Chairman; President; Chief Executive Office; Chief Financial Officer; Vice President, Project Development; and Vice President, Exploration. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Wages and consulting	**$1,869,213**	$1,790,967
Share-based compensation	**632,913**	1,144,714
	$2,502,126	$2,935,681

Related party payables

The balance payable to related parties as at December 31, 2019 was $721,435 (December 31, 2018 - $543,918). The balance payable was to the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, Vice President, Project Development and Vice President, Exploration in connection with the payment of short-term incentives related to the year ended December 31, 2019.

Limited recourse loans

In June 2017, the Company issued 500,000 common shares with a fair value of C$750,000 to President and Chief Executive Officer, Chief Financial Officer and Vice President, Operations. In connection with the issuance of these shares, the Company made an interest free, non-recourse loan to the employees in the amount of C$750,000 to enable them to acquire the shares. The employees pledged the shares to the Company as security for the loan until the shares are sold to the Company or are otherwise released to the employees in accordance with the terms of the Company's management compensation plan. As the loan receivable is recourse only to the shares, the receivable has been recorded within equity rather than as a financial asset.

The shares vest 25% on grant, with the remainder vesting 25% annually thereafter. As the shares vest, the loan is forgiven and the related impact is recognized as share-based compensation expense in the consolidated statement of loss.

The loan is repayable upon the termination of an employee's employment with the Company until the earlier of: 1) a change of control of the Company, 2) three years from the grant date of the loan and 3) the commencement of commercial production at Cerro Blanco, after which time the loan may be forgiven at the request of the employees. If the loan is forgiven prior to three years from the grant date of the loan, the remaining vesting amount would be immediately recognized as share-based compensation expense in the consolidated statement of loss.

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 13 and 14, respectively, of the Company's audited consolidated financial statements for the year ended December 31, 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, 2019. The Company adopted IFRS 16, *Leases* on January 1, 2019. A description of this can be found in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2019.

New Standards and Future Accounting Changes

There are no IFRS standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a material impact on the Company.

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 audited consolidated financial statements for the year ended December 31, 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 audited consolidated financial statements for the year ended December 31, 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 March 12, 2020. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional Information relating to Bluestone, including its most recent Annual Information Form, is available on SEDAR at www.sedar.com or can be obtained by contacting:

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