

BLUESTONE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2021

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 three months ended March 31, 2021. The MD&A was prepared as of May 18, 2021 and should be read with the unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2021, which can be found along with other information of the Company on SEDAR at www.sedar.com. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C\$ are to Canadian dollars. The financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 objectives and benefits of the preliminary economic assessment on Cerro Blanco titled "Cerro Blanco Project, District of Jutiapa, Guatemala: N.I. 43-101 Technical Report & Preliminary Economic Assessment" dated February 28, 2021 and filed on the Company's profile at www.sedar.com on April 13, 2021 (the "PEA"); 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; the potential impact of the novel coronavirus ("COVID-19") on the Company and its operations; 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, property, plant 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 Person

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

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"). Cerro Blanco is a proposed open pit 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 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

Highlights for the Three Months Ended March 31, 2021

- Announced drill results on March 18, 2021, which included 127.0 m grading 3.5 g/t Au and 21.6 m grading 12.9 g/t Au.
- On February 28, 2021, the Company announced results of the PEA, which highlighted Cerro Blanco's capability of producing over 300 koz gold/year with an average annual production of 231 koz gold/year at all-in sustaining costs ("AISC"; refer to "Non-IFRS Measures" section) of approximately \$642/oz over an initial 11-year mine life.
- Announced drill results on February 16, 2021, which included 6.2 m grading 29.0 g/t Au and 30 g/t Ag and wide intercepts including 101.4 m grading 2.4 g/t Au.

Project Updates

Cerro Blanco

The Company has one principal mining property interest, namely Cerro Blanco, an advanced stage near surface development project 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 2021 Q1, Bluestone announced the results of the PEA, which highlighted an optimized project which doubled the gold resource ounces and production profile, and effectively tripled the net present value at a 5% discount rate ("NPV_{5%}") of Cerro Blanco to \$907 million.

The recent completion of advanced engineering and optimization work has significantly enhanced the understanding of the project and presented an opportunity to capitalize on its near-surface, high-grade mineralization through an open pit development scenario. This is a major change to Bluestone's corporate strategy that will fully maximize the value of Cerro Blanco for all stakeholders.

Preliminary Economic Assessment (PEA)

The completion of advanced engineering and optimization work in 2021 Q1 significantly enhanced the understanding of Cerro Blanco and presented an opportunity to capitalize on its near-surface, high-grade mineralization through an open pit development scenario. On February 28, 2021, the Company announced results of the PEA that highlight an optimized project.

The following PEA base case highlights were completed at a gold price of \$1,550/oz and a silver price of \$20/oz:

- Peak production of 334,000 ounces and average annual production of 231,000 ounces gold over the life of mine ("LOM").
- Average life of mine AISC (refer to "Non-IFRS Measures" section) of \$642/oz (net credits).
- Average annual free cash flow of \$186 million per year and LOM total free cash flow of \$2 billion.
- NPV_{5%} of \$907 million after-tax at a discount rate of 5%.
- After-tax internal rate of return ("IRR") of 28.5%.
- Initial capital of \$548 million with an after-tax payback period of 2.6 years.
- LOM production of approximately 2.4 million ounces of gold and 10.3 million ounces of silver over an initial 11-year mine life.
- Measured & Indicated Mineral Resources of 3.0 million ounces of gold and 13.2 million ounces of silver (61.5 million tonnes at 1.5 g/t Au and 6.7 g/t Ag).
- At \$1,800/oz gold, the NPV_{5%} increases to \$1.3 billion and the IRR to 36% with a payback of 2.2 years.

The pivot to surface mining was the culmination of the Company's increased understanding of the geology and grade distribution that will realize the full potential of the Cerro Blanco low-sulphidation epithermal mineralization. The extensive drilling undertaken to date of the high-grade vein swarms and their surrounding low-grade mineralized envelopes show impressive intercepts, including 203.8 meters grading 2.3 g/t Au and 4.1 g/t Ag (CB20-420) and 87.2 meters grading 5.3 g/t Au and 26 g/t Ag (UGCB18-89). The low-grade mineralization present in the Salinas cap rocks, where the Company currently has five drill rigs operational, make up approximately one-fifth of the Measured & Indicated Mineral Resource ounces and show potential to further grow the Mineral Resource by additional drilling.

The Company plans to follow the well-defined permitting process in Guatemala to advance an environmental impact assessment ("EIA") application, in parallel to completing a bankable feasibility study by the end of 2021 and early in 2022, respectively. This feasibility study will serve as the blueprint for Cerro Blanco's development which the Company is targeting to initiate in late 2022.

The technical report summarizing the results of the PEA has been prepared in accordance with N.I. 43-101 and was filed under the Company's profile on SEDAR on April 13, 2021.

Project Updates (cont'd)

The PEA is preliminary in nature, it may include Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability. The Mineral Resources may be affected by subsequent assessment of mining, environmental, processing, permitting, taxation, socio-economic and other factors.

Drilling update

Drilling is currently continuing at Cerro Blanco with 5 rigs operational, targeting mineralization within the Salinas rocks that comprise the upper portion of the deposit.

The Company reported additional drill assays from its infill drill program completed in the South Zone of the Cerro Blanco gold project in late 2020. Results from eight underground holes and thirteen surface holes were reported totaling 4,903 meters.

Highlights announced on March 18, 2021 include the following drilled intercepts:

- 127.0 m grading 3.5 g/t Au and 16 g/t Ag including 21.61 m grading 12.9 g/t Au and 66.2 g/t Ag (CB20-451)
- 116.1 m grading 2.4 g/t Au and 13.1 g/t Ag including 9.9 m grading 16.9 g/t Au and 91.3 g/t Ag (CB20-449)
- 109.9 m grading 1.3 g/t Au and 10.2 g/ Ag (UGCB20-196)
- 71.5 m grading 1.9 g/t Au and 5.1 g/t Ag (CB20-447)
- 59.8 m grading 1.3 g/t Au and 10.2 g/t Ag (UGCB20-192)

All holes reported show significant widths of low-grade mineralization within the Salinas unit, a sub-horizontal sequence of volcanogenic sediments, rhyolite breccias, and sinter horizons that represent a silica cap forming the Cerro Blanco hill. These rocks overlie the Mita rocks, a sequence of sediments and tuffs which host the high-grade vein swarms that also show appreciable widths of lower grade mineralization as envelopes in surrounding wall rocks.

CB20-447, CB20-449, and CB20-451 were drilled from the same surface platform designed to test for extensions to veins VS_05, VS_06 and VS_07 emplaced in the upper levels of the South Zone above the current underground mine infrastructure and immediately below the contact with the Salinas cap rocks. Holes CB20-449 and CB20-451 successfully drilled 9.9 m grading 16.9 g/t Au and 91.3 g/t Ag, and 21.6 m grading 12.9 g/t Au and 70.8 g/t Ag, respectively, representing vein VS_06 and VS_07.

UGCB20-192, UGCB20-194, UGCB20-195, and UGCB20-196 were drilled from the same platform in the South Ramp underground workings to test the principal footwall vein VS_01. Holes UGCB20-192 and UGCB20-196 were drilled to probe for deeper extensions to the high-grade plunge as demonstrated recently, e.g., UGCB20-181, UGCB20-188, CB20-442. UGCB20-192 drilled an intercept of 16.5 m grading 6.63 g/t Au and 36.7 g/t Ag pertaining to VS_01 and splay VS_21, extending the high-grade plunge by approximately 20 m. UGCB20-196 targeted the vein some 50 m down plunge, intersecting the vein at the 200 m Level returning 3.62 meters grading 4.0 g/t Au. The lower grades compared to UGCB20-192 are attributable to greater proportion of calcite compared to quartz.

Project Updates (cont'd)

Highlights announced on February 16, 2021 include the following drilled intercepts:

- 7.2 m grading 7.5 g/t Au and 20 g/t Ag (UGCB20-189)
- 5.6 m grading 10.0 g/t Au and 23 g/t Ag (CB20-432)
- 6.2 m grading 29.0 g/t Au and 30 g/t Ag (CB20-442)
- 9.1 m grading 7.6 g/t Au and 56 g/t Ag (CB20-444)
- 7.7 m grading 8.0 g/t Au and 38 g/t Ag (CB20-444)
- 101.4 m grading 2.4 g/t Au and 10 g/t Ag (UGCB20-191)

CB20-432, CB20-437, CB20-442, CB20-445 and UGCB20-193 were drilled at various angles from two closely spaced platforms at surface and were designed to test both the principal vein VS_01 and improve definition of a series of sub-vertical veins in the hanging wall of the main vein swarm. All holes reached their objectives, with significant high-grade assays.

CB20-444, CB20-441 and CB20-438 were drilled to test for extensions to various veins with some success e.g., 8.4 m grading 8.0 g/t Au and 9.4 m grading 7.6 g/t Au in CB20-444 (VS_07). Hole CB 20-431 was drilled as a step-out hole to the north-east to confirm whether the high-grade veins drilled in UGCB20-179 extended through into the Upper Salinas unit.

UGCB20-189 and UGCB20-191 were drilled from the same platform in the South Ramp of the underground workings with the principal objective of testing for extensions to the main VS_01 vein and new veins in the southern part of the ore body, including extensions of previously modelled steeply dipping veins. In UGCB20-189 an intercept of 60.3 m grading 2.8 g/t Au and 15 g/t Ag was drilled.

Mita Geothermal

The Company owns a 100% interest in Mita Geothermal through its wholly-owned subsidiary, Geotermia Oriental de Guatemala, S.A. ("Geotermia"). Mita Geothermal 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. 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 2021, which will be an important incentive for new projects. The Company continues to evaluate advancement options for Mita Geothermal as these developments occur.

Results of Operations for the Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

The Company's net loss for the three months ended March 31, 2021 totaled \$7,279,660 or \$0.05 per share as compared to a net loss of \$6,901,328 or \$0.08 per share for the three months ended March 31, 2020. Significant expenditures and variances are as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	(Increase) Decrease in Net Loss
Exploration and evaluation expenses ⁽¹⁾	\$5,292,452	\$4,098,352	(\$1,194,100)
General and administration			
Advertising and promotion	212,955	138,118	(74,837)
Corporate listing and filing fees	57,943	31,851	(26,092)
Office and administration	260,105	221,414	(38,691)
Professional fees ⁽²⁾	55,581	726,257	670,676
Salaries and wages	741,001	960,236	219,235
Share-based compensation	696,666	238,721	(457,945)
	(7,316,703)	(6,414,949)	(901,754)
Interest income	124,089	31,994	92,095
Finance expenses	(60,056)	(131,449)	71,393
Accretion expense	(103,972)	(134,947)	30,975
Other income	7,923	—	7,923
Foreign exchange loss	(284,742)	(374,730)	89,988
Loss before income tax	(7,633,461)	(7,024,081)	(609,380)
Income tax recovery	353,801	122,753	231,048
Net loss	(\$7,279,660)	(\$6,901,328)	(\$378,332)

⁽¹⁾ Exploration and evaluation expenses for the three months ended March 31, 2021 and 2020 were for the following:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cerro Blanco general and exploration expenditures	\$3,810,765	\$2,755,636
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	1,018,176	1,099,012
Corporate social responsibility and community relations	381,009	157,063
Mita Geothermal evaluation	8,441	—
Depreciation	74,061	86,641
	\$5,292,452	\$4,098,352

⁽²⁾ Professional fees during the three months ended March 31, 2020 were higher than the three months ended March 31, 2021 due to project financing activities.

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended March 31, 2021 and the previous seven quarters:

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Current assets	\$49,508,306	\$50,498,497	\$56,929,211	\$61,721,337	\$6,212,614	\$3,499,320	\$8,148,314	\$13,080,500
Property, plant and equipment	7,355,948	4,645,876	5,016,920	5,092,889	5,106,373	5,210,243	5,258,354	5,360,973
Exploration and evaluation assets	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	88,757,967	87,019,390	93,816,858	98,697,779	43,204,825	40,599,490	45,286,909	50,327,226
Current liabilities	2,407,236	2,980,812	3,035,421	2,575,705	12,050,213	3,621,810	2,096,774	1,441,212
Working capital	47,101,070	47,517,685	53,893,790	59,145,632	(5,837,599)	(122,490)	6,051,540	11,639,288
Net loss	(7,279,660)	(9,560,183)	(8,639,298)	(5,582,153)	(6,901,328)	(7,012,413)	(5,852,904)	(4,255,423)
Basic and diluted loss per share	(0.05)	(0.07)	(0.06)	(0.05)	(0.08)	(0.09)	(0.07)	(0.05)
Weighted avg. shares outstanding	144,961,360	143,538,463	143,231,017	120,661,470	82,412,067	81,898,123	81,898,123	81,849,132

The Company completed an equity financing on May 1, 2020, which resulted in increases to total assets, working capital and shares outstanding. During the three months ended March 31, 2020, loans totaling \$10.0 million were drawn from a credit facility, resulting in an increase to current liabilities. These loans were repaid in May 2020. Quarterly results mainly fluctuate due to the level of exploration and evaluation activities, such as drilling programs and basic engineering activities, and fluctuations in the C\$/US\$ rate. There are no seasonal fluctuations in the results for the presented periods.

Liquidity and Capital Resources

Cash decreased by \$798,942 during the three months ended March 31, 2021 from \$49,334,074 as at December 31, 2020 to \$48,535,132 as at March 31, 2021. Cash utilized in operating activities during the three months ended March 31, 2021 was \$7,145,356 (three months ended March 31, 2020 - \$7,771,006). Cash utilized in investing activities during the three months ended March 31, 2021 was \$2,456,915 (three months ended March 31, 2020 - cash generated of \$1,115), mainly for the acquisition of property, plant and equipment. During the three months ended March 31, 2021, the Company generated cash from financing activities, mainly from the exercise of warrants, of \$8,549,970 compared to \$10,071,773 during the three months ended March 31, 2020, which was mainly from funds drawn from a credit facility.

As at March 31, 2021, share capital was \$178,362,671 and was comprised of 150,141,816 issued and outstanding common shares (December 31, 2020 - \$168,677,315 comprised of 143,547,376 shares outstanding). The increase in outstanding common shares during the three months ended March 31, 2021 was mainly the result of the exercising of warrants and stock options. Reserves, which decreased due to stock option and warrant exercises, were \$10,297,565 (December 31, 2020 - \$10,702,958). As a result of the net loss for the three months ended March 31, 2021, the deficit at March 31, 2021 increased to \$123,809,975 from \$116,530,315 at December 31, 2020. Accordingly, shareholders' equity on March 31, 2021 was \$76,217,383 compared to \$73,654,973 at December 31, 2020.

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 drawing from a 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 PEA 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.

Risks and Uncertainties

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

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

An analysis of these risks and uncertainties, as they have the potential to impact the Company, can be found in the Company's Annual Information Form and MD&A for the year ended December 31, 2020. The risks and uncertainties have not changed from those disclosed in the Company's Annual Information Form and MD&A for the twelve months ended December 31, 2020.

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 May 18, 2021:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	150,141,816		
Stock options	7,780,000	1.15 - 1.89	0.70 - 4.84
Fully diluted at May 18, 2021	157,921,816		

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 certain 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 were as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Salaries	\$469,637	\$651,532
Share-based compensation	573,047	191,329
	\$1,042,684	\$842,861

Accrued compensation due to key management as at March 31, 2021 was \$161,431 (December 31, 2020 - \$637,763).

Related party expenses

During the three months ended March 31, 2021, the Company incurred \$86,066 in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). An officer of the Company is the owner of Namdo as of January 1, 2021.

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 8 and 9, respectively, of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2021.

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, 2020.

New Standards and Interpretations Not Yet Adopted

A description of the International Accounting Standards Board's new standards and interpretations not yet adopted by the Company can be found in note 2(q) of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Non-IFRS Measures

This MD&A refers to AISC, which is not recognized under IFRS and does not have a standardized meaning prescribed by IFRS. The Company calculates AISC based on the definition published by the World Gold Council, which is not a regulatory organization. This calculation of AISC may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed interim consolidated financial statements for the three months ended March 31, 2021 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the condensed interim consolidated financial statements for the three months ended March 31, 2021 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 May 18, 2021. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

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

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Bluestone **RESOURCES INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2021 and 2020

(Unaudited)

Bluestone Resources Inc.**Consolidated Statements of Financial Position**

(Expressed in United States dollars - Unaudited)

	Notes	March 31, 2021	December 31, 2020
Current assets			
Cash and cash equivalents		\$48,535,132	\$49,334,074
Accounts receivable		384,996	373,537
Equity securities		264,460	297,730
Prepaid expenses and other current assets		226,962	412,149
Inventory		96,756	81,007
		49,508,306	50,498,497
Non-current assets			
Restricted cash		1,767,280	1,748,584
Property, plant and equipment	3	7,355,948	4,645,876
Exploration and evaluation asset		30,126,433	30,126,433
Total assets		\$88,757,967	\$87,019,390
Current liabilities			
Trade and other payables	4	\$2,407,236	\$2,980,812
		2,407,236	2,980,812
Non-current liabilities			
Rehabilitation provisions		8,540,399	8,436,427
Deferred income tax liabilities		1,592,949	1,947,178
Total liabilities		12,540,584	13,364,417
Shareholders' equity			
Share capital	5	178,362,671	168,677,315
Reserves		10,297,565	10,702,958
Accumulated other comprehensive income		11,367,122	10,805,015
Deficit		(123,809,975)	(116,530,315)
Total shareholders' equity		76,217,383	73,654,973
Total liabilities and shareholders' equity		\$88,757,967	\$87,019,390

Approved on May 18, 2021 on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Jack Lundin"

Jack Lundin, Director

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

Bluestone Resources Inc.**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in United States dollars - Unaudited)

	Notes	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating expenses			
Exploration and evaluation expenses	6	\$5,292,452	\$4,098,352
General and administration			
Advertising and promotion		212,955	138,118
Corporate listing and filing fees		57,943	31,851
Office and general		260,105	221,414
Professional fees		55,581	726,257
Salaries and wages		741,001	960,236
Share-based compensation	5	696,666	238,721
		(7,316,703)	(6,414,949)
Other income (expenses)			
Interest income		124,089	31,994
Finance expenses		(60,056)	(131,449)
Accretion expense		(103,972)	(134,947)
Other income		7,923	—
Foreign exchange loss		(284,742)	(374,730)
Loss before income tax		(7,633,461)	(7,024,081)
Income tax recovery		353,801	122,753
Net loss		(7,279,660)	(6,901,328)
Other comprehensive (loss) income items that will not be reclassified to net loss:			
Loss on equity securities		(36,722)	(38,927)
Translation adjustment		598,829	256,988
Comprehensive loss		(\$6,717,553)	(\$6,683,267)
Weighted average number of common shares outstanding – basic and diluted		144,961,360	82,412,067
Basic and diluted loss per common share		(\$0.05)	(\$0.08)

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

Bluestone Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars - Unaudited)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		Shares	Amount				
Balance, January 1, 2020		81,898,123	\$96,107,883	\$12,502,950	\$4,561,233	(\$85,847,353)	\$27,324,713
Shares issued relating to credit facility		85,000	98,012	—	—	—	98,012
Share-based compensation	5	—	46,531	192,190	—	—	238,721
Exercise of options		378,100	595,788	(180,815)	—	—	414,973
Exercise of warrants		466,000	175,214	(51,712)	—	—	123,502
Comprehensive income (loss) for the period		—	—	—	218,061	(6,901,328)	(6,683,267)
Balance, March 31, 2020		82,827,223	\$97,023,428	\$12,462,613	\$4,779,294	(\$92,748,681)	\$21,516,654
Balance, January 1, 2021		143,547,376	\$168,677,315	\$10,702,958	\$10,805,015	(\$116,530,315)	\$73,654,973
Share-based compensation	5	—	—	696,666	—	—	696,666
Exercise of options	5	510,000	757,889	(150,817)	—	—	607,072
Exercise of warrants	5	6,084,440	8,927,467	(951,242)	—	—	7,976,225
Comprehensive income (loss) for the period		—	—	—	562,107	(7,279,660)	(6,717,553)
Balance, March 31, 2021		150,141,816	\$178,362,671	\$10,297,565	\$11,367,122	(\$123,809,975)	\$76,217,383

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

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

	Notes	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash used in operating activities			
Net loss for the period		(\$7,279,660)	(\$6,901,328)
Adjustments for:			
Accretion expense		103,972	134,947
Depreciation	3	103,325	114,216
Share-based compensation	5	696,666	238,721
Interest income		(65,750)	(24,905)
Finance expenses		7,054	43,315
Income tax recovery		(353,801)	(120,778)
Non-cash foreign exchange loss		329,441	248,699
Changes in non-cash working capital:			
Accounts receivable		(6,950)	(62,214)
Prepaid expenses and other current assets		187,953	6,528
Inventory		(15,749)	(14,072)
Trade and other payables		(851,857)	(1,432,103)
Cash used in operating activities before income taxes paid		(7,145,356)	(7,768,974)
Income taxes paid		—	(2,032)
Cash used in operating activities		(7,145,356)	(7,771,006)
Cash (used in) generated by investing activities			
Purchase of property, plant and equipment		(2,522,665)	(23,790)
Interest received		65,750	24,905
Cash (used in) generated by investing activities		(2,456,915)	1,115
Cash generated by financing activities			
Proceeds from exercise of options		607,072	414,973
Proceeds from exercise of warrants		7,976,225	123,502
Funds received from loans		—	10,000,000
Credit facility fees		(4,500)	(409,387)
Lease principal repayments		(26,273)	(22,861)
Interest paid		(2,554)	(34,454)
Cash generated by financing activities		8,549,970	10,071,773
Effects of foreign exchange rate changes on cash and cash equivalents		253,359	(100,102)
(Decrease) increase in cash and cash equivalents		(798,942)	2,201,780
Cash and cash equivalents, beginning of the period		49,334,074	3,030,330
Cash and cash equivalents, end of the period		\$48,535,132	\$5,232,110

Supplemental cash flow information (note 10)

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars - Unaudited)

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 natural 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 2000, 885 West Georgia Street, Vancouver, BC, V6C 3E8. 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 condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 18, 2021.

For all periods presented, these condensed interim 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 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 Company continues to closely monitor developments in the novel coronavirus ("COVID-19") pandemic, including the potential impact on the Company's operations. The impact of COVID-19 is uncertain and COVID-19 could have a significant impact on the Company if the Company or its suppliers are not able to maintain operations.

b) Significant accounting 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. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the year ended December 31, 2020.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars - Unaudited)

3. Property, Plant and Equipment

	March 31, 2021			
	Land	Plant and equipment ⁽¹⁾	ROU assets	Total
Cost				
Balance, January 1, 2021	\$907,858	\$4,799,044	\$215,735	\$5,922,637
Additions	2,705,872	106,948	—	2,812,820
Translation differences	—	271	306	577
Balance, March 31, 2021	3,613,730	4,906,263	216,041	8,736,034
Accumulated depreciation				
Balance, January 1, 2021	—	(1,099,219)	(177,542)	(1,276,761)
Charge for the year	—	(79,814)	(23,511)	(103,325)
Balance, March 31, 2021	—	(1,179,033)	(201,053)	(1,380,086)
Net book value at March 31, 2021	\$3,613,730	\$3,727,230	\$14,988	\$7,355,948

⁽¹⁾ Includes assets under construction of \$919,657 at March 31, 2021.

	December 31, 2020			
	Land	Plant and equipment ⁽²⁾	ROU assets ⁽³⁾	Total
Cost				
Balance, January 1, 2020	\$907,858	\$4,965,757	\$217,881	\$6,091,496
Additions	—	159,397	—	159,397
Write-downs	—	(324,912)	—	(324,912)
Translation differences	—	(1,198)	(2,146)	(3,344)
Balance, December 31, 2020	907,858	4,799,044	215,735	5,922,637
Accumulated depreciation				
Balance, January 1, 2020	—	(792,523)	(88,730)	(881,253)
Charge for the year	—	(360,000)	(88,812)	(448,812)
Write-downs	—	53,304	—	53,304
Balance, December 31, 2020	—	(1,099,219)	(177,542)	(1,276,761)
Net book value at December 31, 2020	\$907,858	\$3,699,825	\$38,193	\$4,645,876

⁽²⁾ Includes assets under construction of \$812,708 at December 31, 2020.

⁽³⁾ The ROU assets mainly relate to the Company's office lease contract.

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2021 and 2020**

(Expressed in United States dollars - Unaudited)

4. Trade and Other Payables

	March 31, 2021	December 31, 2020
Trade payables	\$909,957	\$1,095,261
Accrued liabilities	920,437	588,523
Lease liability	9,016	35,586
Payroll liabilities	567,826	1,261,442
	2,407,236	2,980,812

5. Share Capital

As at March 31, 2021, 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) Warrants

The changes in warrants outstanding during the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		December 31, 2020	
	Number of warrants	Weighted avg. exercise price (C\$/warrant)	Number of warrants	Weighted avg. exercise price (C\$/warrant)
Outstanding, beginning of period	8,730,652	\$1.65	12,508,572	\$1.28
Exercised	(6,084,440)	(1.65)	(3,777,920)	(0.43)
Expired	(2,646,212)	(1.65)	—	—
Outstanding, end of period	—	\$—	8,730,652	\$1.65

b) Stock options

The changes in stock options outstanding during the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		December 31, 2020	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of period	5,685,667	\$1.57	7,735,000	\$1.43
Granted	2,715,000	1.70	3,169,000	1.78
Exercised	(510,000)	(1.50)	(5,208,333)	(1.49)
Forfeited	—	—	(10,000)	(1.50)
Outstanding, end of period	7,890,667	\$1.62	5,685,667	\$1.57

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars - Unaudited)

5. Share Capital (cont'd)

4,201,334 of the stock options outstanding as at March 31, 2021 are exercisable at a weighted average exercise price of C\$1.50 per option.

The weighted average fair value of the stock options granted during the three months ended March 31, 2021 (year ended December 31, 2020) was estimated to be C\$0.66 (C\$0.60) per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate - 0.55% (0.49%), volatility - 54.15% (50.00%), dividend yield - 0% (0%), expected life - 3 years (3 years). The stock options granted during the three months ended March 31, 2021 have an expiry date of March 18, 2026.

During the three months ended March 31, 2021, the Company recognized share-based compensation expense of \$696,666 (three months ended March 31, 2020 - \$192,190) in the consolidated statement of loss relating to the stock options.

6. Exploration and Evaluation Expenses

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cerro Blanco general and exploration expenditures	\$3,810,765	\$2,755,636
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	1,018,176	1,099,012
Corporate social responsibility and community relations	381,009	157,063
Mita Geothermal evaluation	8,441	—
Depreciation	74,061	86,641
	\$5,292,452	\$4,098,352

7. 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 certain 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:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Salaries	\$469,637	\$651,532
Share-based compensation	573,047	191,329
	\$1,042,684	\$842,861

Accrued compensation due to key management as at March 31, 2021 was \$161,431 (December 31, 2020 - \$637,763).

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars - Unaudited)

7. Related Party Transactions (cont'd)

b) Related party expenses

During the three months ended March 31, 2021, the Company incurred \$86,066 in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). An officer of the Company is the owner of Namdo as of January 1, 2021.

8. Financial Instruments

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. As required by IFRS 13, *Fair Value Measurement*, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

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 unobservable (supported by little or no market activity).

The Company's cash and cash equivalents and trade and other payables fair values approximate their carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. The Company's restricted cash approximates their carrying value due to the consistency of the credit risk of the Company since the initial recognition of these instruments.

9. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, restricted cash and certain receivables. Management believes that the credit risk 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 March 31, 2021 was \$50,639,706 (December 31, 2020 - \$51,363,021).

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars - Unaudited)

9. Financial Risk Management (cont'd)

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2021, the Company had a cash balance of \$48,535,132 (December 31, 2020 - \$49,334,074) to settle current liabilities of \$2,407,236 (December 31, 2020 - \$2,980,812). 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. Management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for the next twelve months.

As a part of the terms of the Company's acquisition of Cerro Blanco in 2017, the Company was required to make a contingent payment of \$15,000,000 within six months of the commencement of commercial production at Cerro Blanco and pay a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. In August 2020, the terms of the \$15,000,000 contingent payment were amended so that the Company is required to make payments totaling approximately \$16,000,000 staggered over 12 to 27 months following the commencement of commercial production at Cerro Blanco. These contingent payments are not recognized as liabilities in the consolidated statement of financial position as at March 31, 2021.

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

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents because these are the financial instruments held by the Company that are impacted by interest based on variable market interest rates. 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 banking institutions. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. As at March 31, 2021, the weighted average interest rate earned on the Company's cash and cash equivalents was 0.88%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at March 31, 2021 would impact after-tax net loss by approximately \$447,000.

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 March 31, 2021 would result in an approximate \$2,116,000 decrease/increase in net loss and an approximate \$4,093,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at March 31, 2021 would result in an approximate \$22,000 increase/decrease in net loss.

Bluestone Resources Inc.
Notes for the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Expressed in United States dollars - Unaudited)

9. Financial Risk Management (cont'd)

Price risk

The Company's financial instruments are exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings or other comprehensive income due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors 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 or public placements in order to maintain or adjust the capital structure.

There were no changes to the Company's approach to capital management during the three months ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

10. Supplemental Cash Flow Information

Cash and cash equivalents included short-term investments of \$35,904,573 as at March 31, 2021 (December 31, 2020 - \$41,135,564).

Non-cash financing transactions during the three months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Transfer of reserves on exercise of options	(\$150,817)	(\$180,815)
Transfer of reserves on exercise of warrants	(951,242)	(51,712)
Fair value of common shares issued for credit facility	—	98,012