

**BLUESTONE RESOURCES INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2021. The MD&A was prepared as of November 16, 2021, and should be read with the unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2021, which can be found along with other information of the Company on SEDAR at [www.sedar.com](http://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 ability to capitalize on the open pit development scenario of the Company's Cerro Blanco Gold Project ("Cerro Blanco"); the anticipated amount of gold resource ounces; the production profile and net present value of Cerro Blanco and the expected benefits to local stakeholders; 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 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](http://www.sedar.com) on October 28, 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 September 30, 2021

- On July 19, 2021, the Company announced an updated Mineral Resource estimate for Cerro Blanco that included Measured and Indicated Mineral Resources of 3.1 million ounces of gold grading 1.5 g/t and 13.4 million ounces of silver grading 6.6 g/t.
- Advancement of the Cerro Blanco feasibility study (the "Feasibility Study") including the following:
  - Finalization of site general arrangement drawings;
  - Focus on the mine plan schedule, additional metallurgical testwork and geotechnical drilling for pit slope and infrastructure; and
  - Mine design activities including a mine plan optimization exercise that incorporated a trade-off analysis in plant throughput.
- Advancement of Cerro Blanco permitting activities with the national authorities.
- Continuation of Cerro Blanco local skills development training and capacity building.

## Project Updates

### *Cerro Blanco*

The Company has one principal mining property interest, namely Cerro Blanco, an advanced stage development project located in southern Guatemala. Elevar Resources, S.A. ("Elevar"), formerly Entre Mares de Guatemala S.A., a wholly-owned subsidiary of the Company, is the 100% owner of Cerro Blanco.

In the first quarter of 2021, the Company made a strategic decision to capitalize on Cerro Blanco's near-surface, high-grade mineralization through an open pit development scenario. This change in corporate strategy was transformative, and effectively doubled the gold resource ounces and production profile which tripled the NPV<sub>5%</sub> (after-tax) of the project to \$907 million. Cerro Blanco is now an asset capable of producing over 300,000 ounces of gold and 1.0 million ounces of silver per year. The project could contribute significantly more to local stakeholders through employment, economic benefits and taxes.

The Company has been focused on advancing key initiatives that include the project Feasibility Study, social & environmental baseline data gathering for permitting & licensing initiatives, and local capacity building in the communities within the area of influence. These key initiatives are being done in preparation for the project development phase.

#### Feasibility Study

During the three months ended September 30, 2021, site general arrangement drawings were issued as final for the Feasibility Study. Land acquisition targets are progressing on schedule and the Company has secured the land for the project's permanent infrastructure, such as the camp, processing facility, warehouses and administration buildings.

On July 19, 2021, the Company announced an updated Mineral Resource estimate which incorporated the recent infill drill program completed this year. The new Mineral Resource contains 3.1 Moz of gold grading 1.5 g/t, with the Measured category approximately doubling from the previous estimate. In total, approximately 142 koz of gold were added to the Measured & Indicated Mineral Resource category.

Key focus areas for the Feasibility Study during the quarter were the mine plan schedule, additional metallurgical testwork and geotechnical drilling for pit slope and infrastructure. Offsite infrastructure projects were advanced and in-country project managers for site access and powerline were hired.

Mine design activities have progressed including a mine plan optimization exercise that incorporated a trade-off analysis in plant throughput. The study indicated that through better management of lower grade material and improved scheduling throughout the life of mine, a reduction in plant size from 5.0 to 4.0 mtpa could be achieved while maintaining a similar production profile and net present value. Mine mobile equipment selection was also completed.

Further metallurgical testing is currently underway on drill cores from the recent drilling unit to better understand variability in recoveries in the Salinas unit.

#### Permitting and environmental baseline data

During the three months ended September 30, 2021, the Company advanced permitting activities with the national authorities. The modification of the existing environmental license continued with mining, processing, environment and project footprint. Modelling for air, noise and dust is ongoing. A new social baseline study was conducted to improve the understanding of the current socio-economic status of the local communities.

#### Local skills development training and capacity building

The Company entered a partnership with a nationally accredited Guatemalan institution which is a recognized leader in job skills training as an accredited vocational school and has played an important role in skills development in Guatemala. Through our partnership, the Company will be offering technical training courses to members of the local communities in preparation for mine development. Programs and certifications particular to the construction and operations phases include masonry, carpentry, mechanics, technicians, and welding. Courses range on average from 12 to 18 months in duration and will help prepare for early works.

**Project Updates (cont'd)**

In addition to job skills training, the Company is undertaking an adult education program with the National Government and local educational institutions aimed at enhancing the social and economic conditions of the communities within the project area of influence, to improve eligibility for future employment and/or entrepreneurship. These skills are aimed at literacy and education levels to meet entry requirements for job skills training programs.

Update on COVID-19 response

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The health and safety of the Company's employees and communities is, and will always be, a top priority and the Company will continue to take the necessary steps and actions to ensure their well-being. The Company is closely monitoring COVID-19 developments, including the potential impact on the Company's operations. Due to the ongoing uncertainty resulting from COVID-19, the Company's operations and/or timelines could be impacted in a number of ways including, but not limited to: a reduction of activity at Cerro Blanco; disruptions to supply chains; worker absenteeism due to illness; and disruption to the progress of the Feasibility Study, permit approvals, project financing and construction. These possible impacts could result from government directives, the need to modify work practices to meet appropriate health and safety standards and other COVID-19 related impacts on the availability of labour or to the supply chain.

During the three months ended September 30, 2021, the Company organized COVID-19 vaccinations for its Cerro Blanco employees and local communities at its onsite clinic. As of September 30, 2021, over 90% of Elevar employees were fully vaccinated and close to 100% have received at least one dose. Some 187 community members received their first Moderna dose at an official Government vaccination program that was hosted at Cerro Blanco.

***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.

In line with Bluestone's commitment to responsible development and reducing our carbon footprint with the development of the mine, the Company has undertaken additional work on the Mita Geothermal project in 2021. The Company completed a scoping study that incorporated a review of the historical data and testwork completed on the project. An updated reservoir calculation was completed that estimated a reserve capacity of over 20 MW. The scoping study focused on several different sizing scenarios ranging from 5 MW to 20 MW, and the results highlighted an economic project with an after-tax internal rate of return of over 15%. Next steps include geological and geophysical surveys to further refine injection well locations alongside the proven production wells, followed by a feasibility study.

It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala has said it is 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. The Company continues to evaluate advancement options for Mita Geothermal as these developments occur.

**Results of Operations for the Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020**

The Company's net loss for the three months ended September 30, 2021, totaled \$7,129,181 or \$0.05 per share as compared to a net loss of \$8,639,298 or \$0.06 per share for the three months ended September 30, 2020. Significant expenditures and variances are as follows:

	<b>Three Months Ended September 30, 2021</b>	Three Months Ended September 30, 2020	(Increase) Decrease in Net Loss
Exploration and evaluation expenses <sup>(1)</sup>	<b>\$6,314,282</b>	\$5,672,863	(\$641,419)
General and administration			
Advertising and promotion	<b>59,030</b>	114,612	55,582
Corporate listing and filing fees	<b>22,934</b>	3,362	(19,572)
Office and general	<b>340,137</b>	188,728	(151,409)
Professional fees	<b>58,831</b>	334,127	275,296
Salaries and wages	<b>715,350</b>	903,252	187,902
Share-based compensation	<b>187,790</b>	206,123	18,333
	<b>(7,698,354)</b>	(7,423,067)	(275,287)
Interest income	<b>76,970</b>	155,350	(78,380)
Finance expenses	<b>(5,236)</b>	(162,899)	157,663
Accretion expense	<b>(106,551)</b>	(139,566)	33,015
Other loss	<b>—</b>	(11,189)	11,189
Foreign exchange gain (loss)	<b>528,902</b>	(512,988)	1,041,890
<b>Loss before income tax</b>	<b>(7,204,269)</b>	(8,094,359)	890,090
Income tax recovery (expense)	<b>75,088</b>	(544,939)	620,027
<b>Net loss</b>	<b>(\$7,129,181)</b>	(\$8,639,298)	\$1,510,117

<sup>(1)</sup> Exploration and evaluation expenses for the three months ended September 30, 2021 and 2020, were for the following:

	<b>Three Months Ended September 30, 2021</b>	Three Months Ended September 30, 2020
Cerro Blanco general and exploration expenditures	<b>\$3,726,855</b>	\$2,837,579
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	<b>1,912,265</b>	2,634,591
Corporate social responsibility and community relations	<b>607,782</b>	111,122
Mita Geothermal evaluation	<b>1,441</b>	—
Depreciation	<b>65,939</b>	89,571
	<b>\$6,314,282</b>	\$5,672,863

**Results of Operations for the Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020**

The Company's net loss for the nine months ended September 30, 2021, totaled \$21,946,101 or \$0.15 per share as compared to a net loss of \$21,122,779 or \$0.18 per share for the nine months ended September 30, 2020. Significant expenditures and variances are as follows:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	(Increase) Decrease in Net Loss
Exploration and evaluation expenses <sup>(1)</sup>	<b>\$16,765,499</b>	\$13,704,579	(\$3,060,920)
General and administration			
Advertising and promotion	<b>341,482</b>	322,576	(18,906)
Corporate listing and filing fees	<b>93,957</b>	51,465	(42,492)
Office and general	<b>921,239</b>	540,974	(380,265)
Professional fees <sup>(2)</sup>	<b>223,081</b>	1,405,233	1,182,152
Salaries and wages <sup>(3)</sup>	<b>2,236,059</b>	2,742,272	506,213
Share-based compensation	<b>1,365,517</b>	975,326	(390,191)
	<b>(21,946,834)</b>	(19,742,425)	(2,204,409)
Interest income	<b>304,532</b>	310,403	(5,871)
Finance expenses	<b>(70,150)</b>	(474,892)	404,742
Accretion expense	<b>(315,777)</b>	(411,749)	95,972
Other (loss) income	<b>(13,462)</b>	43,412	(56,874)
Foreign exchange loss	<b>(225,143)</b>	(358,282)	133,139
<b>Loss before income tax</b>	<b>(22,266,834)</b>	(20,633,533)	(1,633,301)
Income tax recovery (loss)	<b>320,733</b>	(489,246)	809,979
<b>Net loss</b>	<b>(\$21,946,101)</b>	(\$21,122,779)	(\$823,322)

<sup>(1)</sup> Exploration and evaluation expenses for the nine months ended September 30, 2021 and 2020, were for the following:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cerro Blanco general and exploration expenditures	<b>\$10,288,037</b>	\$7,630,457
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	<b>4,899,156</b>	5,255,790
Corporate social responsibility and community relations	<b>1,351,335</b>	553,448
Mita Geothermal evaluation	<b>21,346</b>	—
Depreciation	<b>205,625</b>	264,884
	<b>\$16,765,499</b>	\$13,704,579

<sup>(2)</sup> General and administration professional fees during the nine months ended September 30, 2020, were higher than the nine months ended September 30, 2021, due to project financing activities in 2020.

<sup>(3)</sup> General and administration salaries and wages during the nine months ended September 30, 2020, were higher than the nine months ended September 30, 2021, due to reduced headcount in 2021.

## Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended September 30, 2021, and the previous seven quarters:

	<b>September 30, 2021</b>	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Current assets	<b>\$32,547,978</b>	\$42,179,739	\$49,508,306	\$50,498,497	\$56,929,211	\$61,721,337	\$6,212,614	\$3,499,320
Property, plant and equipment	<b>14,201,894</b>	9,046,892	7,355,948	4,645,876	5,016,920	5,092,889	5,106,373	5,210,243
Exploration and evaluation assets	<b>30,126,433</b>	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	<b>78,642,612</b>	83,116,580	88,757,967	87,019,390	93,816,858	98,697,779	43,204,825	40,599,490
Current liabilities	<b>4,316,707</b>	2,732,570	2,407,236	2,980,812	3,035,421	2,575,705	12,050,213	3,621,810
Working capital	<b>28,231,271</b>	39,447,169	47,101,070	47,517,685	53,893,790	59,145,632	(5,837,599)	(122,490)
Net loss	<b>(7,129,181)</b>	(7,537,260)	(7,279,660)	(9,560,183)	(8,639,298)	(5,582,153)	(6,901,328)	(7,012,413)
Basic and diluted loss per share	<b>(0.05)</b>	(0.05)	(0.05)	(0.07)	(0.06)	(0.05)	(0.08)	(0.09)
Weighted avg. shares outstanding	<b>150,158,483</b>	150,144,563	144,961,360	143,538,463	143,231,017	120,661,470	82,412,067	81,898,123

The Company completed an equity financing on May 1, 2020, which resulted in increases to total assets, working capital and shares outstanding. Increases in property, plant and equipment during 2021 were mainly due to the purchase of land required for the Cerro Blanco open pit development scenario. 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 \$17,522,065 during the nine months ended September 30, 2021, from \$49,334,074 as at December 31, 2020, to \$31,812,009 as at September 30, 2021. Cash utilized in operating activities during the nine months ended September 30, 2021, was \$19,453,500 (nine months ended September 30, 2020 - \$18,953,223). Cash utilized in investing activities during the nine months ended September 30, 2021, was \$6,769,219 (nine months ended September 30, 2020 - cash generated of \$27,887), mainly for the acquisition of property, plant and equipment. During the nine months ended September 30, 2021, the Company generated cash from financing activities, mainly from the exercise of warrants, of \$8,564,524 compared to \$68,849,543 during the nine months ended September 30, 2020, which was mainly from a bought deal equity financing.

As at September 30, 2021, share capital was \$178,385,235 and was comprised of 150,158,483 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 nine months ended September 30, 2021, was mainly the result of the exercising of warrants and stock options. Reserves, which increased due to the vesting of stock options, were \$10,960,945 (December 31, 2020 - \$10,702,958). As a result of the net loss for the nine months ended September 30, 2021, the deficit at September 30, 2021, increased to \$138,476,416 from \$116,530,315 at December 31, 2020. Accordingly, shareholders' equity on September 30, 2021, was \$62,048,640 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 and stock options are outstanding as at November 16, 2021:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	150,158,483		
Stock options	7,733,000	1.15 - 1.89	0.21 - 4.34
<b>Fully diluted at November 16, 2021</b>	<b>157,891,483</b>		

## 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:

	<b>Three Months Ended September 30, 2021</b>	Three Months Ended September 30, 2020	<b>Nine Months Ended September 30, 2021</b>	Nine Months Ended September 30, 2020
Salaries	<b>\$322,935</b>	\$456,841	<b>\$1,141,711</b>	\$1,568,065
Share-based compensation	<b>153,333</b>	174,631	<b>1,165,778</b>	816,692
	<b>\$476,268</b>	\$631,472	<b>\$2,307,489</b>	\$2,384,757

Accrued compensation due to key management as at September 30, 2021, was \$368,495 (December 31, 2020 - \$637,763).

### *Related party expenses*

During the three and nine months ended September 30, 2021, the Company incurred \$85,840 and \$259,584, respectively, in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). The Company's Chief Executive Officer became the owner of Namdo on 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 nine months ended September 30, 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(r) of the Company's audited consolidated financial statements for the year ended December 31, 2020.

## 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 nine months ended September 30, 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 nine months ended September 30, 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 November 16, 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](http://www.sedar.com) or can be obtained by contacting:

Bluestone Resources Inc.  
2000 - 885 West Georgia Street  
Vancouver, BC, Canada  
V6C 3E8  
[www.bluestonerresources.ca](http://www.bluestonerresources.ca)  
Email: [info@bluestonerresources.ca](mailto:info@bluestonerresources.ca)

# **Bluestone** **RESOURCES INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three and Nine Months Ended September 30, 2021 and 2020**

**(Unaudited)**

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

(Expressed in United States dollars - Unaudited)

	Notes	September 30, 2021	December 31, 2020
<b>Current assets</b>			
Cash and cash equivalents		<b>\$31,812,009</b>	\$49,334,074
Accounts receivable		<b>69,702</b>	373,537
Equity securities		<b>229,984</b>	297,730
Prepaid expenses and other current assets		<b>320,735</b>	412,149
Inventory		<b>115,548</b>	81,007
		<b>32,547,978</b>	50,498,497
<b>Non-current assets</b>			
Restricted cash		<b>1,766,307</b>	1,748,584
Property, plant and equipment	3	<b>14,201,894</b>	4,645,876
Exploration and evaluation asset		<b>30,126,433</b>	30,126,433
<b>Total assets</b>		<b>\$78,642,612</b>	\$87,019,390
<b>Current liabilities</b>			
Trade and other payables	4	<b>\$4,316,707</b>	\$2,980,812
		<b>4,316,707</b>	2,980,812
<b>Non-current liabilities</b>			
Other liabilities	4	<b>1,911,297</b>	—
Rehabilitation provisions		<b>8,752,204</b>	8,436,427
Deferred income tax liabilities		<b>1,613,764</b>	1,947,178
<b>Total liabilities</b>		<b>16,593,972</b>	13,364,417
<b>Shareholders' equity</b>			
Share capital	5	<b>178,385,235</b>	168,677,315
Reserves		<b>10,960,945</b>	10,702,958
Accumulated other comprehensive income		<b>11,178,876</b>	10,805,015
Deficit		<b>(138,476,416)</b>	(116,530,315)
<b>Total shareholders' equity</b>		<b>62,048,640</b>	73,654,973
<b>Total liabilities and shareholders' equity</b>		<b>\$78,642,612</b>	\$87,019,390

Events after the reporting period (note 3)

**Approved on November 16, 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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
<b>Operating expenses</b>					
Exploration and evaluation expenses	6	\$6,314,282	\$5,672,863	\$16,765,499	\$13,704,579
General and administration					
Advertising and promotion		59,030	114,612	341,482	322,576
Corporate listing and filing fees		22,934	3,362	93,957	51,465
Office and general		340,137	188,728	921,239	540,974
Professional fees		58,831	334,127	223,081	1,405,233
Salaries and wages		715,350	903,252	2,236,059	2,742,272
Share-based compensation	5	187,790	206,123	1,365,517	975,326
		<b>(7,698,354)</b>	<b>(7,423,067)</b>	<b>(21,946,834)</b>	<b>(19,742,425)</b>
<b>Other income (expenses)</b>					
Interest income		76,970	155,350	304,532	310,403
Finance expenses		(5,236)	(162,899)	(70,150)	(474,892)
Accretion expense		(106,551)	(139,566)	(315,777)	(411,749)
Other (loss) income		—	(11,189)	(13,462)	43,412
Foreign exchange gain (loss)		528,902	(512,988)	(225,143)	(358,282)
<b>Loss before income tax</b>		<b>(7,204,269)</b>	<b>(8,094,359)</b>	<b>(22,266,834)</b>	<b>(20,633,533)</b>
Income tax recovery (expense)		75,088	(544,939)	320,733	(489,246)
<b>Net loss</b>		<b>(7,129,181)</b>	<b>(8,639,298)</b>	<b>(21,946,101)</b>	<b>(21,122,779)</b>
<b>Other comprehensive income items that will not be reclassified to net loss:</b>					
(Loss) gain on equity securities		(68,749)	450,140	(68,749)	462,917
Translation adjustment		(987,449)	1,324,510	442,610	3,047,291
<b>Comprehensive loss</b>		<b>(\$8,185,379)</b>	<b>(\$6,864,648)</b>	<b>(\$21,572,240)</b>	<b>(\$17,612,571)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>150,158,483</b>	<b>143,231,017</b>	<b>148,440,506</b>	<b>115,536,297</b>
<b>Basic and diluted loss per common share</b>		<b>(\$0.05)</b>	<b>(\$0.06)</b>	<b>(\$0.15)</b>	<b>(\$0.18)</b>

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
Bought deal financing, net of fees		52,578,000	62,706,915	—	—	—	62,706,915
Credit facility consideration		85,000	98,012	—	—	—	98,012
Share-based compensation	5	—	83,951	891,375	—	—	975,326
Exercise of options	5	5,198,333	8,027,654	(2,469,185)	—	—	5,558,469
Exercise of warrants	5	3,777,920	1,638,480	(430,121)	—	—	1,208,359
Comprehensive income (loss) for the period		—	—	—	3,510,208	(21,122,779)	(17,612,571)
<b>Balance, September 30, 2020</b>		<b>143,537,376</b>	<b>\$168,662,895</b>	<b>\$10,495,019</b>	<b>\$8,071,441</b>	<b>(\$106,970,132)</b>	<b>\$80,259,223</b>
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	—	—	1,365,517	—	—	1,365,517
Exercise of options	5	526,667	780,453	(156,288)	—	—	624,165
Exercise of warrants	5	6,084,440	8,927,467	(951,242)	—	—	7,976,225
Comprehensive income (loss) for the period		—	—	—	373,861	(21,946,101)	(21,572,240)
<b>Balance, September 30, 2021</b>		<b>150,158,483</b>	<b>\$178,385,235</b>	<b>\$10,960,945</b>	<b>\$11,178,876</b>	<b>(\$138,476,416)</b>	<b>\$62,048,640</b>

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	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
<b>Cash used in operating activities</b>			
Net loss for the period		(\$21,946,101)	(\$21,122,779)
Adjustments for:			
Accretion expense		315,777	411,749
Depreciation	3	245,903	347,015
Share-based compensation	5	1,365,517	975,326
Interest income		(304,532)	(130,701)
Finance expenses		8,671	114,929
Other loss		18,436	11,189
Change in non-current other liabilities		659,819	—
Income tax (recovery) expense		(320,733)	488,892
Non-cash foreign exchange loss		261,414	523,926
Changes in non-cash working capital:			
Accounts receivable		36,679	(226,342)
Prepaid expenses and other current assets		92,054	97,412
Inventory		(34,541)	13,540
Trade and other payables		148,137	(452,211)
<b>Cash used in operating activities before income taxes paid</b>		<b>(19,453,500)</b>	<b>(18,948,055)</b>
Income taxes paid		—	(5,168)
<b>Cash used in operating activities</b>		<b>(19,453,500)</b>	<b>(18,953,223)</b>
<b>Cash used in investing activities</b>			
Purchase of property, plant and equipment		(7,345,886)	(158,588)
Interest received		576,667	130,701
<b>Cash used in investing activities</b>		<b>(6,769,219)</b>	<b>(27,887)</b>
<b>Cash generated by financing activities</b>			
Proceeds from equity financing		—	65,414,119
Equity financing fees		—	(2,707,204)
Proceeds from exercise of options		624,165	5,558,469
Proceeds from exercise of warrants		7,976,225	1,208,359
Funds received from loans		—	10,000,000
Repayment of loans		—	(10,000,000)
Credit facility fees		(4,500)	(467,897)
Lease principal repayments		(27,195)	(77,624)
Interest paid		(4,171)	(78,679)
<b>Cash generated by financing activities</b>		<b>8,564,524</b>	<b>68,849,543</b>
Effects of foreign exchange rate changes on cash and cash equivalents		136,130	2,448,132
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(17,522,065)</b>	<b>52,316,565</b>
Cash and cash equivalents, beginning of the period		49,334,074	3,030,330
<b>Cash and cash equivalents, end of the period</b>		<b>\$31,812,009</b>	<b>\$55,346,895</b>

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 and nine months ended September 30, 2021 and 2020**

(Expressed in United States dollars - Unaudited)

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## **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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 16, 2021.

For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A 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 nine months ended September 30, 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 and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

### 3. Property, Plant and Equipment

	September 30, 2021			
	Land	Plant and equipment <sup>(1)</sup>	ROU assets	Total
<b>Cost</b>				
Balance, January 1, 2021	\$907,858	\$4,799,044	\$215,735	\$5,922,637
Additions	9,399,493	416,152	—	9,815,645
Disposals	—	(86,860)	—	(86,860)
Translation differences	—	4,166	546	4,712
<b>Balance, September 30, 2021</b>	<b>10,307,351</b>	<b>5,132,502</b>	<b>216,281</b>	<b>15,656,134</b>
<b>Accumulated depreciation</b>				
Balance, January 1, 2021	—	(1,099,219)	(177,542)	(1,276,761)
Charge for the year	—	(213,388)	(32,515)	(245,903)
Disposals	—	68,424	—	68,424
<b>Balance, September 30, 2021</b>	<b>—</b>	<b>(1,244,183)</b>	<b>(210,057)</b>	<b>(1,454,240)</b>
<b>Net book value at September 30, 2021</b>	<b>\$10,307,351</b>	<b>\$3,888,319</b>	<b>\$6,224</b>	<b>\$14,201,894</b>

<sup>(1)</sup> Includes assets under construction of \$1,166,222 at September 30, 2021.

	December 31, 2020			
	Land	Plant and equipment <sup>(2)</sup>	ROU assets	Total
<b>Cost</b>				
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
<b>Accumulated depreciation</b>				
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)
<b>Net book value at December 31, 2020</b>	<b>\$907,858</b>	<b>\$3,699,825</b>	<b>\$38,193</b>	<b>\$4,645,876</b>

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

Subsequent to the reporting period, the Company acquired land with costs totaling \$998,594. These lands were paid for with cash and cash equivalents designated for the purchases as at September 30, 2021.

## Bluestone Resources Inc.

### Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

#### 4. Trade and Other Payables

	September 30, 2021	December 31, 2020
Trade payables	\$965,186	\$1,095,261
Accrued liabilities	1,238,635	588,523
Lease liability	8,394	35,586
Payroll liabilities	1,009,459	1,261,442
Other liabilities <sup>(1)</sup>	3,006,330	—
	<b>\$6,228,004</b>	<b>\$2,980,812</b>
Non-current portion of other liabilities <sup>(1)(2)</sup>	(1,911,297)	—
<b>Current trade and other payables</b>	<b>\$4,316,707</b>	<b>\$2,980,812</b>

<sup>(1)</sup> Other liabilities includes amounts relating to land purchase agreements payable in 2022 and 2023. As at September 30, 2021, current and non-current other liabilities relating to these agreements were \$1,095,033 and \$1,251,478, respectively.

<sup>(2)</sup> The Company has agreements with previous landowners from which the Company had purchased land. These agreements do not relate to the purchases of land. As at September 30, 2021, non-current other liabilities relating to these agreements were \$659,819, which was recognized as exploration and evaluation expenses in the consolidated statement of loss during the three months ended September 30, 2021. The Company is required to make these payments in 2023.

#### 5. Share Capital

As at September 30, 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 nine months ended September 30, 2021, and year ended December 31, 2020, are as follows:

	September 30, 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)	—	—
<b>Outstanding, end of period</b>	<b>—</b>	<b>\$—</b>	<b>8,730,652</b>	<b>\$1.65</b>

**Bluestone Resources Inc.****Notes for the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in United States dollars - Unaudited)

**5. Share Capital (cont'd)****b) Stock options**

The changes in stock options outstanding during the nine months ended September 30, 2021, and year ended December 31, 2020, are as follows:

	September 30, 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	(526,667)	(1.49)	(5,208,333)	(1.49)
Forfeited	(141,000)	(1.70)	(10,000)	(1.50)
<b>Outstanding, end of period</b>	<b>7,733,000</b>	<b>\$1.62</b>	<b>5,685,667</b>	<b>\$1.57</b>

5,488,667 of the stock options outstanding as at September 30, 2021, are exercisable at a weighted average exercise price of C\$1.58 per option.

The weighted average fair value of the stock options granted during the nine months ended September 30, 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 nine months ended September 30, 2021, have an expiry date of March 18, 2026.

During the three and nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$187,790 and \$1,365,517 (three and nine months ended September 30, 2020 - \$206,123 and \$891,375), respectively, in the consolidated statement of loss relating to the stock options.

**6. Exploration and Evaluation Expenses**

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cerro Blanco general and exploration expenditures	\$3,726,855	\$2,837,579	\$10,288,037	\$7,630,457
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	1,912,265	2,634,591	4,899,156	5,255,790
Corporate social responsibility and community relations	607,782	111,122	1,351,335	553,448
Mita Geothermal evaluation	1,441	—	21,346	—
Depreciation	65,939	89,571	205,625	264,884
	<b>\$6,314,282</b>	<b>\$5,672,863</b>	<b>\$16,765,499</b>	<b>\$13,704,579</b>

## Bluestone Resources Inc.

### Notes for the Condensed Interim Consolidated Financial Statements

#### For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

## 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:

	<b>Three Months Ended September 30, 2021</b>	Three Months Ended September 30, 2020	<b>Nine Months Ended September 30, 2021</b>	Nine Months Ended September 30, 2020
Salaries	<b>\$322,935</b>	\$456,841	<b>\$1,141,711</b>	\$1,568,065
Share-based compensation	<b>153,333</b>	174,631	<b>1,165,778</b>	816,692
	<b>\$476,268</b>	\$631,472	<b>\$2,307,489</b>	\$2,384,757

Accrued compensation due to key management as at September 30, 2021, was \$368,495 (December 31, 2020 - \$637,763).

### b) Related party expenses

During the three and nine months ended September 30, 2021, the Company incurred \$85,840 and \$259,584, respectively, in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). An officer of the Company became the owner of Namdo on 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 holds equity securities of a publicly traded company which are categorized as Level 1. The equity securities are measured at fair value through other comprehensive income and are valued using a market approach based upon unadjusted quote prices in an active market obtained from securities exchanges.

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

## **Bluestone Resources Inc.**

### **Notes for the Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2021 and 2020**

(Expressed in United States dollars - Unaudited)

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## **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 and restricted cash. Management believes that the credit risk with respect to these financial instruments is low as the balances primarily consist of amounts on deposit with a major financial institution. The maximum exposure to credit risk as at September 30, 2021, was \$33,578,569 (December 31, 2020 - \$51,363,021).

### **b) Liquidity risk**

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$31,812,009 (December 31, 2020 - \$49,334,074) to settle current liabilities of \$4,316,707 (December 31, 2020 - \$2,980,812). All of the Company's financial liabilities are subject to commercial 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 is required to make a 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 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 payments are not recognized as liabilities in the consolidated statement of financial position as at September 30, 2021. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

### **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 manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks, which focuses on preservation of capital and liquidity. 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 September 30, 2021, the weighted average interest rate earned on the Company's cash and cash equivalents was 0.62%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at September 30, 2021, would impact after-tax net loss by approximately \$302,000.

## Bluestone Resources Inc.

### Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

## 9. Financial Risk Management (cont'd)

### 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 September 30, 2021, would result in an approximate \$1,354,000 decrease/increase in net loss and an approximate \$2,640,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at September 30, 2021, would result in an approximate \$167,000 decrease/increase in net loss.

### 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 nine months ended September 30, 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 \$nil as at September 30, 2021 (December 31, 2020 - \$41,135,564).

Non-cash financing transactions during the nine months ended September 30, 2021 and 2020, were as follows:

	<b>Nine Months Ended September 30, 2021</b>	Nine Months Ended September 30, 2020
Transfer of reserves on exercise of options	<b>(\$156,288)</b>	(\$2,469,185)
Transfer of reserves on exercise of warrants	<b>(951,242)</b>	(430,121)
Fair value of common shares issued for credit facility	—	98,012